

Response to the Heat Trust Consultation: May 2018 Amendment to Scheme Rules

This response to the Heat Trust Consultation has been drafted by Southern Housing Group, and is supported and counter-signed by five other housing associations:

- Catalyst
- Guinness
- Notting Hill Genesis
- Octavia
- Peabody

Collectively, we represent over 23,000 homes on heat networks: on our own metered and unmetered schemes as well as those at arm's length on S106 sites.

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Are you responding as an individual or on behalf of an organisation? An organisation

Organisation name: Southern Housing Group
(with other housing associations as listed above)

Would you like the name of the organisation you represent to remain confidential? NO
Would you like to receive further information on the development of the Heat Trust? YES
May the Heat Trust contact you for clarification or further information on your response? YES

Q1. In providing your responses to this consultation, is there a heat network type (e.g. communal, district, council owned, housing association owned) that you represent or have an interest in?

As social housing providers, we own and operate small district heating and communal heating schemes.

Q2. Would the proposed changes to the Scheme Rules address the specific barrier to joining Heat Trust that they are seeking to address (i.e. inability of heat networks without a Heat Energy Supply Agreement to join the Scheme)?

Yes. Allowing other documents to be included in the Heat Customer Supply Arrangement where a Heat Energy Supply Agreement does not exist would address this barrier.

Q3. Do you support the proposed amendment? Please explain your answer.

Yes. The proposed amendment is a pragmatic approach to the identified barrier. As the consultation document outlines, a Customer Charter or similar would be used instead to set out commitments to specific service standards and customer obligations. A contract of service would still be in place through the tenancy or leasehold agreement.

Q4. Would the proposed changes to the Scheme Rules maintain sufficient robustness of consumer protection?

Yes, given that a Customer Charter or similar is included in the Heat Customer Supply Arrangement as detailed in the consultation document.

Q5. Should the development of a Customer Charter as part of the collective Heat Customer Supply Arrangement be made mandatory for Scheme members?

Where a Heat Energy Supply Agreement is not in place, it is essential that something else that serves a similar purpose be included in the Heat Customer Supply Arrangement. In some cases, this could be a Customer Charter, in other cases it may be called something else. It should be up to each Registered Participant to prove that it all the essential elements of a Heat Energy Supply Agreement are accounted for in some way, and that this be auditable by the Heat Trust.

Q6. Are there any terms and conditions present in a Heat Energy Supply Agreement which could not be captured as part of a Heat Customer Supply Arrangement? Please provide details.

We are not aware of any Heat Energy Supply Agreement terms and conditions that could not be incorporated within a Heat Customer Supply Arrangement in some way

Q7. Are you aware of network inefficiencies that may act as barriers to joining Heat Trust? Please provide details

(No response)

Q8. Are there any other barriers to joining Heat Trust that the proposed changes do not address? Please provide details.

As social housing providers, we support the intentions and spirit of the Heat Trust: good customer service is paramount to us as a sector. Many of us are ‘accidental’ heat providers, with the role thrust upon us by the nature of our developments and local planning policy. We operate our schemes on a not-for-profit basis and have better, more direct and trusted relationships with our customers, differentiating us from private providers.

Different housing associations are at different stages on their communal heating journey: some are very knowledgeable and have a good understanding of their schemes, others are still getting to grips with their portfolio and how it is managed both internally and externally. We are all learning.

As regulated housing providers, we already have many of the building blocks of the Heat Trust in place:

- Heat agreements
- Complaints procedure
- Metrics and standards for responding to faults and interruptions (through existing contracts)
- Vulnerable customer policies
- Metering and billing arrangements (either in-house or outsourced)
- Customer communication routes

Not all of this is perfect, and some of us are better in some areas than others. Nevertheless, the framework exists and the costs for it are already factored into the tariffs we charge our customers. Joining the Heat Trust would increase our costs: these would be passed on to our customers through an increase in their tariff, something we’re all working to keep as low as we can.

At the same time, we appreciate that more people will become communal or district heat customers over the coming years, and we support the vision that all of these customers should have the same service standards regardless of where they live. However, complying with the full Heat Trust standards as they currently stand are too much of a cost and regulatory burden for our sector and in many cases would duplicate other contract SLAs already in place. For example, we already have standards in place with our supply chain regarding supply failure and compensation: we could not offer our heat network customers different terms (under the Heat Trust) to customers with other heating systems such as individual gas boilers and electric heating (under our own compensation policies). One way forward could be to develop a social housing sector version of the Heat Trust standard, whereby we could prove compliance through other, already regulated routes, for a lower fee.

Unmetered networks are also of concern to us. Although we would be interested in bringing these into an adapted version of the Heat Trust standard too, complying with the Heat Trust’s billing requirements for unmetered properties could also cause us problems: the way in which service charges are set are complex, vary from Association to Association and are very difficult to change.

Another issue for social housing providers, and we’re sure for other district and communal heating operators too, is poor performance, much of which can be traced back to the original system design. We know that this is currently outside of the Heat Trust’s remit, but some kind of ‘design to delivery’ stamp of approval for these systems would also help, in the longer term, to improve the customer experience. This would be in line with the CMA Update Report (published 10th May 2018) which calls, amongst other things, for minimum technical standards.