



The Rt Hon Jacob Rees-Mogg MP
Secretary of State for Business, Energy and Industrial Strategy
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London, SW1H 0ET

30th September 2022

Dear Secretary of State

Energy costs for domestic heat network customers

[The Heat Network](#) is a peer group of leading heat network management organisations who work together across the industry to improve productivity, customer service and reduce energy costs in district and communal heating, and are actively engaged with your officials in developing policy for the sector. We have 30 housing association and local authority members, and are supported by the National Housing Federation and the Chartered Institute of Housing. Collectively, we represent over 125,000 homes on more than 3,000 networks, 22% of all heat networks and 26% of all customers. We also have thousands of other customers living on heat networks managed by third parties.

Heat networks promise low carbon, low cost, reliable heating to thousands of domestic customers across the UK. Embedded within the Heat and Buildings Strategy, they are an integral part of providing choice and affordable heating across the UK and will make a significant contribution to economic growth and employment over the next 30 years.

The current hikes in gas prices have sent shock waves across the whole of the UK economy. The protections that your Government has put in place for domestic, business and industrial users will go a long way to cushion the blow and help to ensure the lights stay on. However, we are concerned that heat network customers will lose out on the proposals as they currently stand.

The BEIS [Energy Bills Support Factsheet](#) states:

Those households not on standard gas or electricity contracts, such as those living in park homes or on heat networks - and so outside the scheme - will receive support equivalent to both the Energy Price Guarantee and the Energy Bills Support Scheme.

Most heat networks are powered by gas purchased on the commercial markets. The support being offered through the Energy Bill Relief Scheme (EBRS) is leading to inequalities in three different ways:

1. EBRS is available to existing fixed price contracts that were agreed on or after 1 April 2022. There were however [significant peaks in wholesale gas prices in the months prior to this](#), meaning that some heat network operators could be locked into higher costs and won't benefit from EBRS.
2. The EBRS offers a cap of 7.5p/kWh to the wholesale gas price. Once commodity costs are added in, we understand that costs to heat network operators through commercial contracts will be between 8.5p-12.5p/kWh. This in itself has close equivalence to the domestic Energy Price Guarantee (EPG) for gas. However, the cost of **delivered heat** will be significantly different due to system efficiencies, which means heat network customers could easily be paying 20p/kWh or more for heat, double that under the EPG.
3. The EBRS only currently runs for 6 months compared to the 2 years of the EPG, again putting heat network customers at risk of higher bills than other domestic customers after March 2023.

It is also still unclear how heat network customers on private wire electricity schemes will receive their £400 Energy Bill Support Scheme payment.

We appreciate that this is a complicated policy area and that the EBRS has to work for all scales of business. We therefore recommend a three-pronged approach, which would help to protect customers on both metered and un-metered schemes:

1. **Domestic heat network customers on a commercial gas supply are identified and then treated separately under the EBRS.** BEIS already holds a database of registered heat networks through the Heat Network (Metering and Billing) Regulations: domestic end users can also be identified where 5% VAT is charged on commercial gas bills. Mechanisms should then be put in place to:
 - a. Ensure those on heat networks are not penalised compared to other domestic customers by further reducing the wholesale gas price,
 - b. Backdated support to include agreements entered into from 1st October 2021, and
 - c. Extend the support to two years in line with the EPG.
2. **Consumer protections for heat network customers, as currently proposed in the Energy Security Bill, are put in place.** This will help to ensure that heat network customers have the same protections as gas and electricity customers, including pricing, transparency and quality of service
3. **The Heat Network Efficiency Scheme (HNES) is further expanded to accelerate technical improvements to existing heat networks.** The more efficient a heat network is, the lower the costs will be to customers. The social housing sector is committed to improving their heat networks, but other recent priorities such as cladding, the rent cap and the cost-of-living crisis for their customers has meant that asset investment budgets are having to be deployed elsewhere.

It's critical that customers living on heat networks – particularly for those on low incomes who we house and will be impacted the most – do not lose out this winter, or next.

We look forward to your response.

Yours sincerely



Rachael Mills
The Heat Network Secretariat
on behalf of The Heat Network members:

A2Dominion	Metropolitan Thames Valley	Sovereign Housing
Anchor Hanover	Network Homes	Swan Housing
Camden Council	Notting Hill Genesis	The Guinness Partnership
City of London	Octavia Housing	The Riverside Group
Clarion Housing Group	One Housing	Vivid Homes
Great Places	One Manchester	Worthing Homes
Hackney Council	Optivo	Wythenshawe Community Housing
Haringey Council	Peabody	
Home Group	Places for People	Chartered Institute of Housing
Hyde Group	Riverside	National Housing Federation
Islington Council	Southern Housing Group	
L&Q Energy	Southwark Council	

Cc John Saunders, Project Director, Heat Networks, BEIS
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