

ECONOMY, ENERGY AND FAIR WORK COMMITTEE

HEAT NETWORKS (SCOTLAND) BILL

SUBMISSION FROM SCOTTISH RENEWABLES

In most cases we will publish your written submission on the Scottish Parliament's website. What you send us may also be quoted in the Committee's report or in its Committee meetings. These are public meetings that are broadcast online.

If you wish to request that your submission be published without your name, please contact the Clerks at the following email address: economyenergyandfairwork@parliament.scot

Before making a submission, please read our privacy notice about submitting your views to a Committee: [Privacy Notice](#). This tells you about how we process your personal data.

Heat Networks (Scotland) Bill

1. Which part of the Heat Networks Bill is of most relevance to you or your organisation, why, and what do you consider its impact will be?

Scottish Renewables is the trade association for Scotland's heat networks. Our vision is for Scotland's heat to be decarbonised and powered by renewable sources. This is essential if we are to meet our net-zero targets. The transition to renewable forms of heating will also provide significant economic opportunity, whilst improving public health through reducing pollution.

Scottish Renewables supports the Heat Networks (Scotland) Bill introduced by the Cabinet Secretary for Transport, Infrastructure and Connectivity, Michael Matheson MSP, on 2 March 2020 as a key means for increasing the use of low-carbon heat. All aspects of the Bill are relevant to our organisation.

It is our priority to ensure that a robust and proportionate licensing regime for heat network is accompanied with measures to de-risk investment. The powers conferred by the license, heat zoning and heat zone permits of this Bill are of most importance to our members.

This Bill is an essential component of a wider package of regulation, policy and funding that has long been recognised as needed to address the barriers holding back heat network development.¹ Licensing proposed in the Bill will help improve standards and quality in the industry, whilst the heat network zones, by conferring exclusivity to a single operator within designated heat network zones, will reduce commercial risks and should lower the cost of investment. The proposals to address demand risk through a necessary wayleave are welcome, although questions remain regarding their effectiveness.

It is important to note that the Bill by itself will not be enough to grow the use of Scotland's heat networks. Other policy reforms by the Scottish Government will be required in new build standards and planning policy. Support will be needed to help local authorities zone for heat networks, issue permits and become involved in the delivery of projects.

¹ The Scottish Government. 2012, Expert Commission on District Heating [www.districtheatingscotland.com/wp-content/uploads/2015/12/ExpertCommissionOnDistrictHeating.pdf] Accessed 13 May 2020

2. Are you content with the definition of heat networks used in section 1 of the Bill? (If not, please elaborate.)

We support the proposed definition within the Bill, including the definition of smaller communal systems. Experience from Denmark and The Netherlands has shown that these smaller systems are important for building an eventual district-wide heat network, and we therefore support their inclusion.

3. Previous consultations have identified different priorities for this legislation – including transition to low-carbon or renewable energy, tackling fuel poverty, and ensuring consumer protection. To what extent do you think such priorities are reflected – and balanced – in the Heat Networks (Scotland) Bill?

It is our position that the Bill reflects all of these priorities and that the right balance has been established.

For the transition to renewable energy, the Bill will facilitate the growth of heat networks which can expand the use of low-carbon and renewable heat. The license and consent include consideration of carbon emissions with the appropriate balance achieved in terms of mandatory requirements as heat networks must compete against fossil gas to be economically viable and to ensure a level playing field will require subsidy support for low-carbon alternatives such as heat pumps. Future funding for low-carbon alternatives is currently uncertain with the UK Government's Renewable Heat Incentive (RHI) available only to April 2021. Although the UK Government committed in the March 2020 budget to a 'Green Heat Networks' fund from 2022, the details of this and its applicability to Scotland are as of yet unknown. Applying any binding requirements on carbon emissions at this stage exposes new projects to this risk. Guidance to be issued by Ministers in relation to consents and zoning will be able to set more appropriate and site-specific carbon objectives.

Fuel poverty is included as a proposed assessment criterion for consents in the policy memorandum, and will be part of the heat network zone assessments. This will give The Scottish Government and local authorities opportunity to direct heat network development towards areas of fuel poverty. The initial phases of heat network development typically focus on large non-domestic buildings to establish the initial spine of the network and so there may be limited considerations in this regard immediately following passage of the Bill.

We agree with the proposed approach to consumer protection as this is not devolved power of The Scottish Government. The UK Government is developing regulations in this regard which could apply to Scotland in parallel to the license and provide protections to customers. If the powers are to become devolved to The Scottish Government then the UK framework could be incorporated into the Scottish License.

4. What are your views on the licensing regime as envisaged by the Bill?

We support the licensing regime as proposed, noting that a key priority for our members is that any additional regulatory burden be accompanied by commensurate benefits. The heat network license, zoning and permit proposals will all grant benefit.

5. What is your opinion of the approach taken with Heat Network Zones (see parts 3 and 4 of the Bill)?

We welcome the approach taken with heat network zones and consider these an important part of the Bill.

To coordinate strategic growth a degree of oversight and coordination is desirable to ensure that heat networks are built in the appropriate areas and maximise the use of sources of high heat demand, waste and renewable heat.

Heat networks in an allocated area need to be able to expand and interconnect, and it is necessary to ensure that they are operated by organisations who are able and intend to achieve this. This is not typically the case where a network belongs to a single building or campus owner. The heat network zones will help overcome this by enabling exclusive rights to a single operator via the zone permit. The zones will also help de-risk investment by providing certainty over nearby opportunities to grow a heat network, which in turn will lower investment and project costs.

The approach encourages local authorities to act. Local authorities have a key role to play in the development of inner-city heat networks which can serve existing buildings, by providing access to potential anchor loads and facilitating local coordination and planning. Heat network zoning and the issuing of zone permits will allow local authorities to identify opportunities in their area, and to deliver these through the issuing of zone permits as part of a commercial agreement with a chosen delivery partner.

6. How will the Bill impact on local authorities? (In terms both of the assessment of the suitability of their own buildings and also the power to designate heat network zones)

The Bill will place additional activities and requirements on local authorities. Local authorities are best placed to play the roles outlined above in Question 5. It is important to recognise that local authority capacity to develop and operate heat networks is constrained at present and it will be vitally important that they are given additional resources and support from The Scottish Government to deliver the activities required of them in the Bill. Otherwise this will act as a major barrier to the successful implementation of this Bill.

7. Part 6 of the Bill confers powers for the compulsory acquisition of land and wayleave rights; to survey land for the purpose of construction or operating a heat network, and to access land in order to carry out repairs. What do you think of the extent of the powers in the Bill for licensed heat network operators (similar, in some respects, to those of utility companies)? Has a balance been struck with the rights of others (property rights for example)? If not, what would that balance be?

We support the granting of powers to license holders as these will address the challenges currently faced by heat networks that are not faced by their high carbon competitors. Difficulties in agreeing access to land to lay pipes is a key challenge which can increase costs and ultimately make projects unviable. Adding access to roads, as outlined in the policy memorandum, will also be essential.

The powers conferred to networks through the necessary wayleave provision are proportionate as this is intended to facilitate connection of buildings where a viable connection has been offered. It is crucial to the successful delivery of heat networks that as many local buildings agree to connect at the outset of a project as it can be more costly to connect once a network is built. Public understanding and awareness of heat networks, however, is currently low in Scotland and as a result there have been instances where viable and cost-effective connections to proposed or existing networks have been turned down. The necessary wayleave power by facilitating the laying of connection pipework to buildings can mitigate these problems to some extent by fostering agreement.

8. Please feel free to provide your views on any other aspects of the Bill or the policy aims underpinning it if not covered above.

We support the proposals in section 5 to require non-domestic buildings to carry out an 'assessment report' looking to the feasibility of connecting to a heat network. Information about nearby buildings' energy demand is crucial when assessing an area for heat network suitability yet this is often difficult to obtain. If aligned with the heat network assessment process to be carried out by local authorities this provision could substantially strengthen the quality of these, ultimately ensuring that they create the pipeline of new projects that will be vital to growing the sector in Scotland.

May 2020