

Scottish Renewables' response: Consultation on Heat and Energy Efficiency Strategies, and Regulation of District Heating

Section A – Local Heat & Energy Efficiency Strategies

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.

We agree that local authorities should play a key role in developing and driving forward projects. The creation and implementation of LHEES would support this and we agree with the approach as outlined in the consultation paper. However, we have some concerns with the proposal which we have listed below.

- **Local authority resources** – It is critical that local authorities are appropriately resourced to produce and implement a LHEES. Further consideration will therefore need to be given to the resource and support requirements that will be required and how these can be delivered.
- **Alignment with other plans and policies** - The LHEES would need to align with Local Development Plans (LDPs) as well as the broader aims of Scottish Planning Policy and the Scottish Energy Strategy. Further consideration would need to be given as to how this process was managed.
- **Review periods** – Renewable energy is a dynamic sector which evolves rapidly, it is important that a mechanism to update LHEES is included in proposals to take account of future developments and emerging technologies as well as changes to LDPs (currently reviewed every five years although this is subject to change as a result of the ongoing review of the planning system).
- **Consultation and external scrutiny** - The strategies would benefit from wider engagement to ensure buy in and feasibility, particularly with industry and businesses. External scrutiny of the strategies may also help to ensure a consistent approach is being taken across local authorities (Bearing in mind that some differences are inevitable given the differing geographies of local authority areas.)

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?

As highlighted in response to question 1a, our main concern is that local authorities will require the right skills and expertise in order to deliver these strategies successfully. This is particularly relevant for some of the smaller, more rural local authority areas which often face more significant resource constraints. Joint working may therefore be appropriate to overcome these challenges. The recent planning consultation highlighted an intention to create regional partnership working groups, if this proposal is developed further then it should be explored as potential model to help deliver the LHEES work.

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.

We agree that LHEES should set targets for energy efficiency and decarbonisation and include a costed, phased delivery programme.

- **Targets** - The draft Energy Strategy recognises that alongside the 50% renewables target, additional targets may be required to encourage the full range of low and zero carbon technologies. In line with this, we agree with proposals to set targets for energy efficiency and decarbonisation. We would also like to see targets for the proportion of heat to be delivered from renewable sources. As highlighted in paragraph 51 of the consultation, *'we need to ensure that heat networks do not*

lock heat supply in to unabated gas fired CHP – a technology that can reduce greenhouse gas emissions in the near term, but which over the long term will have to be phased out. We recommend extending the content of the strategies to include this consideration.

- **Timeframe** - District heating projects are generally developed over a 25-30 year period so consideration should be given to extending the current proposed timeframe of 20 years.
- **Socio-economic assessments** - Experience of socio-economic assessments in Environmental Impact Assessments to date has shown significant variation in approaches taken. In order to ensure that the approach taken and the range of issues considered is consistent, national guidance or a template should be provided by Scottish Government.
- **Technical assessments** – a technical feasibility assessment will also be required to assess the viability of networks in identified areas.

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).

No comment

Section B – District Heating Regulation

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?

We agree with the broad principles outlined but welcome consideration of extending the principle ‘*wastage of surplus industrial heat is minimised*’ to cover all forms of waste heat and not just those from industrial sources.

We do not take a position on the prioritisation of the principles, but do believe that direction should be provided by the Scottish Government to ensure consistency in approach in circumstances where principles are not compatible.

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

A stable policy and regulatory framework is necessary to help reduce demand and regulatory risk. In the UK, ‘*short-term abruptly changing policies relating to heat network development have created uncertainty and perceived risks for local government and the commercial sector*¹’. Industry, as well as the consumer, needs certainty to plan for the future, particularly in relation to district heating where projects are typically developed over a 25 – 30 year period. We believe that the provision of long term policy certainty should be an aim of the Scottish Government’s approach to managing risk.

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 agree with proposals to create district heating zones. This will provide a long term plan for development whilst creating a greater degree of certainty for industry. However, it is imperative that this proposal is considered in line with the wider, on-going planning review.

¹ UKERC Technology and Policy Assessment (Dec 2016) Best practice in heat decarbonisation policy: A review of the international experience of policies to promote the uptake of low-carbon heat supply <http://www.ukerc.ac.uk/programmes/technology-and-policy-assessment/best-practice-in-heat-decarbonisation-policy.html>

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?

National targets, the socioeconomic analysis and local priorities are all important elements of the district heating zone identification process. However, we believe that the priority consideration in the first instance should be technical and economic requirements as the viability of a heat network is strongly dependent on the initial capital cost which is influenced primarily by heat density and demand.

The heat mapping tool created by Scottish Government is a useful tool for the creation of zones but further consultation with local authorities will be required to fully understand the resources required to identify and map these zones.

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?

No comment.

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

We agree that local authorities are best placed to have overall responsibility to issue and enforce concessions in their areas.

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.

Section 44 of the Climate Change (Scotland) Act 2009² places a duty on public bodies to act in a way best calculated to contribute to the delivery of the targets set out in Part 1 of the Act. Along with reducing overall energy demand, installing low-carbon and renewable sources of heat could go a long way towards achieving these targets. In support of this we believe that public sector buildings should be targeted in the first instance when considering the design of concessions.

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

No comment

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 broadly agree with the rights and responsibilities set out in paragraph 54 of the consultation document. However, we believe that the responsibility to see *'progress in lowering the carbon content of heat generation'* could be strengthened. As previously highlighted, gas CHP can reduce carbon content in the near term but it is not a long term solution. We recommend the extension of this responsibility to consider renewable sources of heat.

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?

While we stress the importance of policy certainty as outlined in our response to question 5, we recognise LHEES will need to be able to respond to changing conditions. A transparent and regular review process, combined with full engagement during the initial preparation of LHEES should help ensure the strategies are responsive to change.

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

² The Climate Change (Scotland) Act 2009 <http://www.legislation.gov.uk/asp/2009/12/section/44>

No comment

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.

We agree with proposals to connect anchor loads to new heat networks which will help reduce demand risk for developers and investors.

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

We agree with proposals to compel existing buildings to connect to district heating networks. As highlighted in the consultation document, demand risk is one of the main barriers to the creation of heat networks. In our opinion, compelling connections would help facilitate greater uptake and create demand certainty for developers and investors.

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?

In addition to the principles listed, further consideration should be given to technical feasibility of heat networks, for example, in some circumstances, incompatible operating temperatures may mean that connection isn't feasible.

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 agree that the assessment should include consideration of the impacts on users.

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

We agree that local authorities should exercise powers to compel connection of existing buildings but that this should be focussed primarily on public sector buildings. Progress in this area remains slow despite the fact that public sector buildings offer significant renewable heat potential and can act as a catalyst to market growth. If there were a requirement for public sector bodies to opt in to renewable or low-carbon district heating networks (where the supplier could demonstrate that heat can be delivered at competitive market rates), or to proceed with their own renewable or low-carbon heat scheme as an alternative, uptake would almost certainly improve.

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

Yes, this would help reduce the risk of customers moving to a different provider and causing demand uncertainty.

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

Transparency on costs will be essential to ensure fair outcomes for consumers.

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

We do not recommend specific concession lengths, however, we note the longer the length of the concession the more certainty will be provided to developers.

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?

We agree that compelling connection would mitigate the heat demand risk which could potentially lower financing costs. However, further investigations would need to be carried out to assess whether this would be enough to create an attractive investment proposition on its own.

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

No comment

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

No comment

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?

LHEES will be intrinsically linked to local development plans and wider planning policy. It is therefore essential planning policy at a local and national level are aligned. Particular consideration must be given to the ongoing review of the planning system, where an infrastructure first approach to development planning is currently being explored. Further proposals include the establishment of a national infrastructure and development delivery group as well as extended permitted development rights.

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?

One of the key challenges identified by members working with industrial users is the reluctance to engage in activities out with their core business. Resistance to change and worry that it could impact on daily operations are both significant factors.

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

No comment

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.

We agree that industrial plants should be required to provide data to public authorities and suggest that information could be requested as part of SEPA's regulatory framework. The regulatory framework is under review so this requirement should be considered alongside current work in this area³.

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?

No comment

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

No comment

³ SEPA (2017) [Consultation on Proposals for an Integrated Authorisation Framework](#)

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

No comment

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

No comment

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

No comment

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

We agree that this should be a requirement.

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?

No comment

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

No comment

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

Examples of technical standards and consumer protection already exist through work carried out by the ADE and CIBSE. The 'Heat Networks: Code of Practice' was produced to help developers and designers ensure that heat networks work effectively by providing minimum standards and encouraging best practice. The launch of the Heat Trust is also a welcome development, although at this stage sign-up is voluntary and the scheme will only apply to domestic and micro-business consumers. Take-up by the sector should be closely monitored. While more work is required on the programmes outlined above, they should be used as a starting point when considering future standards and consumer protection measures.

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

No comment

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

The overall aim of decarbonising heat supply should guide the development of a Scottish district heating licence.

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

No comment

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

No comment

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

No comment

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?

No comment

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.

No comment

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.

No comment

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

No comment

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

No comment

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

The pathways set out in the draft Climate Change Plan are to supply 80% of domestic and 94% of non-domestic buildings' heat with low carbon technologies by 2032. As highlighted in the Committee on Climate Change report 'Next steps for UK heat policy' gas boilers typically have a lifetime of around 15 years. Therefore, in order to meet the 2032 target contained in the draft Climate Change Plan, where there is a requirement for a new boiler, low carbon systems will have to be installed now to avoid the need for premature scrappage.

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

No comment

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

No comment