



*A grassroots campaign taking action against mammoth fuel bills and working towards an affordable, sustainable and democratic energy system*

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## Re: Heat networks market study: Statement of scope

Thank you for the opportunity to comment on the issues raised in the Statement of Scope for your heat networks market study. We are very glad that this investigation is taking place. It has been wholly inappropriate that until now it was apparently viewed as undermining competition for any outside body to intervene in District Heating pricing or contracts, despite the fact that these were themselves determined in monopoly conditions.

We will not comment at this point on the substantive issues raised, but only on the intended scope of your investigation.

On the substantive issues raised, can we refer you to our previous publications on this issue; since you do not refer to them you may not be aware of them. Notably, “Not Fit for Purpose”, the very detailed study published last year written by ourselves with Dr Stuart Hodgkinson of Leeds University, and based on the experience of Myatts Field North residents, in Lambeth, London, has been described by BEIS and others as “required reading” for anyone working in this field. That is available [here](#). Other relevant points and evidence are included in three submissions to the GLA, most lately [here](#).

We hope to give evidence to your inquiry in the course of the year, along with District Heating system users that we are working with in London.

In relation to the *scope* of your investigation, we would make the following points:

- 1) **Capital contributions.** You do not appear to be including the situation of leaseholders who, having bought homes in good faith, are being asked for huge additional sums to cover replacement or improvement of district or communal heating systems. The line between replacement and improvement is critical to this, and is not necessarily a clear one. But in any case, demands for upwards of £20,000 are intrinsically unfair. ADE have told us that this is not a district heating issue but a matter of leasehold law. We cannot accept that. The sums involved are of a different order from what leaseholders normally might expect to pay for, eg a roof replacement. They are, in fact, a way to make individual households cover the cost of a major infrastructure change to UK heating (compounding what they already contribute to this cause through standing charges). And the cost can be crushing, especially when the payments are expected to be made over a short time scale: very different from costs and borrowing rates included in the mortgage. Please see the examples included in our submission to the GLA. (Radio 5 Live has also done an investigative piece on this issue.) This is in fact an issue about district heating itself, and will reflect very badly on heat networks as a whole; leaving it to be sorted out some day by changes in housing law is not a solution.

- 2) Price comparisons.** We understand that in some European countries it is normal for parts, or the whole, of the cost of heating in each scheme to be made public. We believe this is essential to enabling customers to hold their supplier to account. The relevant figures are not simple, given different components of the bills, and frequently differences between different tenures. This makes it all the more important to introduce standard measures by which schemes can be accurately compared.
- 3) Sanctions.** The gap between intentions as expressed when schemes are bid for, and what is actually achieved on the ground, is startling. Contracts are often inadequate in terms of standards required and in terms of monitoring and enforcement, and are also not kept to, with no way for end users to do anything about this if, for instance, a local authority which procured a scheme does not defend their interests – or even washes its hands of the problem, in the case of leaseholders, shared owners, etc. We believe serious consideration must be given to a) punitive levels of compensation to go to end users, and b) ensuring that no provider of district heating that has failed to deliver an adequate level of service on their existing schemes should be able to win contracts for new schemes.
- 4) Existing schemes.** We are repeatedly being told that pressure from outraged customers is leading to higher standards prevailing in new schemes now being put forward. We hope that your investigation, and ultimately regulation will lead to an improvement in standards in the future. However, this does not help the many thousands of households who have suffered extreme cold, illness, fuel poverty, and possibly even death as a result of high costs, unreliability, and appalling customer services in existing schemes. Compensation, where it exists at all, has been derisory. We believe that any serious attempt to bring justice to this sector must explicitly include redress of grievances for those people who have been suffering with high cost or dysfunctional heat networks up to now.

We look forward to hearing from you as the investigation moves on to the next stage.

Ruth London