

This response is prepared by a group of residents representing leaseholders connected to the Pimlico District Heating Undertaking (PDHU), - the UK's oldest and until recently the largest district heating network, currently undergoing review of decarbonisation and appraisal of renewal options with capital costs to leaseholders estimated on the major works approach at £50,000-66,000 per flat or nearly 5 times higher than individual heating alternatives. PDHU provides heating and hot water to about 3,300 dwelling (approximately 50%-50% tenant-leaseholder split) and 50 commercial premises as well as Peabody Trust and Sanctuary Homes. While the emerging regulation mainly focuses on the deployment of new heat networks, we strongly believe that upgrade of the existing infrastructure and relevant provisions also deserve attention. Our experience demonstrates exactly why robust external benchmarking and consumer protection are essential in heat network regulation and is summarised in the below response. We have done our best to provide a fair consumer assessment of PDHU performance. PDHU case provides a perfect test case of an unprecedented renewal option appraisal for methodology development and should be used as worked example to demonstrate how robust benchmarking can identify and address disproportionate pricing by local authority operators.

Please do not hesitate to contact residents if you would like to explore our perspective in more detail and discuss preparation of PDHU case study for future use.

Project supporting documentation can be found at:

1. PDHU Decarbonisation and Renewal – Strategic Outline Case 27th March, 2023
<https://westminster.moderngov.co.uk/documents/s52373/PS%20Committee%20Report%20-%20PDHU%20FINAL.pdf>
2. PDHU - Outline Business Case Approach – item 6
[Agenda for Climate Action, Environment and Highways Policy and Scrutiny Committee on Thursday 29th February, 2024, 7.00 pm | Westminster City Council](#)
3. PDHU - Outline Business Case Approach – item 5
[Agenda for Climate Action, Environment and Highways Policy and Scrutiny Committee on Monday 3rd February, 2025, 7.00 pm | Westminster City Council](#)
4. Call-in of Cabinet Member Decision entitled: Future of Pimlico District Heating Undertaking - Progress on initial Outline Business Case
[Agenda for Climate Action, Environment and Highways Policy and Scrutiny Committee on Monday 28th April, 2025, 5.00 pm | Westminster City Council](#)
5. Future of Pimlico District Heating Undertaking (PDHU) - Progress on initial Outline Business Case – item 4
[Agenda for Cabinet on Monday 31st March, 2025, 6.30 pm | Westminster City Council](#)
6. Slides and presentations to residents by Westminster Council
[PDHU Residents Working Group - Russell House Group](#)
7. Times article
[Flat owners face £66,000 bill each for council's new green heating](#)

We request this response to be published in full to provide transparency about real-world impacts of heat network pricing and to assist other consumers facing similar issues.

FAIR PRICING FRAMEWORK

Q1. Have we identified the right set of fair pricing consumer objective, principles and outcomes and are these properly defined?

We broadly agree with the fair pricing consumer objective, principles and outcomes, but propose critical refinements based on our experience with PDHU.

CRITICAL MISSING PRINCIPLE - Existing Consumer Financial Protection: Current principles fail to protect existing heat network consumers from forced expensive upgrades.

PDHU Violation Example:

- Existing residents pay unreasonable current bills including standing charges.
- Council forcing £50-66k charges for system renewal.
- Up to 5x more expensive than individual alternatives.
- No consumer choice or opt-out route is being offered.

Required Additional Principle: Continuity Protection

- No existing consumer should face charges exceeding current system costs + inflation.
- Right to disconnect when upgrade costs exceed alternatives.
- Grandfathering protection for existing reasonable arrangements.
- Alternative system permission when heat network becomes uneconomical.

Engineering appropriateness needs addressing: Retrofitting inappropriate buildings creates unavoidable cost inefficiencies. PDHU's 1984 extensions have 4x higher leak rates than original 1950s properties, proving engineering inappropriateness. The metallurgy of distribution networks in some buildings wasn't suitable for the pressures, temperatures and water composition, ultimately leading to systematic leaks. Cost-reflective pricing becomes impossible when fundamental engineering mismatches exist. For example, like in the case of PDHU renewal, committing to very large capital budgets to renew the network and replace it with a similar one while not considering reduction in supply temperatures and only reducing secondary heat losses from 30 to 20%. Application of fabric first and building energy efficiency improvements must precede any roll out of heat network deployment.

Economic rationality ceiling required: No consumer should pay more than equivalent individual heating system costs. PDHU's renewal at £50-66k per flat vs. £5-20k individual systems represents economically irrational pricing. The carbon abatement cost exceeds £500-600/tCO₂eq - more expensive than direct air capture technology while voluntary carbon offsets cost around £50/tCO₂eq.

Cross-subsidisation prohibition: Well-functioning properties should not subsidise problematic connections. PDHU allows over 2,000 appropriate properties to subsidise 970 inappropriate extensions through cost averaging and lack of block-level metering.

Trapped consumer protections: Enhanced protections needed for existing residents who cannot choose their heating system, particularly in heat network zones where connection may become mandatory.

Q2. Do you agree with our proposals to develop the fair pricing guidance in relation to the principles?

We agree with proposed guidance areas but believe critical additional areas must be included based on PDHU experience

a) Additional guidance areas essential

Connection appropriateness assessment: Clear methodology for identifying properties never designed for district heating pressures. PDHU operates at 8-9 bar and supply temperature of 85C in buildings designed for communal boiler systems of 4-5 bar and 60-70C with copper piping. Only in 2025 did some buildings receive hydraulic isolation reducing pressure to 4 bar - 40 years too late.

System segmentation analysis: Mandatory reporting of leak rates, repair costs, and efficiency by property group. Averaging costs across appropriate and inappropriate connections masks true cost drivers, as PDHU demonstrates.

Economic rationality test: Mandatory comparison of proposed major works costs against disconnection + individual heating costs. If upgrade costs exceed those of alternatives, disconnection must be offered as option.

Legacy system transition: Protocols for selective decommissioning of problematic network segments rather than forced system-wide renewal when remediation costs exceed replacement benefits.

Trapped consumer protection (affordability): Enhanced protections for existing consumers who cannot choose their heating system. Recognition that captive consumers require stronger pricing safeguards. Specific guidance for residential properties in heat network zones where connection is mandatory. Published zoning plans for several areas in England reveal that target customers are either public institutions with project costs covered by the taxpayers, hospitals, universities or commercial establishments and in very rare cases new builds.

b) Critical changes to specific proposals

Data accuracy and meter readings: Strengthen requirements to include leak rate reporting per building and mandatory pressure monitoring data. PDHU's 4x leak incidence rate between appropriate and inappropriate connections only became apparent through detailed analysis.

Network efficiency: Require economic viability assessment when efficiency improvements exceed alternative heating costs. Mandatory cost-benefit analysis comparing system upgrade vs disconnection. PDHU renewal at £50-66k per flat vs. £5-20k individual systems shows some "improvements" are economically irrational.

Maintenance costs: Recognition that some maintenance costs indicate fundamental system inappropriateness rather than normal wear. Distinguish between "efficient maintenance" and "maintaining the unmaintainable". PDHU's annual maintenance reflects pressure incompatibilities, additional works such as asbestos removal rolled under PDHU cost centre, not normal operational costs.

Fuel procurement: Requirement to consider total system costs, not just fuel costs, when assessing efficiency. Focusing only on fuel procurement ignores that some systems have inherently high infrastructure costs, also fuel procurement is usually a once-a-year procurement event not reflecting energy price dynamics with no consideration to price volatility, risk mitigation and hedging.

Cross-subsidisation: Explicitly prohibit cross-subsidisation from appropriate to inappropriate connections. Require identification and separate accounting for properties causing disproportionate costs.

Shock bills: Define major capital costs exceeding alternative heating costs as inherently unreasonable. PDHU renewal costs represent fundamental system problems, not temporary shocks.

Engineering compatibility assessment: Requirement to assess whether buildings were designed for district heating pressures and temperatures. Recognition that retrofit connections may be fundamentally inappropriate. PDHU's 1984 extensions demonstrate dangers of connecting incompatible buildings.

Consumer choice protection: Right to disconnect and install individual systems when costs become disproportionate. Protection against being trapped in economically irrational systems. Heat network zoning may force connection, but consumers shouldn't be trapped in failing systems.

Q3. Do you agree with the proposed 'fairness test'?

We support the fairness test but believe critical enhancements are needed

a) High-level features - support with additions

Add engineering appropriateness as core principle: PDHU shows some connections are fundamentally inappropriate regardless of operational efficiency. Hydraulic isolation was only implemented after 40 years of inappropriate pressure operation.

Consumer impact threshold: If costs exceed those of heating alternatives, presumption against reasonableness with burden shifting to operator to justify extreme differential. PDHU's 5x premium clearly exceeds any reasonable threshold.

Objective benchmarks essential: Include comparison with individual heating costs and engineering compatibility assessment as objective criteria. PDHU's 4x leak rate differential provides objective evidence that averaging masks critical distinctions.

b) Additional questions for fairness test implementation

- How do costs compare to individual heating alternatives (gas boiler, heat pump, electric)?
- Are consumers trapped in systems they cannot economically leave?
- Could selective remediation address problems more cost-effectively than system-wide solutions?

Implementation concern: The fairness test must prevent operators gaming by claiming every expensive option is "reasonable" in their circumstances, especially when comparing it against **inflated** "business as usual" option using cost difference as a key justification to proceed with more expensive "reasonable" option.

Q4. Does the revised authorisation condition, 'fair pricing', reflect the policy intent?

Yes, the revised authorisation condition reflects the policy intent but suggest an addition to the existing wording (4.1): An authorised person must ensure that the charges it imposes are fair and are not disproportionate, ***including in comparison to alternative heating provision costs.***

Justification: Makes explicit that fairness includes affordability relative to consumer alternatives, preventing situations like PDHU where renewal costs exceed individual heating by 5x.

MARKET SEGMENTATION

Q5. In relation to market segmentation:

a) Missing characteristics requiring addition

Connection engineering appropriateness: Whether buildings were originally designed for district heating vs. inappropriately retrofitted. PDHU's 1984 extensions have 4x higher leak rates than 1950s properties, proving different regulatory treatment needed for "appropriate" vs. "inappropriate" connections.

Historical performance by connection vintage: Network performance segmented by when properties were connected and under what engineering standards. Averaging PDHU performance across all properties masks that problems concentrate in specific connection cohorts.

b) Enhanced segmentation approaches needed

Mixed engineering appropriateness networks: PDHU demonstrates networks can have some connections that work and others that fundamentally don't. Requires segmentation by connection engineering suitability within same network rather than simple district vs. communal classification.

Local authority vs. private operators: Enhanced accountability for council operators given potential conflicts of interest and political pressure to shift costs to captive residential users. Westminster Council controls both network decisions AND planning permissions for alternatives.

Customer category transparency: Prevent cross-subsidisation from captive residential to mobile commercial users. PDHU commercial customers avoid capital charges while leaseholders potentially face £50-66k bills.

Network evolution management (segmentation): How networks with multiple connection phases and different engineering standards should be regulated. Right to selective remediation rather than forced system-wide solutions. PDHU shows some networks become exacerbated by performance degradation where recent additions make original problems worse.

Dependency relationships (segmentation): Some properties now depend on network only because other inappropriate properties were connected. Cost responsibility should follow causation - recent additions bear costs of system stress they create. Recent PDHU additions compound pressure problems affecting whole system.

COST ALLOCATION

Q10. Do you agree with our proposed prescriptive rule that GSOP payments, compensations, fines, penalties and other redress should not be passed through to customers?

We strongly agree but have serious concerns about implementation

Critical concern - council exemptions: Do local authority operators receive exemptions from GSOP compensation requirements? If councils avoid compensation while private operators pay, this creates unfair competitive advantage and reduces service incentives. We experience poor service yet may have no compensation rights due to council exemptions despite skyrocketing bills.

Government subsidy discrimination: Individual gas boiler owners receive £7,500 BUS grants for heat pump installation. PDHU residents are denied these grants despite switching from gas-supplied heating to heat pumps, creating perverse incentives against collective decarbonisation. This

represents double burden: full network upgrade costs PLUS missing individual subsidies creating £57,500+ effective cost penalty vs. individual property owners.

Commercial vs. residential disparity: PDHU commercial customers avoid capital charges while residential leaseholders face £50-66k bills. Same standing charges for commercial properties regardless of size shows unfair allocation.

Q11. Do you agree with the draft best practice guidance provided?

Critical areas must be added and strengthened to prescriptive rules

Government subsidy exclusion penalty: Technology-neutral subsidies essential - heat networks installing heat pumps should receive £7,500 per property equivalent funding in addition to any other available subsidies or funds. Heat network disconnection grants should apply to consumers choosing individual heat pumps. Current discrimination creates policy inconsistency incentivising individual solutions while penalising collective approaches.

Strengthen to prescriptive rules:

- Commercial cost allocation equity should be mandatory rule, not guidance.
- Cost recovery from inappropriate connections should be prohibited rule.
- Cross-subsidisation transparency should be mandatory reporting requirement.

Enhanced requirements for different network types:

- **Local authority operators:** Enhanced transparency due to conflicts of interest and limited commercial accountability.
- **Mixed-appropriateness networks:** Enhanced restrictions on cross-subsidisation between appropriate and inappropriate connections.
- **Legacy networks:** Separate cost accounting by connection era and engineering standards.

Q12-Q14. Cost allocation differentiation and additional feedback.

Cost allocation best practices must differ significantly while enhanced local authority framework is essential: Local authorities cannot claim commercial confidentiality for publicly funded networks. Framework doesn't address when capital costs become economically irrational - PDHU renewal at £50-66k vs £5-20k alternatives shows need for economic rationality threshold prohibiting capital cost recovery exceeding those of individual heating alternatives.

Network Complexity: Simple networks can follow standard guidance, while mixed-appropriateness networks (like PDHU) need enhanced cross-subsidisation restrictions and separate cost accounting by connection era.

Operator Type: Local authority operators require enhanced transparency and accountability due to inherent conflicts of interest, political pressures to shift costs to captive residential users, and limited commercial accountability. Private operators can follow standard commercial rules.

Customer Mix: Mixed commercial/residential networks need mandatory equal treatment rules to prevent commercial customers from avoiding capital charges while residents bear full costs.

Enforcement Weakness: Current framework lacks sufficient power to address systematic local authority cost manipulation. PDHU shows Westminster Council inflating maintenance costs from £1.5-1.7m actual to claimed £3.5m to justify expensive renewal.

Missing Consumer Protections:

- No economic rationality threshold for capital cost recovery.
- No selective disconnection rights when costs become disproportionate.
- Insufficient protection against "leaseholder tax" where private owners subsidise council decisions.

PDHU demonstrates systematic inequality:

- Leaseholders face £50-66k individual charges for identical properties.
- Council tenants have costs covered by Housing Revenue Account.
- Same building, same benefit, completely different cost burden.

Capital cost recovery timing inequality: No one should pay more than annualised share of capital costs over asset lifetime. Heat network assets last 40+ years but PDHU demands full £50-66k upfront from current leaseholders, creating early user subsidisation where current residents pay full costs while future residents benefit for free.

Essential Regulatory Strengthening Needed:

- Add explicit prohibition on unfair cross-subsidisation between customer categories, with transparent separate cost reporting requirements.
- Capital cost recovery should be prohibited when exceeding those of individual heating alternatives, with leaseholder charges capped at not higher than individual heating costs.
- Require operators to arrange financing for capital works with annualised cost recovery rather than upfront lump sums, ensuring all users over asset lifetime contribute fairly.
- Stronger penalties for cost allocation misconduct by public sector operators, with mandatory publication of actual cost allocation results by customer category.

Current cost allocation treats this as a technical accounting issue when it's fundamentally a consumer protection issue requiring stronger enforcement mechanisms to prevent systematic exploitation of captive residential customers.

PRICE COMPARISON AND BENCHMARKING

Q15. Do you agree with our proposed approach for defining heat network prices in a comparable way?

Strong agreement with critical enhancement needed

Without including capital costs and total lifetime comparisons, price definitions miss the complete consumer cost burden that makes heat networks like PDHU economically irrational and evaluation of operator performance efficiency and budget planning (in case of local authorities) impossible.

Multiple comparison points: Must include total cost of heat network connection vs total cost of individual heating. Should compare both annual costs and total lifetime costs including capital charges. PDHU demonstrates why: £50-66k upfront + ongoing charges vs £5-20k individual system installation + annual costs.

Capital cost integration essential: Current approach focuses on ongoing charges but ignores upfront capital costs. PDHU reality: renewal demands £50-66k upfront PLUS continuing annual charges vs. £5-

20k individual system installation + annual costs. Fair comparison requires annualising capital costs over asset lifetime vs. individual heating total costs.

Reference consumer approach: Referring to affordability assessment support comparing prices for 'low', 'medium', and 'high' usage consumers, but must include leaseholders facing capital charges vs. tenants with costs covered to reveal systematic inequalities.

We strongly disagree with any price definition approach that doesn't include proper economic analysis. PDHU demonstrates why this is essential

Westminster Council's Cost Manipulation:

- Claims £150-200M heat network is "cheaper" than £100M individual electric systems.
- Uses "whole life cost" comparison while setting NPV to zero for all options when ranking them.
- Refuses to calculate or disclose actual NPV/IRR/BCR making proper comparison impossible.
- No common economic denominator - compares raw capex+opex totals instead of present values.

This Creates False Comparisons:

- £200M upfront + low opex vs. £100M + higher electricity costs.
- Without NPV analysis, cannot determine which is cheaper.
- Time value of money completely ignored.
- Residents face £50-66k upfront charges while council claims "long-term savings".

Price definition MUST include:

- Mandatory NPV calculation for all options using consistent discount rates compliant with HMT Green Book methodology.
- Present value comparison of total costs over asset lifetime.
- Annualised cost comparison showing true annual cost to consumers.
- Economic rationality assessment - no option should proceed without positive business case.

PDHU proves that without proper economic analysis, "price definition" becomes a tool for manipulation rather than genuine cost comparison.

Q16. Do you agree with our proposal to use gas boilers and heat pumps as external reference benchmarks?

Support with critical addition for consent manipulation

Consent manipulation issue: Local authorities control both heat network decisions AND planning/building consents, creating conflict of interest. Can deny individual heating permissions to force heat network dependence. Framework must include right to disconnect for lowest-cost alternative when heat network costs exceed those of alternatives.

Councils should be required to grant consent for lowest-cost heating alternative when:

- Heat network costs exceed those of individual alternatives.
- Technical feasibility exists.
- Consumer requests disconnect due to excessive costs.

Benchmark framework to include: Lowest cost technically feasible alternative as primary benchmark with councils not to use their planning powers to force expensive heat network retention, grid upgrade costs amortised fairly across all converting properties.

Without consent protection, councils exploit planning powers to create captive markets, making external benchmarking ineffective consumer protection.

Q17. Do you agree with the proposed method for calculating a heat pump benchmark?

Support with important additions for real-world costs

Planning/consent costs: Include consent and survey costs, listed building consents, grid connection costs. PDHU context: Grade II listed buildings face additional approval costs that councils may exploit.

Enhanced installation factors: Listed building premiums, urban installation challenges, communal heating conversion costs. Heat pump benchmark must reflect real-world costs including planning/consent challenges councils may impose.

Electrical Supply Considerations: Cost difference between ***property-level vs. building-level electrical*** works. Consideration of ***diversity factors*** for grid capacity calculations as not all properties would peak simultaneously.

Implementation request: PDHU-specific worked example with a benchmark for Grade II listed 1950s buildings and/or flats to include all realistic costs and comparison of heat pump lifetime costs vs PDHU £50-66k renewal premiums plus ongoing charges.

Heat pump benchmark must reflect real-world costs including planning/consent challenges that councils may impose, ensuring genuinely comparable alternatives for external benchmarking.

Q18. Do you agree with the proposed approach to comparator benchmarking?

Support but critical cost drivers are missing

Carbon abatement cost efficiency (£/tCO₂eq) - CRITICAL MISSING ELEMENT:

- PDHU's £500-600/tCO₂eq vs. £50/tCO₂eq carbon offsets proves need for climate value-for-money assessment.
- Essential benchmarking enhancement: Cost effectiveness to be calculated as per Chapter 5, sections 5.1-1.16 of HMT Green Book Supplementary Guidance: Valuation of Energy Use and Green House Gas Emissions to establish a threshold and prevent inefficient climate spending.
- Prevents "greenwashing" expensive projects with marginal climate benefits.

Government subsidy discrimination in benchmarking: External benchmarking systematically understates heat network cost burden because individual installations benefit from £7,500 BUS grants while heat networks get no equivalent support, creating artificial competitiveness distortion.

Connection engineering appropriateness: Whether buildings originally designed for district heating vs. inappropriately retrofitted. PDHU's 4x leak rate differential across estates of different vintage proves this fundamental cost driver essential for accurate comparisons.

Local authority vs. private operator: Councils control consents AND network decisions. Westminster controls planning permissions for alternatives while managing heat network, creating systematic bias.

Network cost intensity: Capital cost per MW (or GW) installed capacity for network comparison, operating cost per MWh annual output for efficiency comparison. Total cost per MW including renewals for lifecycle comparison.

Q19-Q20. Data reporting challenges for cost drivers.

Local authority manipulation risks require enhanced accountability

PDHU reality check: Westminster Council claims benchmarking data "confidential or non-existent" while managing £150-200m project, demonstrates systematic accountability gaps. Council manipulates cost figures (claims £3.5m maintenance vs. actual £1.5-1.7m) to justify expensive renewal.

Enhanced requirements for local authorities:

- Cannot claim commercial confidentiality for publicly funded networks.
- Mandatory independent audit of all cost driver data.
- Separate reporting by customer category preventing cross-subsidisation masking.

Legacy system challenges: 70-year-old PDHU system with multiple expansion phases lacks accurate documentation. Many existing networks will have similar data gaps requiring transition periods but no exemptions for operators causing significant consumer detriment.

Annual network demand - EXTREMELY CHALLENGING for unmetered/poorly metered systems:

Critical gap for PDHU is the absence of consumption data despite 70 years of operation. Westminster Council confirmed no performance data available to verify demand. Billing based on habitable rooms, not actual consumption. Partial block-level metering despite this becoming mandatory a decade ago with no enforcement by regulators. Many legacy systems will have similar data gaps.

Without accurate demand data, Westminster Council:

- Cannot verify whether proposed renewal is economically rational.
- Makes capital investment decisions based on assumptions, not facts.
- Cannot benchmark performance against alternatives or similar networks.
- Manipulates cost figures to support predetermined expensive solutions.

High importance cost drivers are essential for consumer protection, but local authority operators like Westminster Council present heightened manipulation risks requiring enhanced verification and transparency requirements. 4 years after the project commencement and 3 winters later (for potential data collection) the data for £150-200 million project can still be described as low confidence. Data collection depends heavily on operator competence and accountability.

Based on PDHU experience, medium importance cost drivers reveal even more concerning data gaps and manipulation opportunities, particularly for local authority operators:

Annual network generation (kWh) - EXTREMELY CHALLENGING:

- PDHU critical gap: No generation monitoring despite 70+ years operation.
- Westminster Council cannot provide basic performance data.
- No heat loss calculations or efficiency measurements.
- Many legacy systems will have identical data voids.

- Essential for identifying inappropriate connections (PDHU's 1984 extensions cause disproportionate losses).

Network generation (3rd, 4th, 5th) - MODERATE but reveals poor planning:

- PDHU example: Considering 3rd generation replica despite 4th/5th generation being available.
- Easy to report but exposes operators making poor technology choices.
- Critical for carbon abatement cost assessment - outdated technology undermines climate justification.

Network age - COMPLEX for multi-vintage systems:

- PDHU: Core system 1950s, problematic extensions 1984, recent additions 2020s.
- Single "age" figure meaningless - need segmented reporting by connection vintage.
- Critical for identifying performance differentials (PDHU's 4x leak rate differential).
- Many networks have similar evolution complexity.

Cost recovery approach - EXTREMELY CHALLENGING and manipulation-prone:

- PDHU critical gap: No transparency on what costs are/aren't passed to consumers.
- Commercial customers different rules from residential.
- Standing charges collected 70+ years but no sinking fund for renewals.
- Council may be legally unable to maintain sinking funds for properties where it's freeholder.
- Creates structural consumer detriment requiring regulatory intervention.

Local authority specific data manipulation risks: financial opacity blending heat network related costs with other council activities and maintenance and operating cost inflation; political manipulation including critical success factors prioritising council interests over consumer welfare to manipulate planning, budgeting and compliance all ultimately leading to different rules for council tenants and leaseholders.

Medium importance cost drivers reveal systematic data gaps and manipulation opportunities that local authority operators like Westminster Council exploit to justify expensive, inappropriate solutions while avoiding accountability to captive consumers.

Q21. Do you support publishing high-level methodology for each benchmark?

Strong support with critical enhancements beyond current proposals

Real-world case study publication: Use PDHU as a worked example showing how £50-66k renewal costs compare to external benchmarks, demonstrating carbon abatement cost assessment (£500-600/tCO₂eq), illustrating connection appropriateness analysis (4x leak rate differential), and providing cost allocation transparency examples.

Enhanced transparency requirements: Methodology must include data sources and assumptions with calculation examples using real numbers, not just theoretical frameworks. Local authority operator supplements needed addressing conflict of interest issues.

Consumer-accessible formats: Multiple accessibility levels from consumer factsheet to technical methodology with worked examples using real networks like PDHU.

PDHU-specific methodology testing: How does methodology handle networks with appropriate (1950s) and inappropriate (1984) connections? How does methodology address operators who control both network AND alternative permissions? Climate value for money assessment preventing green washing. Academic peer review of methodology robustness, consumer group review of accessibility and comprehensibility. Case study library expansion including problematic networks like PDHU. Cost manipulation indicators must be identifiable through methodology, cross-subsidisation patterns must be detectable. Clear data manipulation identification, independent audit triggers for outlier cases.

PDHU case provides a perfect test case of an unprecedented renewal option appraisal for methodology development and should be used as worked example to demonstrate how robust benchmarking can identify and address disproportionate pricing by local authority operators.

The methodology must be comprehensive enough to catch the systematic problems PDHU demonstrates while remaining accessible to consumers who need to challenge inappropriate council decisions.

Q22. Do you have any other feedback on the proposed approach to price comparison and benchmarking?

PDHU experience reveals fundamental gaps requiring immediate attention

CRITICAL MISSING: Economic rationality threshold: No heat network costs should exceed those of equivalent individual heating alternatives with automatic investigation trigger. PDHU's 5x premium violates any reasonable standard.

MISSING: Engineering appropriateness assessment framework: Pressure/temperature compatibility assessment mandatory with separate benchmarking for appropriate vs. inappropriate connections.

INADEQUATE: Local authority operator safeguards: Assessment needed for operators controlling both network AND alternatives (planning permissions). Enhanced verification requirements and conflict of interest disclosure essential. The Heat Trust calculator comparing cost of individual gas boiler solution includes assumptions and allowances for its replacement, maintenance and insurance, the district heating costs in theory should include a provision for infrastructure maintenance and replacement but as PDHU case suggests those are an addition.

MISSING: Cost effectiveness of abatement benchmarking: Cost effectiveness to be calculated as per Chapter 5, sections 5.1-1.16 of HMT Green Book Supplementary Guidance: Valuation of Energy Use and Green House Gas Emissions to establish a threshold and prevent inefficient climate spending. PDHU's £500-600/tCO₂eq proves urgent need.

Government subsidy discrimination: External benchmarks must account for £7,500 BUS grant availability differences to ensure fair comparison between individual and network solutions.

Timeline acceleration: Implementation must begin January 2026 with retrospective authority for projects decided 2024-2025 to prevent pre-regulation gaming by operators like Westminster Council. Current benchmarking approach, while positive, is insufficient to address systematic problems local authority create through conflicts of interest, engineering incompetence, and financial manipulation.

PDHU demonstrates that without economic rationality thresholds, engineering appropriateness assessments, and enhanced local authority safeguards, benchmarking will fail to protect consumers from the most egregious cases of disproportionate pricing.

The framework must be enhanced to catch and prevent PDHU-type situations where residents face economically irrational costs for inappropriate engineering solutions justified through manipulation of project economics and climate claims.

CENTRAL PRICE TRANSPARENCY

Q27. What are your views on the three options?

Support combination approach - PDHU's complexity demonstrates single option insufficient

PRIMARY: Option 2 (Market Averages) + Economic Rationality: Immediate identification of extreme outliers with clear red flags when costs exceed those of individual heating alternatives. PDHU application immediately shows £50-66k vs. £5-20k individual systems.

SECONDARY: Option 1 (Grouped Comparison) for Engineering Context: Compare networks with similar engineering appropriateness. Show performance segmentation - PDHU's 1950s core vs. 1984 extensions differentials. Enable cost allocation transparency identifying cross-subsidisation patterns.

TERTIARY: Option 3 (RAG Ratings) for Public Accountability: Red rating for PDHU across cost, engineering, carbon efficiency. Political pressure tool - councils don't want public red ratings.

Cross-cutting enhancements for all options:

- Economic rationality integration with clear thresholds.
- Engineering appropriateness indicators.
- Carbon efficiency warnings (£/tCO₂eq).
- Enhanced local authority accountability requirements.

All three options have value, but none adequately address the systematic problems local authority operators create through conflicts of interest, engineering incompetence, and financial manipulation.

Enhanced transparency requirements, economic rationality thresholds, and local authority accountability measures are essential regardless of which presentation format is chosen.

The goal must be transparency that enables consumer protection, not just information that makes bad operators look slightly more accountable while continuing to exploit captive customers.

Q28. Do you think the options have the right balance?

Balance fundamentally wrong - prioritises operator protection over consumer protection!

Transparency level insufficient: Current proposals too weak against systematic local authority manipulation. Westminster Council claims benchmarking data "confidential" while imposing £50-66k charges. Enhanced transparency needed: local authorities should have HIGHER requirements than private operators.

Commercial sensitivity misapplied: Local authority operators cannot claim commercial confidentiality for consumer pricing decisions. Westminster uses "commercial sensitivity" to hide poor project economics while operating publicly funded network.

Misinterpretation risks overstated: Greater risk from NO information than misinterpretation. PDHU residents facing £50-66k charges with zero transparency about alternatives proves current approach fails consumers.

Rebalanced framework must prioritise: (1) Consumer protection through economic rationality transparency, (2) Engineering appropriateness disclosure, (3) Local authority accountability, (4) Exit information enabling disconnection decisions.

Current Balance Fails PDHU Residents

- No transparency about £50-66k vs. £5-20k alternatives.
- Commercial sensitivity claims blocking scrutiny of public project.
- Complexity excuses preventing detailed engineering analysis.
- No misinterpretation risk because no information provided at all.

Required Rebalancing

- Full transparency for local authority operators.
- Clear economic rationality comparison accessible to ALL consumers.
- Professional support for ALL residents facing major capital charges.
- Immediate implementation not delayed for perfect balance.

Current proposals are too timid about transparency and too protective of operator interests at the expense of captive consumers facing local authority manipulation.

PDHU demonstrates that risks of transparency are far outweighed by benefits of enabling consumer protection against economically irrational and engineering-inappropriate decisions.

The balance should strongly favour consumer protection over operator convenience, especially for public sector operators with captive customers.

Q29. Do you support focusing on one option or a combination?

Combination essential - no single transparency approach can address systematic local authority problems

Synergistic benefits: Option 2 identifies PDHU's extreme cost premium, Option 1 shows poor performance vs. similar networks, Option 3 provides public accountability signal. Multiple tools prevent gaming - harder for Westminster Council to exploit single approach.

Implementation sequence: Phase 1 (Jan 2026) Options 2 + economic rationality; Phase 2 (mid-2026) Option 1 integration; Phase 3 (early 2027) Option 3 integration.

PDHU-specific benefits: Legal challenge support through regulatory-quality data, resident protection via multiple verification methods, public accountability through political pressure across multiple systems.

Broader Institutional Oversight Gaps: The PDHU case reveals systematic failures in existing oversight mechanisms that should protect residents before heat network regulation becomes necessary. Westminster Council's £150-200m project violates HM Treasury Green Book requirements (no proper NPV/IRR/BCR analysis, manipulated cost assumptions), yet faces no enforcement. The Infrastructure Projects Authority oversight for £50 million+ projects appear bypassed, and Westminster's accounts

have not been subjected to external audit for several years, creating an accountability void for major capital commitments.

These institutional failures demonstrate why enhanced heat network regulation with stronger transparency requirements is essential - existing mechanisms have systematic gaps that local authorities exploit to proceed with economically irrational projects affecting captive consumers. The consultation's transparency proposals must be designed to work when traditional oversight institutions fail to protect residents from local authority mismanagement.

PDHU's systematic problems across engineering, economics, carbon efficiency, and cost allocation demonstrate that single transparency tool would be insufficient to protect consumers from local authority manipulation.

A combination approach provides comprehensive coverage, prevents gaming, serves different user needs, and creates multiple accountability pressure points essential for addressing complex cases like Westminster Council's PDHU mismanagement.

The combination should be implemented rapidly (2026-2027) rather than sequentially to prevent operators from exploiting temporary transparency gaps.

Q30. Do you support the phasing described in paragraph 6.70?

Timeline too slow - allows local authority gaming, we support accelerated timeline but the proposed in 6.70:

PDHU reality check: Westminster Cabinet decision expected 2025, implementation could start 2026, but transparency "after 2027" (very non-specific) leaves 2+ year protection gap allowing irreversible harm to residents facing £50-66k charges.

Accelerated phasing essential:

- **Phase 1 (January 2026):** Market averages with external benchmarks operational Day 1, economic rationality thresholds enforceable, government subsidy-adjusted benchmarks
- **Phase 2 (Mid-2026):** Basic grouped comparison with engineering appropriateness categories
- **Phase 3 (January 2027):** Full sophisticated grouping and RAG rating integration

Existing data sources available: Heat Trust calculator, Ofgem retail data, BUS grant information readily accessible for immediate implementation.

The paragraph 6.70 timeline is too slow and allows local authority operators like Westminster Council to exploit the regulatory transition period to impose irreversible costs on captive consumers.

Accelerated phasing with Day 1 external benchmarking and economic rationality assessment is essential to protect residents facing immediate financial threats from council mismanagement.

The regulatory framework should prioritise speed of basic protection over perfection of sophisticated tools - residents can't wait until "after 2027"? for transparency that could prevent financial devastation happening right now.

Q31. Do you support different options for different heat network groups?

Support differentiated approach but with critical corrections

Fundamental error in proposal: Suggests lighter requirements for "not-for-profit" networks, but local authorities technically qualify while posing highest manipulation risk. Westminster Council uses public sector status to avoid accountability while imposing costs higher than in a private sector.

Correct differentiation:

- **Enhanced requirements for local authority operators:** All transparency options mandatory plus additional verification.
- **Standard requirements for private operators:** Commercial accountability with legitimate confidentiality protections.
- **Reduced requirements only for genuine community control:** Right to Manage with resident governance.

Category 1: High Risk - Enhanced Transparency Required

- Local authority operators (regardless of profit status).
- Networks with captive consumers unable to influence decisions.
- Large-scale networks with significant consumer impact (PDHU 3,300 dwellings, 10,000 residents, 50 commercial premises).
- Mixed-use networks with cross-subsidisation potential.

PDHU classification: Requires all transparency options plus enhanced local authority requirements.

The proposed differentiation approach is backwards - it risks reducing transparency requirements for local authority operators who pose the highest consumer risk.

PDHU demonstrates that public sector operators need ENHANCED transparency requirements due to conflicts of interest, political manipulation, and captive consumer exploitation.

Differentiation should increase oversight where risk is highest, not reduce it based on misleading "not-for-profit" classifications that ignore actual governance accountability.

Q32-Q33. Administrative burden and linking transparency with benchmarking.

Support principles but prevent local authority gaming

Westminster Council burden claims invalid: Manages £150-200m+ project but claims data unavailable - such claims are regulatory gaming requiring rejection. Public sector operators cannot use resource constraints to avoid transparency given higher consumer risk and public accountability obligations.

Transparency-benchmarking linkage essential: Residents need regulatory-quality analysis for legal challenges. Enhanced integration prevents Westminster segregating regulatory analysis from public accountability. Shared analytical framework with identical methodologies enables consumer empowerment using same tools regulators use.

While transparency measures should minimise genuine administrative burden, PDHU demonstrates that local authority operators will exploit burden claims to avoid accountability for consumer exploitation.

Linking central price transparency with benchmarking is essential for effective consumer protection, but the linkage must be enhanced to prevent local authority manipulation and ensure public access to regulatory-quality analysis.

Westminster Council cannot credibly claim administrative difficulty while managing £150-200m projects and imposing £50-66k charges on residents - such claims are regulatory gaming that must be rejected.

Enhanced requirements for local authority operators are justified by their higher consumer risk and public accountability obligations, regardless of administrative convenience.

PDHU demonstrates why transparency, and benchmarking must be integrated systems using identical methodologies and data, with enhanced requirements for local authority operators who pose the highest consumer risk.

The linkage should empower consumers with the same analytical tool regulators use, enabling effective challenges to operator decisions while maintaining regulatory efficiency through shared data and methodology.

PRICE INVESTIGATIONS

Q34. Do you agree with the approach to price investigations set out so far?

Support core framework but critical gaps require immediate attention

PRE-REGULATION GAMING PREVENTION:

Retrospective investigation authority essential: Price investigations start "January 2027 at earliest" while Westminster Cabinet decision expected in 2025. Required power: investigate major pricing decisions made during regulatory transition (2024-2026) to prevent operators rushing through bad decisions before oversight begins.

Emergency investigation procedures: Fast-track process for cases causing immediate irreversible harm. PDHU's £50-66k leaseholder charges represent emergency-level consumer detriment requiring interim measures suspending implementation pending investigation.

LOCAL AUTHORITY SPECIFIC ENHANCEMENTS:

Enhanced investigation standards: Higher scrutiny for council operators given public funding and captive consumers. Conflict of interest assessment essential - Westminster controls both network AND individual heating permissions, creating systematic bias.

Data verification requirements: Independent audit mandate for local authority investigations. Westminster manipulates costs (£3.5m claimed vs. £1.5-1.7m actual maintenance) requiring enhanced scrutiny for operators with proven manipulation history.

ECONOMIC RATIONALITY FRAMEWORK:

Over individual heating cost threshold mandatory investigation: When heat network costs exceed individual alternatives. PDHU's 5x cost premium should trigger immediate investigation regardless of other factors.

Alternative cost verification: Independent assessment preventing operators inflating alternative costs to justify network premiums. Account for £7,500 BUS grants affecting external benchmarks in cost comparisons.

ENGINEERING APPROPRIATENESS INVESTIGATION:

Technical assessment requirements: Third-party evaluation of connection suitability. PDHU's 4x leak rate differential proves engineering analysis essential for networks with mixed appropriate/inappropriate connections.

Consumer choice protection: Investigate whether consumers can reasonably exit economically irrational systems. Enhanced scrutiny for operators exploiting consumer dependence through consent manipulation.

IMPLEMENTATION TIMELINE:

Immediate capability (2025): Pre-regulation investigation framework for urgent cases. Investigate Westminster's business case before Cabinet decision to prevent irreversible harm.

Day 1 operations (January 2026): Full investigation powers with retrospective authority for 2024-2025 decisions affecting captive consumers.

BROADER INSTITUTIONAL OVERSIGHT GAPS:

Westminster's £150-200m project violates HM Treasury Green Book requirements (no proper NPV/IRR analysis, manipulated cost assumptions) yet faces no enforcement. Infrastructure Projects Authority oversight for £50m+ projects appears bypassed. Westminster's accounts haven't been audited for several years, creating accountability void.

These institutional failures demonstrate why enhanced heat network regulation essential - existing mechanisms have systematic gaps that local authorities exploit to proceed with economically irrational projects affecting captive consumers.

Bottom Line: PDHU represents exactly the type of case requiring urgent investigation - systematic local authority exploitation of captive consumers through economically irrational, engineering-inappropriate, procedurally flawed decision-making causing irreversible financial harm to thousands of residents while traditional oversight institutions fail to provide protection. PDHU case provides a perfect test case of an unprecedented renewal option appraisal for methodology development and should be used as worked example to demonstrate how robust benchmarking can identify and address disproportionate pricing by local authority operators.

Investigations must begin immediately with retrospective authority for decisions made during the regulatory transition, enhanced standards for local authority operators, and economic rationality thresholds preventing obviously irrational outcomes.