



## **SCOTTISH GOVERNMENT CONSULTATION ON HEAT AND ENERGY EFFICIENCY STRATEGIES, AND REGULATION OF DISTRICT HEATING**

### **RESPONSE FROM CONSUMER FUTURES UNIT, CITIZENS ADVICE SCOTLAND**

#### **ABOUT US**

The Consumer Futures Unit seeks to put consumers at the heart of policy and regulation in the regulated industries of energy, post and water. Part of Citizens Advice Scotland, it gathers, develops and acts on evidence, advocating and empowering to improve consumer outcomes. It develops practical policy solutions that lead to consumers being informed, engaged and protected.

Citizens Advice Scotland and its member bureaux form Scotland's largest independent advice network. CAB advice services are delivered using service points throughout Scotland, from the islands to city centres.

The CAB Service aims to ensure that individuals do not suffer through lack of knowledge of their rights and responsibilities, or of the services available to them, or through an inability to express their need effectively and equally to exercise a responsible influence on the development of social policies and services, both locally and nationally.

The CAB Service is independent and provides free, confidential and impartial advice to everybody regardless of age, disability, gender, race, religion and belief and sexual orientation.

#### **INTRODUCTION**

The Consumer Futures Unit welcomes the broad approach set out by Scottish Government of planning for the delivery of energy efficiency at a local level. The available data shows the considerable success, in terms of rising energy efficiency, which has been delivered by the combination of approaches taken in Scotland, of which area-based schemes have been the central element.

While the measures now needed are different, we believe that there is still value in this approach to delivery. We provide some detailed comments on this below.

We also welcome use of district heating where it provides warmth at 'affordable cost' (p5). Our definition of this would be in circumstances where district heating reduces bills for consumers. At present, our understanding is that district heating largely does this only in off-gas areas, such as tower blocks using electric storage heating.

However, we have concerns about the extent of the ambition for low carbon heating set out in the draft Climate Change Plan. We note that this consultation references other studies which suggest very considerably more targeted use of district heating:

*14. The United Kingdom (UK) National Comprehensive Assessment of District Heating and Cooling (2015), required by the European Union (EU) Energy Directive 2012, estimated that 4TWh p.a. (7%) of Scotland's total heat demand in 2025 could be met by district heating and cooling on a socially cost effective basis. The UK Committee on Climate Change estimates that by 2050, district heating could supply up to 20% of the UK's total building heat demand.*

The implication of the above is that the extension of district heating more widely would not be 'socially cost effective'. We would like clarification of the implications for consumers on how the very significant modelled change to take up district heating will be delivered. The consistent advice to consumers for many years has been to insulate their homes and to install a modern efficient heating system, of which the most common by far in Scotland is a condensing gas (or less commonly oil) boiler. Previous large scale changes to technologies have occurred because the new systems were seen as providing similar or better levels of comfort and convenience, at lower costs, than those they replaced. We have yet to see evidence that district heating consistently meets that standard when compared to individual gas central heating systems.

There is also an issue of timing of connection. As with physically connected broadband services now, we would suggest that the ideal model for district heating roll out would be for the network to be put in place, and for individual consumers to be offered the choice to connect to it at a time of their choosing – perhaps most likely when their existing individual boiler reaches the end of its cost effective life. There are possible tensions between this and the approach implied by some of the current LHEES proposals.

However, we welcome the opportunity to contribute towards development of regulations which will ensure consumers using district heating benefit from protections which are at least comparable to, if different in some cases from, those provided to people using electric or mains gas powered heating. We will shortly be publishing research on this issue, and we draw heavily on that in this response. Going further, we believe that robust, effectively implemented consumer protection will be a critical factor in persuading consumers to connect to district heating in the longer term.

We recognise the need to bring policies relating to energy efficiency and district heating together to ensure that heat loads are correctly calculated; this should also reflect real heat demand, taking into account the current experience of what consumers use (and are prepared to pay for) as opposed to modelled demand.

## **DELIVERY OF LHEES**

There is a clear need for a centralised approach for the regulation of district heating, as well as for publicly funded energy efficiency schemes. However, coordination or integration between national and local-level delivery is likely to be necessary. It will be necessary to consider how the wider incentive approach through SEEP integrates with energy efficiency measures delivered through

LHEESs. While it would not be productive to encourage people to wait for delivery, there is a need to extend SEEP beyond its target areas. Striking this balance will require detailed consideration at local level, and the requirement to integrate support, including financial support, for able to pay consumers should be part of LHEES.

## SECTION A

### LOCAL HEAT & ENERGY EFFICIENCY STRATEGIES TO SUPPORT DELIVERY OF ENERGY EFFICIENCY AND HEAT OBJECTIVES OF SEEP

*Q1. Do you agree that local authorities should have a duty to produce and implement a Local Heat & Energy Efficiency Strategy (LHEES) as outlined above? Please explain your view.*

Yes – imposing a duty is likely to be the best means of ensuring that this is carried out in a comprehensive manner. It is important, however, that LHEES are in line with and contribute to national-level objectives outlined in SEEP. It is important that appropriate governance arrangements are in place to ensure this happens. Further, as LHEES are developed, we would expect them to be aligned or coordinated with other local-level plans, such as Local Development Plans.

*Q1b. What are your views on the appropriate geographical scale for the preparation of LHEES? Should each local authority produce a single strategy for its area, or would it be possible for local authorities to work together to prepare strategies jointly for a wider area?*

The natural area for energy efficiency strategies will not necessarily be the same as all local authority areas, and so different approaches by different local authorities could be necessary. It may be necessary to have greater detail below local authority level in some areas, particularly in large, rural local authorities. The development of an area-based approach would therefore be beneficial – and this may be coordinated by local authorities. This may simply apply as a single area for local authorities covering geographically smaller and less diverse areas, but could include several separate areas for geographically larger authorities.

Additionally, we recognise that some local authorities are more advanced than others in terms of energy efficiency and district heating. It would therefore be valuable for a national-level agency to support those local authorities through the provision of expertise and information, at least in the short-term.

*Q2. Do you agree with the proposed scope and content for LHEES? In particular do you agree LHEES should (a) set targets for energy efficiency and decarbonisation and (b) include a costed, phased delivery programme that will meet local targets? Please explain your views.*

While we agree with the proposed scope and content, we consider that it is important that LHEES are in line with the overall approach that there are clear national targets, and that those can easily be translated to a local level in terms of energy efficiency measures, EPC ratings, installations of low carbon heating, etc. Also, we would suggest that energy efficiency measures are prioritised, as we expect gains from those to be delivered more quickly than from district heating alone.

We would also like to see the scope of LHEES include more robust requirements for monitoring and evaluation. There is evidence to suggest that some aspects of previous energy efficiency and fuel

poverty schemes have lacked this, meaning that it has been difficult to determine the exact impact of schemes on consumers and what further support should be provided<sup>1</sup>.

*Q3. Please provide any evidence you have regarding the data available (or that could be available) to local authorities that would be useful or key to preparing and implementing such plans beyond the Scotland Heat Map and the EPC Register (including data held both within and outwith the public sector).*

There is a difference between modelled and real-world demand from the impacts of previous schemes. An issue with the development of district heating is that there is evidence that modelling does not necessarily reflect the needs of residents. There is available data on energy consumption<sup>2</sup>, and so we would like to see modelling based as far as possible on real demand as demonstrated by consumers' bills. This would help to avoid inefficiencies such as over-capacity.

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<sup>1</sup> Consumer Futures Unit, *Hot off the Grid: Delivering energy efficiency to rural, off-gas Scotland*, 2016

<sup>2</sup> Ofgem, *Beyond Average Consumption*, 2014

## SECTION B

### DISTRICT HEATING REGULATION

#### B1. CURRENT POSITION AND OVERVIEW OF PROPOSED REGULATORY APPROACH

*Q4. What are your views on the broad principles for regulation outlined above? What else do we need to consider? What should be prioritised in cases where principles may not always be compatible?*

In general we agree with the broad principles. A priority for us is ensuring that district heating supplied is affordable to customers and building owners, and meets fuel poverty objectives. If heat is not affordable, then the objective of alleviating fuel poverty is unlikely to be achieved. This could also bring the risk of consumers self-disconnecting, which could in turn increase the fixed costs of those who continue to use the system. Research recently commissioned by the CFU has indicated that affordability of heat is a key priority for both consumers and suppliers in Scotland<sup>3</sup>.

*Q5. What are the key principles or approaches that should inform how our regulatory approach manages risk for district heating across the whole system?*

As above – we would like to see risk being managed so that the risk of not delivering affordable warmth to consumers is minimised. This will inform all of the above.

#### B2. PLANNING, ZONING AND CONCESSIONS FOR DISTRICT HEATING

*Q6. What are your views on local authorities having the power through LHEES to zone areas for district heating? Please provide any relevant evidence.*

We do not take a view on this.

*Q7. How should district heating zones be identified? For example, how should national targets, socioeconomic analysis, local priorities feed in to the designation of zones within the strategy?*

We believe it would be beneficial to have a concentration on areas where district heating is going to make a meaningful contribution to addressing fuel poverty. At current prices, this will be people

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<sup>3</sup> Consumer Futures Unit, *Different Rules for Different Fuels: Exploring Consumer Protection in the District Heat Market*, 2017

using electric heating in urban areas, and in rural, off-gas areas where there is sufficient density of housing.

*Q8. What are your views on taking district heating zones, or parts of district heating zones, and establishing an exclusive concession for either private- or public-sector heat network developers to fulfil that part of the LHEES? How will this alter the risk profile of district heating development?*

We do not take a view on this.

*Q8b. Do you agree that local authorities should be responsible for issuing and enforcing concessions in their areas? Please explain your answer.*

We do not take a view on this.

*Q9. What considerations should inform the design of concessions (target users, envisaged network growth, concession length, etc.)? Please provide any evidence you have to support your views.*

We do not take a view on this.

*Q10. What are the implications of zoning and concessions for existing district heating networks?*

We do not take a view on this.

*Q11. Do you think the broad rights and responsibilities of concession holders set out in this document are appropriate? Why? Please provide any examples or evidence.*

We do not take a view on this.

*Q12. How can a balance be struck between ensuring LHEES are responsive to changing conditions while ensuring security and stability in long-term district heating development models?*

We do not take a view on this.

*Q13. What should happen to long-term ownership of heat network assets, post-concession?*

We do not take a view on this.

### B3. CONNECTING USERS TO DISTRICT HEATING NETWORKS

*Q14. What are your views on the opportunities and challenges in connecting anchor loads to new heat networks? In your view, will the scenario set out address these issues and accelerate district heating development? Please explain your answer.*

This could provide greater incentives for operators to keep schemes running efficiently. This would help to provide better service and lower costs, especially in the private sector, which would be beneficial to consumers. The use of district heating in public buildings would help to provide an anchor load, and build industry capacity.

*Q15. What are your views on the proposed power to compel existing buildings to connect to district heating?*

The experience of which we are aware is that at present, frequently neither carbon nor financial savings can currently be generally expected when compared to mains gas<sup>4</sup>. Until these circumstances change, we would not support compelling connection for individual consumers. Our preference would be for buildings to connect to a network, and then for individual consumers to have the opportunity to connect to that network when it makes financial sense to do so.

*Q15b. Are the broad principles and criteria appropriate? Should other principles or criteria also apply? In particular, what approach should be taken to socio-economic assessment at the project level, prior to a compulsion to connect?*

As above – we would like to see affordability as a key consideration, with an option for consumers to connect, rather than a compulsion.

*Q15c. Do you agree that this socio-economic assessment at project level should include an assessment of the impacts on consumers of requirements to connect?*

We would agree with this but consider that individual consumers should have an option to connect rather than an obligation for individual consumers.

*Q15d. Do you agree that local authorities should exercise powers to compel connection of existing buildings (for example when requested by relevant concession holders)?*

See answer to question 15.

*Q16. Do you agree that mitigating risk by establishing exclusive concessions will lower financing costs and heat prices?*

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<sup>4</sup> During research carried out in December 2016, the Joseph Rowntree Foundation indicated that its wider research has shown this, generally, to be the case.



We are not able to comment in detail, but would suggest that comparative research in other Northern European countries, where district heat is commonly used, should be reviewed or undertaken to determine where this has happened and its impacts.

*Q16b. How can these regulations be designed to best ensure this happens?*

We do not take a view on this.

*Q16c. What are your views on the time length of concessions in order to attract investment?*

We do not take a view on this.

*Q17. Do you agree that compelling existing buildings to connect to district heating would mitigate heat demand risk, lower financing costs and help create an attractive investment proposition for district heating developers and financial institutions?*

As above – we would like to see affordability as a key consideration, with an option for consumers to connect, rather than a compulsion.

*Q17b. Could you provide evidence of how much they would be lowered?*

No

*Q17c. How can these regulations be designed to best ensure this happens?*

We do not take a view on this.

*Q18. What are your views on the relationship between LHEES and local development plans and how planning policy and development management should support the anticipated role of LHEES for new buildings?*

It is important that both are aligned in terms of objectives, and the timing of actions takes this into account. We would like to see robust monitoring and evaluation.

#### B4. CONNECTING SURPLUS INDUSTRIAL HEAT

*Q19. What challenges and opportunities do you see for existing industrial plant to connect and sell waste heat to nearby district heat networks, both now and in the future?*

We support the use of surplus industrial heat in principle, to avoid demonstrable inconsistencies between generation and supply, but we are not in a position to comment in further detail on any of the questions in section B4.

*Q19b. What barriers have industries experienced in the ability to sell their heat under current market conditions?*

*Q20. What are your views on requiring existing industrial plant, with the potential to supply surplus heat, to make data available to public authorities? Please provide any relevant evidence.*

*Q21. Under these proposed new arrangements, do you think that an enabling approach, perhaps using voluntary mediation, will be successful? How can we best encourage existing industrial plant to supply waste heat to a district heating network?*

*Q21b. Which public authority should carry out the role of voluntary mediation?*

*Q22. Do you agree that in some circumstances (if requested), compulsory mediation is needed?*

*Q22b. Do you agree that if compulsory mediation was not successful, then a more directive approach should be used?*

*Q22c. Which public authority should carry out the role of compulsory mediation or direction?*

*New industrial plant*

*Q23. What are your views on requiring new industrial plant to be 'district heating-ready'?*

*Q24. What would be the most appropriate way of ensuring that new industrial buildings connect to district heating networks? What role can zoning within LHEES play in this?*

## B5. TECHNICAL STANDARDS, CONSUMER PROTECTION AND LICENSING

*Q25. Do you agree that as district heating becomes more widespread it will need to become a licensed activity? Please explain your answer.*

Yes – the CFU recently commissioned and will publish research which indicated that there is clear need for greater consumer protection for district heating consumers in Scotland, and that this could be delivered through a license. It also found that suppliers and other stakeholders generally supported the introduction of more extensive consumer protections, and that it was not widely considered that they would be overly burdensome to suppliers. There is also evidence of detriment to consumers resulting from a lack of statutory consumer protections from GB-wide studies<sup>56</sup>. In general, our research showed that introducing a license could be an effective means of implementing consumer protections at a Scottish level.

*Q26. What technical standards and consumer protection measures should be part of standard district heating licence conditions? How should these relate to existing schemes?*

The CFU recently commissioned research which set out a range of possible consumer protections which would be appropriate for district heating schemes. This research found evidence that at present, consumer protection measures for district heating consumers in Scotland are insufficient and inconsistent. Based on this evidence, we believe that a license could include the following compulsory consumer protection measures, as well as minimum technical standards. This research also suggested that the content of this license should build upon the content of the Heat Trust. Additionally, our research indicated that these could apply equally to existing schemes, although there would be value in a central agency providing support for existing schemes to meet required standards in the short term.

### Billing and Pricing

- **Publishing of prices** – including benchmarking against other schemes – which could encourage pressure from consumers on their supplier for improvements, and allow them to raise concerns about high prices, through allowing consumers and operators the chance to compare performance. This may also allow consumers to understand prices. The Heat Trust currently has a price comparison tool that would help to enable this.
- **Minimum standards of regularity and accuracy for billing** – This may reduce risk of build-up of large bills or confusion around billing. This may also help to prevent consumers falling into debt.
- **Breakdown of prices to consumer** – This would give the consumer the opportunity to see what contributes to cost (and what savings could be available by reducing use etc.).

### Support for vulnerable consumers

- District heating suppliers should be required to provide a priority services register for vulnerable customers. This would provide additional support through measures including

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<sup>5</sup> Citizens Advice, *District Heating Networks: analysis of information request*, January 2016

<sup>6</sup> Which?, *Turning up the heat: Getting a fair deal for District Heating users*, March 2015

advance notice of service interruptions, provision of alternative heating in emergencies, password protection schemes, and bill nominee schemes.

#### **Minimum standards to support customers in debt**

- This could include support such as setting up reasonable and manageable payment plans for consumers to clear debts, ensuring consumers are supported not to get into debt, and setting up prepayment plans.

#### **Access to redress**

- **Complaints handling** – including requirements for easy to navigate complaints procedures to be put in place, including a 24-hour clear point of contact, and timescales for dealing with complaints.
- **Ombudsman Services** – licensees could be required to abide by the decision of an Ombudsman or equivalent service.

#### **Compensation for interrupted supply**

- Consumers should be compensated for lack of supply. This would incentivise suppliers to reduce the number and extent of breakdowns, and bring district heating suppliers in line with other energy companies.

#### **Fault handling**

- A minimum level of service regarding fault handling and repairs, including response time and ensuring continuity of supply, should be specified.

#### **Technical Standards**

- Technical standards could include implementing appropriate safety measures. This may include minimum and maximum temperatures, and pressure levels.
- This should also include suppliers being required to assess the efficiency of their networks annually, against set efficiency standards, and report to the regulator. This would assist the regulator in providing support to improve schemes that are not performing well.
- These should build upon the Heat Network Code of Practice Scheme developed by the Association for Decentralised Energy and CIBSE, although work may be needed to determine how this could be applied to existing schemes.

#### **Fair Heat Contracts**

- Heat contracts should provide clear information on all of the above, as well as leaving and joining rights.
- Guidance should be issued by the regulator on ensuring that heat contracts are fair.

Our research shows that it is not clear whether or how price controls could be implemented at a Scottish level without new legislation. However, our research identified this as an important area of consumer protection. As district heating networks generally operate as supply monopolies, we believe that it is reasonable to exercise some control over pricing to protect consumers from detriment, as they are generally not able to switch tariff or supplier. Therefore, there would be value

in investigating whether the following mechanisms could be introduced in a license on a statutory basis:

- **Price cap** – where prices would be capped at no more than the equivalent cost of the cheapest alternative system in the area.
- **Price-setting criteria** – To make clear the basis on which prices should be determined based on cost base. This may help to prevent overcharging by ensuring prices for heat supply reflect given criteria such as running costs – comparable to a rate of return approach rather than a price cap. This would have to be combined with technical standards to promote the efficiency of schemes so that prices are not overly inflated by high running costs. This could also give consumers an opportunity to raise concerns about high running costs, and help the regulator to identify inefficient schemes, enabling support to be directed at those schemes where appropriate.

*Q27. What are your views on using a licensing system to confer enabling powers on operators, and on what enabling powers are required?*

To comment in detail, we would need more details of what enabling powers would be, and to ensure that they would not cause consumer detriment.

*Q28. What principles, objectives and other considerations should guide the development of a Scottish district heating licence?*

Based on the research that was recently conducted on behalf of the CFU, as well as previous GB-wide studies, there is evidence that consumer protections in place in a license could and should be statutory, as opposed to voluntary. Further to this, our research indicated that the Scottish Government does have the power to introduce a license which contains statutory consumer protections.

In 2016, the CFU commissioned a legal opinion from John Campbell Q.C. to determine the extent of Scottish Government competency to introduce a regulatory regime for district heating schemes, including statutory consumer protections<sup>7</sup>. The opinion makes clear that the Scottish Government does have the power to do this, and that consumer protections implemented through a license could be made compulsory.

The opinion makes a number of key assertions that may be crucial to how this could be taken forward in Scotland. They include:

- Responsibility for the regulation of district heating is devolved to the Scottish Parliament, and the market is distinct from the gas and electricity markets. It can therefore put in place a regulatory regime including a license.
- Legislation around consumer protection is reserved to the UK Government. This means that the Scottish Government does not have the power to legislate for any *new* consumer protections.

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<sup>7</sup> For text of the legal opinion, see Appendix C in CFU, *Different Rules for Different Fuels: Exploring Consumer Protection in the District Heat Market*, 2017.

- However, the Scottish Government can introduce a statutory license that includes *existing* consumer protections in legislation – and many of the desired protections (which we have set out above) could be achieved through existing UK and EU legislation.

This indicates that, while the Scottish Government cannot introduce any new consumer protection legislation, it can include appropriate protections that already exist in a statutory license. Additionally, the research suggests that protections such as joining and leaving rights can be found in the Consumer Rights Act 2015, and protections including price-setting criteria, minimum standards for billing regularity and accuracy, and providing a breakdown of prices, are contained in the Heating Network (Metering and Billing) Regulations 2014.

The issue then does not appear to be that these protections do not exist; it is rather that they are not currently codified in one place as they are for gas and electricity. That is to say that ultimately, there is no effective regulation to uphold these protections, and they may not be consistently recognised, understood, nor enforced. The opinion states:

*“As matters stand, my view is that those entering into DHS contracts with a supplier have statutory consumer protection rights for the matters covered by the contract – entry into the scheme, participation in it, the supply of heat, pricing, [the right to switch], the right to terminate, the right to information, metering and billing, the right to complain, and to have a complaint dealt with, and other relevant consumer orientated contractual rights.”*

A statutory license, then, is likely to need to draw upon a range of diffuse existing legislation to achieve the desired range of consumer protections, but new consumer protection legislation may, for the most part, not be necessary. However, while the opinion suggests that the majority of these protections do exist in legislation, in relation to a number of proposed measures, it is not clear what all of the specific and relevant pieces of legislation are, including those dealing with technical standards, debt handling, support for vulnerable consumers, complaints handling, and access to an ombudsman or equivalent service. More work is needed to clarify exactly where the legislation sits in order to introduce these measures. Generally, however, the opinion states:

*“I cannot see any reason why the Scottish Government could not regulate the terms and conditions of supply of heat in any DHS, existing or to be constructed, by introducing a compulsory licencing regime proportionate to the project in question. The components of that licence are questions for another day, but a licence to supply could easily enshrine existing consumer protection law...”*

The legal opinion suggests therefore that the Scottish Government does have the power to introduce a license which includes compulsory consumer protection measures. It also suggests that a licensing regime could be implemented by way of a statutory instrument through the Climate Change (Scotland) Act 2009.

In our view, it is not currently clear whether it would be possible to implement every measure set out above through a Scottish license – for example, the introduction of price controls could require additional legislation at UK-level – but it is clear that it would be possible to implement a regime that included a range of basic measure that would protect consumers from detriment.

As explained previously, a Scottish district heating license should also be guided by the principles that consumer protections are necessary to protect consumers from detriment and alleviate fuel poverty, and that consistent technical standards are likely to improve services, drive up efficiency, and lower costs.

*Q29. What drawbacks or challenges might a licensing system create? How could these be minimised?*

The research carried out on behalf of the CFU into consumer protection in the district heating market indicated that, on the whole, suppliers and other stakeholders did not feel that regulating to strengthen consumer protections would be overly burdensome. Indeed, there was wide support for it<sup>8</sup>.

As outlined in our response to Question 25, pricing could be a key element in ensuring that fuel poverty is addressed through district heating. However, if the Scottish Government includes this in a license, there could be challenges around how this could be implemented, as it is not clear if there is existing legislation that would allow this to be done. More work is needed to determine this, and to overcome these challenges.

*Q30. Do you have views on who should issue District Heating Licenses and ensure that technical standards are being met?*

We consider that a Scotland-wide body with responsibility for the regulation of the district heating market, including the issuing of licenses, in Scotland may achieve the best outcomes. This would allow for a consistent approach with appropriate resources, while ensuring that knowledge, skills and understanding of the district heat market, as well as the technology, is available throughout Scotland. A Scotland-wide body could be preferable to a local-authority level one due to the resources and level of specialist knowledge that would be required, and to ensure a consistent approach across the country. Informed by our research, we believe the functions of this body could include:

- Issuing licenses and assessing the compliance of suppliers with license conditions.
- Keeping a register of schemes.
- Taking appropriate enforcement action where there has been a breach of license conditions and where it is appropriate to do so.
- Requiring and supporting suppliers to provide advice to consumers on how to use heating systems.

The Energy Ombudsman, or an equivalent body, could also be brought alongside this body to provide adjudication of complaints about the operation or the value of district heating schemes. As set out above, the licensing regime could require that access to the ombudsman service be included in heat contracts.

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<sup>8</sup> See consumer survey results in CFU, *Different Rules for Different Fuels: Exploring Consumer Protection in the District Heat Market*, 2017

It will be up to the Scottish Government to determine what organisation would be best to deliver these functions.

*Q31. Would the benefits of the concession area outweigh the costs of the licensing arrangements?*

We do not take a view on this.

#### B6. ENABLING ACTIVITY AND ADDITIONAL AREAS FOR CONSIDERATION TO SUPPORT OUR REGULATORY APPROACH

*Q32. What are your views on the best approach to ensuring that potential customers understand the differences as potential customers of a heat network, and who do you think is best placed to convey these messages?*

This depends upon the mechanism that is used. If there is a compulsion to connect, then it would be appropriate for the Scottish Government to convey these messages. However, if consumers are given a choice to connect, then it would be appropriate for the provider to do so, subject to minimum requirements of the regulator around promotion and marketing.

*Q33. Please provide any evidence you have regarding:*

*a) analytical skills, resources and techniques that could support development of LHEES, particularly where these are not currently used by local government*

*b) the anticipated cost of preparing LHEES*

*c) the additional skills and resources are needed to meet the requirements of the potential local authority role of district heating regulation.*

We will respond to questions 33-35 as a group. We recognise the need for support and resources, and the additional skills that will be required to deliver the desired outcomes. However, we are not in a position to comment in detail on the specific nature of this. A Scotland-wide body could provide support in the development of LHEES and the regulation of district heating, including through additional skills and resources.

*Q34. What support and resources will local authorities need to produce LHEES and implement the potential local authority role of district heating regulation, and which organisations do you think these are best placed to provide these? Please explain your views.*

See Q33.



*Q35. What are your views on how any support should change over the different phases of development, introduction and implementation of any regulation?*

See Q33.

*Q36. What are your views on the wider regulation of the heat market to ensure decarbonisation?*

There is definitely a need to build consumer confidence in low-carbon heating, but it is not clear how this would be regulated without a specific supply infrastructure. We would require more information on what this is referring to.

*Q37. What are your views on when decisions should be taken on the future of the gas network?*

We do not take a view on this.

*Q38. Please provide any evidence you have to inform the Scottish Government in informing its thinking in this area.*

We do not take a view on this.

*Q39. Please set out any further views on issues covered in this consultation that you have not already expressed, providing evidence to support your views.*