

Heat Network Zone

POS response to consultation

February 2024

1 Planning Officers Society

1.1 POS is the single credible voice for public sector planners, pursuing good quality and effective planning practice. The Society's aim is to ensure that planning makes a major contribution to achieving sustainable development in ways that are fair and equitable and achieve the social, economic, and environmental aspirations of the community.

1.2 We operate in three main ways:

- As a support network for planners in the public sector
- As promoters of best practise in planning
- As a think tank and lobbying organisation for excellence in planning practice

1.3 Where we can, we will work across the sector to craft proposals that have widespread support from the people who operate the planning system at the coalface: landowners, developers, agents, legal, local authorities, and politicians. We will be both radical and practical as we look for solutions to tangible problems that will make a real difference to crucial areas. Our objective is to improve the planning system to enable it to deliver its key aim of sustainable development. It is within this context that we have set out this advice to Government so we can plan together for a better future.

2 Key Messages

2.1 Much of our POS membership experience in this area comes from Local Authorities in London, where there are many examples to look too for best practice.

3 Questions

1. Do you agree with the roles and responsibilities set out for the Central Authority? If not, please set out a) which ones you disagree with and why, and/or b) additional duties you expect them to perform and why.

POS is supportive of the roles and responsibilities proposed for the Central Authority. However, it is crucial that the Central Authority has the guiding principle of empowering Local Authorities and the Zone Coordinators and does not act as an overly centralising force.

The Central Authority should also play a role in ensuring that there are mechanisms in place to facilitate physical connections between zones, including the delivery of large transmission pipes. This will play a role in boosting network resilience and ensure that large heat sources are fully utilised. POS suggests that the government engages with stakeholders, including local authorities and county councils on how the Central Authority will decide on its spatial focus for priority heat network zones.

In areas where this is likely be complex to manage a new burdens payment needs to be made to the local authorities, especial in urban areas. It cannot be that the existing resources within local authorities are expected to have the skills and expertise to work on this effectively. The public sector will need support on this.

2. Do you agree with the housing of the Central Authority within the Department for Energy Security and Net Zero, for the initial period? If not, please set out why not, what alternative you would propose, and what benefits this alternative could bring.

Yes. However, it is crucial that the Central Authority develops strong relationships with other Government Departments including DLUHC and the Joint Air Quality Unit, which sits between DEFRA and DfT. It will be important to understand best practice and supporting future delivery to implement the lessons learnt.

3. Do you agree with the roles and responsibilities set out for the Zone Coordinator? If not, please set out a) which ones you disagree with and why, and/ or b) any additional duties you expect them to perform and why.

POS agrees with the responsibilities set out for Zone Coordinators.

The public sector and some statutory consultees will need up skilling in this area and additional resources. Although there will be a pool of consultants to rely on this will still require a level of understanding within public sector organisations in order to explain to communities and make strategic decisions with our delivery interventions. To ensure proper democratic oversight, Elected Members must be provided with adequate training on heat zoning and heat networks to allow them to effectively execute the new governance requirements being placed on them. This should take place ahead of decisions about who will deliver Zone Coordination in zones with multiple local authorities, to enable Members to make informed decisions about their authority's role.

POS proposes that in the first instance a new, local authority-focused strand of the existing Heat Training Grant for 2024/25 could offer a straightforward route to the training required. We are aware that others such as London Councils have suggested a similar approach.

Many unitary authorities in urban, densely populated areas are the hardest hit financially and also the areas where this policy intervention will succeed or fail. Financial support as well as technical support needs to be provided alongside the roll out of this proposal.

4. Do you agree with the suggested approach for designating Zone Coordinators? If not, please set out which aspects you disagree with and how to address them.

POS suggests that areas which already operate well together either through strategic priorities or natural geographies should be looked at as zone co-ordinators. This could be led by County Councils, or areas covered by Mayors for example.

5. Do you agree with the proposed list of Fitness to Operate Assessment criteria set out in Table 1? If not, please explain why.

POS is supportive of the criteria. However, the 'Finance' criteria should reflect the necessity of funding from DESNZ itself to enable Zone Coordinator set-up and medium-term as well as long-term operation. This further highlights the need for local authority-focused training, outlined in previous answers.

6. Do you agree with the Zone Coordinator governance requirements set out above? If not, please set out a) which ones you disagree with and why, and/or b) which additional requirements you consider are necessary.

It is likely that some Zone Coordinators will sit across multiple local authorities. There should be clear guidance formed from best practice for this situation, including where there may be differences of opinion between local authorities on which of the delivery models should be used.

7. Do you agree that, longer-term, heat network developers should pay a greater proportion of the costs of Zone Coordinators related to zones they are formally engaged with? What challenges and opportunities do you see with this approach?

Yes.

8. Please suggest the features a building must have to be considered "heat network ready", meaning the characteristics required to enable a future connection to a district heat network.

No comment .

9. Do you agree that new buildings within a zone should be required to be “heat network ready” if they cannot connect immediately on completion of construction? If not, please provide further detail, including any factors related to cost-effectiveness.

POS understands the intentions behind this but it may not be possible in some areas for a variety of reasons. Therefore regulations should not be mandatory.

There are clear interfaces between heat network zoning, local area energy planning, and Local Plans. It is clear that there is a significant body of policy development work that needs to be carried out between DESNZ and DLUHC to ensure that the heat zoning and planning systems work together to ensure that local government is able to align new local carbon development with energy infrastructure.

10. Do you agree that all existing buildings with communal heating systems should be within the scope of the requirement to connect?

Yes, POS agrees with this.

11. What impacts, if any, may this have on building owners, tenants, residents and other communally heated building users? Please provide any mitigations.

There may be a significant cost to building owners, including social housing providers, of connecting to heat networks. It is key that there is clarity on where costs fall, and capital funding provided to support already stretched social housing providers and public sector organisations. It is crucial that any costs do not fall on residents, particularly social housing tenants.

12. Please describe any implications for local authorities from the requirement to connect existing publicly owned, communally heated buildings to district heat networks.

There could be significant cost arising from the requirement to connect existing communal heating systems. Given the large shortfalls in local authority funding, it is crucial that Government provides capital funding for this work to be completed, including fabric upgrades and step-up plant where required.

13. Which types of multi-unit residential buildings, if any, should be “heat network ready” following significant refurbishment? Please describe any impacts of this on owners or other users of these buildings and any appropriate mitigations.

No comment

14. Please suggest how to assess the cost-effectiveness of making buildings “heat network ready” during significant refurbishment, including which costs should be considered.

No comment

15. Please suggest a suitable definition of “significant refurbishment”. If possible, the definition should be unambiguous, enforceable, and definitive.

No comment

16. Among the metrics listed in Table 2, which, if any, do you think should determine whether a non-communally heated, non-domestic building is within scope of a requirement to connect? Please provide alternative metrics if you disagree with those listed.

No comment

17. For any additional metrics you have suggested, please describe how they are, or could be: (i) independently verifiable; (ii) made easy/simple to understand; (iii) effective in selecting relevant buildings.

No comment

18. For each of the metrics you have proposed in the previous questions, please describe a suitable threshold.

No comment

19. Do you agree with the proposed mechanism for activating the requirement to connect? If not, please provide alternative suggestions.

No comment

20. What, if any, unintended consequences for building developers, owners, and residents, may result from requiring existing buildings to connect at a time determined by heat network developers? Describe any mitigations.

No comment

21. What types of incentives could encourage connections to heat networks? For each suggestion, describe how the incentive will encourage connection, for instance by specifying which barrier to connecting.

Offering a lower cost on bills for lower carbon buildings would incentivise connection.

22. Do you agree with the following timings for connecting existing buildings? If not, please provide alternatives. a. 1 year for the connection window b. 6 months for the agreement period c. 2 months for the buffer period.

No comment

23. Please describe any administrative burdens or other impacts on any entity which could be caused by the use of agreement and buffer periods, and describe any mitigations.

No comment

24. Please indicate when you believe the following stages in the connection process should begin and end for new buildings. Please be specific by, for example, naming the stage in the development process, such as Gateway 1 or Gateway 2. a. The agreement period; b. The buffer period.

No comment

25. Do you foresee the process for connecting new buildings introducing any burden or delays on the building development process? Please suggest any mitigations.

No comment

26. Do you foresee any of the proposals in this consultation placing disproportionate burdens on the following? If so, indicate what the impact could be on housing supply. a. Housing developers in general, b. SME housing developers.

No comment

27. Do you agree that the agreement phase is an appropriate time for buildings owners to apply for exemptions? If not, please provide an alternative suggestion.

Yes.

28. Do you agree with that exemptions should be either temporary or conditional? If not, please provide further details or suggest alternatives.

Yes.

29. Should leaseholders be provided with a route for requesting an exemption? Please provide further details, such as when this may be allowed.

No comment

30. How frequently should buildings holding a conditional exemption have to reapply? Please suggest a single number of years and any mitigations to reduce the burden of reapplying on building owners.

No comment

31. Do you agree that building owners or developers should be able to apply for exemptions on grounds of either a) cost or b) timing? If not, please explain why.

Yes.

32. What costs should the Zone Coordinator consider when assessing a cost-based exemption, and what is a suitable counterfactual?

No comment

33. Do you agree that an exemption extension may be granted if connecting to the heat network will increase the carbon intensity of a building's heating systems? Note, this will only apply to exemptions based on having an existing low-carbon heating system. If not, please provide further detail.

Yes.

34. Do you agree that corrections of misclassified buildings should occur during the agreement period? If not, please provide further detail.

Yes.

35. Do you think there are any other points in the requirement to connect process where a notification should be issued to a building owner? Please describe the information it should contain.

No comment

36. Please provide any comments on the following potential interventions which could increase voluntary connections in zones: a) a duty to provide a simple application process and provide quotes when asked, b) a duty to offer connections to buildings, c) a duty to connect buildings who request it if they pass a fair cost test, d) any other intervention.

POS supports these proposals.

37. Do you agree that the Zone Coordinator should be responsible for heat source investigation and preparation of a heat source report? If not, please provide further detail.

In order to assist Zone Coordinators areas should be funded to complete Local Area Energy Plans (LAEPs). An area of good practice is West London Alliance

38. Do you agree that heat network developers should be required to include heat source plans in their Zone Development Plans? If not, please provide further detail.

See answer to 37.

39. Should owners of heat sources be able to appeal a decision requiring them to connect to a heat network or give access to a heat source? If not, please provide further detail.

Yes.

40. Do you agree that a) the requirement to connect should prioritise high temperature heat sources, and b) the requirement to give access should apply to low temperature infrastructure heat sources and the location specific ambient heat sources? If not, please provide further detail.

POS suggests exploring feasibility of mandating all heat sources to connect to networks.

41. Do you agree that this is the right general approach for the Zone Coordinator to take in assessing whether a heat source should be required to connect? If not, please provide further detail.

No comment

42. Do you agree with the following proposals? If not, please provide further detail.
a. All consumers will be guaranteed transparency on the prices charged by heat networks. b. Standardised templates will set out how pricing should be presented to heat network customers within zones. c. Zone Coordinators will be permitted, but not required, to set pricing conditions on the award of a zone to a developer.

It is crucial that this policy does not result in increased energy bills, in particular for domestic customers.

43. Which, if any, of the three proposed emissions limits should be set as the initial limit in 2030? If none, please provide an alternative proposal for the initial limit on emissions.

POS welcomes the inclusion of a national ceiling for emissions. However, it is crucial that Zone Coordinators have the ability to set a higher initial limit on networks. They should also have the ability to drive continuous improvement in the networks, for example through a ratchet mechanism which provides a clear expectation to networks around their decarbonisation pathway.

44. Do you agree that introducing the emissions limit from 2030 will give adequate time for heat networks to adapt? If you disagree, what would be an adequate alternative timeline?

This depends on the target that is adopted.

45. What would be appropriate intervals for reviewing the national zoning emissions limit?

No comment

46. As a heat networks company operating heat networks: a. Do you currently measure greenhouse gas emissions of your heat networks. If so, how is this done? b. Is this linked to any formal monitoring requirements, for example the UK Emissions Trading Scheme (ETS), Display Energy Certificates?

No comment

47. Please provide comments, if you have any, on the above initiatives to make heat provided by heat networks affordable and any further suggestions if you have them.

To ensure that this policy does not result in higher energy bills for residents, the price of heat delivered by heat networks needs to be the same price or lower than the lowest fossil fuel equivalent. This may require initial operational funding to cover the space between gas and heat networks, as well as capital funding for network roll out and fabric and infrastructure work.

Energy advice would also allow residents to better understand how they can take actions, both big and small, to increase their energy efficiency and therefore decrease the amount of heat they require from the network.

48. Should the zone refinement stage allow more general refinements? Please provide any specific examples of other factors which could be considered.

No comment

49. Do you agree that we should not introduce any requirements around the minimum or maximum size of a potential heat network zone? If not, please provide further detail.

Yes.

50. Do you have views on whether and how to introduce rules regarding the aggregation of smaller indicative heat network zones?

No comment

51. Please suggest any additional information which should be included in the formal notice to request information from an organisation.

No comment

52. Please provide any views on types of data which could be difficult or costly to provide. Specify the type of data and which organisation would supply it.

No comment

53. Do you agree that the Central Authority should review the zoning methodology every five years? If not, please provide alternative suggestions.

Yes.

54. What factors should the Central Authority consider when reviewing the zoning methodology?

No comment

55. Do you agree that changes to the zoning methodology following a review should not apply retroactively to existing zones?

Yes.

56. Do you agree that a consultation period of 21 days is sufficient for the formal consultation part of heat network zone designation? If not, please provide further detail.

Yes.

57.Which of the following platforms should host the formal consultation: a) the zoning digital service, b) local authority or Zone Coordinator websites, c) other (please specify).

No comment

58.What other information do you consider should be published prior to or during the zone designation stage?

No comment

59.Do you agree with the proposed two-tier approach to classify statutory consultees? If not, please describe an alternative approach.

Yes.

60.Do you agree with the proposed Tier 1 and Tier 2 consultees set out in Appendix 5? If not, please provide any suggested changes.

Yes.

61.Do you agree with the proposal to use a competed process to confer special and potentially exclusive rights to zone developers? If not, please provide further details. Where applicable, refer to compliance with the Procurement Act and propose legally compliant alternatives.

Yes

62.What stage of project development, as shown by Options 1 to 4 in Table 6, do you think that the Zone Coordinator should achieve prior to marketing the opportunity? Please set out your reasons. If you believe a different stage is required, please also set this out.

POS recommends options two or three would be appropriate, The skills and resources each Zone Coordinator requires will be dependent on the choice made here.

63.Do you agree with these principles for evaluating commercial delivery models? Please provide your reasoning and any relevant evidence. If you believe any are unnecessary or missing please explain why.

Yes.

64.Do you agree that larger heat network zones could be divided into multiple smaller “Heat Network Zone Delivery Areas”? If not, please provide further detail.

Yes.

65.Do you agree with the option of establishing a framework for conferring zone rights for national pipeline projects as set out above? If not, please provide further detail.

Yes.

66.Do you agree with the option of establishing a separate framework for conferring zone rights for smaller scale projects? If not, please provide further detail.

Yes

67. Do you agree with the proposed approach to incumbent networks and investment, to be used following zone designation, as set out above? If not, please provide details.

Yes. It is crucial that this system allows local authorities to expand pre-existing networks where they wish to do so, and that all such incumbents adhere to the relevant carbon emissions limits. More clarity is required on the definition of commercialisation and committed investment.

68. Do you agree with the proposed approaches to zoning rights awarded prior to zone designation, as outlined above? Please set out your reasoning drawing on relevant examples if appropriate.

Yes.

69. Do you agree with the proposed shortlist of models: Authorisation and Consent (Proactive), Local Authority Joint Venture and both concession models ('Time limited' and 'Evergreen')? If not, please provide details and set out which models you believe better meet the principles for 'zone delivery models' (see page 70).

No. A Local Authority Delivered model and Local Authority Joint Venture should not be excluded from the list.

Local authority delivered heat networks can bring a host of co-benefits, for example in terms of an integrated domestic retrofit strategy and enhanced support to vulnerable customers via the connection with council welfare services. Local authorities have strong relationships with their residents which they can use to ensure that the resident voice is captured in the process, and to build a good understanding of the changing way residents will access heat when they are connected to a network.

Through a Local Authority Delivery model, projects can be delivered at cost, and any surplus income can be reinvested in further decarbonisation measures. Ensuring that areas that are less profitable (and therefore not as attractive to the private sector) are connected may also be more likely under Local Authority Delivery as the local authority will be driven by its wider environmental and social objectives.

Only allowing Local Authority Delivery as a model following a failed attempt to secure a private partner, even where this is not the preference of a Local Authority, as the consultation proposes, would be an inefficient use of public sector resources.

70. Please provide suggestions for minimising the burden on organisations of data collection throughout the zoning lifecycle.

No comment

71. Do you agree with the intended outcomes for the monitoring and reporting regime in Table 7? If not, please provide further detail.

No comment

72. Do you agree that Zone Coordinators should be able to decide whether they want a heat network developer to hold a licence before applying for the right to develop in a zone?

Yes.

73. Do you agree with the process for zone review described in this section, including the list of relevant changes and the role of the zoning bodies? If not, please provide further detail.

Yes.

74. Do you agree that the Zone Coordinator and/or the Central Authority should have the power to revoke a zone?

Yes.

75. Do you agree with the process for revoking zones? Please provide suggestions for any further checks and balances on the zone revocation process.

No comment

76. Please provide suggestions as to how the zoning bodies should respond to wider changes which may affect all heat network zones simultaneously.

No comment

77. Do you agree with the suggested penalty brackets? If not, please provide further detail.

No comment

78.Should penalties apply to individuals and organisations below £2 million turnover? If not, please provide further detail.

No comment

79.Do you agree with the proposed methods for calculating penalties? If not, please set out details of alternative methods.

No comment

80.Do you agree with the proposed internal review and appeals process? If not, please provide further detail.

No comment