

Anthony Collins  
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# HEAT NETWORKS

## THE REGULATIONS LAID BARE







PRESENTER

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# AGENDA

Who do the regulations apply to?

What are the main responsibilities for heat suppliers?





# BACKGROUND

The Heat Network (Metering and Billing) Regulations 2014 - form a key piece of the legislation that governs the operation of district heat networks in the UK

Implement some of the requirements of the Energy Efficiency Directive and apply to anybody who is a heat supplier

The Regulations also effectively created the first detailed register of heat networks in operation throughout the UK



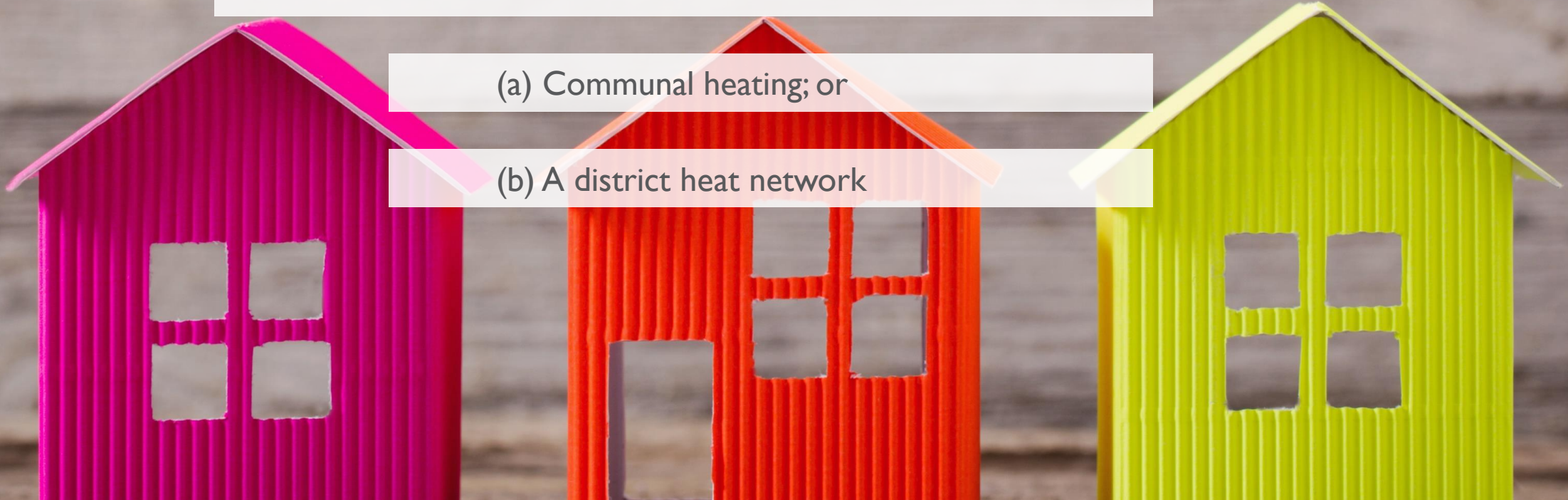
# WHO DO THE REGULATIONS APPLY TO?

Part I of the Heat Network (Metering and Billing) Regulations:

‘Heat supplier’ means a person who supplies and charges for the supply of heating, cooling or hot water to a final customer, through:

(a) Communal heating; or

(b) A district heat network





# COMMUNAL HEATING

Distribution of thermal energy in the form of steam, hot water or chilled liquids from a central source in a building which is occupied by more than one final customer, for the use of space or process heating, cooling or hot water.

Occupied by at least two final customers in a single building

Common example:

Multi-let buildings where tenants share a common heating or hot water supply



# DISTRICT HEAT NETWORK

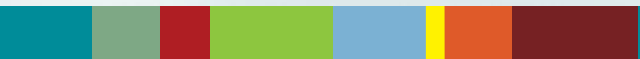
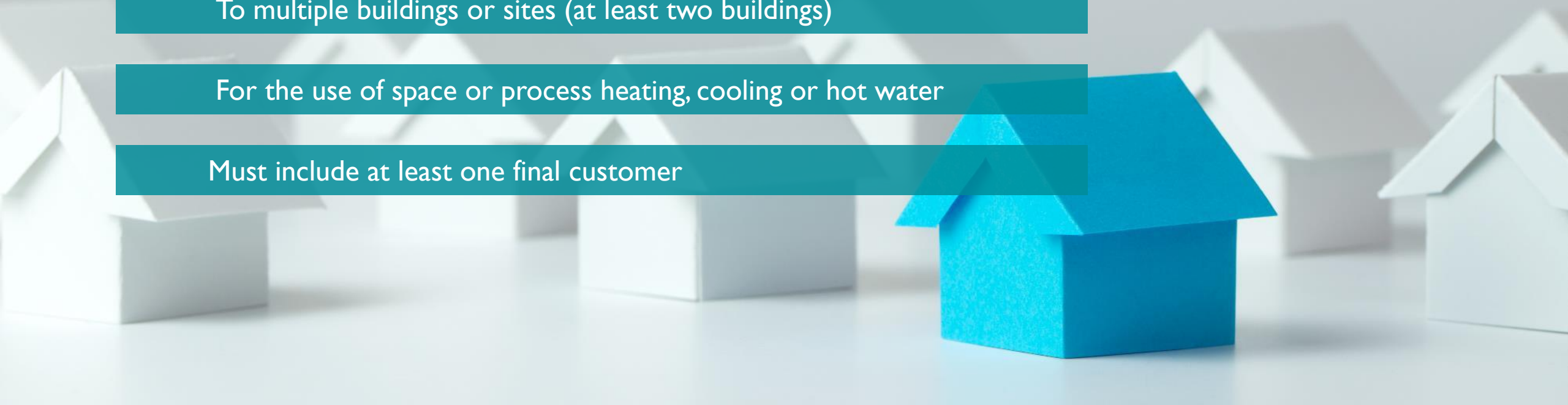
Distribution of thermal energy in the form of steam, hot water or chilled liquids

From a central source of production through a network

To multiple buildings or sites (at least two buildings)

For the use of space or process heating, cooling or hot water

Must include at least one final customer





# WHAT ARE THE MAIN RESPONSIBILITIES FOR HEAT SUPPLIERS?

Duty of notification

Duty to install meters, heat cost allocators and thermostatic radiator valves

Ongoing obligations in relation to meters and heat cost allocators

Billing





# DUTY OF NOTIFICATION – REGULATION 3

Applies to all heat suppliers

Duty to notify OPSS of the existence of their network(s)

Original deadline – 31 December 2015

Updated notification every four years thereafter

Duty to notify OPSS of newly created heat networks on or before the date they come into operation

Prescribed form

Failure to comply is an offence





# DUTY OF NOTIFICATION – REGULATION 3

Information required to complete the form:

Network Information - location, primary and secondary energy sources, age of the network, number and type of heat meters or heat cost allocators

Network size - capacity, annual heat generation in kWh, annual supply per year in kWh

Customers - number of final customers, number and type of buildings supplied to by the network

Billing information - information and estimates for customers' use, how bills are calculated, electronic billing or smart meter displays, frequency of billing, third party involvement, content of bills





# DUTY TO INSTALL METERS, HEAT COST ALLOCATORS AND THERMOSTATIC RADIATOR VALVES – REGULATIONS 4-7

More than one final customer:

DHNs or CH must ensure meters are installed **at building level** to measure the consumption of heat, cooling or hot water

Only one final customer occupies a building supplied by DHN:

Heat supplier must ensure meters are installed to measure the consumption of heat, cooling or hot water by the final customer



# DUTY TO INSTALL METERS, HEAT COST ALLOCATORS AND THERMOSTATIC RADIATOR VALVES – REGULATIONS 4-7

Deadline to install – 31 December 2016

Unless not technically feasible /cost-effective

Re-assess every four years

If a meter is installed

Ensure temperature control devices also installed





# DUTY TO INSTALL METERS, HEAT COST ALLOCATORS AND THERMOSTATIC RADIATOR VALVES – REGULATIONS 4-7

Not technically feasible or cost effective?

Install heat cost allocators and thermostatic radiator valves (if technically feasible and cost-effective)

Test for technical feasibility and cost-effectiveness

Schedule 1 – cost > projected energy savings over 10 years

Exception = new builds / major renovation trigger installation requirement



# ONGOING OBLIGATIONS IN RELATION TO METERS AND HEAT COST ALLOCATORS – REGULATION 8

Must ensure meters and heat cost allocators are:

Continuously operating

Properly maintained

Periodically checked for errors





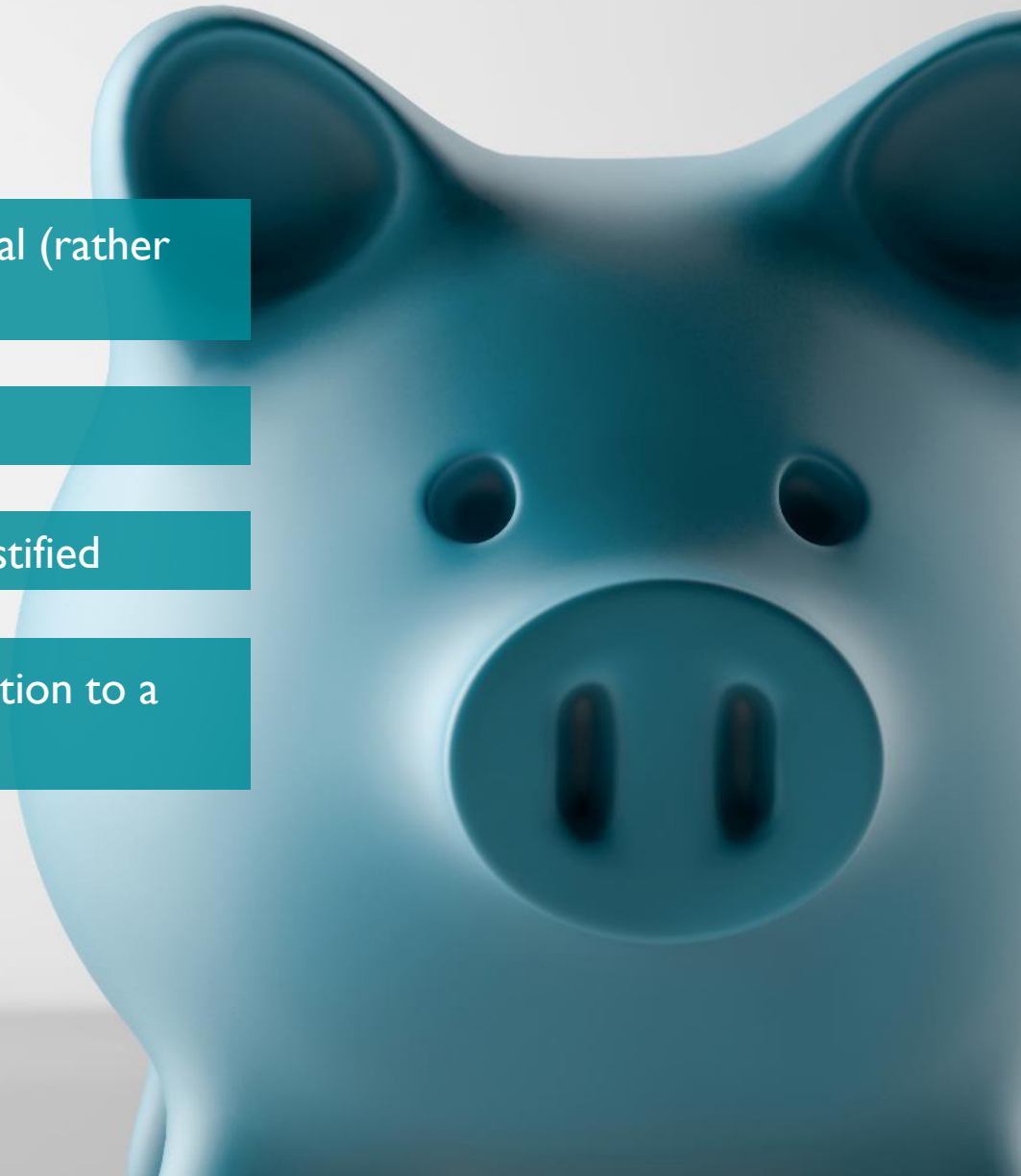
# BILLING – REGULATION 9

General duty to issue bills that are accurate - based on actual (rather than estimated) consumption

From 31 December 2014

Exception: if it is not technically possible or economically justified

Where the cost of issuing bills and billing information to a final customer exceeds £70





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## QUESTIONS?

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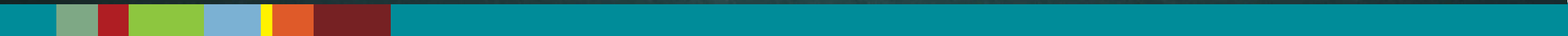
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# UNDERSTANDING ENFORCEMENT







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# AGENDA

Overview of offences and penalties

Compliance notices

Enforcement undertakings

Non-compliance penalties

Criminal prosecution

Fines





# OFFENCES AND PENALTIES

Failure to comply with the heat regulations can result in civil or criminal sanctions

The OPSS is the enforcement authority for these regulations and has a range of enforcement measures available to it

The details of the enforcement powers are set out in Schedule 4 of the regulations



# COMPLIANCE NOTICES

An authorised person is satisfied beyond reasonable doubt that a person has committed an offence under Regulation 11(1)

Regulation 11(1) – failure to comply with Regulations 3-9

Cannot be convicted of a criminal offence unless the heat supplier:

Fails to comply with the notice

Fails to pay any non-compliance penalty within the period specified in the notice





# COMPLIANCE NOTICES

Notice of intent:

Sets out grounds for the proposed compliance notice

Requirements of the notice

The right to make representations and objections

Circumstances where the notice may not be imposed



# COMPLIANCE NOTICES

The compliance notice must set out:

The grounds for imposing the notice

What steps must be taken

Timeframe

The right to appeal

The consequences of failing to comply





# ENFORCEMENT UNDERTAKINGS

Where the authorised person has reasonable grounds to suspect that the person has committed an offence under Regulation 11

Written undertaking to take specified action(s) within a specified timeframe

Can be a voluntary offer made by a non-compliant party to remedy a situation to ensure they are compliant and 'put right' any damage

Ordinarily, if the undertaking is accepted, the heat supplier cannot be convicted of a criminal offence



# ENFORCEMENT UNDERTAKINGS

The undertaking must specify:

Action to be taken to ensure the offence does not continue or recur

Action to be taken to ensure the position is restored to what it would have been if the offence had not been committed

Action to be taken to benefit any person affected by the offence (e.g. monetary payment)

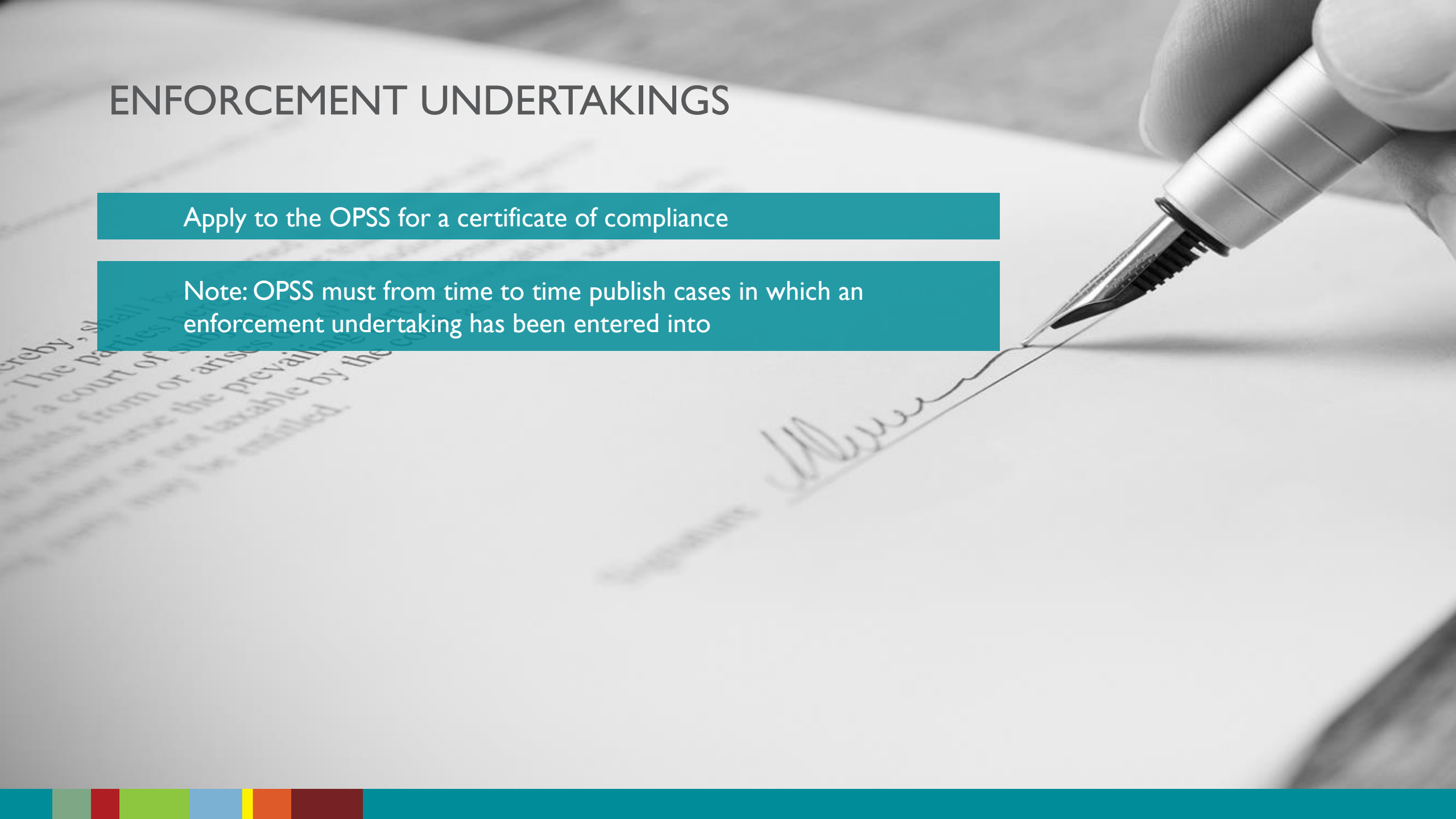




# ENFORCEMENT UNDERTAKINGS

Apply to the OPSS for a certificate of compliance

Note: OPSS must from time to time publish cases in which an enforcement undertaking has been entered into



# NON-COMPLIANCE PENALTIES

Financial penalty

Percentage of the costs of fulfilling the remaining requirements of the compliance notice or enforcement undertaking

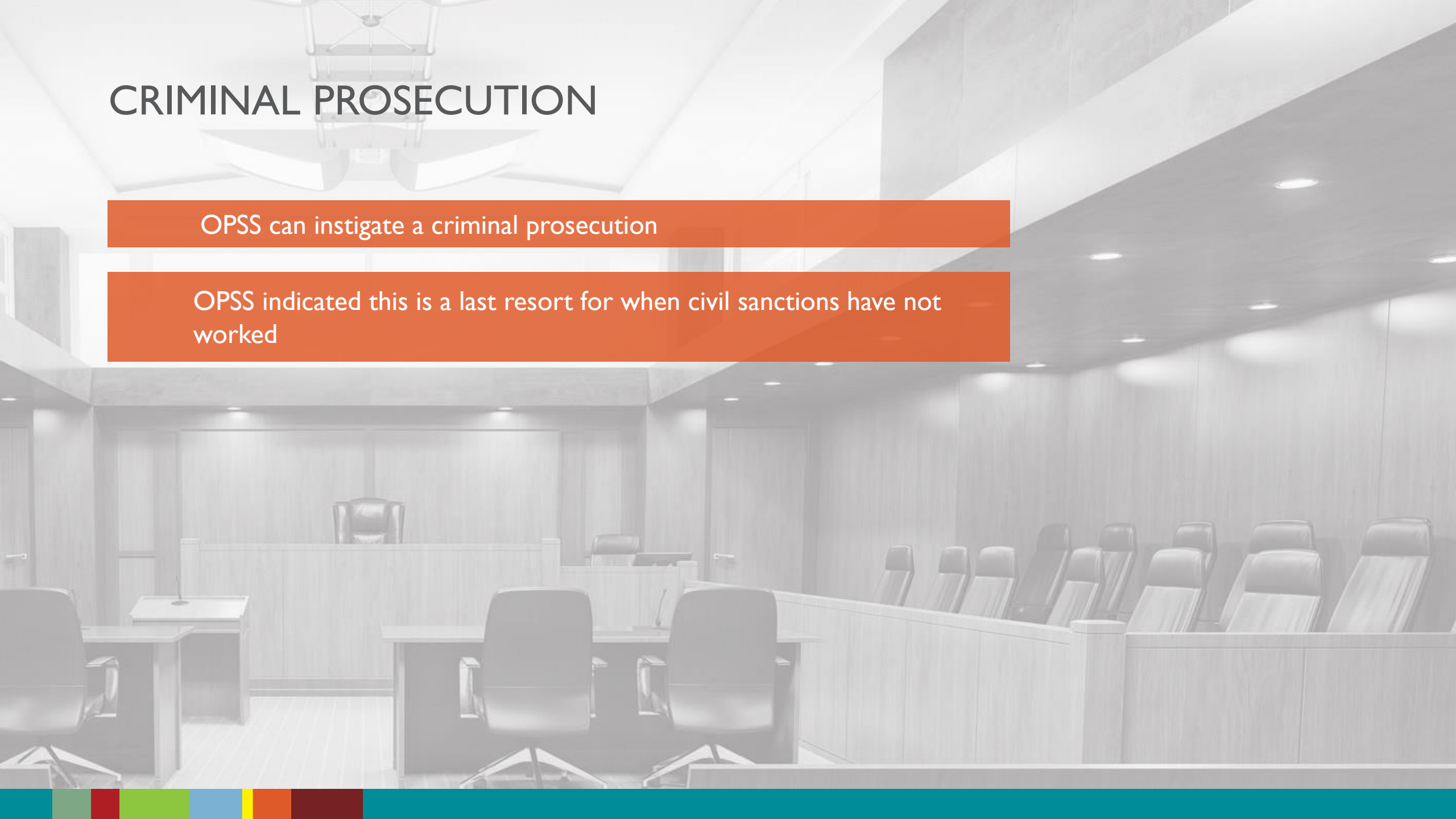




# CRIMINAL PROSECUTION

OPSS can instigate a criminal prosecution

OPSS indicated this is a last resort for when civil sanctions have not worked



# FINES

Regulation 13

In reality – no maximum fine for any offence







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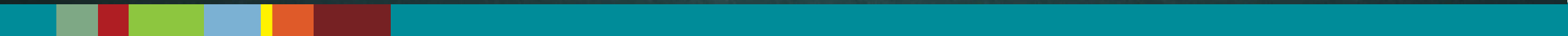
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# STAYING AHEAD OF THE REGULATORY CURVE





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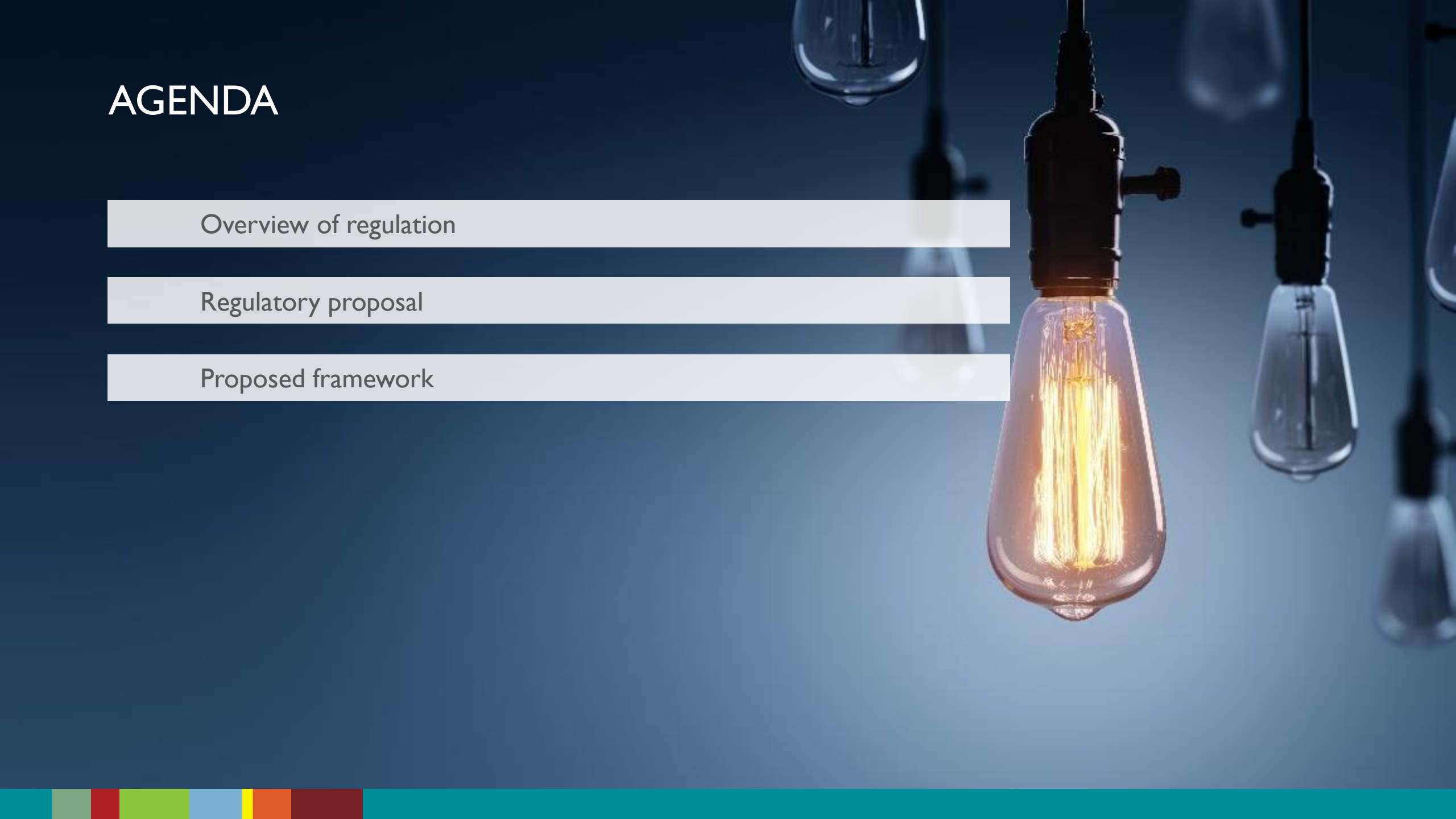


# AGENDA

Overview of regulation

Regulatory proposal

Proposed framework



# OVERVIEW OF REGULATION

## Benefits of regulation:

Customer protection – essential services

Sets minimum standards

Protects the reputation of the sector

Push towards net zero

Enables data collection and monitoring



# REGULATORY PROPOSAL

Government Consultation - heat networks: building a market framework (published on 6 February 2020)

Ofgem is proposed as the regulator given its experience in gas and electricity markets

Service, transparency and pricing

General authorisation and optional licences

Compliance and technical standards

Issuing licences



# REGULATORY PROPOSAL

Ofgem Response (1 June 2020)

Protection for heat network customers

Cost

Flexibility

Innovation





# PROPOSED FRAMEWORK

(FOCUSING ON DOMESTIC CUSTOMERS)

Consumer protection

Transparency

Quality of service





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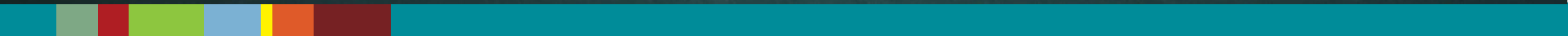
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