

Heat networking zoning consultation

Community Energy England response

Introduction

1. This is a response by Community Energy England which represents 275+ community energy groups and associated organisations across England involved in the delivery of community-based energy projects that range from the generation of renewable electricity and heat, to the energy efficiency retrofit of buildings, to helping households combat fuel poverty.
2. Our vision is of strong, well informed and capable communities, able to take advantage of their renewable energy resources and address their energy issues in a way that builds a more localised, democratic and sustainable energy system.
3. Community energy refers to the delivery of community led renewable energy, energy demand reduction and energy supply projects, whether wholly owned and/or controlled by communities or through partnership with commercial or public sector partners.
4. The overwhelming motivation of people and groups involved in community energy is to make a contribution to averting climate catastrophe, followed by a desire to bring community benefit.
5. We feel that all efforts of government should share these primary motivations and ensure that whatever else they achieve they also prioritise these goals.

Summary

6. We have grave concerns about this overly prescriptive regulatory/legislative proposal. We apologise that we did not have capacity to answer the consultation question by question. We are aware that Brighton and Hove Energy Services Co-operative has made a full response and we urge you to take it very seriously. BHESCo is working out the business model that solves the co-ordination failure and enables the cost effective installation of heat networks in all areas.
7. The proposals being put forward by government in this consultation will ensure that community energy groups cannot participate in the process. It will be overrun by local authorities, laden with bureaucracy and procurement processes, adding significant cost which will be a barrier to entry for community energy groups like our members, who are working with communities to install heat networks. It will also prevent the provision of clean affordable heat, especially in areas off the gas grid that need it most. The idea of a Zoning Co-ordinator is misguided, as the information about networks should be made available to any organisation that is qualified to be a developer. This would include community energy groups who will be best equipped to do the engagement and hand-holding that is essential in this disruptive process.

General statement

8. Heat networks mean that people agree to share a public source for their heating. Although awareness is growing, it is still a relatively new concept for Britain, introducing a new kind of heat delivery system. The problem with proposals coming from government at present is:
 - 8.1. The proposal increases the cost of decarbonising heat by growing government bureaucracy at the national and local level with no legitimate basis for this build up of cost to the taxpayer or consumer.
 - 8.2. It focuses on investment in public sector buildings which are only a small portion of the built environment,
 - 8.3. Off gas grid communities burning oil for heating are not likely to be included as the emphasis appears to be on urban environments,
 - 8.4. It should have a focus on energy efficient buildings, not just public sector buildings as these may be highly inefficient. Step one should be improving the energy efficiency of all buildings,
 - 8.5. It is overly prescriptive and bureaucratic, adding huge barriers to entry for the industry is not market driven and has insufficient legislative support,
 - 8.6. The primary cost to the programme is the bureaucracy, not investment support for actually building the networks,
 - 8.7. There is insufficient evidence for the conclusions drawn in this proposal
9. The proposal is designed for larger, resource rich enterprises. Smaller community organisations will not have the resources to engage in this costly new structure. The decarbonisation of heat is a local activity requiring residents and business owners to engage to overcome the market failures described i.e, co-ordination failure and high costs. As decision-making is primarily based on cost, larger companies with higher costs to deploy will only be adding more cost to the system, requiring more taxpayer support. This is evidenced in the cost to value that has been achieved from the HNIP programme and other larger government supported projects to date. HNIP has financed very few heat pump projects. The majority of HNIP projects run on gas.
10. The developers, owners and managers of large existing buildings should be required to meet a decarbonisation target by government (legislative lead). They have been making massive profits from their buildings in the past so some of these profits should be allocated to decarbonising heat. The developers, owners and managers, who installed the heat systems in the first place should now be responsible for decarbonising these buildings and systems, not central government. This is not a productive use of taxpayers' money. A pot of money could be set aside to fund proposals from developers to Zone areas. Then they would be responsible for delivering the best, low cost, market based solution.
11. Parish councils will be excluded from the process as zoning will be focused on larger communities with the resources to assign to the project. As such the proposal is discriminatory in its practice holding back the faster uptake of decarbonising heat. This is evidenced by the fact that only large cities have been successful in installing heat networks to date. The Rural Community Energy Fund (RCEF) has been very successful in identifying communities for heat networks However, inconsistent and unreliable government policies, including the termination of non domestic RHI, RCEF's and HNIP's projected end in March 2022 will ring the death knell on the development of these projects because they will no longer be financially viable.

12. Since 20% of the market is off the gas grid, these communities should have the ability to stop burning oil for their heating and to install their own heat networks with equal levels of government support. It is quite shocking that government, while seeking to control the energy industry, doesn't acknowledge its participation in the market failures the industry is currently experiencing. These failures are the disproportional levies on electricity vs gas (now acknowledged and being addressed), the cost of heat pumps, the lack of local manufacturing of heat pumps, the lack of trained and qualified installers, the lack of independent advice and the emphasis put on preserving the gas network. When lowest cost option is mentioned, the costs to reinforce the electricity grid to accommodate the extra load required to heat these large buildings must be taken into consideration. This does not appear to have been taken into account.
13. Many of the issues proposed would be addressed by strengthening the government's carbon emission reduction requirements, removing all get out clauses, like the exemption available on energy efficiency investments higher than £3,500 by private sector landlords for EPC ratings and the lack of stricter energy efficiency standards in the National Planning Policy Framework.
14. It is impossible to detach heat networks from energy efficiency. It will be impossible to install heat networks using renewable heat without ensuring that the building is thermally efficient. Although the proposal says that it is addressing the lowest cost, low carbon heating solution, without energy efficiency what is proposed will create higher operating costs, higher demand on electricity grids and will end up being the highest cost solution for the end consumer. This will lead to massive backlash against the uptake of heat networks, instead of receiving the participation required for developing heat networks.
15. Government should not lead the way on determining the lowest cost area for heat networks to be deployed. This should be determined by the private sector, including social enterprise. All efforts made by government to lead on energy efficiency have been overly prescriptive and as such have not only failed, they have decimated jobs in the low carbon energy sector, creating difficulties in moving forward on the low carbon agenda.
16. The investment outlook requiring short term returns is wrong. Pension funds and other investment sources that require reliable longer returns are perfect for investment in heat networks. The government should be working with investors to recognise that heat networks will be a reliable return, very low risk, delivering a consistent return over the long term. The days of ignoring environmental costs in order to maximise investment returns over 5% are in the past. Many economists associate the higher returns required by investors with the lack of building in the cost to the environment, which can be translated to the cause of the climate crisis.
17. The proposed Zoning will not remove co-ordination failure. Co-ordination failure is due to the complexity of getting everyone on board. This is only done through a massive effort to educate and support people in their decision to be a part of a heat network. Large developers are not prepared for this type of work. At present, large developers use funding to hire companies to do their community engagement, not deploying people in communities to do the work. The cost of engagement will be added to the cost of the heat network, along with the high operating costs of these developers. The fundamental point being missed here is that the margins in heat networks are very low because of the large upfront investment cost. The business model for installing heat networks still hasn't been worked out by government, or in many cases by industry - for instance how to overcome the co-ordination failure and how to share the costs of the network infrastructure, which is additional to the cost of the individual heat delivery systems. Brighton and Hove Energy

Services Co-operative are well on the way to developing a business model to enable the cost-effective installation of zero-carbon heat networks including in locations that would be of no interest to local government or commercial companies.

18. Regulatory intervention in the energy industry is causing problems with many energy suppliers ceasing trading this year alone. Further regulation is not the answer to the market failure as just pointed out. Denmark was successful by making huge state investment in the heat networks. The success of installing renewable heat networks there cannot be attributed to zoning alone.
19. It is clear that you have not engaged with community energy groups who are developing heat networks locally. The policy has clearly been determined through conversations with large energy suppliers who will be protecting and furthering their interests at the expense of the end consumer.
20. The entire process of determining the feasibility of the zones, assigning this to underfunded and under resourced local authorities is misguided. The public sector is inefficient because of the risk averse nature of civil servants, their lack of commercial experience and the lack of resources available to local authorities to engage in activities other than their core business, social services. By assigning this task to local authorities, you are stalling the development of the heat networks unnecessarily. It will take much longer, perhaps two or three times as long, should many local authorities be responsible for rolling out the process.
21. There should be no extra burden on the regulator, who is not meeting its current obligations for public services. There should be a standard that is required and set by the regulator, with redress and reparations to be enforced should complaints be directed to them by consumers.

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FURTHER INFORMATION

Community Energy England (CEE) was established in 2014 to provide a voice for the community energy sector, primarily in England. Membership totals over 270 organisations. Many of the member organisations are community energy groups, but membership extends across a wide range of organisations that work with and support the community energy sector.

www.communityenergyengland.org