



S.N.Harper MCIBSE

Director

Elan MEP Ltd.

steve.harper@elanmep.com



Navigating Compliance:
HNTAS & Ofgem Essentials

‘Get to Net Zero’ Seminar

INTRODUCTION

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- Some of what I'm going to speak about is policy that is still in development
 - Heat networks are a key part of the Government's strategy to reach net zero emissions by 2050 under the DESNZ Heat Networks Market Framework
 - The heat network market is set to grow rapidly, and the Government is encouraging its growth
 - Climate Change Committee's recommendation is that around 18% of UK heat should come from heat networks by 2050. They currently provide about 2-3%.

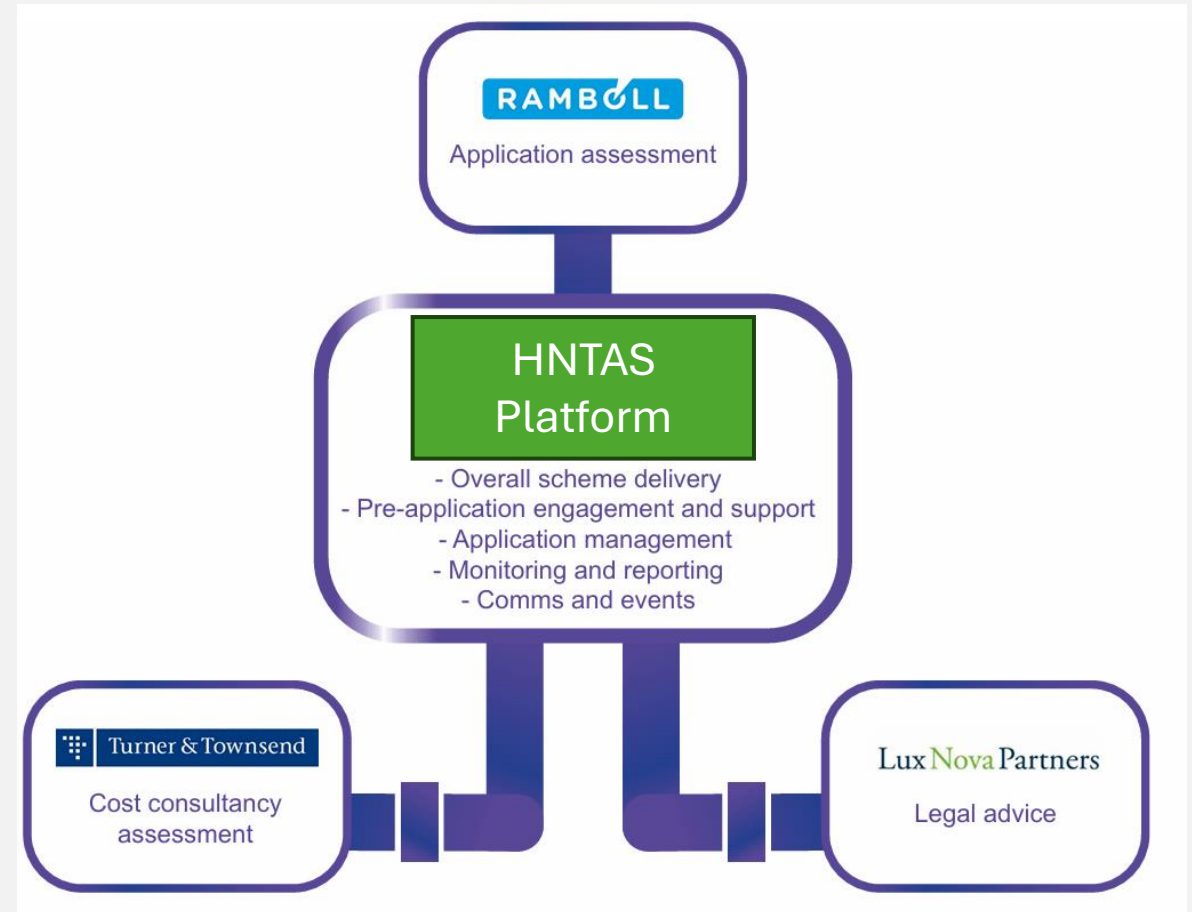


1. HNES

Objective 1: Reduce carbon emissions

Objective 2: Reduce customer detriment

Objective 3: Prepare the DHN (District Heating Network) market for regulation



HNES - Funding



HNES has two aspects:

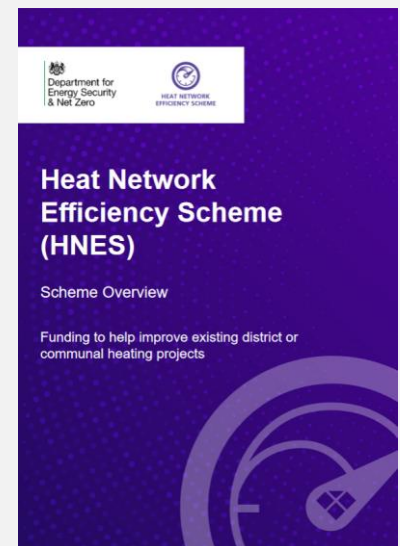
- Revenue grant (to fund 100% cost of heat optimisation studies)
- Capital Grant (To fund 50% of the cost of remedial works)
- Uptake on the Revenue grants has been good. Not so much on the Capital grants. This may be due to the inability of some legacy schemes to find funding for remedial works.



**HEAT NETWORK
EFFICIENCY SCHEME**

HNES – Optimisation Reports

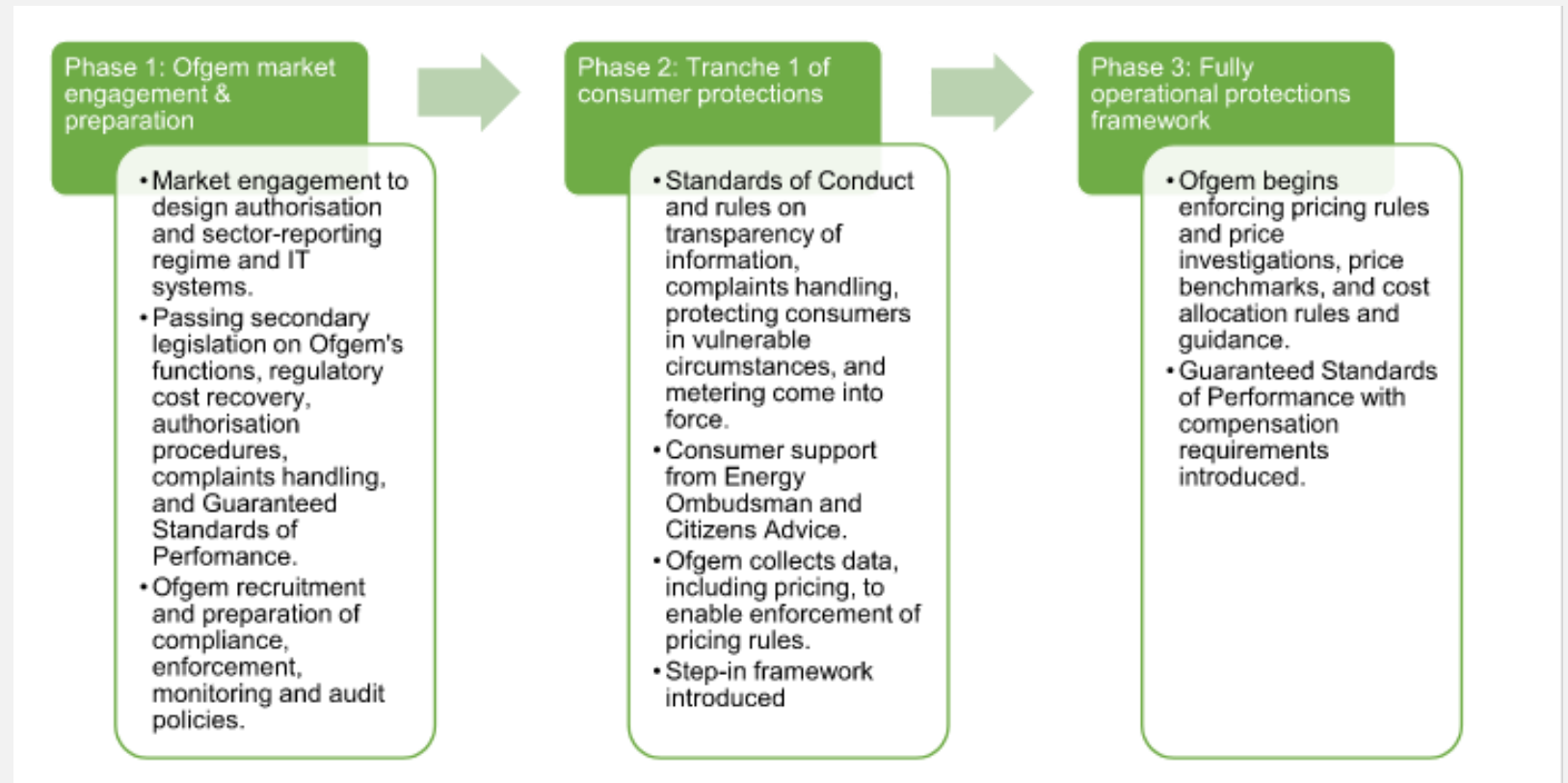
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- Heat network optimisation reports- wide variation in technical detail in these.
 - Some do not seem to address fully the minimum standards that CIBSE CP1 defines.
 - It's not clear if any submitted reports have been rejected due to lack of technical detail.
 - Some reports seemed to address a stock list of optimisation measures, without getting into the detail of why items addressed didn't comply in the specific scheme.



2. CONSUMER PROTECTION

Autumn 2025

Phase 2 of the consumer protection requirements may be brought in, parallel with the introduction of the regulations and HNTAS



Consumer protection - Definitions

- Heat Trust currently run a voluntary consumer protection regime. Heat suppliers who are registered the with Heat Trust are to remain registered until the start of Phase 3, when full protections will be in place.
- The definitions for communal and district heat networks, established in the Energy Act 2023, will probably be retained:
- Communal heat network definition – *Single building, single energy centre*
 - Not to include networks of multiple communal buildings within a single site
- This means this network type above, *multiple buildings- single site*, would be classed as a district network, along with larger scale, multi-site networks.

Consumer protection- Vulnerable persons

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- Ofgem is expecting to make Priority Services Registers (PSR) mandatory as part of the upcoming Heat Network Consumer Protection Regulations.
 - OfGEM will administer the authorisation regime. This will involve all operational heat suppliers and heat network operators being automatically authorised to continue operating subject to them meeting notification requirements set by Ofgem.
 - Consumer protection requirements will be phased in, with some coming into force within the first year of regulation



Consumer Protection - Timescale on Regulation

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The first 1st tranche of consumer protection legislation may be enacted in parallel with HNTAS.



Consumer protection - requirements

- Pre-contract transparency for consumers & Guaranteed Standards of Performance (GSOP)
- Ofgem are currently working on developing an online platform and reporting tool, that will allow networks to directly upload HNMBR data online. The pricing information will also be gathered there.
- Will the consumer protection extend to prescriptive thresholds for system efficiency?
- Over-arching standard of conduct code. 'treat domestic consumers fairly and tailor consumer services to their needs'. Debt management – RSL's councils can still bill heat on a composite basis with rent.

Consumer protection - requirements

Disconnection ban? Some residents are being threatened with eviction as their debt is classed along with their rent. This enables eviction for non-payment of rent.

PAYG and PPM can these be integrated into the overall metering and billing systems

Unmetered 60% of networks currently unmetered

Burden There are general concerns over additional costs arising from the increased administrative burden of consumer protection on both consumers and businesses.

Consumer protection - Pricing

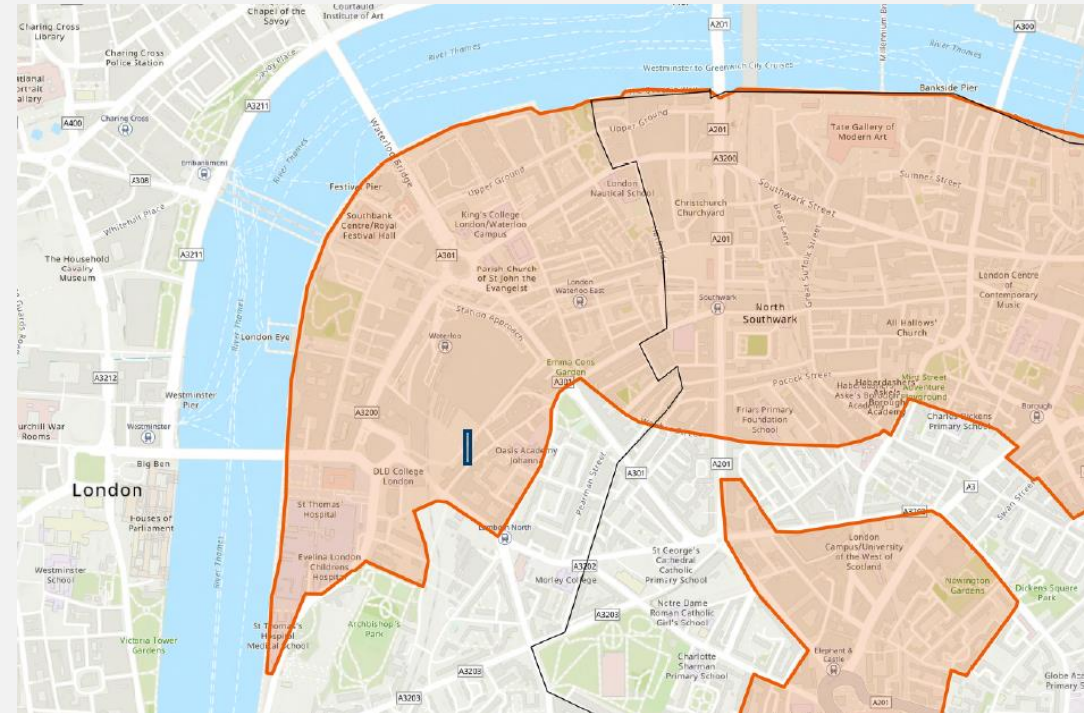
- Price investigations and some of the fair pricing protections begin after the initial period ends, around 12 months after the regulatory framework is established.
- Quarterly reporting on pricing data is probably necessary to ensure that the policy captures most of the price changes that occur in the market.
- Comparison methodology and price benchmarking is to be revisited in the 2nd 'consumer protection' consultation
- Fair and transparent pricing – difficult due to variance in types and contract arrangement of schemes and pricing levels & profits

3. HEAT NETWORK ZONES (HNZ)

- **“Heat network zone”** will be a defined geographical area where heat networks are expected to provide the lowest cost solution for decarbonising heating.
- **“Heat network zoning”** is the entire process of identifying and designating areas as heat network zones and then developing heat networks within them.
- **“Central Authority”** A new body that will oversee all heat network zones
- The heat network zone coordinators may be able to set carbon emission limits on heat networks in their zone. emissions limit based on grams of carbon dioxide-equivalent per kilowatt-hour (gCO₂e/kWh) of thermal energy delivered.

Heat Network Zoning- Map (Southwark)

- Interaction with the existing GLA HNPA (heat network priority areas)
- Convergence with existing requirements to connect to heat networks under s106 planning obligations
- Under the GLA HNPA (heat network priority areas) there was a soft boundary approach.
- GLA Heatmap
- Some buildings in Heat Zones may be required to connect to district heat networks within a specified timeframe.



Heat Network Zoning – Timescales to connect

There may be a requirement to provide temporary gas boilers at handover.

Exemptions may exist on cost or timing or conservation area reasons

Existing low carbon schemes may have an exemption

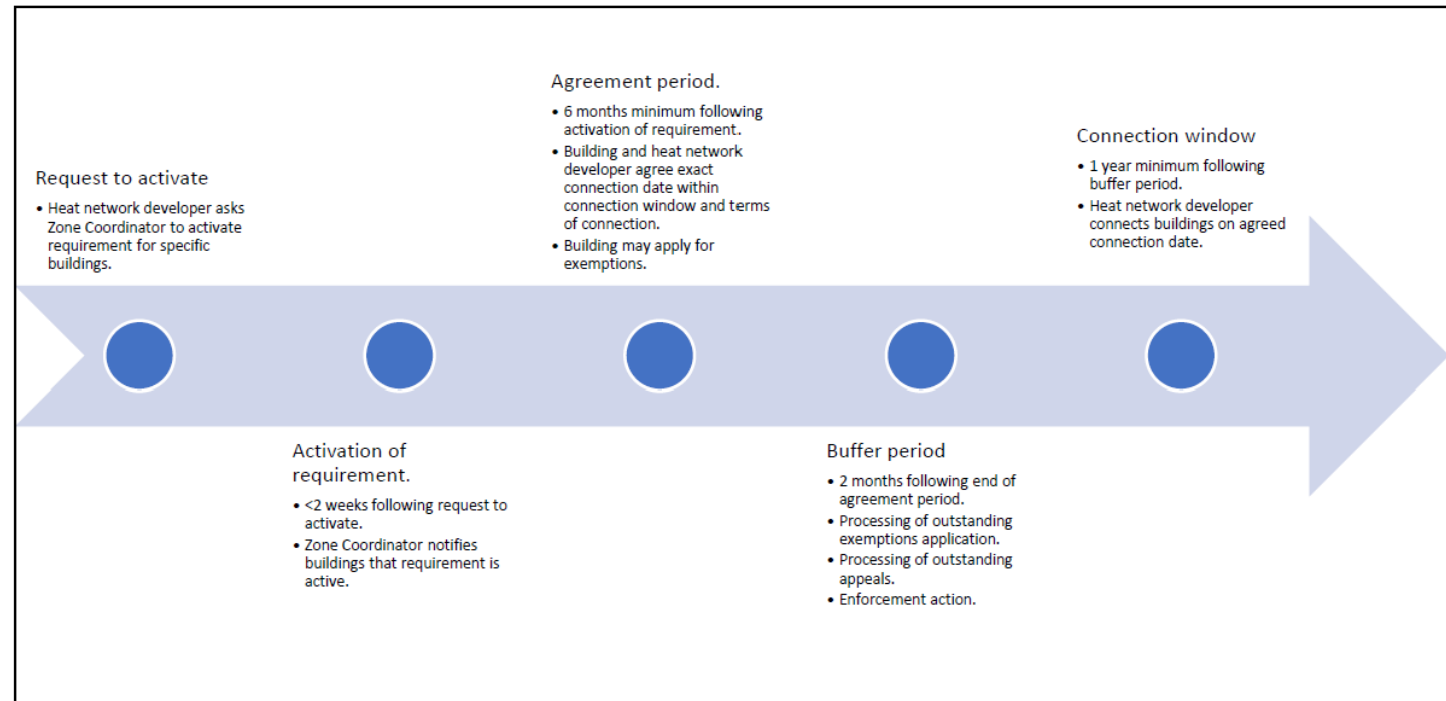


Figure 2 Indicative timelines for the process of requiring buildings to connect

DESNZ / GemServ Digital Portal

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- The Gemserv digital portal will hold all the HNTAS and scheme data. But this has a parallel need across price information and scheme performance information in Consumer protection. Also, for use in HNMBR & heat zoning.
 - There will initially just be a need to hold the assessment and certification stage data submitted by scheme operators
 - At a later stage heat meter data, from project bulk heat meters and gas meters may also be required.
 - The HNTAS portal will allow scheme managers to upload their data and to see a list that will be marked as complete/ incomplete so they can see the status of their submission.
 - There is a lot of common use of the same data in the sector and the plan is to ultimately make that all use the same database.

Updating of CIBSE CP1 Guide

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- CP1 does not align fully with the heat networks technical assurance scheme structure
 - Updates to CP1 will probably largely be work to ensure it closely supports HNTAS technical performance objectives.
 - There may also be some essential technical alterations to the CP1 requirements.



CHALLENGES IN THE SECTOR

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- Trained engineers will be needed for regulatory roles as heat network assessors & as certifying engineers for the 'certification points' in HNTAS
 - Design & construction work on Heat Network remedial needs engineers and operatives to deliver it.
 - The risk with new Regulation can be that it becomes burdensome to the business's operating in the sector.
 - Customer protection needs to be readily understandable for the consumer
 - Heat zoning coordinators having powers to set carbon emission limits may conflict with the other channels that already impose this on consumers and business.

General Comments

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- Property Information forms TA6 etc. Conveyancing enquiry forms. HNTAS
 - Ability to get the AMR data? (AMI is the term for the new advanced metering infrastructure)
 - AMI enables bidirectional and continuous communication
 - AMR enables unidirectional and intermittent communication.

This means that AMI can provide more granular and dynamic data and control, while AMR tends to provide aggregated and static data and little control

- Gas meter AMR HH data is not available in all gas network areas
- TM39 metering of heat generating plant.
- Use of RIBA plan of work - ?
- Is Heat Regulation being implemented too soon?

Thank you

Steve Harper of Elan MEP Ltd.
steve.harper@elanmep.com

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