Regulatory Policy Committee	**Opinion**	
Impact Assessment (IA)	Metering requirements for Heating, Cooling and Hot Water networks	
Lead Department/Agency	Department of Energy and Climate Change	
Stage	Consultation	
IA Number	Not provided	
Origin	EU	
Expected date of implementation (and SNR number)	2016	
Date submitted to RPC	25/10/2013	
RPC Opinion date and reference	28/11/2013	RPC13-DECC-1939
Overall Assessment	**AMBER**	

RPC comments

The IA is fit for purpose. However, the clarity and accessibility of the IA should be improved to support a more meaningful consultation. There are a number of cost estimates in the IA that will need to be presented more consistently at this stage. They should also be justified more robustly to enable validation at final stage.

Background (extracts from IA)

What is the problem under consideration? Why is government intervention necessary?

Around 2 per cent of homes in the UK are heated via heat delivered into their homes by a heat network or communal heating. Customers on some networks are unmetered and pay a flat rate for their heat, which fails to provide customers with a financial incentive to reduce their consumption or to avoid wasteful activities. Charging customers based on actual use may provide a substantial incentive for energy efficiency, as well as allow for a more equitable distribution of costs between customers on a network.

Articles 9 and 11 of the Energy Efficiency Directive require Member States to ensure that customers of heat networks are provided with individual meters where these are cost effective and technically feasible. In addition, meters must be installed where heat from networks enters a multi-use/multi-occupancy building

What are the policy objectives and the intended effects?

The objective of the policy is to give heating, cooling and hot water customers greater control over their consumption, and consequently costs, of heating. Meters provide a direct financial incentive to reduce demand, increase awareness of energy use and a more equitable allocation of costs between customers. Metering also gives system operators information on heat losses and allows better management of systems. This will save energy, as well as reducing carbon emissions and improving security of supply.

Identification of costs and benefits, and the impacts on business, civil society organisations, the public sector and individuals, and reflection of these in the choice of options

The proposal will introduce changes in the way in which customers, who have heat or hot water supplied through heat networks or communal heating, are charged for that service. The intention is to encourage energy efficient behaviours through the introduction of metering requirements and billing arrangements which reflect usage, rather than flat rate fees. The proposal will set requirements for feasibility testing of installing building meters for existing networks, and the installation of individual meters where feasible and economical, and place requirements on new networks to include meters in new developments.

Assumptions and consistency. The IA sets out a number of detailed questions that will be tested through the consultation process. In addition to presenting such information, the final stage IA will need to justify the assumptions used, and ensure that the estimates and figures are used consistently. However, prior to consultation, the IA should clearly set out the evidence for the number of properties connected to communal heating, and how the different estimates used in the IA relate to each other. For example, the IA assumes "*200,000 of the 228,000 flats connected to communal heating systems are in England, are not already captured by the Databuild/Building Research establishment definition, and that these are all flats*" (Page 17) but does not include sufficient evidence to justify using this figure as the basis for the estimates in the IA.

There also appear to be a number of errors in the figures in Tables 5 ('*assessment costs by option £'000*') and 7 ('*administrative costs by option £'000*'), which do not appear to correspond to the calculations set out in Tables 4 ('*Assumptions used to calculate assessment across options*') and 6 ('*Assumed administration requirements by option*') respectively.

Composition of the estimated costs. In addition to the general point regarding the justification of assumptions, there are some specific concerns with the evidence presented in Table 4. In particular, the final stage IA will need to demonstrate that there will be sufficient information already available to enable decisions on which buildings do not require further collection of information. The current costs assume that additional information only needs to be collected for 25% of buildings, but it is unclear what information that decision will be based on. Table 4 also includes an estimated cost of an engineer undertaking an assessment of a property as 1 hour. As these properties are likely to be at different locations, it is not clear whether this assessment includes travelling time between locations. The IA should include a clearer breakdown of how the estimated costs have been calculated.

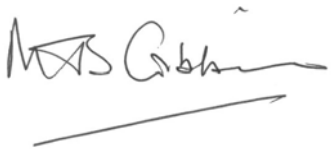
Comments on the robustness of the Small & Micro Business Assessment (SaMBA)

The proposal is of European origin and therefore the SaMBA is not applicable.

Comments on the robustness of the OITO assessment.

The IA presents a number of options in different combinations, with one option identified as the lowest cost option. The IA appears to identify correctly that the additional costs of the alternative options would be considered as introducing requirements above the minimum required to implement an EU directive, and as such would be scored as additional costs for One-in, Two-out purposes.

As the lowest cost option is of European origin and as there is no evidence that the increase in regulation would go beyond minimum requirements, that option would be out of scope of One-in, Two-out (Better Regulation Framework Manual - paragraph 1.9.8. ii).

Signed  **Michael Gibbons,** Chairman