



HEAT NETWORK ZONING

CONSULTATION RESPONSE

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British Property Federation

The British Property Federation (BPF) represents the UK real estate sector, an industry that contributes more than £107bn to the economy and supports 2.3million jobs. Our members are invested in commercial and residential real estate in communities across the UK - revitalising our cities and shared spaces, reimagining our town centres, and creating vibrant new places designed for the way we live today.

Key messages

The BPF and our members support the broad policy of encouraging the development of low carbon heat networks, in line with the sector's net zero ambitions.

The experience of members and occupiers to date is mixed. As a result, we welcome regulation of the heat market to provide more standardisation and deliver better outcomes for consumers, residents and tenants. At present, there are concerns around a constant reinventing of the wheel whenever negotiating with an Energy Services Company (ESCO) and/or establishing a new network and there is potential to save substantial time and money from a more standard approach. We should also learn from existing experience, both in the UK and overseas.

There are a number of unanswered questions over how heat network zoning (and the requirements on buildings especially) will work in practice. In particular:

- there needs to be **transparency on costs**. On price. On the costs of connecting to the network. On whether the “second comer” principle will be applied. On how the exemptions on cost grounds will work in practice.
 - there needs to be **reassurance on quality**. How will supply be guaranteed – particularly for building owners, developers and non-domestic consumers who will not benefit from additional protections afforded under the consumer protection legislation?
 - there needs to be **certainty and maximum visibility over the development and roll out of heat networks**, including likely time of connections and how incumbents and existing contracts will be treated. There is also a question about how well this policy is understood across the industry. Does there need to be more awareness both nationally and locally, with more education on heat networks generally? What are the Government's plans to ensure regulatory obligations are fully understood?
 - there needs to be **reassurance that local authorities, and zone co-ordinators, will be sufficiently resourced** and have the capacity and capability to deliver. There also needs to be reassurance that within the policy-making process there's
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a good understanding of landlord and tenant issues, property law and of how leases work.

More information

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Consultation questions

Zone Governance

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

Q1-7

The proposed government arrangements are not really an issue for BPF.

We do, however, have questions about the capability of local authorities to deliver the Zone Coordinator role. Some local authorities already have experience, but many will not. How will they acquire the skills and experience to deliver the Zone Coordinator role and negotiate with heat network developers? Is there a risk that local authorities will be reliant on the incumbent heat network operators in the area for advice and expertise?

We also have questions around resourcing the Zone Coordinator role. How much funding will be available, and will that be sufficient? Will this be ring-fenced? Is there a risk that we end up replicating some of the challenges we see in local planning departments, with the consequential impact on planning and development?

We note the intention is to speed up the procurement process (which currently takes time and can be very expensive). We will be interested to see how this works in practice.

Requirements on buildings

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.

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.

Q8-9

New buildings (i.e. a development which receives planning permission following the designation of a zone) will be required to connect before completion of construction or be "heat network ready" if they cannot connect immediately on completion of construction. We query how these requirements will impact phased developments (which can often be rolled out and extended over decades).

New buildings within zones may be buildings that are later phases of developments that are already served by an existing (smaller scale) heat network. How are those new buildings intended to be treated? Will they be required to be “heat network ready”?

There should be no requirement to connect – for any building – to a heat network (or temporary plant) powered by fossil fuels.

The person responsible for the duties placed on buildings will be the building developer for new buildings and the building owner for existing buildings. The zoning proposals could impact scenarios where the building developer intends to exit on practical completion. How will the "building developer" be defined and will a building developer for new buildings be able to discharge or assign its obligations?

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

No - there needs to be flexibility.

The definition of "communal heat network" in the consultation paper covers a heat network in which heat, cooling or hot water is supplied to a single building divided into separate premises. The consultation proposes all buildings with existing communal heating systems will be within the scope of the requirement to connect.

Different buildings will have very different communal heating systems and the cost and feasibility of connecting will vary. It is unclear if smaller heat networks where two smaller buildings are supplied by the same energy plant/equipment will fall within this definition. This is the case for a large number of landlord supply arrangements. We assume that developments with larger heat networks (i.e. multi-building developments with a central energy centre) will not constitute "existing communally heated buildings" and would welcome clarification on this point.

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

A key impact will be on lease terms. It is unclear how the costs of connection and supply of heat will be recovered if leases have already been granted (and assume an alternative heat supply arrangement). Lease provisions may restrict how the landlord recovers the cost of heating/cooling from residents that live in existing buildings with communal heating systems, which may also result in more expensive bills. See further comments on costs below.

Landlords will need to consult with leaseholders for existing buildings if entering into a long-term agreement to purchase heat from the heat network developer – it is unclear whether the regulatory obligation to connect would override existing lease provisions.

How is the Government proposing to address this? This isn't addressed in the consultation paper – there needs to be a real understanding of landlord and tenant issues, of property law and of how commercial and residential leases work.

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

No comments.

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.

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

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

Q13-15

The Consultation proposes that buildings undergoing significant refurbishment will be required to be "heat network ready" (i.e. so that they can connect if/when they are within connection distance from a heat network and the relevant heat network developer activates the requirement.) This will primarily include an obligation to install a communal heat network. This will need to be subject to cost/technical feasibility – and there needs to be flexibility to take a case-by-case approach.

It can be difficult and costly to retrofit the heating systems of some old buildings to make them "heat network ready" for new low temperature heat networks. This can also mean changes to the fabric of the building, new windows, insulation, changes to the façade.

It might be more cost-effective to connect to a heat network as part of a refurbishment than simply be made "heat network ready" as the costs of connection might be offset against the costs of providing a new heating system for the building (although this will depend on the scale of the retrofit). There are similar concerns around how programme delay would impact the retrofit and how much back-up heat provision would need to be sized and provided (see further comments below).

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.

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.

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

Q16-18

For commercial buildings, it is important that appropriate buildings are selected for connection. As flagged in the consultation paper, there is a risk that focussing on internal floor area could select buildings that are spatially large but have low heat demand (e.g. warehouses). There also needs to be flexibility to consider the use of the commercial building and whether connection would be appropriate.

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

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.

Q19-20

We note the proposal that heat network developers will activate the requirement for building owners to connect (provided they have achieved suitable milestones in constructing the heat main that runs near to the relevant development). The Zone Coordinator will then issue a notice to building owner to activate the requirement to connect (specifying steps to take, window of time to connect and time period to agree connection date).

The building owner/developer and the heat network developer will have a minimum 6 month "Agreement Period" from activation to agree a connection date. The connection date must be within the "Connection Window" specified by the heat network developer (minimum 1 year).

Regulations will require buildings to connect but "*will not compel buildings to use the heat provided via the connection*". The heat network developer and building owner will need to negotiate commercial terms of a heat supply contract.

Key comments made by BPF members include the following:

- Timing is likely to be a key issue. The ideal scenario is that a new building is connected straightaway – however it is unlikely that this will happen in most cases (particularly when taking programme delays into account). What happens if the heat network developer delays progress so that the connection is not achieved?
 - The timing of connection and the proposed heat capacity will have a significant impact on the design of any new development/building. New developments/buildings that will be required to connect to heat networks within a zone will need to design their schemes to account for a certain level of back-up heat supply. This has significant cost and design implications (e.g. it may require the building developer to include additional plant and equipment, size for a bigger plant room, leave additional space on the roof etc.). The additional costs and loss of space/flexibility will need to be considered. At what stage will the heat network developer make commitments about the heat capacity it will provide to a new development/building?
 - What transitional heating arrangements will be available? Will the heat network developer commit to providing temporary heat so that the building developer/owner can meet its own programme deadlines? In the event that temporary heat supply is required due to a delay by the heat network developer, how will this impact any carbon emissions limits for the building developer/owner?
 - In circumstances where the heat network developer has not sufficiently built out the heat network such that the building developer/owner is required to provide sufficient heat capacity to supply heat to the relevant building/development, is it appropriate to still require connection? Or for these new buildings, should connection only be required at the end of life of the existing heat system. There is a risk that building owners/residents would be paying twice – for both the on-site
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plant/equipment to provide the full demand of the building/development and the connection to the heat network.

- There needs to be maximum visibility of the development and roll out of the heat network. How will the developer know if/when the building can be connected? Who is responsible for providing this visibility? It will be difficult for building developers/owners to make informed decision without oversight of the progress of the heat network. It is often a long process between design and delivery, particularly across phased developments, and building developers/owners will have commercial pressures to achieve planned programme dates. Maximum visibility and clarity is also reassuring to investors and occupiers.
- How do these timescales fit with or alongside Section 106 Agreement obligations?
- We note the connection window is specified by the heat network developer – is there any opportunity for the building owner/developer to appeal the length of time to allow for more buffer in its build programme? Is there an opportunity to request an extension if it is unlikely to be met?

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.

Key incentives are likely to be around commitments to timescale, delivery, continuity of service and taking responsibility for regulatory compliance. Building owners/developers are more likely to be incentivised to connect if it provides a quicker and/or most economical heating solution.

In most cases, building owners will likely be the regulated "Heat Network Supplier" to leaseholders/residents/occupiers.

There should be maximum visibility of the roll-out and phasing of connections, so building owners can plan effectively. There should be a "no surprises" approach. There should be a duty on the heat network developer to engage with owners and other interested parties well in advance of any activation of a requirement to connect. The earlier the engagement the more able the owner will be to mitigate the negative impacts and avoid duplicated energy plant/costs.

Supporting owners' net zero ambitions would also be a good incentive.

- 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.**
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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.

Q22-23

Building owners/developers may not have the resources to meet deadlines. Will the building owner/developer be exempt from any enforcement action where the connection window has been missed due to heat network developer actions or force majeure/actions beyond its control?

We note that the regulations will require buildings to connect but they will not compel buildings to use the heat provided and this will be subject to the heat network developer negotiating the commercial terms of a heat supply contract with buildings owners. This risks scenarios where buildings are required to connect to a heat network but have not agreed commercial terms and/or where there are significant delays whilst commercial terms are being negotiated.

Negotiating commercial terms will add further delay, time and cost to building developers/owners. We recommend that a standard form of Connection Agreement is published.

How can a building owner/developer effectively negotiate commercial terms for supply when they are obliged to connect to the heat network? Particularly for commercial buildings where building owners/developers will not benefit from enhanced consumer protection requirements under regulation, there is very little room to negotiate the heat network developer's commercial terms.

There is a buffer period (following the Agreement Period) of 2 months for Zone Coordinators to process exemptions, resolve/escalate appeals and/or carry out enforcement action. Will the Zone Coordinator have sufficient resources to review/process exemptions and/or resolve/escalate appeals within the 2 month buffer period?

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.

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

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.

Q24-26

For new buildings, the Zone Coordinator must be sufficiently satisfied that the heat network developer can connect (or provide sufficient heating through temporary solutions) for new developments before the end of construction. There needs to be certainty about when new buildings can connect and maximum visibility over the roll-out of the heat networks to help mitigate any burdens or delays. What resources will the Zone Coordinator have to ensure these programme deadlines will be met? What liability will the Zone Coordinator/heat network developer assume for failure to meet these deadlines? What happens if the heat network developer fails to move beyond temporary solutions – where does that leave the developer as regards satisfaction of planning obligations and long-term supply risk?

The "Agreement period" will run from point of notification until point before latest opportunity to change building design. How will the Zone Coordinator/zoning authorities determine when the latest opportunity to change design is? What are the consequences where the building owner/developer and heat network developer cannot agree the connection date?

The connection window will run from the start and end of construction of the new building. How does this work on phased developments/multi-building developments? Are the timeframes specific for each phase/building or for wider development? The ideal would be for new buildings to connect immediately and likely this would be welcomed by developers.

Is there a risk that the additional regulatory burdens may discourage housing developers from installing communal heating systems/design developments to avoid heat zoning obligations (e.g. push heating solutions towards individual heat pumps).

There needs to be transparency around costs and pricing – particularly where there is a limited ability to negotiate commercial terms.

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.

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

Q27-28

We note the proposal that exemptions will either be temporary (i.e. it is not viable to connect within the connection window) or conditional (i.e. material reasons make the connection unviable). How will this interact with existing S106 Agreement obligations to connect or provide for potential heat network connection? Where there are already

commercial/financial viability tests under existing planning legislation, how will this interact with zoning viability mechanisms?

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

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.

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.

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

Q29-32

We welcome the recognition of exemptions but more detail is needed.

There needs to be early engagement about exemptions, so the building owner can make decisions about replacing existing systems or get ready to connect. For existing buildings, we consider there should be a longer timeframe/more flexibility for reviewing exemptions due to the cost impact this could have for existing building owners.

Will Zone Coordinator have the ability to determine this? What level of information will building owners/developers be required to provide? There is a risk that this places unnecessary burden on building owners/developers and could be a costly process. Will Zone Coordinators have the time and resources to make decisions on exemptions that take all building owner/developer considerations into account but that does not cause unnecessary delay and uncertainty for building owners/developers.?

How will the Zone Coordinator look at the costs passed down to leaseholders? Will the cost exemption not be granted if the building owner/developer wants to pass down full costs to leaseholders?

In terms of the suitable counterfactual, we are concerned that this will be difficult to determine and will need to be specific to type of building/development etc. Is there an overlap with wider regulatory consultation on consumer protection?

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.

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

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.

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.

Q33-36

No comments.

Heat sources

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.

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.

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.

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.

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.

Q37-41

We note that the consultation paper proposes that the Central Authority will produce guidance on typical costs of connection. Where there is a positive difference between the 'marginal heat price' (i.e. the cost to a heat producer before profit) and the 'substitution price' (i.e. a counterfactual price) a heat source owner will be required to connect.

We note the proposal that Zone Coordinators will be permitted to set pricing conditions on the award of zoning rights to a heat network developer. Does this set price caps for building owners/developers on what they can pass on to leaseholders? How will this interface with any wider pricing caps on amounts charged to domestic consumers/ microbusinesses?

Consumer protection (cost/price/quality)

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.**

We welcome increased regulation but currently don't have the full picture on the regulatory framework.

We also welcome increased standardisation, as this has the potential to save time and cost.

We welcome transparency over pricing. Currently some BPF members are required to benchmark prices themselves ensuring best price for residents and tenants. We would welcome this being delivered centrally however there needs to be sufficient thought given to how heat regulation will interact with Landlord and Tenant legislation.

We would question why there is no protection for large non-domestic consumers? We would value a standardised approach. In particular, where non-domestic consumers are required to connect, how will Zone Coordinators/Ofgem monitor and control any unfair pricing by the heat network developer?

There still many unanswered questions, including on connection costs. A number of BPF members have asked whether Second Comer principles will apply to heat connection costs. The Electricity (Connection Charges) Regulations 2002 (ECCR), also known as the 'Second Comer Regime', requires customers connecting to an existing electricity network to make a financial contribution towards the connection works paid for by the original customer.

How will performance be guaranteed? Will this be for the Zone Coordinator, and do they have the skills and experience to hold heat network developers to account and enforce contracts? There are provisions under the consumer protection consultation to protect domestic consumers but would ask how/what protections the Zone Coordinator/Ofgem will be able to enforce to ensure commercial/non-domestic consumers and building developers/owners are not being unfairly prejudiced.

What back-up arrangements will be in place? It is likely that building developers and owners need to have plans in place but who will be responsible for additional costs of any temporary heat required due to a heat network failure? There are provisions under the consumer protection consultation for compensation to domestic consumers – but we would ask how non-domestic consumers and building developers/owners will be compensated?

Also, is there also a need for education for consumers? How will this be delivered?

Carbon emissions requirements of heat networks in zones

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.

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?

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

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?

Q43-46

No comments

Affordable heat in zones

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.

In line with the comments above, there is likely to be significant additional cost to building owners/developers in negotiating terms, sizing back-up/additional heat capacity, costs connected with programme delay etc. It is not clear how these costs will be covered and this may impact the price of heat for customers where this cost needs to be passed down by the building owners/developers. Further assistance needs to be made available to non-domestic customers around pricing control and certainty on commercial terms.

Zone identification and refinement

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

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.

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

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

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.

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

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

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

Q48-55

No comments

Zone designation

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.

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).

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

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

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.

Q56-60

No comments

Zone delivery

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.

Broadly speaking, we agree that a competed process is appropriate for the identification of zone developers to be awarded special or exclusive rights. Given that zone developers will benefit from their selection by the Zone Coordinators (who we understand will be contracting authorities under the Procurement Act 2023 (the Act), or at least linked with contracting authorities), it is appropriate that those developers are identified pursuant to a competitive process in accordance with section 19 of the Act (or as otherwise specified in section 6(4)(b) of the Act).

In light of the above, where the special or exclusive right is granted following a competitive process, it is likely that the zone developer will not be required to procure its downstream contracts in compliance with the Act (assuming that the zone developer has been appointed in accordance with section 6(4) of the Act in the first instance, and that will be for the Zone Coordinators to ensure that they have conducted a procurement process that is sufficient to meet that requirement – and we would suggest that further guidance on what this process looks like would be beneficial).

Notwithstanding the above, and particularly given the introduction of the Competitive Flexible Procedure (CFP) under the Act, some BPF members do not necessarily agree with the statements in the consultation paper that procurement would (in and of itself) impact on the speed of delivering the zoning, or lead to bid fatigue for the design and build contractors who would be tendering for those downstream contracts. Additionally, a requirement to follow a competitive process for the award of downstream contracts is beneficial in ensuring open competition within the sector, ensuring value for money and for safeguarding against the risks of collusion and conflicts of interest.

Is it possible to structure a procurement process to follow a lean timetable, and to design a process that is not overly onerous on those participating in the tender exercise? This could be supported by guidance produced by the Central Authority and/or Zone Coordinator to set out how zone developers are able to maximise the benefits of the CFP to design a relatively lean and simple process for appointing the downstream contracts.

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.

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.

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.

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.

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.

Q62-66

No comments.

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.

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.

Q67-68

BPF members will want certainty over existing arrangements and agreements. Some members have 40+ year contracts with ESCOs. It would be difficult and expensive to terminate any existing agreements and this could also impact on their development plans.

Further consideration may also need to be given as to the status of an incumbent heat network under the procurement rules. If an incumbent heat network is considered a utility who is therefore required to procure their downstream contracts, there is a risk that this creates an unequal playing field as compared with the wider proposals (where other heat developers are not required to procure).

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).

Zone operation

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

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

Q69-71

No comments.

Zone review

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?

We note that the consultation paper states that “*The wider regulatory framework for the heat network market will introduce licences to grant heat network companies equivalent rights to other utilities. In summary this includes the right.... to make a compulsory acquisition of an easement or other right over land.*”

We recognise this reflects existing arrangements with other utilities but we would like reassurance that there will be a proportionate and balanced approach to any exercise of these rights. What suits the heat network developer may not suit the building owner and the interaction with other/existing utilities will need to be considered. In particular, where building owners/developers are obliged to connect to the heat network, there should be sufficient protections in place where a heat network developer intends to exercise these rights with the potential to appeal to the Zoning Coordinator where this could have a significant impact on the development.

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.

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

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

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

Q73-76

No comments.

Enforcement, penalties and appeals

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

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

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

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

Q77-80

This needs to be a transitional process. We would expect flexibility and assistance for building owners and developers to understand regulation for a considerable period before enforcement and penalties are applied. Where buildings are owned by resident management companies, what impact would penalties have on their ability to carry out the landlord obligations?
