



Heat Trust Annual Report

Findings from year four
2019

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On a personal note, this is my final Annual Report as Director of Heat Trust. I joined Heat Trust just before its launch in November 2015. I am delighted to have had the opportunity to lead Heat Trust and help put in place the foundations for enduring customer protection standards in the heat network sector. Particular thanks go to the HCPL Board, Stakeholder Committee and Heat Trust team. I look forward to seeing how the standards develop and wish the team all the very best.

Bindi Patel, Director.

Cover photo credit: Richard Wilson

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Executive summary

Welcome to the fourth annual report from Heat Trust

This report provides a summary of the performance of heat networks that are registered with Heat Trust and updates on Heat Trust developments and activities.

Heat Trust is an independent, non-profit consumer champion for heat networks that holds the industry to account for the benefit of everyone involved. Heat Trust was launched in November 2015 with a clear ambition to place customers at the heart of a rapidly expanding, but unregulated, heat network market.

Our work has focused on addressing two key gaps in the heat network market:

- A minimum set of customer service standards that apply to all heat networks serving residential and micro-business customers.
- Providing independent redress through an Ombudsman service.

This annual report bookends the first four years of Heat Trust. Over this period, Heat Trust has continued to grow and attract new members - at the time of publication, 80 heat networks are registered with Heat Trust (this report covers data for 72 that were in membership last year). Over 10% of residential and micro-business customers across Great Britain are now benefiting from service standards that are comparable to the rest of the energy market.

Heat Trust remains a voluntary scheme. The heat network suppliers that have registered with Heat Trust are proactively embedding minimum service standards - indeed in some areas our Registered Participants go above the minimum requirements - and have committed to providing regular reporting data and to undergo independent audits.

Registered Participants of Heat Trust are already implementing a call to the market that the Competition and Markets Authority (CMA) stressed in its 2018 market study¹ - to act in advance of statutory regulation and adopt standards and behaviours that are expected of regulated utilities.

Heat Trust standards are helping to improve customer experience

The data in our fourth report shows that voluntary standards set by Heat Trust are having a positive impact on the market and delivering improvements to customer experience:

Complaint volumes are falling; billing remains the most frequent complaint

A total of 2,151 complaints were recorded by Registered Participants in 2019, representing an average of 4.72 complaints per 100 customers. This is a 54% reduction in complaints recorded in our annual report last year. Billing and charges accounted for 37% of complaints, closely followed by technical issues representing 36% of complaints. Of the complaints referred to the Energy Ombudsman, 48% of complaints related to billing and back-billing.

Customers are benefiting from independent redress

While there was a fall in complaints within the Energy Ombudsman Terms of Reference, of all complaints that were investigated, only 9% were not upheld. In 58% of cases, the Energy Ombudsman agreed with the customer and upheld the complaint. A total of £3,965.74 was awarded to customers as a result of an Ombudsman decision in 2019. Of this, £2,510.65 was as a goodwill payment and £1,455.09 was a credit payment.

Customers are receiving guaranteed service payments

There were 818 unplanned interruptions reported in 2019. The majority of unplanned outages were due to issues within an individual property. Customers on heat networks registered with Heat Trust can be assured that if they experience an outage that is not restored within specified timeframes, they can be compensated. Over £25,000 worth of guaranteed service payments were paid to customers for outages not resolved within the timeframe specified.

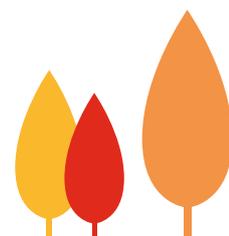
Customer suspensions for debt have fallen

In our 2018 report, we highlighted a rise in suspensions due to debt. This year we have seen a significant reduction in supply suspensions due to debt. We are encouraged by this fall, but we are keen to expand data collection on debt, and to consider additional metrics on pay-as-you-go and self-disconnection.

Lessons learnt for future regulation

With four years of operational data, we have been able to gather key lessons and insights on current practices and areas where further development is needed. Both BEIS and Scottish Government have introduced proposals for statutory regulation, which we support. Based on insights from the monitoring data and audit assessments, to support the long-term success of the heat network sector a future regulatory framework must:

- **Measure heat network performance:** Performance monitoring should be part of developing technical standards. Evidencing that a heat network is performing in line with design parameters is important for customer assurance, transparency and assessing whether technical standards remain fit for purpose.
- **Include a mandatory requirement to provide customers with clear terms of service:** Heat networks are monopolies. Customers must be provided with clear terms of service and detail on what happens when services are not met.
- **Address transparency of heat charges:** Billing and charges has been the most frequent complaint type reported by Registered Participants and the Energy Ombudsman. Further work including guidance to the market is required to ensure customers are receiving value for money.
- **Ensure all customers can access redress when services are not delivered, and a mandatory requirement to independent redress:** Customers on heat networks cannot switch supplier. A regulatory framework should be clear on what minimum redress options customers should benefit from when services are not delivered, including access to independent redress for all heat network customers.



Market coverage

Launched in Nov 2015
with 3 Registered Participants covering
15k customers

This report:
13 Registered Participants covering
45k customers

2019

Complaints



Complaint to customer ratio was 4.7% compared to 7.0% in the regulated market

A 63% decrease in complaint to customer ratio from last year



Most common complaints are billing (37%) and technical issues (36%)



Of all the Ombudsman cases completed in 2019, 58% were upheld, 24% were maintained, 9% were settled and 9% were not upheld

£4k

Nearly £4k was awarded to customers by the Energy Ombudsman. 63% of this was a goodwill payment, 36% was paid as credit



Debt, suspension and resumption of supply

2.9% of all customers were in debt and on a repayment plan



On average 0.8% of customers had their supply suspended due to debt. And 0.8% had their supply restored due to debt being paid

On average
26.3% of customers did not pay their bill by the due date

Unplanned Outages

There were
818
unplanned outages over the year

On average an unplanned interruption in 2019 lasted 11 hours 57 minutes



49% of unplanned interruptions originated within the customer's property

£25k

Over £25k paid to customers in compensation for unplanned outages

Within the generation and distribution of the heat network the most common cause (51%) of unplanned interruption in Period 2 was the pump or pressurisation unit

1. About Heat Trust

Heat Trust is an independent, non-profit consumer champion for heat network customers that holds the industry to account for the benefit of everyone involved.

We make sure customers enjoy heating systems fit for the future by:

- Applying strict customer service standards to heat suppliers, similar to those for traditional gas and electricity suppliers;
- Providing access to an independent dispute resolution service through the Energy Ombudsman; and
- Working with suppliers to promote best practice, innovation and continuous improvement in customer service.

In the UK, heat networks are serving a growing number of residents and businesses. The majority of these networks are delivering a good service, but some are letting customers down.

Consumer protection is essential to the long-term success of heat networks. The work of Heat Trust is helping to put in place the foundations upon which new regulations can build, ensuring that customers are protected while allowing this exciting new industry to flourish.

Standards set by Heat Trust

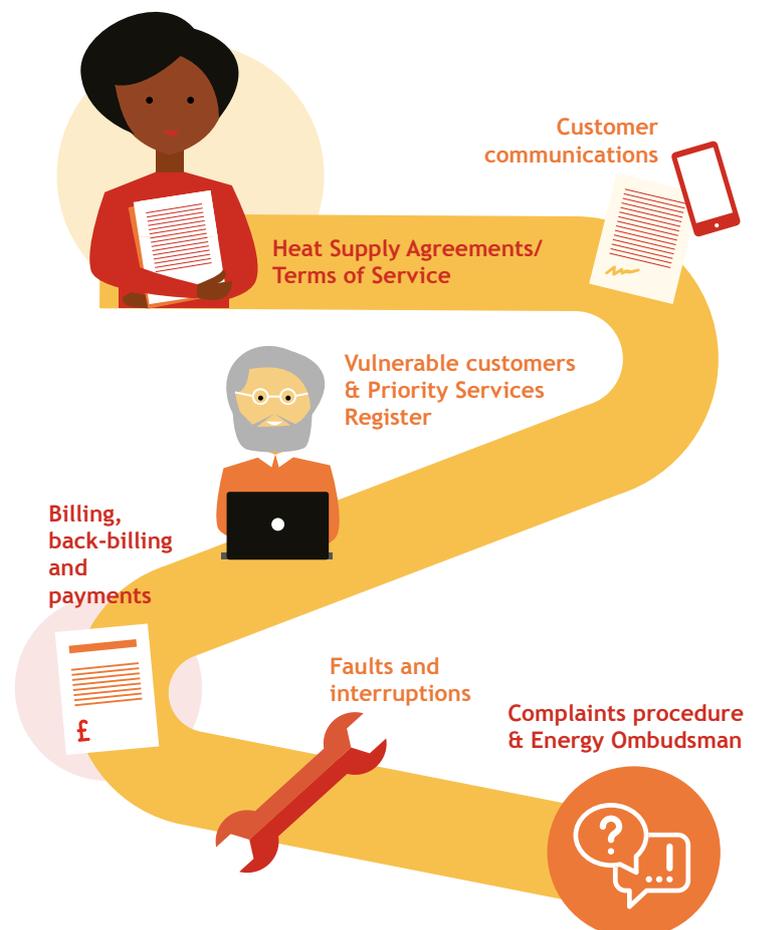
Our customer service standards, that are detailed in our Scheme Rules and are available on our website², include:

- Detail on what customer information should be provided at each stage;
- Support for vulnerable customers;

- Transparency in metering and billing;
- Guaranteed service payments for interruptions in supply;
- Responding to faults and emergencies; and
- Complaints handling, including access to the Energy Ombudsman.

Heat Trust also requires each heat supplier to submit bi-annual monitoring data and undergo an independent audit per site.

The Heat Trust Scheme Rules and the accompanying Heat Trust Bye-Laws are ‘live’ documents; they will develop and change to reflect developments in the market, and to promote and drive forward better standards in Heat Trust registered networks.



Suppliers

Effective consumer protection is essential to the long-term success of the heat network market. We work with suppliers across the market to embed consistent customer service and protection standards. Our work supports suppliers with:

- **Supporting excellent service**
Registration with Heat Trust provides a clear statement of suppliers' commitment to quality standards and can enhance existing customer protections. We can help reduce time and resources dealing with customer complaints, through prevention and clearer information provision.
- **Preparing for regulation**
The government has made it clear that it intends to regulate the heat network market and encourages providers to register with Heat Trust. As the leading source of customer care expertise within the industry, we can help suppliers to prepare for the regulation that lies ahead, future-proof their business to meet their responsibilities to customers and create a sustainable energy network.
- **Competitive edge**
By providing clear evidence of meeting our standards, Heat Trust accreditation can give suppliers a competitive edge in the market.

Policy-makers

Our work supports government in delivering high-quality heat networks that provide resilient heat supply for communities up and down the country, addressing fuel poverty, supporting the transition to a low carbon energy system, and ensuring a good return on government investment. With nearly four years' experience, Heat Trust has developed:

- **Strong foundations**
Heat Trust is already widely recognised as the key consumer champion in the heat network market. We have unsurpassed collective knowledge of this complex, fledgling industry and have been putting in place the foundations of regulation that will protect customers while allowing the market to flourish in the future. This is an essential part of the journey towards regulation - but is just the first step.
- **Unique perspective**
As experts in consumer protection, we are uniquely qualified to bring an objective customer perspective to the conversation between government and the industry about impending regulation. Heat Trust is the only heat network code of conduct that is consistent with gas and electricity market standards, has an independent committee to oversee industry standards, uses audits to check compliance and publishes performance data each year.
- **Proven approach**
Since its inception in 2015, all major energy service companies (ESCOs) have registered sites with Heat Trust. Heat Trust provides a proven framework incorporating a vast body of knowledge that can be used to support development of statutory regulation. In short, there is no need to start from scratch.

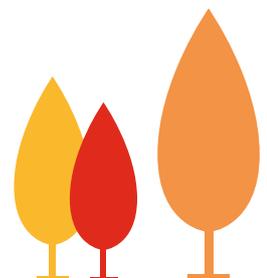


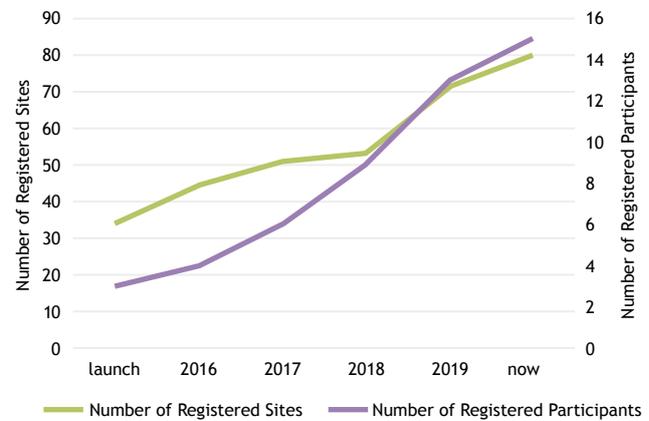


Photo credit: Richard Wilson

2. Update on Heat Trust and the wider market

Overview of membership now

Heat Trust at the time of publishing has 15 Registered Participants and 80 Registered Sites. Over 50,000 customers are benefiting from the standards set by Heat Trust. A further eight applications are in progress.



Scheme modifications

A fast track modification was approved by Heat Trust's stakeholder committee to amend the monitoring data metrics Heat Trust gathers from Registered Participants every six months. This included defining the time period from a missed bill for debt in arrears, as well as total amount of Guaranteed Service Payment for planned and unplanned interruptions, numbers of resumptions and numbers of customers on a priority services or vulnerability register. Many of these have been reported voluntarily and are now formalised. It also removed a requirement to report on the heat network's postcode every six months.

Scheme Rules review

The first section of the Scheme Rules to be reviewed against changes in the regulated market and any other relevant updates was in relation to vulnerable customers. The consultation was live from the end of 2019 to March 2020, and 20+ responses were received. The summary of responses and options for next steps will be published in summer 2020⁵.

The next theme to be reviewed will be guaranteed service payments and billing, and the consultation is expected to be published late summer 2020.

Heat Cost Calculator

The Heat Cost Calculator (HCC) is a tool on our website which allows a customer to gain an indication of the annual heating and hot water cost for a similar-sized property if it had a modern gas boiler⁵.

A consultation was undertaken last year to explore the addition of electric heating as a comparator to the HCC, focussing on the options for formulas to do so. A summary of the responses is available on our website⁶.

Ombudsman Services complaint types

Heat Trust has been working with the Energy Ombudsman to develop complaint categories that are specific to heat networks. These are due to be implemented at a later date.

Website updates

In 2019 Heat Trust developed a new members' section of our website, allowing Registered Participants to access guidance documents, tutorials, and submit bi-annual monitoring reports and audit documents.

5. <https://www.heattrust.org/heat-cost-comparator>

6. <https://www.heattrust.org/scheme-modifications/consultations>

The customer focused area of our website has also been updated, with suggested considerations for prospective heat network customers, advice for those on heat networks not yet registered with Heat Trust and what customers on heat networks that are registered with Heat Trust can expect.

A Resources section was added in October, and has since been the second most visited area of our website, after the HCC. This section provides graphs and infographics from our annual reports, information on what is a heat network and examples of low carbon sources of heat for heat networks, why heat networks are important in the context of climate change and further reading on heat networks.

Consultation responses

During 2019, Heat Trust responded to the following consultations:

- [Ofgem consumer vulnerability strategy](#).
- [Scottish Government call for evidence on Energy Efficient Scotland](#).
- [BEIS consultation on Heat Networks: Ensuring Sustained Investment and Protecting Consumers](#).

Market wide development

Following confirmation that government intends to regulate the heat networks sector, both Westminster and Scottish Governments have introduced proposals for heat network regulation. Heat Trust welcomes these proposals and commitment to ensuring customer protection is embedded.

Scottish Heat Networks Bill

The Heat Networks (Scotland) Bill, a Scottish Government Bill was introduced in early March 2020⁷. The Bill outlines proposals for regulating the heat network sector in Scotland via a licencing regime. Heat Trust participated in the stakeholder working group to develop the proposals.

It should be noted that customer protection is not devolved to Scotland, so the Bill focuses on: licencing for operating a heat network, consents for developing a heat network, strategic planning for locating and connecting to heat networks including zoning, and additional rights and powers e.g. access to beneath roads during installation. It also includes powers for a transfer scheme should a heat network operator cease to operate, thus ensuring a continuous supply for the customer.

BEIS heat network market framework consultation

The key proposals in the BEIS consultation centre on an authorisation regime and licensing⁸:

- The proposed authorisation regime for consumer protection would give Ofgem oversight and enforcement powers across quality of service, provision of information and pricing arrangements for all domestic heat network consumers. This would be funded through fees scaled according to the regulated party's size.
- The proposed legislative changes will give heat network developers equivalent statutory rights and undertakings to other utilities, such as gas and electricity. A licensing arrangement will be established for those parties that wish to secure these additional powers.

BEIS highlighted the work of Heat Trust in the consultation, noting that by registering with Heat Trust now “organisations will not only be able to demonstrate the quality of their service to consumers right now, but they will also be better prepared for the transition to regulation.”

7. <https://www.parliament.scot/parliamentarybusiness/Bills/114590.aspx>

8. <https://www.gov.uk/government/consultations/heat-networks-building-a-market-framework>

3. Monitoring Registered Participants

Biannual monitoring data

Each heat network that registers with Heat Trust is required to submit data every six months on relevant metrics. These help Heat Trust to assess compliance with the Scheme Rules.

At the end of September 2019 there were 72 heat networks registered with Heat Trust, servicing 45,084 domestic customers and 462 micro-business customers.

The data presented in this annual report is aggregated from all sites registered with Heat Trust. The monitoring periods were 1st October 2018 - 31st March 2019 ('Period 1') and 1st April 2019 - 30th September 2019 ('Period 2').

Please note that all pie charts are displayed largest to smallest in a clockwise manner, with the legend in corresponding order.

Meter types

At the end of September 2019, 1,898 (4.2%) domestic customers were paying their bills via pay as you go (PAYG), also known as pre-payment meters (PPM). This changed from 9% in 2018, due to one supplier removing PPMs at many of their sites, and another who clarified that their meters could offer pre-payment but some customers had chosen a credit payment option. Less than 1% of micro-business customers paid via PAYG, which has remained the same over the last three years. All of Heat Trust registered sites are metered.

Interruptions in supply

Due to lack of standardised reporting of causes of interruptions, discussed in Heat Trust's 2018 annual report, during 2019 Heat Trust and its Registered Participants agreed to categorise the causes of interruptions into three high-level categories. These each represent an area of the heat network where the issue originated: generation (of the heat e.g. energy centre), distribution (e.g. pipework) and in property.

Each high-level category had a further 5 - 7 sub-categories beneath agreed. These were introduced to data collection for Period 2 of 2019 for both planned and unplanned interruptions.

Planned interruptions

Over the year there were 76 planned interruptions. These are interruptions to the customers' heating and/or hot water supply where they have been given at least 48 hours notice by their supplier. Seventy-four percent of these took place in Period 2, the warmer months.

Over both periods the highest number of planned interruptions was related to the generation part of the heat network, this includes the energy centre and the utilities supply to it, as can be seen from Figures 1 and 2.

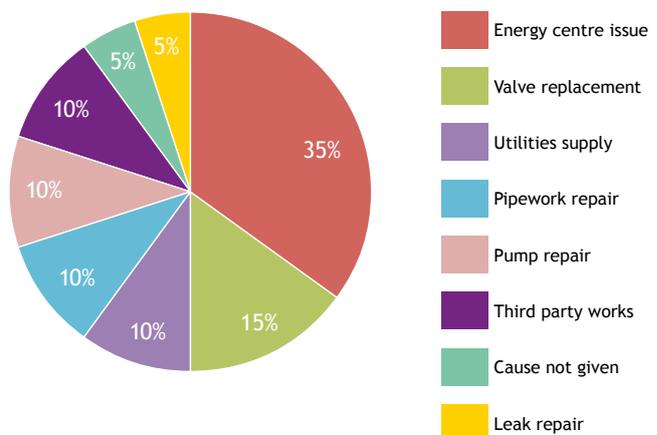


Figure 1 Breakdown of interpreted causes of planned interruptions in Period 1 2019

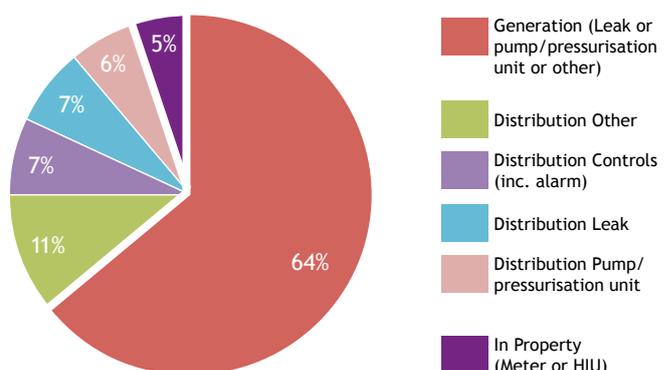


Figure 2 Breakdown of causes of planned interruptions in Period 2 2019

For Figure 2, where the causes constituted less than 5% e.g. meter and HIU within the property these have been amalgamated for ease of interpreting the graph.

On average a planned interruption in 2019 lasted 6 hours 21 minutes. This is down from 6 hours 55 minutes in 2018, but still slightly longer than 2017's 6 hours.

Unplanned interruptions

Within 2019, 818 unplanned interruptions occurred, with 375 (46%) in Period 1 and 443 (54%) in Period 2. We are aware that some Registered Participants are experiencing difficulty in manually distinguishing between a fault and an interruption⁹ to a single dwelling. This is an area we will continue to investigate with our Registered Participants. This further emphasises the need for industry-wide performance metrics and standardisation to improve quality of data.

Causes

For Period 1, while the categories of causes of interruptions were not yet agreed, Heat Trust liaised with suppliers to interpret the high-level cause category (generation, distribution or in property) from the wide range of 128 self-reported causes. For both periods, interruptions caused within the property constituted almost half of all unplanned interruptions (50% in Period 1 and 48% in Period 2). In Period 1, the other interpreted high level causes of interruptions broke down into 40% from generation, 8% from distribution and 2% could not be retrospectively categorised. In Period 2, 25% of unplanned interruptions were from generation and 27% from distribution.

Each of the high-level categories of causes of unplanned interruptions for Period 2 were broken down again into sub-categories, see Figures 3, 4 and 5. The most common cause of unplanned interruptions originating within both the generation and distribution parts of the heat network was to do with the pump or pressurisation unit.

"The pump or pressurisation unit are the most common causes of unplanned interruptions, originating within the generation and distribution parts of the heat network"

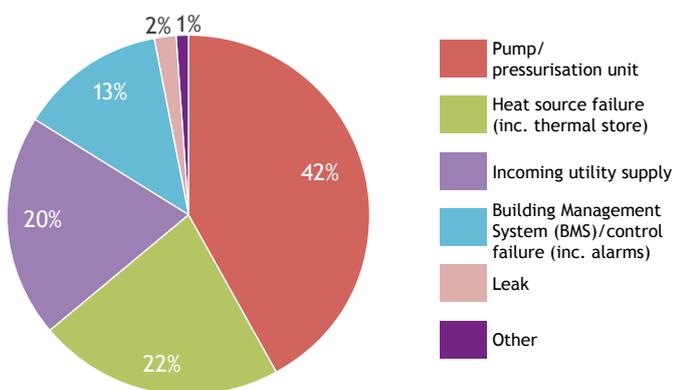


Figure 3 Breakdown of causes of unplanned interruptions within Generation in Period 2 2019

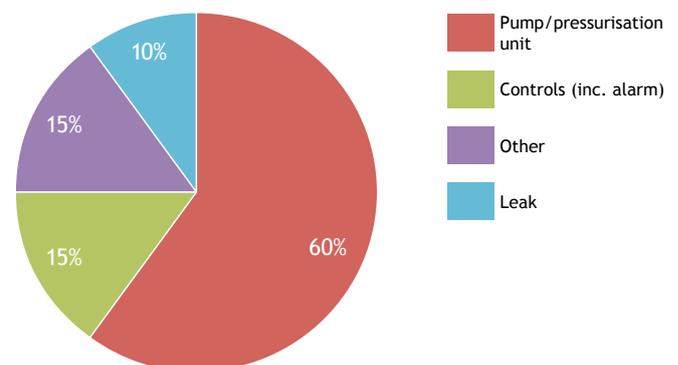


Figure 4 Breakdown of causes of unplanned interruptions within Distribution in Period 2 2019

9. Heat Trust considers an interruption to be a loss of supply of heating and/or hot water to any number of customers, any other technical issue is considered to be a fault.

There were no interruptions reported as being caused by water quality issues, the only category which was agreed with Registered Participants and not used in Period 2 2019.

The most common causes of unplanned interruption within the property were due to the Heat Interface Unit (HIU) or in-dwelling equipment e.g. radiators (75%), see Figure 5.

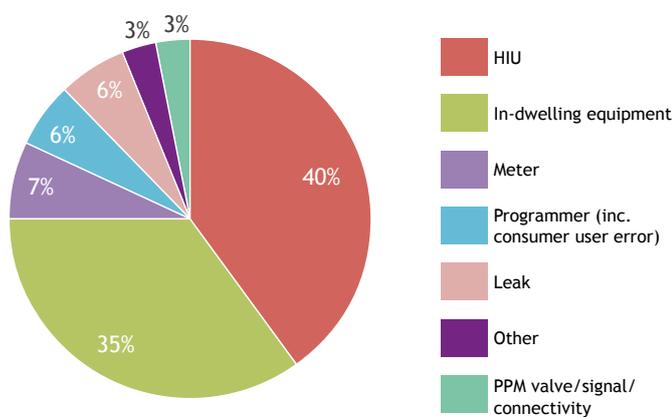


Figure 5 Breakdown of causes of unplanned interruptions In Property in Period 2 2019

Numbers of customers affected

Interruptions which originate within a property usually only affect one customer, however there are rare occasions where it might affect more than one, for example where fixing a single HIU requires switching off supply to a number of nearby properties. Therefore nearly half of unplanned interruptions in 2019 only affected one customer.

Outages originating in generation are more likely to affect the whole heat network, whereas distribution outages are more likely to affect part of a heat network or a block. The following histograms reflect this, showing that unplanned outages in Period 2 2019 originating in the generation part of the heat network affected higher numbers of customers than those originating in distribution.

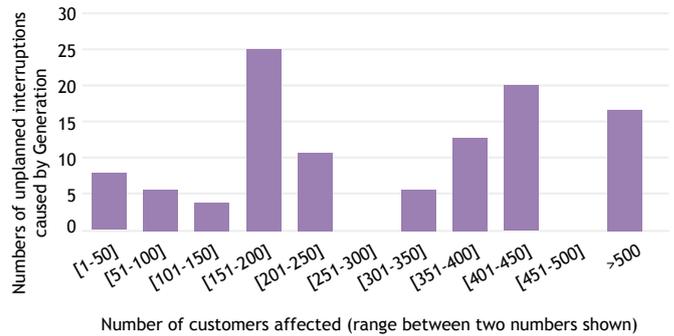


Figure 6 Histogram showing numbers of customers affected by unplanned interruptions caused by Generation, in Period 2 2019, in ranges of 50

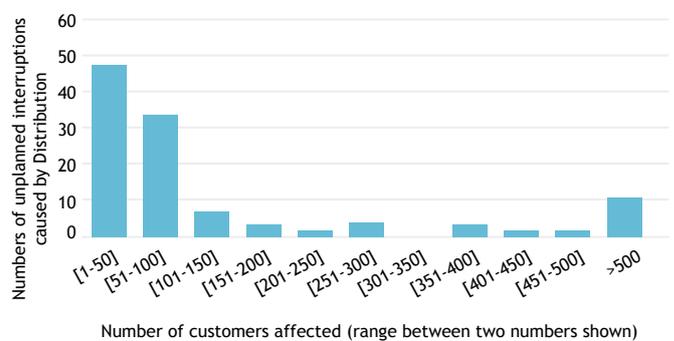


Figure 7 Histogram showing numbers of customers affected by unplanned interruptions caused by Distribution, in Period 2 2019, in ranges of 50

On average in 2019, each customer experienced three interruptions in supply over the year. To compare with the regulated market, we removed the interruptions originating within a property (which would typically be the responsibility of the home-owner in the regulated market). Therefore on average each customer on a Heat Trust registered site experienced 1.52 interruptions due to the generation or distribution of heat. Customers in the regulated market experienced on average only 0.44 interruptions¹⁰ from their electricity distributor over a year.

Durations of interruptions

Eleven percent of interruptions from Period 1 did not provide usable duration data (only dates and not times were reported) so only 89% of interruptions from Period 1 were included in the following analysis; all data from Period 2 was included.

The average (mean) duration of an unplanned interruption in 2019 was 11 hours 57 minutes. However the median was 3 hours 15 minutes, showing

10. <https://www.ofgem.gov.uk/data-portal/network-indicators#thumbchart-c7817099319241976-n111044>. The latest data available from Ofgem is from 2017-18. Gas distribution interruptions are not reported but experienced 99.998% availability in 2018.

Over £25k paid to customers as guaranteed service payments

that there were higher numbers of interruptions with shorter durations. Only 13% of unplanned interruptions were over 24 hours, which is the same as last year. Heat Trust will continue to monitor this, as the length of the duration of the interruption determines the level of compensation available for customers, see the next section.

In Period 2, although there were more customers affected by generation interruptions, these were on average of shorter duration than distribution interruptions, see Table 1. The median of in property interruptions was 7 hours 13 minutes.

	Generation	Distribution	In property
Median	2:59	2:54	7:13
Mean	4:32	9:50	31:54
Mode	1:15	2:00	3:00

Table 1 Average duration of unplanned interruptions in Period 2 2019, by high-level cause category

Some in property interruptions are of longer duration due to the customer's request e.g. arranging a suitable time for an engineer appointment a few days later. Seventy-eight percent of the in property interruptions which lasted over 24 hours and provided data were delayed at the customer's request or because the Registered Participant was unable to contact the customer again to arrange a suitable time for repairs.

Guaranteed Service Payments

Heat Trust requires all its Registered Participants to offer compensation to its customers for unplanned interruptions in supply which last longer than specified. These are known as guaranteed service payments (GSP)¹¹. The amount paid is determined by the duration and frequency of the interruption(s), e.g. a single interruption over 24 hours or multiple interruptions each lasting over 12 hours. See Section 6.3 of the Scheme Rules¹² for details of which outages warrant a GSP. These requirements will be reviewed against

the duration data gathered by Heat Trust and will be a focus of the next consultation on the Scheme Rules.

In total over 2019, £25,445 was paid by Registered Participants to customers. GSP are not common in the heat networks market, and the amounts reported here demonstrate the importance that customers are properly protected for when service is not delivered. The volume of guaranteed service payments are an indication of heat network reliability and heat supplier responsiveness.

No guaranteed service payments were reported in 2019 for planned interruptions.

Faults

There were 6,548 faults reported in 2019. These were mostly faults which do not result in a loss of supply for the customer.

There is a clear pattern that higher numbers of faults were reported in the winter months compared to the summer months over the last three years, see Figure 8.

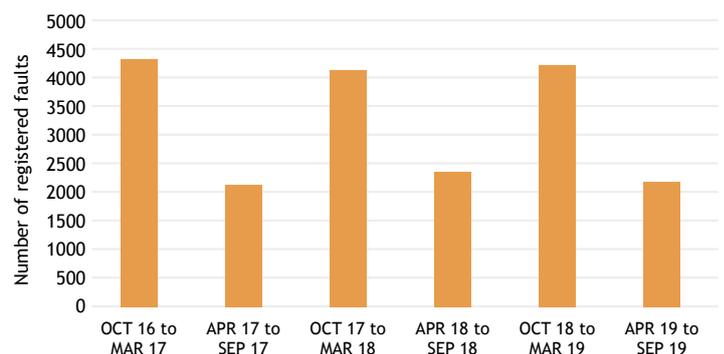


Figure 8 Number of registered faults over the last six monitoring periods

Of the faults which reported customers affected (77%), 99.3% of faults (4,990) affected a single customer. There were 24 faults which were reported as affecting 0 customers.

11. The regulated market (gas and electricity) often use the term guaranteed standards of service (GSOS) payments.

12. <https://www.heattrust.org/the-scheme-rules>

Vulnerability and debt

Priority services register

At the end of September 2019, 2,328 customers (5%) were on a vulnerability or priority services register (PSR). This continues the downward trend of the last few years, reducing from 8% in 2016 to 7% in 2017 and 6% in 2018. Heat Trust will continue to monitor this going forward. Customers who are on a register can receive additional support or communication services from their supplier.

Debt

At the end of September 2019, an average of 2.9% of customers were on a repayment plan for debt. As can be seen in Figure 9, this is lower than the previous two years' figure for the end of September.



Figure 9 Percentage of customers on a repayment plan at the end of the last six monitoring periods

Heat Trust is keen to develop reporting on debt. As a first step Heat Trust has agreed with its Registered Participants to record customers in debt and arrears to common timeframes. So future reports will be able to contain a comparison between those in debt and those on a repayment plan.

On average 21% of customers per site didn't pay their bill by the due date in Period 1, which rose to 31.2% of customers in Period 2. This includes all customers who have missed the payment date, which could have been only by a day or much longer.

Suspension

The number of supply suspensions due to debt in 2019 was lower than during the previous year, which was due to an increase in Period 2 2018, see Figure 10. Correspondingly the number of resumptions in supply due to debt paid in Period 1 2019 was higher than those suspended. This is likely to include reconnections for some customers who were suspended in the previous monitoring period and not yet reconnected within that monitoring period.

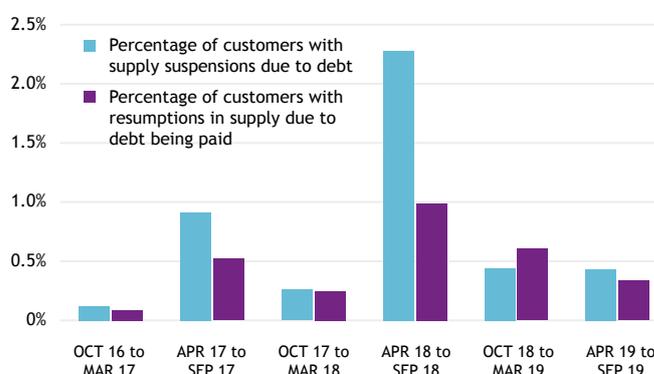


Figure 10 Average proportion of customers with supply suspended or resumed due to debt, over the last six monitoring periods

In 2019 there were fewer than 0.5% of customers with supply suspensions due to debt. In the regulated market Ofgem reported 0 disconnections for gas and electricity in 2019.

These numbers on suspensions will only capture customers on credit payment set-ups whose supplier has suspended their supply as the last stage of the debt collection process. This does not capture customers who have a PAYG set up, who may 'self-disconnect' by not topping up their meter.

This is of additional interest because installation of PAYG meters (or switching to pre-payment set-ups) can be offered as a debt management tool. For example, nearly 200,000 PPMs were installed for gas and electricity customers to recover debt in 2018¹³.

The latest consultation on the Scheme Rules, in relation to vulnerable customers, included questions regarding whether Heat Trust should introduce any requirements specifically relating to self-disconnection, and what metric should be used if Heat Trust were to gather data on self-disconnection. Installation of PPMs or switching customers to pre-payment set-ups will also be considered. The outcome of this consultation will be published on our website¹⁴ in late summer 2020. Ofgem have also undertaken work on self-disconnection¹⁵.

Complaints

Over the year, Registered Participants recorded 2,151 complaints from domestic and micro-business customers. This is a 54% decrease from 2018 (4,657 complaints), despite an increase in number of customers registered with Heat Trust. This is very encouraging and demonstrates that Heat Trust standards are having a positive impact.

Approximately 1% of customers on sites registered with Heat Trust are micro-business customers, however 0.5% of all complaints in 2019 were from micro-business customers. This shows that micro-business customers tend to make fewer complaints than residential customers.

Over the year there was an average of 4.72 complaints per 100 customers. Ofgem reported an average of 7.02 complaints per 100 customers from all energy suppliers over 2019¹⁶. This is the first year that the rate of complaints from Heat Trust registered sites is lower than those in the regulated market.

Billing and charges and technical issues were the most common causes of complaint in 2019, see Figure 11, together accounting for 73% of complaints. It is a broadly similar breakdown to 2018.

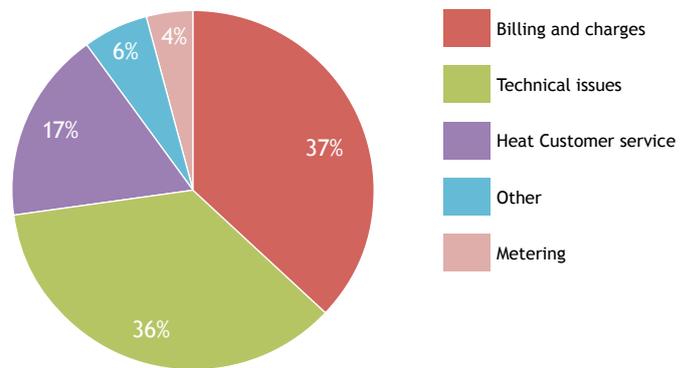


Figure 11 Breakdown of total complaints in 2019

Within 2019, 88% (1,900) of complaints received were resolved within the same monitoring period. This is slightly lower than the previous two years which were both 92%.

While the number of complaints received has fluctuated over the last six monitoring periods, the percentage of complaints resolved within eight weeks has remained fairly constant at around 85%, as can be seen in Figure 12.

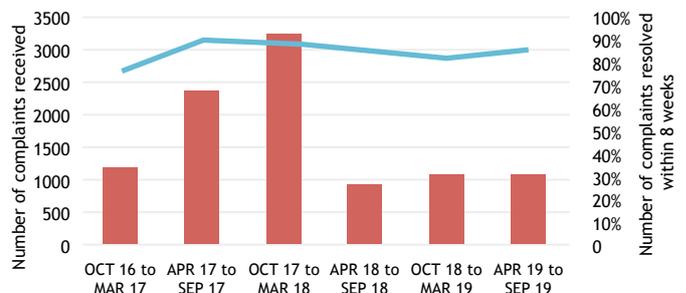


Figure 12 Complaints received (red bars) and complaints resolved within eight weeks (blue line) over the last six monitoring periods

14. <https://www.heattrust.org/scheme-modifications/consultations>

15. <https://www.ofgem.gov.uk/publications-and-updates/prepayment-self-disconnection-and-self-rationing-call-evidence>

16. Ofgem figures reported per 100,000 customers for all energy suppliers has been scaled down to per 100 customers, and were from January to December 2019. This was felt to be the closest comparison readily available. <https://www.ofgem.gov.uk/data-portal/complaints-received-all-suppliers-100000-customer-accounts-gb>

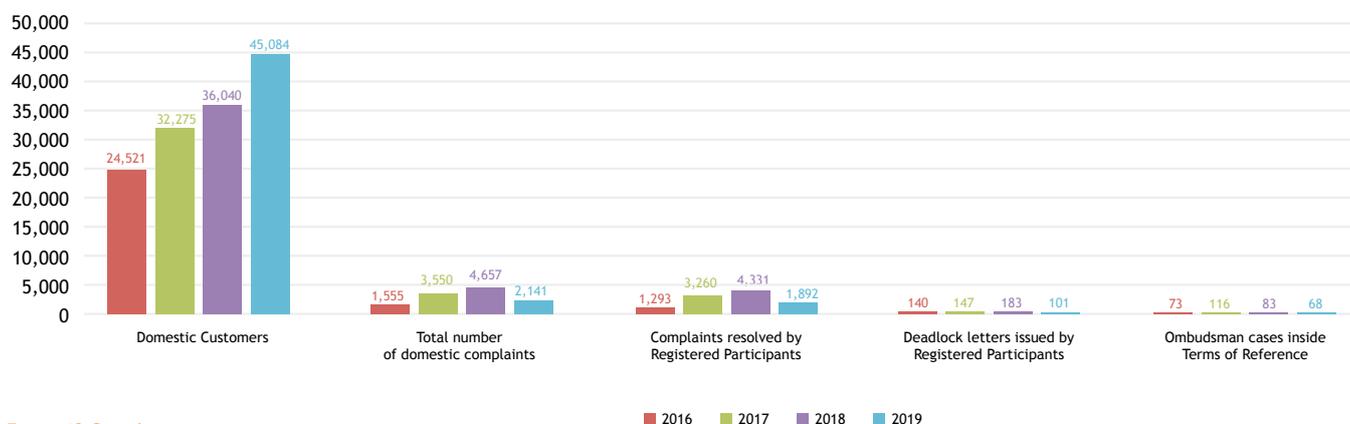
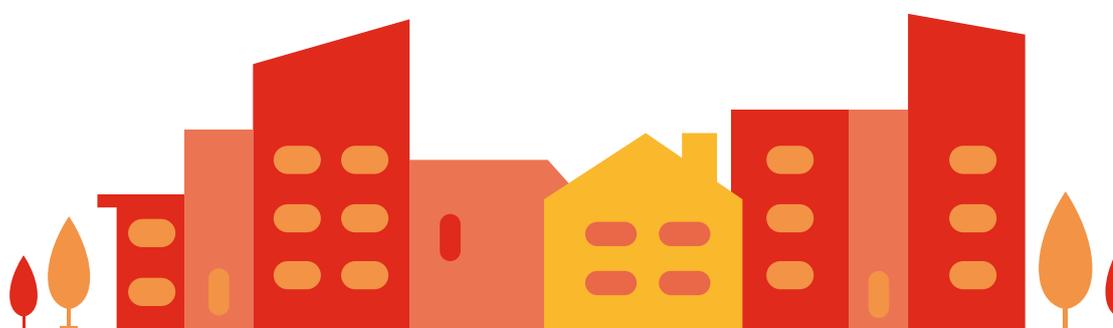


Figure 13 Complaints comparison over time

On average 12% of complaints remained open at the end of each monitoring period in 2019. This is a snapshot figure and may represent newly opened complaints as well as complaints nearing 8 weeks. This is higher than previous years, where on average 6% were left open at the end of monitoring periods in 2018, and 8% in 2017.

Along with a decrease in complaints received in 2019, the number of deadlock letters issued has correspondingly dropped from previous years, as can be seen in Figure 13. As 101 deadlock letters were issued, this is the equivalent of 4.7% of complaints reaching deadlock and receiving a deadlock letter. The equivalent of 2.4% of complaints were issued deadlock letters in 2018 and 4.1% in 2017.

Heat Trust is working with its Registered Participants to clarify their processes around issuing deadlock letters. A deadlock letter is issued by a supplier to a customer if the customer has made a complaint that has not been resolved within eight weeks, or it is clear that a resolution which is satisfactory to both parties cannot be reached between them. Once eight weeks has passed or a deadlock letter has been received then a complainant can take their complaint to the Ombudsman for arbitration.



Audits

To maintain registration of a heat network with Heat Trust, all Registered Sites will undergo an independent audit at least once every five years, or earlier if there is cause to believe that an audit would be of benefit to its residents. To reflect that each heat network is unique, audits are conducted on a site by site basis and cover both the information provision to customers and the service provided.

To date 12 sites have been audited by Heat Trust, covering six different Registered Participants. Due to Covid-19, an additional nine audits have been postponed.

Key issues raised by the audits so far have included the following:

- Pre-contractual transparency - timing of providing information on terms and conditions of heat supply to new customers.
- Difference between faults response and resolve timings - Heat Trust sets different timescales for responding to and resolving faults and interruptions.
- Information provision on how to read meters/ submit meter readings (especially with Automated Meter Reading (AMR)) - ensuring suppliers still provide information to customers on how to submit meter readings even if their meter automatically sends this information to the supplier, in case it breaks down.
- Missing vulnerability status of customers on data logs for auditors - such as interruptions or suspensions, where Heat Trust sets different standards for vulnerable customers.
- Clarity of information to customers on how to claim a guaranteed service payment - both where information is communicated and what is communicated e.g. if evidence is required or if payments are made automatically.

Guidance on the audit process, including timescales, scoring, how to prepare and possible outcomes, can be found on our website¹⁷.

A high proportion of issues in the first round of audits were due to insufficient evidence submitted. In addition to regular updates and clarifications to the questionnaire, Heat Trust has undertaken an in-depth review following this first round of formal audits. This has involved gathering feedback from Registered Participants, the independent auditors and internal learnings on the process and documents.

The audit process remains 'live' and will continue to develop as more heat networks and operators join Heat Trust and their different processes are evaluated.

4. Complaints referred to the Energy Ombudsman

Customers on heat networks that are registered with Heat Trust are able to access the independent dispute resolution service provided by the Energy Ombudsman.

How the Ombudsman works

If a customer complaint cannot be resolved through the Registered Participant's internal complaints procedure within an eight-week timeframe, the complaint can then be referred to the Energy Ombudsman, operated by Ombudsman Services. Customers access this service for free; all charges are paid by the Registered Participant (the heat supplier). The Energy Ombudsman will look at complaints that are within the Ombudsman's Terms of Reference¹⁸. It is unable to investigate commercial decisions e.g. price increases.

Terms of Reference (TOR)

ITOR

Inside Terms of Reference, a complaint that probably will be accepted subject to confirmation.

OTOR

Outside Terms of Reference.

Contact

The customer has created a case, but has not provided enough information to determine the TOR. This last category used to be called PITOR, or 'Potentially In Terms of Reference', but will no longer be used going forward.

Resolution types

In 2019 Ombudsman Services introduced a new process for resolving complaints. There are now three possible types of resolution for a complaint that is accepted by the Energy Ombudsman (these replace the Early Resolution (ER), Mutually Acceptable Solution (MAS) and Ombudsman Services Decision (OSD) available previously):

FCR

Facilitated Complaint Resolution - The Registered Participant has made an early proposal to the customer and the customer has accepted the proposed resolution. This is a non-binding decision because the Ombudsman has no involvement in the complaint itself and the agreement is between the Registered Participant and the customer.

Decided

Ombudsman Services has reached a decision on the case. In this status there are three sub-categories:

- **Decided: Accepted** - where both the customer and Registered Participant have accepted the decision, and the decision is binding.
- **Decided: Declined** - where the customer has declined the decision and it therefore becomes non-binding.
- **Decided: no response** - where there has been no response to the decision by customer, and the Ombudsman has therefore closed the case as non-binding.

Summary of complaints sent to the Ombudsman

Between 1st January 2019 and 31st December 2019, 171 complaints were referred to the Ombudsman. Of those 171, 40% (68) were ITOR, 30% (51) were OTOR, 30% were PITOR or 'contact' (38 and 14 respectively) (see explanations on previous page).

The number of cases opened in 2019 is higher than in 2018 (126), as can be seen in Figure 14. However the number completed in 2019 (58) is lower than the 71 completed in 2018. This is perhaps because the proportion of OTOR has increased, and there were a number of cases opened in 2019 where the customer has not yet proceeded (e.g. 16 ITOR opened but not yet progressed).

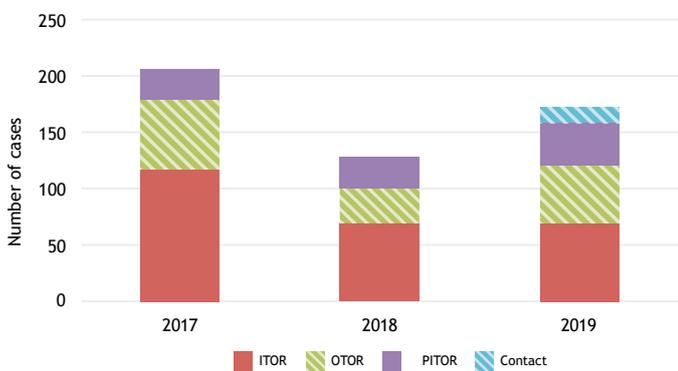


Figure 14 Numbers of opened cases over the last three years, by TOR type

Of the ITOR complaints in 2019, 1.3% were from micro-business, 98.7% were from residential customers.

There were 16 complaints which were opened with Ombudsman Services in 2018 but were completed in 2019, which have also been included in the following analysis.

As can be seen from Figure 15, the majority of complaints going to the Ombudsman in 2019 related to billing (43%), and the next highest

cause was customer service (24%). This pattern was seen in both 2018 and 2017. However in 2019 only 5% of complaints were related to backbilling, compared to 12% in 2018 and 2017. Conversely in 2019, 12% of complaints were related to meters, but were only 4% in 2018, and 8% in 2017. New categories seen this year are sales e.g. contract renewal terms and transfer e.g. customer not informed they couldn't switch supplier.

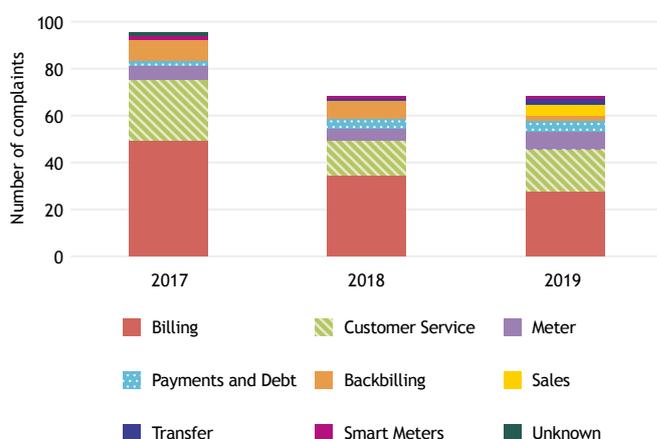
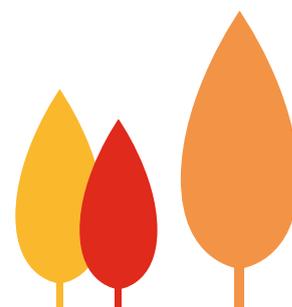


Figure 15 Breakdown of ITOR complaints by high-level category over the last three years

Of those complaints related to billing which were completed in 2019, the sub-categories of complaint can be seen in Figure 16. Disputed account balance and disputed heat usage were the most common billing related complaints.

Those cases where the sub-category of complaint is 'unknown' in Figure 16 and Figure 17 is because the case has gone through the FCR process. This means that a full investigation has not taken place so Ombudsman Services was unable to capture the detail of the secondary level category.



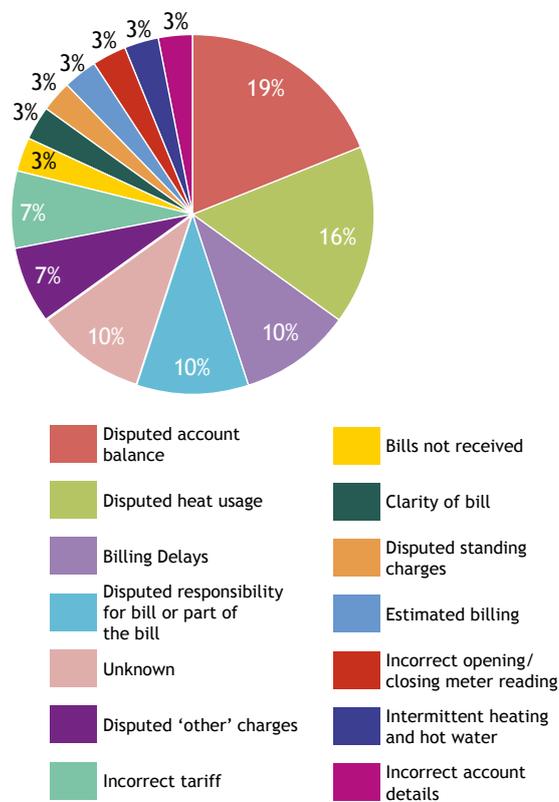


Figure 16 Breakdown of billing complaints in 2019

Taking a closer look at customer service complaints completed in 2019, the breakdown can be seen in Figure 17. The majority were related to quality of customer service.

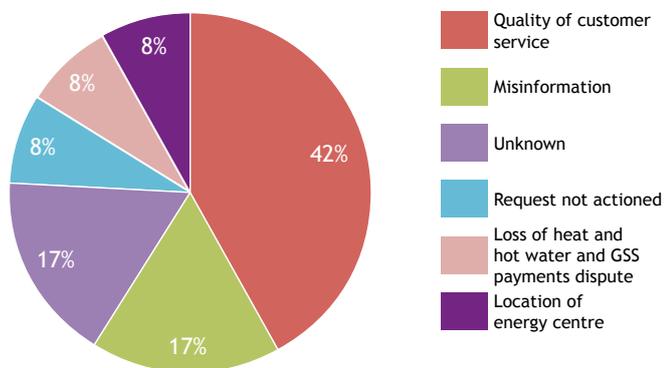


Figure 17 Breakdown of customer service complaints in 2019

Outcome

Of all the completed cases in 2019, the majority were upheld and nearly a quarter were maintained, see Figure 18.

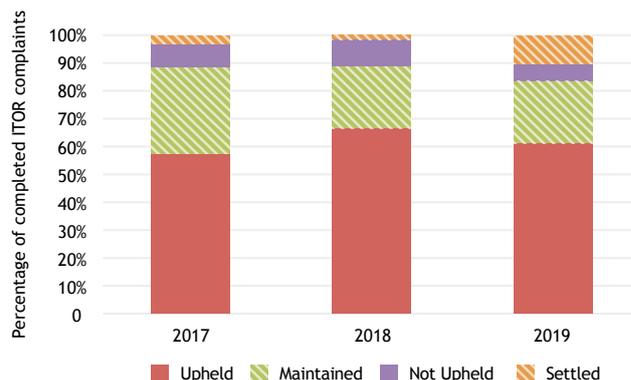


Figure 18 Outcomes of ITOR complaints completed within the year, over the last three years

Figure 18 shows that around 60% of complaints to the Ombudsman have been upheld over the last three years, which is in favour of the customer. This reinforces the need for customers on heat networks to be able to access independent redress such as the Energy Ombudsman. It also shows an increase in the proportion of settled cases in 2019, which shows complaints are being resolved earlier in the process.

Of all those cases which were completed in 2019, 72% were decided or OSD, see Figure 19. As the transition between the new and the old Ombudsman Services process took place over this year, both sets of decisions were made in 2019.

Of those that were upheld, 75% were decided or OSD, 10% were appealed decided and 15% were MAS. Of those that were maintained, 79% were decided or OSD, 21% were MAS. All not upheld were decided or OSD. All settled were FCR.

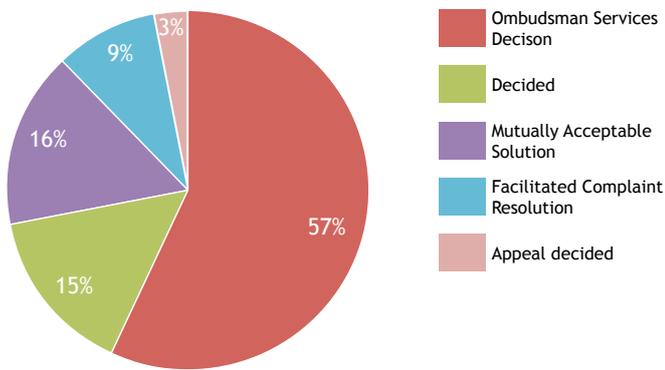


Figure 19 Decision method for complaints in 2019

Of all completed cases in 2019, 59% were binding, and 41% were non-binding. This is a lower proportion of binding outcomes than previous years, where consistently over 70% of outcomes had been binding

Referrals

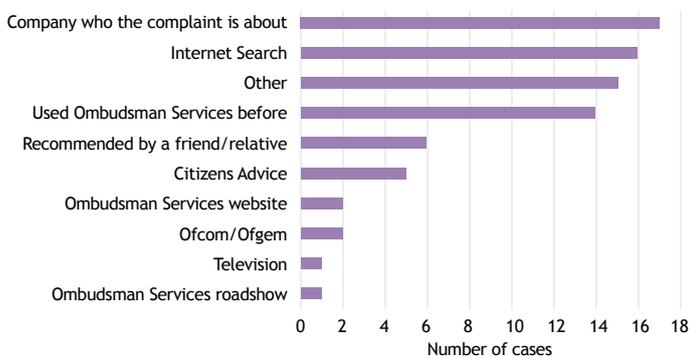


Figure 20 Source of referrals to Ombudsman Services for all ITOR complaints in 2019 (4 cases did not state a source of referral)

The most common way for a customer to find out about the Energy Ombudsman and take a complaint to them in 2019 was direction by the heat supplier, see Figure 20. The next most common routes were via an internet search or the customers had used the Ombudsman before.

Of those completed cases in 2019 where evidence of sign-posting was submitted as part of the investigation documents (32 out of 58 cases), 94% was a deadlock letter, 6% was an eight-week letter. Heat Trust will continue to monitor Registered Participants sign-posting of customers to the Energy Ombudsman through the audits and monitoring data.

Remedy payments

In 2019 a total of £3,965.74 was paid to customers as a result of an Ombudsman decision. £2,510.65 was as a goodwill payment and £1,455.09 was a credit payment.

- ‘Goodwill’ - is an award that the Ombudsman has made based on the time and trouble a customer has experienced e.g. relating to service shortfalls.
- ‘Credit’ - is an amount that is applied to a customer’s account due to corrective action e.g. if a customer was billed on an incorrect higher rate tariff, the rebill would result in a credit amount.

The total amount awarded as remedy payments in 2019 was lower than previous years, see Figure 21. This could be an indication of the lower case numbers completed this year. Or this could indicate there was a general influx of complaints when Heat Trust was first established, but is decreasing now as Registered Participants make improvements based on feedback from internal complaints and those taken to the Ombudsman.

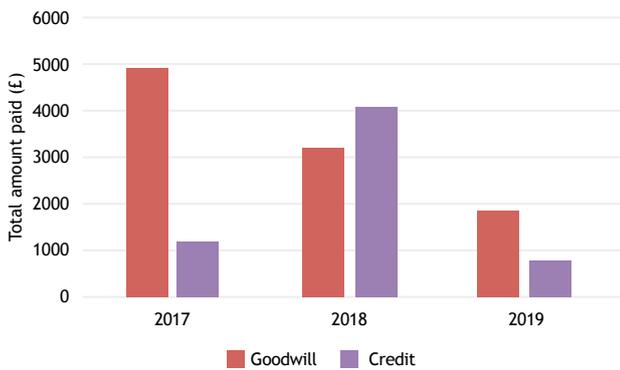


Figure 21 Total amount of remedy payments made to customers from cases opened and closed within the year, over the last three years, split by goodwill and credit payments

Of all cases completed in 2019, 69% received a payment. 77% were goodwill payments only, 9% were credit payments only and 14% were both. The average goodwill payment was £62.77, and the average credit payment was £145.51.

Although billing is the most frequent cause of complaint taken to the Ombudsman, the highest average payment was for backbilling, see Figure 22, largely through credit payments. The highest goodwill payment was related to smart meters.

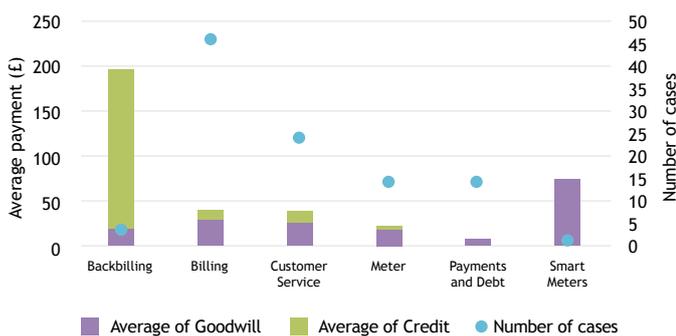
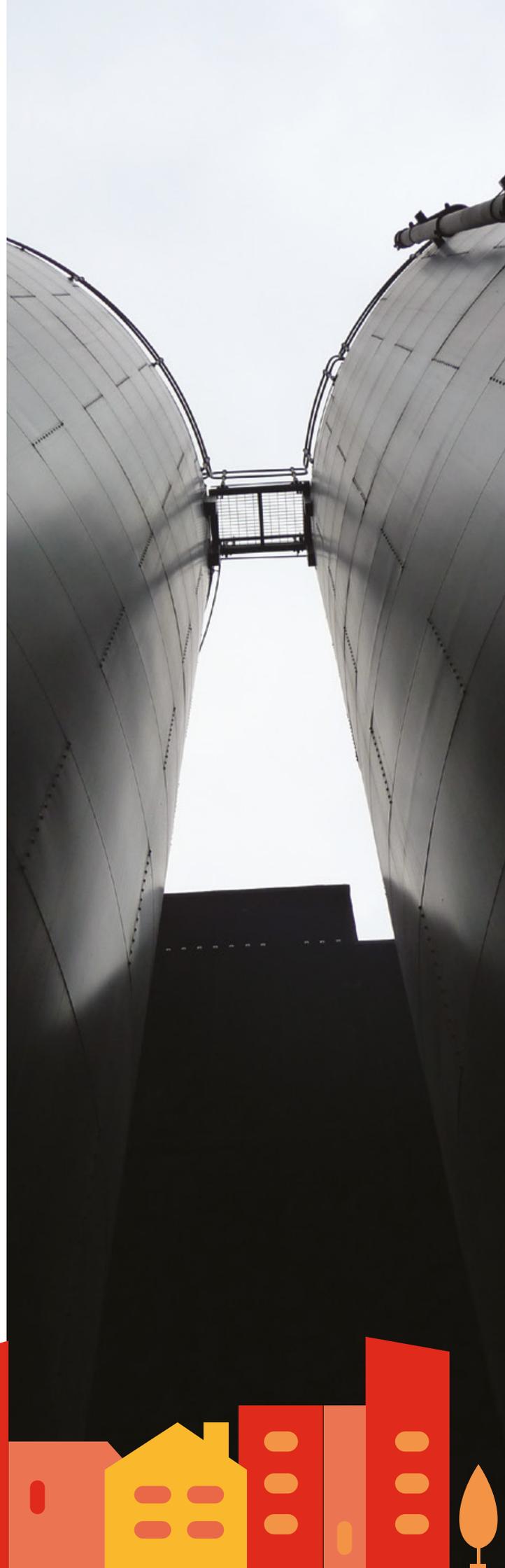


Figure 22 Average payment in 2019 per category of complaint, compared to number of cases



5 • Energy Ombudsman case studies

Case Study One

Complaint Type 1: Billing

Complaint Type 2: Disputed Charges

Customer Complaint Summary

The customer moved into her property in December 2017. The property was a new build and the customer purchased the property on a shared ownership basis. The customer owned 40% of the property and 60% belonged to a housing association. The customer's bills varied between £8 and £60 per month, which they averaged out over a six-month period to £26. However, the Registered Participant increased the charges on the account, which resulted in an outstanding balance of £350.

Registered Participants Response

The Registered Participant confirmed that there was a mix up with the customer's heat tariff. It said that originally, they were informed that the customer was a tenant of the housing association. The Registered Participant explained that tenants of housing associations receive a discount on their standing charges as the housing associations contribute towards these charges [this 'discount' is actually a lower standing charge as the landlord is responsible for certain repair and maintenance costs under the Landlord and Tenant Act]. It explained that in this case the customer was not a tenant of the housing association and therefore the full standing charge was applicable for the customer's account. The Registered Participant re-billed the account from December 2017 and removed £235 of charges, which were from over 12 months before, in line with the Heat Trust Scheme Rules.

Ombudsman Services Investigation

Ombudsman Services found that the housing association initially contacted the Registered Participant to confirm that the customer

moved into the property. It was likely that the Registered Participant set the account up as a housing association tenant based on the information provided by the housing association. The evidence suggested that the customer wanted the increase in standing charges removed as the issue was not caused by the customer. Whilst Ombudsman Services acknowledged this, it also highlighted that the Registered Participant had sent regular monthly bills that clearly stated that a housing association discount was being applied to the standing charges. Ombudsman Services considered that it is a customer's responsibility to review their billing information to ensure it is accurate. If there are any discrepancies within the billing information, it would expect a customer to raise this with the housing association in the first instance.

Therefore, Ombudsman Services was satisfied that the Registered Participant was entitled to re-bill the account using the correct rates for the customer. Ombudsman Services welcomed the reduction applied to the account by the Registered Participant in line with the Heat Trust Scheme Rules. However, there was a discrepancy with the 12-month cut-off date for previously unbilled charges. The Registered Participant used a date of 15 July 2018, which was the date the issue was confirmed, but Ombudsman Services considered that the date of 30 July 2018 was the accurate date, as the accurate bill showing the correct charges and balance was produced on 30th July. Therefore, a further reduction of £15.49 was warranted.

In addition, Ombudsman Services considered that the customer could have been better informed about the changes to the standing charge rate. It was satisfied that the Registered Participant could have forewarned the customer of the changes rather than the customer just receiving an unexpected bill. Therefore, a goodwill payment was proposed in recognition of this service shortfall.

Ombudsman Services Remedy Decision

- apply a credit of £15.79 to ensure the removal of unbilled charges over a 12-month period was adhered to in line with the Heat Trust Scheme Rules
- provide an apology for the shortfall in customer service experienced
- provide a goodwill payment of £25 as a gesture of goodwill

Outcome: Upheld

Case Study Two

Complaint Type 1: Customer Service
Complaint Type 2: Misinformation

Customer Complaint Summary

The customer contacted the Registered Participant as they were receiving an intermittent hot water service. On 20 December 2018 an engineer arrived at the customer's property to look at the Heat Interface Unit (HIU). The engineer noticed that the heating valve was stuck half open. Once they fixed the valve the hot water resumed as normal. The engineer also explained that the Heat Plate had scaled up and the customer would need to arrange for the scale inhibitor to be replaced before the next appointment on 3 January 2019. The engineer then disconnected the supply leaving the customer with no heating or hot water between 20 December 2018 and 3 January 2019.

The customer purchased a new scale inhibitor at a cost of £49 and arranged for a plumber to fix the part to the HIU as per the advice of the engineer, which cost a further £200. On 3 January 2019 another engineer arrived at the property and informed the customer that there was no reason to disconnect the supply. The engineer also said that the issue with the valve that was fixed in December 2018 also resolved the issue

with the heating and hot water so there was no requirement to replace the scale inhibitor.

Registered Participants Response

An engineer was sent to the customer's property on 20 December 2018 and found that the de-scaler was over five years old. The engineer advised that due to its age it would need to be changed to help protect the primary heating element of the HIU, but this was not urgent.

The Registered Participant explained that the de-scaler is the responsibility of the customer so would not cover the cost of this part. It also explained that it would not cover the cost of a private plumber as this was the customer's choice to use this service.

Ombudsman Services Investigation

Ombudsman Services reviewed a copy of the engineer's report dated 20 December 2018, which confirmed that the engineer had advised the customer to replace the scale inhibitor. A copy of the customer's receipts for the charges incurred confirmed that the customer decided to replace the part on the same day. This suggested that significant importance had been placed on the customer to replace this part, given that it was mentioned within the engineer's report.

In addition, the customer was without heating and hot water from the period 20 December 2018 to 3 January 2019. The second engineer who arrived on 3 January confirmed that the fault had been fixed when the previous engineer adjusted the heating valve. Therefore, there was no reason for the customer's supply to be disconnected between the periods in question.

In view of this, Ombudsman Services was satisfied that the incorrect information provided by the original engineer on 20 December 2018 resulted in the customer incurring unnecessary additional costs. Furthermore, we considered that the incorrect disconnection of the supply was a service shortfall.

Ombudsman Services Remedy Decision

- make a payment to the customer of £249.15 which is the equivalent of the additional costs
- provide an apology for the shortfalls in service experienced
- provide a goodwill payment of £50 in recognition of this

Outcome: Upheld

Case Study Three

Complaint Type 1: Billing

Complaint Type 2: Incorrect Tariff

Customer Complaint Summary

The customer raised a complaint as the Registered Participant had added the incorrect tariff to their heat account. The customer said that they had not been provided with all the relevant information relating to the tariff beforehand to make an informed decision whether it was the correct tariff for their needs.

Registered Participants Response

The Registered Participant advised that the customer had moved into a new build property so there was no historical consumption data to refer to. The Registered Participant confirmed that they had listened to a telephone call recording with the customer which confirmed that the customer was made aware of four different tariff options. As there was no historical consumption data they suggested for the customer to go onto a tariff that was the most suitable tariff for the size of the property. The Registered Participant confirmed to the customer that this tariff could be changed at any point once they obtained more accurate information about the customer's heat consumption. The Registered Participant

did acknowledge that it failed to send the tariff information to the customer and had offered a goodwill gesture of £25 in recognition of this.

Ombudsman Services Investigation

Ombudsman Services investigation found that the Registered Participant did provide the customer with details of the tariffs available over the telephone. It was explained to the customer that they would be placed onto a tariff that is in line with the average heat consumption for a property that size. The Registered Participant also confirmed that the tariff could change depending on the customer's actual heat consumption at the property.

Following a review of the customer's heat consumption the Registered Participant then changed the tariff to the most suitable one for the customer's consumption. Ombudsman Services were satisfied that this process had previously been explained to the customer on the initial telephone call. Therefore, Ombudsman Services was satisfied that the Registered Participant's actions were correct in these circumstances.

Ombudsman Services agreed that there was a lack of information provided to the customer following the telephone call but considered that the £25 goodwill previously offered to the customer was fair and reasonable. It was also confirmed that the customer had now been sent the tariff information for future reference.

Ombudsman Services Remedy Decision

- provide an apology for the shortfalls in customer service experienced
- provide a goodwill payment of £25 as a gesture of goodwill

Outcome: Maintained

Case Study Four

Complaint Type 1: Meter

Complaint Type 2: Faulty Meter

Customer Complaint Summary

The customer raised a complaint as they considered the meter in the property to be faulty. The customer explained that even when they are not in the property the meter continues to record usage. The customer disputes the charges related to this usage.

Registered Participants Response

The Registered Participant advised that within the site there is a 'keep warm' facility that ensures that heating and hot water is readily available when customers at the site need it. They explained that the 'keep warm' facility speeds up the process in accessing heat and hot water to its customers. This means that even if there is no one in the property there will be a minimal amount of usage recorded on the meter. The Registered Participant confirmed that this facility can't be turned off but if it was not available it would take longer for customers to access heating and hot water.

Ombudsman Services Investigation

Ombudsman Services investigation found that there was no evidence to demonstrate that there was a fault with the meter over recording. It was clear that the 'keep warm' facility was available for all customers living at the property to help them access heating and hot water more quickly. The 'keep warm' facility ensures that the HIU will periodically cycle hot water to keep the plates warm. This allows customers to receive nearly instant hot water when required rather than taking several minutes of wasted water before the water becomes hot.

As this was built into the infrastructure of the Heat Network it was not something that could be turned off. Therefore, Ombudsman Services was satisfied that the minimal usage was caused by the 'keep warm' facility and not a faulty meter. As this was built into the infrastructure and allowed customers to access heating and hot water almost instantly Ombudsman Services did not consider that an award was warranted.

Ombudsman Services Remedy Decision

- No award or remedy

Outcome: Not Upheld

Facilitated Complaint Response Case Study

Although a full investigation is not opened for an FCR, so limited data is gathered by the Ombudsman Services, an example has been summarised below. This is a similar type of complaint to Case Study One and shows how complaints can be solved earlier using the new Ombudsman Services process of FCR.

The customer was placed on a housing association tariff by the Heat Network supplier. It was later found to be incorrect as the customer was not a tenant of a housing association. This resulted in the Heat Network rebilling the account and producing a catch up bill for £166. The customer brought the complaint to Ombudsman Services but as part of the FCR process the Registered Participant reached an agreement with the customer to provide a credit of £166 which was the equivalent to the difference in tariff costs up to that point. There was no investigative involvement from Ombudsman Services.



Photo credit: Richard Wilson

6. Conclusions and reflections

Decarbonisation of heat is critical to meet net-zero by 2050

It poses both a technological and societal quandary. How do we best decarbonise heat? How do we know which technologies are the most efficient? Should we create technology specific zones to de-risk investments? What will this mean for consumers and how will we ensure customers are protected?

Heat networks have been identified as enabling infrastructure in all decarbonisation scenarios set out by the Committee on Climate Change. Heat networks are not reliant on one form of generation, but can utilise heat generated from multiple sources, helping to improve resilience at a local level.

Government funding has been allocated to act as a springboard for new investment into strategic projects, particularly those that bring forward low carbon energy sources.

Transitioning away from fossil fuels is only one part of the journey. The success of how we meet overarching decarbonisation targets will not only be measured against equivalent greenhouse gas savings, but also in the benefits brought to, and experience of, customers. Heat networks need to offer a better experience to customers, and ensure good customer outcomes.

Heat Trust continues to grow and attract new members

Heat Trust has expanded to provide protection to over 10% of residential and micro-business customers on heat networks and continues to see more sites and suppliers join each year. In both the CMA report¹⁹ and the recent BEIS consultation²⁰, reference to Heat Trust and our early work in establishing minimum customer

service standards has been highlighted. It was also stressed that heat suppliers should act now to improve service levels, and not wait for regulation.

By registering with Heat Trust, our Registered Participants are demonstrating their commitment to improving service standards in advance of regulation. They are also benefiting from access to the Energy Ombudsman, bespoke monitoring reports, independent audits and guidance from Heat Trust, ensuring they are well positioned as regulation is introduced.

Heat Trust standards are working and delivering benefits to customers

Heat Trust was launched in November 2015 with a clear ambition to place customers at the heart of a rapidly expanding, but unregulated, heat network market. Our work has focused on addressing two key gaps in the heat network market:

- A minimum set of customer service standards that apply to all heat networks serving residential and micro-business customers.
- Providing independent redress through an Ombudsman service.

In year four, we are starting to see the positive impact of the Heat Trust standards.

The framework Heat Trust has established is working, and with four years of operational data, we are beginning to see trends. This is a starting point and further refinement of metrics is still required, but we can be encouraged that the data is showing improvements.

19. www.gov.uk/cma-cases/heat-networks-market-study

20. <https://www.gov.uk/government/consultations/heat-networks-building-a-market-framework>

Complaint volumes are falling

Complaints recorded by both Registered Participants and the Energy Ombudsman (for complaints inside their terms of reference) are falling. As standards are embedded, we have seen the number of complaints reducing, particularly for a number of heat networks that have been registered for over three years.

From a complaint ratio of 12.9 complaints per 100 customers in 2018, the complaint ratio has fallen to 4.72 this year. This is very encouraging, particularly as in previous years volumes of complaints increased as more heat networks joined, and we are now seeing a reduction in complaint volumes against a larger customer base. The proportion of complaints resolved by Registered Participants within eight weeks has also remained high (85%).

Customers are benefiting from independent redress

While there was a fall in complaints within the Energy Ombudsman Terms of Reference, of all complaints that were investigated, only 9% were not upheld. In 58% of cases, the Energy Ombudsman agreed with the customer and upheld the complaint.

Customers have also often been awarded goodwill payments in recognition that they had received a service that did not match the standards expected (63% of completed cases) and where required, the Registered Participant has compensated the customer with a credit payment (16% of completed cases).

This year most credit payments were in relation to back-billing. Heat Trust requires all Registered Participants to comply with the back-billing principle that is mandatory in the regulated energy market. This is a standard that is not widely adopted in the heat network market, further emphasising the importance that mandatory minimum standards play.

It is also encouraging to see the number of settled cases increased in 2019 compared to previous years, showing that when a case is referred, Registered Participants are proactively seeking to resolve complaints earlier.

Customers are receiving guaranteed service payments

Heat Trust sets guaranteed service payments for outages that are not restored within a specified time. Customers on heat networks registered with Heat Trust can be assured that if they experience an outage that is not restored within specified timeframes, they can be compensated.

Data on the duration of outages shows that most outages are short in duration, however, a proportion of outages did exceed 24 hours and 48 hours, 12.8% and 9.6% respectively.

As part of bi-annual monitoring we now require Registered Participants to report on how much has been paid to customers for guaranteed service payments. In 2019, over £25,000 was paid. As a minimum, customers have up to three months to submit a guaranteed service payment request from when the outage took place.

Guaranteed service payments are a minimum requirement of Heat Trust. It forms a key part of redress for customers that have experienced loss of supply, especially as heat networks are monopolies. Our understanding is that provision of guaranteed service payments at the current level set by Heat Trust is not a common feature in the heat network market today.

Customer suspensions for debt have fallen

Heat Trust now provides bespoke reports to Registered Participants where we can highlight if a Registered Participant's data is in line with the average across all Heat Trust registered sites. Where data indicates performance is not in line, we are able to directly engage with the Registered Participant to understand the situation and request follow-up action.

In our 2018 report, we highlighted a rise in suspensions due to debt. This year we have seen a significant reduction in supply suspensions due to debt. We are encouraged by this fall, but we are keen to expand data collection on debt, and to consider additional metrics on pay-as-you-go and self-disconnection. This is discussed further below.

Heat Trust continues work to improve the quality of data it is collecting

Each year Heat Trust has taken steps to expand and improve its monitoring data. In this report we have been able to provide a better picture on which section of a heat network outages are originating from, their duration, high-level cause and the number of customers affected. This is an iterative process, and requires a period of transition, particularly for Registered Participants that may need to amend and adapt current reporting practices or seek collaboration from third-parties.

In 2019 we launched a consultation on revising the standards for vulnerable customers, which included questions on the expansion of data collection on debt and self-disconnection. This is an area where we are keen to investigate further, given the potential for customer detriment. In addition, there was a small increase in complaints to the Energy Ombudsman on payments and debt since 2017.

Heat Trust has been working with its Registered Participants to collate data on debt and the extent that customers are disconnected due to debt. We have found that there are not consistent metrics used by the industry. For example, some heat suppliers record debt as soon as a bill is not paid, others classify debt at 30, 60 or 90 days in arrears.

Heat Trust has since agreed with its Registered Participants to record customers in debt and arrears to common timeframes, so we can provide a comparison between those in debt and those on a repayment plan or whose supply is suspended.

Lessons learnt for future regulation

Up to 5 millions homes could be reliant on heat network infrastructure by 2050. This is a 10 fold increase from the estimated 440,000 homes currently on heat networks in the UK²¹. Heat Trust firmly believes that regulation of the market is important to ensure customers are protected and the market develops responsibly. We welcome confirmation that both BEIS and Scottish Government have introduced proposals for statutory regulation, which we support.

We are pleased and encouraged that the work of Heat Trust has been recognised within government's consultation. We are particularly pleased to see that the minimum service standards that are outlined draw upon the standards set by Heat Trust.

With four years of operation data, we have been able to gather key lessons and insights on current practices and areas where further development is needed. From the monitoring data and audit assessments, we set out four areas below which we believe are important for a regulatory framework to address in order to support the long-term success of the heat network sector.

1. Measuring heat network performance

One of the largest challenges we have found in the heat network market is that there are no sector wide baselines. Individual projects and companies will collect monitoring data, but there is no centralised depository that brings this together, and often individual companies may choose slightly different metrics. This means there is no overarching picture of how heat networks are currently performing.

Performance monitoring should be part of developing technical standards. Evidencing that a heat network is performing in line with design parameters is important for two key reasons:

- **Customer assurance and transparency:** heat networks are (currently) monopolies. With no ability to switch, customers should have confidence that their heat network is operating optimally, within agreed design parameters and delivering the carbon savings anticipated.
- **Continuous improvement:** unless performance is measured, there is little feedback to inform whether the technical standard remains fit for purpose.

2. Mandatory requirement to provide customers with clear terms of service

The heat network sector has developed piecemeal over decades and outside of any dedicated regulatory oversight. While it is standard practice in the wider energy market for a contract to be in place between the energy supplier and customer, the heterogeneous nature of the heat network sector means that the organisation responsible for the provision of heating and hot water is not always clear cut.

As a result, not all existing heat network customers have a clear service contract in place with their heat supplier. For some, the tenancy or leasehold agreement acts as the contract, but provides very little detail on service provision and obligations. An additional complication is the interaction with the Landlord and Tenant Act regarding how certain costs must be attributed and recovered.

The approach taken by Heat Trust has been to require a contract to be in place (or customer charter for legacy schemes), setting out clear terms of service between the heat supplier and the end customer, and to provide a customer information pack.

Clear terms of service are important for both the heat supplier and the customer, ensuring both parties understand what service is being provided, what happens when there are issues and what the obligations are for each party.

Provision of clear terms of service was highlighted in the CMA market study. We are encouraged to see that proposals for forthcoming regulation include ensuring customers understand the terms under which their heating and hot water will be provided.

3. Transparency of heat charges

There are numerous ways in which heat network schemes are owned, funded and constructed. The type of costs factored into customer heat bills, and how these costs are split between fixed and variable components, will vary from one heat network to another. There is no existing industry guidance on how costs should be apportioned to either the fixed or variable component of a heat bill, which also adds to the complexity in assessing whether a customer is receiving good value.

Research into annual heat bills by BEIS suggests that on average an annual heat bill on a heat network is £100 lower compared to individual heating²². However, billing and heat charges have continually been the topics customers most frequently raise complaints on, comprising over a third of all complaints received over the last three years.

From complaints that have reached the Energy Ombudsman, across four years, the majority of billing complaints centre on: disputed account balances, disputed other charges, disputed responsibility for certain charges on the bills and disputed heat usage. In addition, commercial decisions, such as unit charges and changes in tariffs are areas that the Ombudsman cannot currently arbitrate on - these complaints would fall outside of the Ombudsman's terms of reference.

Heat networks are monopolies, so customers are not able to switch suppliers if they feel their tariff is not the best tariff for them. Clear and transparent information on how charges are set and how they may change in the future should therefore be shared with customers as early as possible and in advance of a customer moving into a property.

4. Access to redress

Access to redress is an essential element to any business selling a service to customers. Where customer choice is limited, as in the case of heat networks, the ability to access redress is more acute.

Redress starts internally with how a business responds when it has not met terms of service agreed with its customer. A complaints policy that is supported by guaranteed service standards is part of an overarching redress process. They help incentivise the supplier to meet defined key performance indicators and ensure customers are protected. The volume of guaranteed service payments provides an indication of heat network reliability and heat supplier responsiveness.

Internal redress is supported by access to an independent redress service. Across the last three years, around 60% of cases that are investigated by the Ombudsman were upheld. It is essential that, like other energy consumers in the market, heat network customers have access to an independent Ombudsman.

An important principle of the Ombudsman process is that it is free for customers to use, ensuring equal access to redress for all customers.

Heat network regulation is needed to build customer trust in heat networks, that will allow the market to continue to grow and deliver the benefits of sustainable heat supply more widely. From our experience, it is important that a regulatory framework sets out clear outcomes in relation to performance monitoring, terms of service, transparency of charges and access to redress.

Heat Trust looks forward to continued engagement with BEIS, Scottish Government, Ofgem and wider stakeholders to ensure customer protection is placed at the heart of this expanding industry.





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