



Response to

Ofgem Consultation

Heat networks regulation: Authorisation Conditions

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**ABOUT THE UK DISTRICT ENERGY ASSOCIATION**

The partners, owners and operators of the largest district energy schemes in the UK have aligned themselves in the creation of the UK District Energy Association (UKDEA); with the aim of not only promoting district energy as a means to deliver significant carbon savings, but also to establish a direct link between the various Government bodies, GLA and the industry's small market base.

The Association is a not for profit, non-trade association of companies and public sector organisations involved in district energy schemes of all sizes, from community based 'micro district energy' schemes to city wide district heat energy networks. The UKDEA has attracted leading players in the industry with members comprising over 170 organisations from across the sector.

Through Full and Associate membership, the UK District Energy Association's aim is to represent current and potential owners, developers, consumers, partners, operators, product suppliers and interested parties of District Energy schemes throughout the UK.

Please find our response overleaf to the questions raised by Ofgem.

**Important Notes:**

1. We cannot respond regarding specific schemes but have provided general responses on our understanding of our members schemes and our view of the market
2. We have tried to be honest, open and pragmatic in our responses and we hope that Ofgem find this to be a helpful approach as it brings out key issues that we believe should be taken into account in this complex and growing sector
3. This document is prepared for Ofgem and only and is not to be shared with any other party without our specific written consent.
4. As there are a number of issues which require considerable further discussion with Ofgem we would be pleased to meet and continue this dialogue.

We trust that these points are clear but if you have any questions, please contact the association.

Authorisation Condition	Current Clause	UKDEA Major Concern
<b>Section A: Condition 7: Cost Allocation</b>	7.1 The authorised person must ensure that the charges imposed on Applicable Consumers are structured, and are attributable to costs, in a way that is consistent with the outcome of charges being fair and not disproportionate, having regard to the guidance published by the Authority on cost allocation for the purposes of this condition.	Although the guidance reflects 'Price Promise' tariffs the AC still only refers to Cost Recovery. This is a serious omission as around 20% of customers currently receiving heat supplies in the UK have pricing set in accordance with this methodology and this is set to increase exponentially with zoning as that pricing methodology is the one that will be practiced in all heat network zones by developers.
<b>Section A: Condition 10: Open &amp; Co-operative</b>	10.1 The authorised person must be open and cooperative with the Authority.	We suggest that there is a general expectation that both sides are required to be open and cooperative
<b>Section A: Condition 11: Independent Audits</b>	Commissioning of Independent Audit	It is not clear from the AC who is required to pay for any required audit
<b>Section A: Condition 12: Operational Arrangements and Material Assets</b>	Whole section	The UKDEA is concerned that this AC may complicate, delay, or even prevent the financing of district heat networks as financiers will require a first charge over any assets they fund. They may not agree to any legal transfer. We cannot afford to frighten off investors.
<b>Section B: Condition 2: Heat Supply Contracts</b>	Notification of terms and provision of information	We are aware of several UKDEA members who have tried to comply with the CMA guidance on pre-informing potential residents that they are contracting to move in to a property that has a communal heating supply. In practice this does not work as the supplier will not have prior knowledge of all possible tenants/owners so cannot inform them. This clause will not work.
<b>Section B: Condition 3: Contract Changes Information</b>	3.3 Any Relevant Contract Change Notice must: 3.3.1 inform the Relevant Consumer: that they may end the Relevant Supply Contract within a period of no longer than 30 days	Residents cannot be allowed to terminate their heat contracts so easily. This may impact on the financial and technical viability of the whole scheme. The heat network is a feature of the property and cannot be changed.

Authorisation Condition	Current Clause	UKDEA Major Concern
<b>Section B: Condition 9: Security Deposits, Payment Difficulties, Disconnections, Direct Debits and Final Bills</b>	9.16 Bulk Supplier disconnection	This clause effectively means that a Bulk Supplier can never disconnect supplies. This is not a sustainable or fair position. If the supplier does not pay the bulk supplier for the heat supply then what recourse does the bulk supplier have?

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As the UKDEA is committed to enabling greater use of district energy where this is beneficial, we welcome any opportunities to engage further on this or any other district energy related work stream.

Please do not hesitate to contact us at [chairman@ukdea.org.uk](mailto:chairman@ukdea.org.uk)

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## Appendix 1: UKDEA Members

### UKDEA Founders and **Full Members**

Birmingham City Council

Cofely District Energy Limited (Now EQUANS)

Enviroenergy Limited

Southampton City Council

Thamesway Limited

Veolia Environmental Services Limited

### UKDEA Full Members

Shetland Heat Energy & Power Limited

E.ON Energy Solutions Limited

Metropolitan Infrastructure Ltd

Switch2 Energy Limited

Newport City Homes Limited

Communal Energy Partners

Vital Energi Utilities Ltd

London Legacy Development Corporation

Hemiko

SSE Utility Solutions Limited

Imtech

Fortum

1Energy Group Limited

Vattenfall Heat UK Limited

UKDEA Associate Members

CPV Limited

REHAU Ltd

FES Support Services Limited

Evinox Energy Ltd

Insite Energy Ltd

MVV Environment Limited

Kantor Energy Ltd

Altecnic Ltd

SET ehf

Cardiff University

AECOM Ltd

Secure Meters (UK) Ltd

Ittron Ltd

Gardiner & Theobald LLP

SWEP International Limited

Fichtner Consulting Engineers Ltd

Diehl Metering Limited

Leep Utilities

SAV Systems

Kelvion Ltd

L&Q Energy Limited

Eneteq Services Ltd

Woodward Energy Consulting Limited

LOGSTOR UK Ltd A/S

Brugg Pipesystems AG

Powerpipe Systems AB

2G Energy Ltd

Mittel Fjärrvärme AB

Energy Billing Ltd

Durotan Limited

Isoplus Pre-Insulated Piping System AS

Armstrong Fluid Technology

Frese Limited

Hydro-X Water Treatment Ltd

London Borough of Sutton (Sutton Decentralised Energy Network)

TrentENERGY Limited

Data Energy Management Services Ltd

Sycous Limited

Grundfos Pumps Limited

Mibec Limited

Uponor Infra Ltd

Micronics Ltd

Belimo Automation UK Ltd

DMS Metering Solutions

Vexve Oy

3D Technical Design Ltd

ENWA Water Technology UK

Sustainable Energy Limited

Flamco Limited

London Borough of Barking and Dagenham (B&D Energy)

MWA Technology Ltd

C Watkins Plumbing Ltd

Polypipe Limited

FVB District Energy UK Ltd



Hilson Moran

Ideal Heat Solutions Ltd

Bevan Brittan LLP

Dunphy Combustion Ltd

Bryan Cave Leighton Paisner LLP

Iona Capital Ltd

Gexcon UK

PPSL District Heating Ltd

Canary Wharf Group (Canary Wharf Energy Co Ltd)

Herz Valves (UK) Ltd

GEA Heating and Refrigeration UK Ltd

Reflex Winkelmann GmbH

Solid Energy a/s

London Borough of Haringey

Birdsall Services Ltd

Alternative Heat Ltd

Aquatherm UK Limited

SABROE UK BE UK Ltd

Proven Project Construction Ltd

Cobalt Energy Ltd

Colchester Amphora Energy Ltd

Heat Network Associates Ltd

Ranheat

Carbon Trust

Bosch Thermotechnology Ltd

Metering & Billing Advisory Services

JGD District Heating

Buro Happold

Clever Energy

Colloide Engineering Systems Limited

Comsof Heat

Clarion Solicitors Limited

SUEZ

IWTM UK Limited

Energy Assets Networks Ltd

Vahterus

Higgins Mechanical Services Ltd

DQS Consulting Ltd

Coventry University

HIU Breakdown and Repairs Ltd

YGHP

GLA (Greater London Authority)

Full Power Utilities Ltd

Ingoodnic Ltd

Delta T Management Ltd

Cardiff Heat Network Ltd

PJW Meters

KLINGER Ltd

Pipe Weldline LTD

Nicholls Boreholes

WSP UK Limited

Service Sealing Solutions Ltd

BWT UK Ltd

Recirc Energy Ltd

Manchester Heat Network TradeCo

Imtech

Dunwoody LLP

Hermetica Black Limited

EleXion Water Treatment

Danfoss Ltd

Kingspan Technical Insulation Ltd

Armadillo Analytics

ESP Utilities Group

Zero Friction

Fortum

Bouygues E&S Solutions

CPC Civils

Enfinium

Baxi

Fairheat

Blended Products

SHeco

CORE Special Projects Ltd

Nordic Energy

Therma-Mech Ltd

Close Brothers Asset Finance & Leasing

PwC

Cenergist

Valmech Welding Ltd

Ener-Vate

Deep Green Technologies Ltd

Plenary Europe Ltd

Guru Systems

Kensa Group

Interpath Advisory

Ista

Heatweb Solutions Ltd

Sika Instruments Ltd

CSW Process

Bollfilter UK Ltd

CalForth Construction Ltd

COWI

Sandhurst Plumbing & Maintenance Ltd

Pipex AB (UK) Limited

Asteros Advisers Ltd

Birketts LLP