

Joe Draisey
Ofgem
10 South Colonnade
Canary Wharf
E14 4pu

By email to: eco.consultation@ofgem.gov.uk



20th August 2018

Dear Joe,

Customer protection for customers living on heat networks

Heat Trust is pleased to respond to the Ofgem's consultation on administration of the Energy Company Obligation (ECO) scheme.

Customer satisfaction must be at the heart of plans to grow the heat network sector. In a market where customers cannot actively choose their heat supplier, heat network operators should be required to adopt consistent and measurable industry-wide standards on technical performance, customer service and customer protection.

Heat Trust is working to drive up service standards for customers served by heat networks by:

- applying robust customer service standards to heat suppliers;
- providing access to the Energy Ombudsman; and
- promoting best practice, continuous improvement, and innovation in customer service.

Following publication of the Competition and Market Authority's (CMA) study into the heat network market, it is vital that the sector takes proactive steps to embed customer protection. We are therefore pleased that the ECO3 regulations state that heat network projects seeking ECO support must demonstrate customer protection by registering with Heat Trust, or evidencing that the site and site operator meet equivalent standards.

Our response is focused on question 19 of the consultation that seeks views on Ofgem's proposed administrative approach.

Defining equivalence

The consultation states that for sites which choose not to register with Heat Trust, but meet equivalent standards, Ofgem will require the supplier to use a qualified independent external auditor to assess and confirm that the equivalent criteria is met as outlined in Heat Trust's Scheme Rules document.

We understand that under the domestic Renewable Heat Incentive (RHI), there is a requirement to be registered with the Microgeneration Certification Scheme (MCS) or an equivalent scheme. The same principle can be used for ECO and we would welcome further discussion with Ofgem on this. This would be a simpler approach to the process set out in the consultation and would allow the market to innovate and identify a suitable route forward.

It will be important that accompanying ECO3 guidance clearly sets out what equivalence means. From the perspective of Heat Trust, equivalence is meeting all criteria set out in the Scheme Rules and accompanying Bye-Laws and guidance. This includes:

- providing access to an independent redress service for customers provided by an Ombudsman;



- submitting bi-annual monitoring data each year to the auditor and / or Ofgem;
- undergoing an independent audit as least once every five years, or sooner if the auditor / Ofgem feels a site would benefit from an audit;
- providing guaranteed service payments for qualifying outages (which can be spot checked at audit);
- maintaining a priority services register and providing support for vulnerable customers; and
- a process for adopting improvements to the service which may be identified in an audit.

It is worth noting that in its open letter to the market, the Competition and Markets Authority (CMA) highlighted a number of the above requirements as actions that all heat suppliers should be seeking to implement now as regulation of the market is evaluated. Heat Trust has been set up to create clear standards with independent redress and audit. Our concern is that should the equivalence of Heat Trust standards not be met in full then the work to ensure customers receive a good service with effective redress will be undermined and that customers could suffer as a result.

Consistent interpretation of Heat Trust's standards

Heat Trust provides briefings to Registered Participants, independent auditors and the Energy Ombudsman on the standards set by Heat Trust, to ensure consistent interpretation of the Scheme Rules. Where required, clarity is sought from the Heat Trust Committee. This is then fed back to all parties.

It will be important that Ofgem, energy suppliers, auditors used by ECO applicants and an equivalent Ombudsman are clear on the standards set by Heat Trust. This is essential to ensure that there is consistency across sites declaring equivalent standards. Where an auditor is employed by a heat supplier to assess equivalence, we are keen that Heat Trust has an opportunity to feed-in to this process. We would welcome further engagement with Ofgem on this.

Amendments to Heat Trust's Scheme Rules

Heat Trust has a process for making amendments to its Scheme Rules and other Scheme documentation. For significant amendments we will issue a public consultation. An example of this is the consultation we published earlier this year on expanding eligibility to existing heat networks which do not use heat supply agreements.

It will be important to ensure that heat suppliers that choose to put in place equivalent standards remain up to date with amendments to the Heat Trust scheme, as these are often based on industry best practice required by Ofgem in gas and power supply. Ofgem also need to be confident that heat networks in receipt of ECO funding have processes and can evidence that networks have adopted equivalent amendments too. Heat Trust is keen to work with Ofgem to ensure amendments to Heat Trust are communicated to Ofgem for dissemination to energy suppliers.

Customer communication

To avoid potential miscommunication, it is important that customers understand that there is a difference between sites that are registered with Heat Trust and sites that claim to meet equivalent standards. A route to allow customers to provide feedback, or highlight to Ofgem where they feel a heat network is not meeting the standards will be needed. At Heat Trust we provide a feedback form on our website. We would welcome further discussion with Ofgem on how customers are clearly informed on what type of customer protection they have and how they can provide feedback.



Summary

We strongly welcome the requirement for heat networks seeking ECO funding to adopt customer protection standards. The simplest route to demonstrate this is to register with Heat Trust, ensuring the heat network is part of a framework that is continually monitored. We look forward to continued engagement with Ofgem to discuss how equivalent customer protection standards are defined and monitored to ensure that customers receive robust protection.

Our major concern is that there is a risk, with equivalence, that a lack of processes could lead to customers receiving assurances of protection that are not credible and that the work of the industry to protect customers and the industry reputation could be unintentionally undermined.

Yours sincerely

A handwritten signature in black ink, appearing to read 'bindi patel', with a long horizontal stroke extending to the right.

Bindi Patel
Head of Scheme

