



24th May 2018

Competition and Markets Authority

Dear Sir,

Comments on Heat Networks Market Study Update Paper

Background:

I am the leasehold owner of an apartment in a purpose built apartment block in Cardiff, which is served by a communal heat network scheme. The apartment block was completed in 2015. I purchased it as an investment, and have sublet it to tenants. The heat source to the apartment block is gas, there is a single boiler, and each apartment has a heat interface unit which regulates flow of hot water and heat to radiators. The HIU has a meter which can be read remotely. The management company for the apartment block have contracted with a firm called Data Energy who generate and provide bills. I am trying to find out the nature of the contract between the management company and Data Energy, and whether Data Energy is an “ESCO”.

I was not given much information about the heat network scheme at the time of purchase, simply that it was energy efficient, & that remote reading of meters would enable accurate and regular billing. I was probably naive in not asking for more detailed information about who, for example, is responsible for the maintenance and upkeep of the HIU in my apartment. No bills were delivered for the first 2 years (the freeholder/developer met the costs). The first bill delivered by Data Energy (received in October 2017) was challenged because of the misleading information it contained, particularly with regard to the “standing charge” to which VAT was added at 20%. There was no description of the services included in the so called standing charge. This bill was withdrawn, and a revised bill delivered, which was better. It contained appropriate information about the unit cost and period covered by the bill. There was no reference to a standing charge, (the operational charge relating to the supply of gas etc. to the apartment block is to be recovered through the service charge that we as leaseholders pay.) However, the bill also included an “administrative charge” of £6 per unit per month. This works out at more than 25% of the total energy costs in the bill I received, after taking account of my share of the operational gas supply charge. I consider this to be excessive in the absence of any explanation for

this charge. I have been unable to find out how this charge compares with charges levied by other companies providing a similar service.

My responses to the certain of the consultation questions on which I have a view are as follows:

Regulation of Heat networks: I agree heat networks should be regulated, and that it should apply to all communal networks, delivery models and existing as well as new networks.

I think the regulation of heat network prices to end customers is appropriate, given such customers are unable to shop around for the best deal. Probably a “principles based” approach and a regulator to investigate complaints.

Rules and guidance on pricing and quality of all heat networks sounds a good plan, and I agree that heat network customers should have similar consumer protections to customers of regulated gas and electricity utilities.

Transparency: Yes, more information should be provided at pre transaction stage to improve consumer understanding of living in a home with a heat network. The freeholder/ vendor of the property should provide this information in the first instance. It should be a statutory requirement for new leasehold agreements to include a clear reference to the treatment of heat network assets connected to a leasehold property.

Similar information should be provided to tenants prior to taking up occupation. As Landlord, I have to keep reminding my letting agent to explain the position to new tenants. The standard tenancy agreement which my letting agent uses does not deal with it (although I will be asking them to do something about this when the apartment is next relet).

Yours faithfully,

Catherine M Crompton