

Response to the Mayor's draft London Environment Strategy

We greatly respect the scope of this strategy and depth of work that has gone into it. While we can only comment on a few areas, we appreciate the importance of others, including for instance air quality, your consideration of the effects of rising temperatures in the city, the big questions hanging over the supplies of electricity and gas on a national level, and the need to make London robust and flexible in a situation where much is undecided, and much of what is most important is being undermined.

We want here to respond to questions 1, 2, and 4 of your specific questions on energy.

Q1. *Do you agree that the policies and proposals outlined will meet the Mayor's ambition to make London a zero carbon city by 2050?*

1.1. Accountability

We are most concerned about a likely **gap between intention and what will be implemented** in practice. It is all too easy for developers, Energy Service Companies (ESCOs) and social housing providers, to promise energy efficiency, low-carbon affordable heating systems, and renewable generation (solar panels, biomass boilers) which simply fail to materialise or are installed but never work, with no repercussions or even effective monitoring. As a minimum protection against this, we endorse the proposal of the [LETI Report](#) (London Energy Transformative Initiative, which is urging a re-evaluation of London's energy policies), that all construction and systems must be not only lean, clean and green, but also *seen*. Accountability is only possible with **stringent monitoring** of outcomes in practice, and **effective sanctions** or other repercussions if promises are not met.

1.2. Renewable energy and funding mechanisms

While we are not equipped to consider the detail of financing, the principles of fleshing out several financial support mechanisms and frameworks (i.e. DEEP and License Lite) for solar are welcomed by FPA. To drive the solar revolution, a strong financial and policy framework is needed to ease the transition. FPA also recognises the significant work done in developing these frameworks, including the draft Solar Action Plan, and the ambition of increasing London's solar capacity 100 MW by 2030.

1.3. An energy supply company

FPA stands with Switched On London, the Green Party, and others, in criticising the Mayor's decision not to go for a fully licensed publicly owned energy company. Using an existing company, which we understand is planned to be a public energy company, will reduce **accountability** to Londoners. Any revenue generated from selling energy will **not be captured** by London authorities, money that could be reinvested back into community energy projects or collected in a community energy fund. It prevents the decisions of the company - for instance about how to balance, or *integrate* the twin goals of reducing bills and carbon emissions - being decided in a **democratic and communal** manner, which would give people a genuine say and a genuine stake in how London's energy develops.

Rather than outsourcing our energy supply needs to another municipality's energy supply company, which may not have the administrative capacity to handle the energy demands of London, FPA urges the GLA to

recognise the successes of municipally owned and run energy companies across Europe. Nottingham's Robin Hood Energy, for example, has cut fuel poverty by offering tariffs that are **£200 below** those of the Big Six, whilst reinvesting any revenues generated back into Nottingham. These tariffs are not available beyond Nottingham, and nor would Bristol's lower tariffs for fuel-poor customers be available to Londoners. Moreover, both Nottingham and Bristol have failed to commit to investing in renewable energy and maintaining a communally democratic and accountable energy company. FPA sees this gap as an opportunity for the GLA to lead by example, creating a community energy company that is run for and by Londoners, that is properly accountable to them, and that reinvests in and buys clean energy.

The argument that a piggyback company can be achieved more quickly and "enable Londoners to have fairer energy bills sooner" seems to us specious and out of touch with the scale of change that is needed to achieve your stated goals. Many Londoners we've spoken to were really excited about the idea of a publicly owned London company and will derive little comfort from your statement that "The option to move to a fully licensed supply company will be kept under review". There should, at the very least, be a clear stated intention to convert your proposed arrangement to a genuine London-based company within a clear time-frame.

1.4. The Community Energy Fund

The Community Energy Fund (delivered separately), whilst a step in the right direction, is limited by its funding only being allocated to the development phase of a community energy project. The fund does not go far enough in aiding communities with the capital costs of investing in energy systems. Though some of these costs could be recouped using the License Lite programme and the 'reverse auctions' process, there is a significant financial barrier in place that prevents relatively financially poor communities from buying the energy systems themselves.

Q1, Part 2. Is the proposed approach and pace realistic and achievable?

It has to be, and if prioritised, it can be. Nothing is more important. In fact, we are concerned that the aim of making London Zero Carbon by 2050 is **less ambitious than what is needed**. In terms of the growing climate catastrophe, and the effect of feedback mechanisms, 2050 is simply too late for decisive change, whatever improvements we may see along the way. According, to [climate scientists](#), global CO2 emissions from energy and industry have to fall by half each decade. That is, in the 2020s, the world cuts emissions in half. Then we do it again in the 2030s. Then we do it *again* in the 2040 .

Temperatures have already increased 1.1 degrees and at current rate will be up 1.5 degrees - the Paris goal - within 10 years from now, soaring towards missing the already devastating 2 degree minimum Paris target. 2050 is therefore off the map. Desperate as Londoners are to have heat we can afford, no one alert to the scale of the emergency would want to contemplate the consequences of climate change escalating out of control - as is guaranteed to happen if action is too little too late, and as indeed is starting to happen already. The solution, as put forward in your environment strategy, is measures which will make warm homes both affordable AND low carbon. But unless the rate of change is significantly brought forward, we could lose everything.

Q2. To achieve the Mayor's zero carbon ambition we estimate (between now and 2050), up to 100,000 homes will need to be retrofitted every year with energy efficiency measures. Do you agree with the Mayor's policies and proposals to achieve his contribution to this? What more can central government and others do to achieve this?

We appreciate the breadth of the policies and proposals for retrofitting insulation and other energy efficiency measures. Of increasing importance is the issue of overheating, as the climate changes. Estates we are working with are suffering not only from bad building standards but from architecture that takes no

or little account of overheating in terms of materials, exposure, ventilation, and hot pipes.

2.1. Zero carbon by 2019

Fuel Poverty Action were disappointed that the measure to introduce “All new buildings zero carbon” (i.e. a rehashed zero carbon building standard) from 2019 (outlined in the infographic on page 196) has been restricted to the construction of non-residential buildings only (as specified on page 223). If post-2019 residential builds fall below a C-grade EPC standard, a lot of time and money will be needed to locate sub-C standard buildings and upgrade them to a minimum C-grade by 2030 as specified in the national EPC policy. Returning repeatedly to the same building to upgrade it in line with targets coheres with central government policy but is wasteful and can also be intrusive.

FPA stand with the authors of the [LETI Report](#) (p 35) who suggest that the GLA should lobby central government for “**A minimum EPC of B for existing buildings where new leases are agreed**”. We strongly endorse this, but believe it should also apply where new *tenancies* are agreed. Strengthening the EPC standards will not only alleviate individual suffering caused by fuel poverty, but will further national and regional objectives relating to carbon-emissions reduction, industry growth, job creation, improvement in air quality, and reducing the strain on the NHS and other social services.

2.2. Area-based energy efficiency retrofit

We strongly support the development of “innovative area-based energy efficiency retrofit approaches, recognising the mix of tenure in London, so that owner occupiers, social landlords and private sector landlords can better benefit from funding opportunities, economies of scale and streamlined planning”. While fuel poverty is often used as an argument for spending resources on identifying and “targeting” individual households, a community based street by street, block by block approach has many advantages in terms of efficiency and in terms of how the project is viewed and received. The disruption caused by retrofitting can be considerable, and many people do not want to be “targeted”.

2.3. Green deals

As with renewable energy funding (above), we are unequipped to judge financial mechanisms to meet the welcome aspiration to retrofit up to 100,000 homes every year. However, we are concerned that in acknowledgment of funding restrictions facing the GLA and local London councils, the London Environment Strategy advocates that a Green Deal-esque financial framework, in the form of the Mayor’s Energy Leap Project, be implemented to accelerate this efficiency transition. The Green Deal was a national disaster, and it is not made clear in the consultation document just how the GLA version will be different.

Similarly, it is clear that national energy efficiency policy will need to change, if the 2030 EPC standards are to be met. Thus, FPA agrees with the GLA’s stated position to lobby central government for more stringent efficiency upgrading action. We are concerned however about the proposal to lobby for the a successor to the Green Deal which is widely acknowledged to be an abject failure.

2.4. RE:NEW

We are glad to see an extension of the RE:NEW programme, but have three concerns.

- 1) It is being run by Capita, a private, profit-making corporation hardly known for being socially responsible or accountable.
- 2) It brokers contracts with a series of chosen construction firms, many of which are responsible for existing serious problems in London homes.
- 3) We went to Capita to see if they could help with home insulation, pipe insulation, and district heating in three estates. They agreed to meet with us, representing residents, despite the fact that their remit is to work with HAs and LAs. However, when it came down to it, they could do nothing, since the social landlords, when approached by Capita, preferred to let the residents continue to freeze. A programme where residents themselves have the power to bring in outside help is urgently needed.

2.5. Enforcement of standards

On page 216 of the Strategy, in dealing with the question of fuel poverty, you say “Emissions will need to be reduced from new and existing buildings. Through the London Plan, the Mayor will ensure greater planning standards for new developments so new buildings are highly efficient and incorporate renewable energy where appropriate.”

In our experience, planning standards are **routinely ignored**. New build estates from Havering to Hillingdon report that insulation is simply missing, thermal imaging shows residents “heating the street”, and even doors and windows are ill-fitted. For a few examples, please see [our letter to BEIS minister Claire Perry](#). We are aware that current standards have everything to do with central government cuts to Local Authorities, which have led to withdrawal of on-site clerks of works at the time of construction and environmental health officers once estates are complete. However, we believe that it is essential for the GLA to ensure that developers cannot undermine energy efficiency this way.

After Grenfell, everyone knows that the impunity of developers to rigorous inspection and sanctions cannot be accepted. The cavalier approach that contributes to thousands of people dying each winter from fuel poverty, at the same time leaves residents **vulnerable to fire**; in fact lack of oversight of insulation, cladding and firebreaks are often closely related. The inspections of social housing that have been carried out, or are still being completed, post-Grenfell, must be thorough, and provide an opportunity to find – and correct – not only places where insulation is a fire risk, but also places where it is simply missing. They must also extend to inspecting the pipework around pipes and electrical wiring, to make sure there are no holes for fire or smoke; this includes pipes where district heating is retro-fitted (below).

Again, **accountability to residents is crucial** -- existing residents where an estate is being refurbished or regenerated, and then the residents who finally live there once it is built (please see our earlier [consultation response](#) on estate regeneration).

The LETI report, [Getting to Zero](#), endorsed by many large and relevant public and commercial bodies, also has recommendations that we believe are relevant to enforcement.

While it may not technically have the power to intervene against bad practice, the GLA does have influence over **what companies, in the future, get planning permission and/or funding**, and what the criteria are for these. There is also soft power, in terms of what **standards local authorities see the GLA committing to**.

As stated in our earlier submission on [Regenerating Estates](#), regeneration itself, in our experience, can lead to very inefficient, badly heated housing and to costs so high that residents live - or even die -- in fuel poverty. This is despite the fact that warm homes is often one of the selling points when regeneration is proposed, often after years of **estates being allowed to get run down**, with repairs not done, leaky, single glazed windows, and heating systems that are antiquated or are not maintained through their natural life. We are relieved to see that if elected to government, the national Labour Party policy response is twofold: they will compel councils to ballot all tenants and leaseholders before any regeneration. Second, all tenants on a redeveloped site will be entitled to move back to the same estate, on the same terms and conditions. **“After Grenfell we must think again about what are called regeneration schemes....No social cleansing, no jacking up rents, no exorbitant ground rents.” This must be GLA policy too, with implementation immediately, as waiting for the next Labour government could see many people lose their homes and communities only to end up worse off, many of them forced out of the area entirely and ending up in cold, privately rented homes.** To refuse residents a say over regeneration plans is not only undemocratic but has real implications for fuel poverty. **Please see our response to the draft Fuel Poverty Action Plan for more about this.**

2.6. District Heating

Please see section below.

Q4. *Please provide any further comments on the policies and programmes mentioned in this chapter, including those in the draft solar action plan and draft fuel poverty action plan that accompany this strategy.*

4.1. Specific fuel poverty policies

We broadly support the fuel poverty proposals put forward on pages 224-225. FPA are pleased to see the **Better Boilers** pilot scheme and we would like to see this scheme maintained and extended. **FPA welcomes proposals** to invest directly in energy efficiency programmes, remove exemptions and increase the number of properties treated, help Londoners get access to all of the benefits they are entitled to, provide funding to support and create local advice and referral networks, and promote more affordable energy tariffs and fairer energy through Energy for Londoners scheme. For further details please see our response to the draft Fuel Poverty Action Plan.

In that response we also respond on the key question of **licensing and enforcement of standards in private rented -- and public rented -- housing**, without which energy efficiency standards are meaningless for many tenants.

4.2. District Heating

FPA are working on a daily basis with residents using District Heating in seven inner and outer London estates with a mixture of tenures, from social housing tenancies to freehold. Based on this experience we have the following comments on your plans.

4.2a. Promoting District Heating

We note that the environment strategy is in favour of “*promoting District Heating*”, now as part of a mixture of technologies to heat London’s homes.

Given the uncertainty of central government policy, we agree that “London must develop a flexible and more decentralised energy supply system that can adapt to future changes and avoid lock-in to technologies that may become defunct in future decades.”

We are in no way opposed to DH in principle, and have in fact supported one estate (Myatts Field South) who were struggling to retain their much-valued “communal” in the face of Lambeth’s determination to install individual gas boilers (now practically complete). We understand that recent surveys have found a majority of DH users happy with their heating system, and would like to know how many of these have old systems which, despite being relatively inefficient and sometimes in need of repair, provide flat-rate and often subsidised heating that enables all residents to keep warm without worrying about the bills.

On the other hand, we have ourselves witnessed very serious and widespread problems, that are repeated, again and again, leading to **a torrent of complaints**, and deep frustration that it has not proved possible to get any redress. Problems include frequent and sometimes very prolonged outages, especially but not only in the first few years of a scheme; hot water that runs cold, or never gets hot in the first place; failing remote meter-reading; bills that (for this reason or others) bear no relationship to heat used; appalling customer service; risible or non-existent compensation; buck-passing between contractors; overheating from badly insulated / badly positioned pipes; high tariffs, high standing charges; and for leaseholders, demands for huge capital investments on the grounds that they will save money in the long term -- a long term many will not live to see. As you know, customers are bound to the supplier for decades, and cannot switch, the industry is currently unregulated and without Ofgem oversight, and the Heat Trust, which is supposed to protect users, has failed to deliver, even for the minority of people whose schemes are participating in it in the first place. Even with the backing of FPA and access to expert and influential bodies from BEIS to the DH industry’s trade body, ADE, it is very hard to get redress for the most basic problems.

In terms of environmental impact we note that a) **promises made at the time of applying for planning permission are not necessarily kept, or effectively monitored**, and b) **a number of assumptions that have been made about the alternatives to DH are not necessarily true, even if they were true a few years ago**. The carbon emissions associated with electric power have fallen, changing the equation when compared with gas CHP. Other low-carbon options, eg. solar and heat pumps, have developed, and the price has come down. Meanwhile previous estimates of demand for heat have been shown to be way off the mark if housing even approaches passive house standards. Energy storage also affects peak demand and the need for quickly responsive systems.

We have tried assiduously to access **examples of good practice** in heat networks, including through the Heat Trust and ADE, but with very little to show for it. It has been shown that costs can plummet where DH replaces electric heating, and that it can offer very good value for council tenants where it is subsidised, and we know of suppliers with well-designed, well-run DH schemes designed to produce warmth rather than profits. But we have not seen any coherent evidence that for-profit heat networks can compete with gas on price, or are better than alternatives for the environment and climate. Even if a network is *not much more* expensive than gas boilers, and *nearly* as low carbon as green alternatives, it may prove to be the best way forward, but a case must be made, using honest and careful estimates, without distortion by the financial interests, and appropriate protections for users must be put in place. **At present, if the evidence is out there, it has not been produced, at least not in a form that Londoners can access.**

We are therefore relieved to see that the environment strategy appears to be moving away from the London Plan's requirement to install DH as a default, and look forward to the next London Plan moving instead towards a "hierarchy of energy systems" which will hopefully weigh up a series of different factors in each case. **We believe some basic principles are essential:**

- a) A thoroughly researched and publicly debated **case must be made** for DH in general and in specific situations where it is to be installed, comparing it to alternatives in relation to carbon emissions, air quality, reliability, overheating, use of space, and costs, present and future, including realistic provision for conversion to fossil free energy sources. Given what so many people have experienced, **it is not reasonable to expect Londoners to embrace, live with, and pay for, technology for which no convincing evidence or argument has yet been presented.** Any such argument should be open to robust challenge and debate, to avoid a situation (see below) where a case is made on faulty information. The same, of course, should apply to other technologies, including gas boilers and electric heating.
- b) Prospective tenants, leaseholders, and freeholders should be made fully aware of the nature of the system they are intending to move into, and its costs, including future costs. In cases of redevelopment, existing tenants should be given an opportunity to make **an informed choice** about the heating system for their estate.
- c) Any heat networks approved from now on should be based on **renewable energy sources**, or at least designed to be convertible to renewable energy; this includes the pipes and the appliances in homes.

We are glad that following persistent representations from ourselves, and two meetings to discuss the possibility of a survey of Myatts Field North DH users, and then how best to reach customers and structure questions in a **London-wide survey** instead, a survey has now been done. We look forward to the results, and hope it will be possible to distinguish between new and old heat networks, and to highlight what the factors may be that cause positive or negative responses.

4.2b. Developing standards

You say "it is critical that industry standards (or equivalents) are developed, such as the Heat Trust standard for customer service and the heat networks Code of Practice for the design, specification and operation of heat networks are of a high and relevant standard. The Mayor will work with all stakeholders to update

London's guidance on design and specifications for heat networks and consumer standards in light of latest standards and feedback from Londoners."

- a) We take this as a welcome recognition that Heat Trust standards of service, and CIBSE technical standards are a bare minimum, even where they are currently enforced. It is also essential to ensure that the **CIBSE Code of Practice, or the latest updated standards**, are written into all contracts and effective penalties if the standards are not met (initially and through the years). **Penalties must be set at a level where they cannot just be absorbed**, so that they genuinely determine what happens in practice. The aim then should be to move beyond this to bring London schemes up to the latest European standards.
- b) We hope that your reference to "**feedback from Londoners**" will include those already living with DH, like the residents we are working with now who for so long have been struggling to be heard.
- c) We are painfully aware that the GLA's powers to get better standards adopted may be limited. However, we believe you do have power over the planning and development phases of DH, if only because the same developers will want to come back to you next time. We have consistently put forward to BEIS and to others, including yourselves, the principle that public or private bodies will **not be awarded contracts, or funding, planning permission, or other support, if they have failed to deliver** in heat networks for which they are already responsible.

4.2c. Enforcing standards

You say, "*The Mayor will encourage industry to ensure that heat networks that are developed in London are of the highest standards so they operate efficiently, effectively and reliably once in operation.*" Bitter experience so far has shown that "encouragement" is not enough. Systems should be subject to robust monitoring from planning stage onwards to ensure that promises are kept to and systems function as they should, with punitive sanctions and recompense for those who suffer when this is not the case.

Compensation – payable to end users – must be sufficient to function as an effective deterrent to badly designed and run heat networks, and to properly compensate residents including for outages of less than 12 hours, which are now excluded from compensation under Heat Trust rules even when they are repeated again and again. If you can never rely on your heating or hot water, the system is not fulfilling its purpose, even if the outages are relatively short.

As we write, we are hearing news of the four Hyde Housing blocks in Stockwell, which have been without heat or hot water for a week in very cold weather; the same communal gas boilers also failed in October 2016, and, for 11 days in October 2015 but any repairs have clearly not dealt with the problem. While Hyde say residents have been offered electric heating and residents will be reimbursed for any extra electricity costs, reimbursement does not help those who cannot cover their costs now, nor can people count on promises.

This is just a walk away from Myatts Field North, where, as residents have repeatedly told GLA representatives in person, people have been left without heating and/or hot water for periods of weeks or even months - documented in the report [Not Fit for Purpose](#) published earlier this year.

Meanwhile residents in Pembroke Park, Hillingdon, suffered five years with a non-functional boiler, leading to constant outages of heat and hot water, even while they were paying an average of £80 a month. The boiler issue is a legacy of a biomass boiler having been installed for the purpose of planning permission which never worked and was probably not intended to; A2Dominion, which is both the ESCo and the HA, switched to a back-up boiler that was also inadequate. Other issues include unjustifiable bills and back billing, lack of insulation, and more.

Residents of Orchard Village, Havering, have suffered frequent outages and extremely high heating costs, along with damp, mould, lack of insulation, fire risks, leaking methane, and other outrages and have been struggling to hold anyone to account for the disastrous construction and management of their new built estate.

These are just a few examples which prove that encouragement, assurances, and self-regulation simply do not work.

The **Heat Trust**, unfortunately, is regarded with scorn by most DH customers who are covered by it -- and know about it. The Competition and Markets Authority (CMA) has specifically banned the Heat Trust from intervening on questions of price or length of contract, on the grounds that this would be “uncompetitive”. They do not appear to see it as uncompetitive that commercial companies have 20 – 80 year monopolies to supply a whole neighbourhood. The Heat Trust has had a role in setting out -- on paper at least -- some minimal principles, which would prevent some of the worst abuses that go unchecked in non-Heat Trust schemes. However, even where the Heat Trust does intervene to enforce these principles, it has proved singularly ineffective.

Myatts Field North is a Heat Trust scheme, run by E.ON, which is a leading member. Yet compensation, even at the minimal levels laid down in accordance with Heat Trust rules, has had to be fought for, to the extent of going to court. Finally, after residents went straight to BEIS, and took part in an hour long BBC radio expose, the Heat Trust made this network one of the first to be audited: the only form of sanction it possesses. That was begun last spring, and according to the rules, the independent auditors should have reported within 40 days of the last site visit, when they interviewed residents on 17 August. But residents have been told that when the report is finally done, the Heat Trust will discuss with the ESCo, E.ON, what parts of the findings they will be allowed to see. Even that has not happened, and the BBC has now been told that this was not a real audit, but only a “pilot”. We hope the GLA will set up **systems of accountability** that are not a sham.

While residents must be fully consulted at every stage, they cannot be expected to carry responsibility for ensuring that standards are enforced - especially but not only because they are not even listened to. In Myatts Field monitoring is supposed to be carried out by the Myatts Field North Residents Association and PFI Monitoring Board (MFN RAMB), a conglomerate of residents, local authority, and estate management/construction firms that is totally ill-equipped for this responsibility. The result is huge pressure on hard pressed volunteer residents, attempting to confront a multinational corporation.

Customers must overcome divisions between on the one hand those in social housing, often on very low incomes, and on the other hand, people who were well enough off to find a deposit for a London home – but who may still struggle each month to cover a massive, and unplanned-for heat service charge on top of their mortgage (“I knew nothing of the heat charge until I read the welcome pack they left on my kitchen worktop”).

The divisions between residents are often compounded by the **number of contractors** involved: in construction, in management, in repairs, in heat production and the primary network, etc., with a multitude of opportunities for buck-passing and inaction, and no one taking overall responsibility.

We recognise that while you may be able to ensure that future contracts include effective monitoring and sanctions, there will be a legacy of heat networks established before such improvements are made. **For existing DH customers, the GLA should provide a back-up guarantee** that outstanding problems from the current wild-west period of DH development will be dealt with, and they will not be left to pay the price of mistakes (or profiteering) for which they are not responsible. If only a minority of DH schemes are problematic, then this will not be too great a burden. A [report by CBx](#) – researchers and advisers in partnership with UCL Energy Institute – recommends “financial support for energy audits of underperforming networks, to identify cost effective modifications”.

We note that in relation to acting against private sector landlords who rent out cold damp homes, you have explored the possibilities and limitations of GLA intervention, and how you can work with Local Authorities to do this; **we hope that you will look into these questions in relation to the (often public sector) landlords and ESCos who run DH**. This does not appear to have been done, so far.

Local Authorities do not often have the necessary experience, know-how, or resources to get a good deal

from the private companies that design, install, and run heat networks, or to monitor them in operation and enforce contracts. Some are more committed than others to getting and enforcing a good deal for their residents (and protecting their own investment). They may altogether reject responsibility for customers who are not their own tenants but leaseholders or part-owners who have bought homes in a development whose heat comes from a scheme which they commissioned.

Another factor leading to malfunctioning and expensive heat networks is the practice of developers expecting **capital contributions** from ESCos bidding for a contract. The sums involved are large, and are recovered from end users, contributing very significantly to the cost of heat. The ESCo has no incentive to keep the contributions down. This perverse system, which to users looks like bribery at their expense, has recently been [challenged](#) by Casey Cole, who chairs the Heat Trust.

The costs of **metering and billing** are also a high and disproportionate part of customers' bills - despite the fact that, as the only parts of the system now subject to regulation, they are nevertheless often disastrously administered.

We therefore believe that the GLA should:

- a) Explore **co-operation with and between local authorities**, as you plan to do in relation to private sector energy efficiency. This would include facilitating and encouraging exchange of experience and expertise between boroughs, and ensuring that those boroughs whose residents have been unprotected understand the need to bring their practice up to the standard of boroughs who have had engaged and consumer-focused District Heating advocates. Training should also be offered.
- b) Where it cannot be satisfactorily achieved at a local level, itself **take on inspection and monitoring** of heat networks.
- c) **Give residents access to a fully funded and responsive body that will address their complaints**, and either fix the problem (permanently, not again and again) or ensure that those responsible for it do so.
- d) Set up a unit as **supplier of last resort** to take over badly functioning schemes if an Energy Service Company is not performing in the interests of its customers.

We would also suggest that the GLA ensure that any scheme it promotes, or, as far as possible, any scheme brought in with the support of a local authority must:

- a) Have **clear lines of responsibility** with one named overall responsible body, regular reporting, and effective complaints procedures, compensation, and sanctions.
- b) Offer **active support for customers** – eg meeting space, independent advice, secretarial support with minute-taking, recording of problems, etc., as requested, for residents' organisations.
- c) Have a **clean track record**. No company or public body should be allowed to be involved in commissioning, building or operating any new network until they have dealt with any significant outstanding complaints about networks they have already been involved in. As Lambeth councillor Jacqui Dyer, explained to BEIS, there are vulnerable people at risk here – there should be a DBS service with disclosure and barring of anyone whose track record is bad, before they are considered for public support.
- d) Ensure that **effective and deterrent compensation to end users** is a part of any contract made with GLA support.
- e) Dispense with the practice of developers being paid **capital contributions** by Escos as a way of securing the contract.

4.2d. Funding of District Heating

You say, “The Mayor can potentially have a more direct role in the delivery of heat networks, significantly increasing the rate of their development in London. The Mayor will therefore consider the establishment of a District Heating Network Delivery Body for London that secures funding, and in partnership with London Boroughs, develops and builds district heating networks. For such a model to work it is likely that central government will need to create a level playing field for the treatment of district heating networks compared to other statutory utilities regarding access rights and business rates.”

We appreciate that the establishment of a delivery body for DH could be a major step forward. As stated in point 1. above (Promoting District Heating) we believe a robust case must always be made for DH, as opposed to pursuing a general goal of “increasing the rate of [DH] development in London”. However, where that case is made, **direct GLA involvement could make all the difference for residents**. Many of the problems cited above would not even arise if the supplier were an arm of the GLA itself. Direct involvement could potentially address the lack of suitably qualified engineers, the perverse incentives built into present procuring processes, the need for a quick and very high return on capital investment, at far beyond the rates required by local government, and more. The GLA could also potentially be far more accountable than the ESCos and Housing Associations that residents are struggling with now.

This could also be a role, ultimately, for a fully licensed public energy company for London.

PFI funding provided a quick fix and complied with central government policy but has proved disastrous for hospitals and other public services. In the same way, concessions handing control to private companies to design, build and/or operate heat networks for profit can help to get these networks in operation – only to become a millstone round the neck of this and future generations. If organised by energy cooperatives, or municipally, or as a matter of social policy, as in Europe, heat networks could be less dependent on private companies which may need to secure a 15% return on capital within a short space of time. **We do not believe that, by their nature, heat networks must be the burden on their customers that many of them now are**. Ofgem, which has no powers over heat networks, has [spoken up](#) to acknowledge the case for “a more comprehensive approach to ensuring customer protection”, which as they say is “appropriate for an essential service”, and has suggested not only regulation but new arrangements to cover charges and funding. Proposals put forward in an editorial in the [November 2016 District Energy Vanguard Letter](#) include municipal or community ownership, and highlight the need for a major rethink at both national and municipal level.

Heat networks are expensive, and under the present system of financing them, so is the heat they produce for their customers. A network may be more efficient than individual gas boilers, but there is also the initial investment to pay back. With investors typically expecting to make back their investment in something like 25 years, and with a limited number of customers, it is hard to see how prices could compare with prices for gas, where the pipes and other infrastructure were laid down and paid for decades ago, and where costs are spread among far more customers.

Residents of DH estates, who are and will remain for some time a small minority of London residents, **should not be expected to fund from their own pockets a major infrastructure project**: the energy centre and very expensive, highly insulated underground pipework required by DH. At present, leaseholders and to a lesser extent tenants are expected to cover capital expenditure through standing charges, tariffs, and sometimes large investments in replacement systems - and to cover these costs at commercial borrowing rates. There may well be compelling and over-riding environmental reasons for a national, or London-wide, commitment to new infrastructure. But the cost should not fall arbitrarily on the shoulders of a small pool of users. Residents of regenerated estates – often present or previous council tenants – do not see why they should pay more than other Londoners for a carbon saving policy that does not personally, specifically, benefit them – and in fact often leaves them with a worse service.

There are two ways in which this is happening now: through tariffs and standing charges, and through large capital sums demanded from leaseholders to renew or replace old equipment or pipes. In both cases

customers are faced with justifications which on closer inspection turn out to be based on distortions.

Tariffs and standing charges are anything but transparent, with much confusion over standing charges, service charges, and who is responsible for what repairs. Claims by the Heat Trust and participating operators that DH will not cost more than than “counterfactual”, which at the cheapest, means gas boilers, appear to have been dropped. Instead, the Heat Trust “comparator” simply informs customers of how their costs might compare with an alternative form of heating in their building, offering no way to do anything about it. Moreover, the way the comparison is set up leaves customers confused and then furious, when they find comparisons are based on them buying and running a boiler far bigger than their needs, or insurance that they would not need with a new appliance, or would not, if they are tenants, be expected to pay for at all. Comparison with the counter-factual is still a factor in BEIS’s choice of schemes to support.

Unlike gas or electric customers, who are bombarded with offers to compare prices, DH customers have no access at all to comparisons with prices in other heat networks. Not only are they unable to switch, but this lack of transparency makes it much harder to press for fairer bills.

For leaseholders, standing charges may be set at a level that would be relevant to their mortgage calculations -- **if they knew about them** at time of purchase. They rarely do. Instead, they may see -- or miss -- small print informing them that there is a heat network in operation, and that this will be clean and economical.

Large capital sums may be demanded of leaseholders when a network needs major refurbishment or replacement. Few home buyers are aware that as well as expected potential costs for eg a new roof, which they may figure in when buying a property, in DH estates they may also receive a sudden demand for tens of thousands of pounds, to be paid upfront.

In Southwark a resident of one small estate recently took a case to first tier tribunal against the local authority, who were trying to impose on leaseholders major improvements to their heat network at a cost of £25,000 per flat, on top of the weekly cost of £12/week for a two bed flat. The old system was based on hot air being blown into living rooms. The new system is based on new thermal stores, in a new cupboard in each flat - a surprising choice and an expensive one, more normal for large multi-person homes requiring a big store of hot water. Apparently the system breaks down about once a month, and homes are unbearably hot in the summer.

In Redbrick estate, Islington, on Christmas eve 2015, residents were told that they would have to pay for a new communal heating system. The estimated bill that followed came to £22,000, payable within five years; or a maximum of ten years with additional interest. The cost is to pay for **replacement and improvement** to a network connected to the flagship Bunhill scheme, using waste heat from the London Underground. However exciting this development may be (and it is) the reality for Redbrick is that they must still pay for conventional CHP communal boilers to meet peak demand, and for the completely unnecessary replacement of the whole heating systems within their flats. Islington Council maintains that residents will have access to low cost heat, and that the investment will pay for itself in 10 years, while the real figure appears to be over more than 30 years, if at all.

Residents say that many of them simply do not have that kind of money. Many are elderly and will never live to see the benefits. Nor would they recoup the money if they sold the flat. Critically, it represents an appalling capital investment: if £22,000 were invested elsewhere, even the interest would cover their heating costs. Investment in Islington’s scheme gives a return less than the rate of inflation, costing leaseholders far more money than it saves. The upfront cost to residents is more than five times the amount they would expect to pay for a gas boiler equivalent, which would be cheaper even factoring in maintenance and replacement after 10-15 years.

Residents ask why such projects should not be financed through government borrowing and then paid off over the lifetime of the system via the service charge, with interest charged at government borrowing

rates. They say the interest would add to the cost, but this would be more than offset by the advantages of spreading the cost, removing the burden of up front capital costs on pensioners.

Crucially, the Redbrick residents **cannot rely on the figures they are offered** -- even the gas boiler running costs presented by the Council as a way to show that DH works out cheaper. The council says they would have to buy gas at 4.7p/kWh, while it is actually sold by Islington Council itself, through Angelic Energy, at 2.86p/kWh.

This is exactly the kind of misrepresentation that the GLA must avoid, in “promoting District Heating”, and indeed in assessing decentralised energy (DE) in general. You say that with DE “Londoners’ bills will be 40% lower”, according to a Mayor’s assessment. This would clearly be a major gain against fuel poverty -- but it is hard for Londoners to count on such figures when so much misinformation is allowed to influence policy.

It cannot be good practice for officers in local government or, eg, housing associations, to volunteer other Londoners for investments in the climate that they would not be prepared to make themselves.

Therefore, we believe:

- a) **The GLA should establish a website showing all DH networks in London including data on tariffs and standing charges of different heat networks in London**, working with the Heat Trust members and other private sector DH networks to see if they will publish their tariffs. It would be invaluable for customers to be able to compare what they are paying with district heating prices elsewhere. If District Heating Operators refuse to provide such details it should be obtained from social housing landlords and further research. The forthcoming London Plan should require all new networks to publish their tariffs on this new website.
- b) Cost and price comparisons must be **scrutinised by informed and independent bodies** (eg. LETI) which are not themselves involved in negotiating contracts.
- c) The **GLA should actively pursue the proposal to directly fund DH**, if it is found to be cost-effective, or potentially, to provide **mechanisms where parts of a network (eg the pipes) are funded** with loans at government rates and time-scales.
- d) Borrowing to finance DH projects should be done at **government rates**, and paid off over the lifetime of the system. A fund to which District Heating Operators could apply for this purpose could be linked to the DH Network Delivery Body.
- e) The GLA should support (financially and with expertise) the establishment of **community-controlled heat networks** where these are the choice of the community.

4.2e. ADE Task Force

We are disappointed that neither the GLA nor DH users’ representatives are sitting on ADE’s DH task force which is currently looking at regulation of the industry. This is clearly of major concern for Londoners. We hope you will consult on how to respond to the Task Force’s recommendations.

Fuel Poverty Action
17/11/2017