

Dear Fair Pricing Consultation Team,

We appreciate your work on this consultation and your ongoing commitment to ensuring customer support and transparency for less-familiar technologies such as heat networks.

As Energy UK members we defer to the Energy UK response to this consultation with regard to our overall views on Fair Pricing and the importance of consumer protection.

However, we wish to contribute separately on *Price Benchmarking*.

### **About Gren**

Gren is an established energy infrastructure investor and operator, investing in heat and power plants and biomass facilities, with over 700 km of energy networks operational across Europe. We are now looking to invest over £1bn in the UK, having committed £300m to developing district energy in Glasgow. Our core focus is on developing long-term infrastructure solutions that can serve anchor institutions, unlock private investment, reduce energy bills and help the UK and Scottish governments deliver on their commitments.

We are engaging key energy users like NHS Trusts, Universities, Housing Associations, Industry and Local Government. As we develop our flagship Energy on Clyde network in Glasgow, we note the importance of simplicity and regulatory clarity for consumer and investor confidence.

**Price Benchmarking: We support moving to a single mechanism of price benchmarking: external benchmarking.**

We outline our reasoning below.

While this consultation notes (Section 4.4) that “there is a benefit to using multiple benchmarking methods in combination”, we believe that a focus on external benchmarking is the correct approach, given the complexity of developing, publicising and enforcing three different systems. An external benchmark provides a sufficiently simple customer facing metric, supporting the socialisation of heat networks as an accessible and cost-effective solution, while ensuring interoperability with other legislation.

We support a technology agnostic attitude towards heat decarbonisation – individuals are likely to consider both heat network connections, individual-level decarbonisation solutions, and the option of running their existing system to end-of-life, contingent on permitting frameworks.

In order to decarbonise and develop at pace and scale, we believe that heat networks should only be built where they compare favourably to other low-carbon solutions in terms of consumer confidence, and speed of delivery and cost, including cost of subsidy. Based on our experience, this will initially mirror where high-temperature waste heat is available to kick-start networks, e.g. EfW facilities like South Clyde Energy Centre, that will power the Energy on Clyde network in Glasgow.

We aim to be competitive with gas ([link](#)), and hence support the existing gas comparison metric. However, low-carbon benchmarks such as heat pumps are also important in order for comparison for those who are obligated to more ambitious decarbonisation targets. More generally, if competitiveness with gas is a required benchmark by Ofgem, we would support a Contract for Difference in the interim period where places are in the process of making the low-carbon transition to ensure a level playing field.

***If secondary benchmarking is deemed also necessary, then we would support including comparator benchmarking, not own past-price benchmarking.***

Own past-price benchmarking risks siloing different operators, as well as making it more difficult to assess the behaviour of new entrants, likely disincentivising market entry, particularly for private upfront capital investment.

We would be open to discussing this in greater detail. For any questions, please contact [matthew.baker@gren.com](mailto:matthew.baker@gren.com).

Kind Regards,

Matt Baker

**Director of Public Affairs**