

Response submitted via e-mail

29th May 2020

Economy, Energy and Fair Work Committee
Room T3.40
Scottish Parliament
Edinburgh EH99 1SP

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Dear Sir/Madam,

Please find below our response to the Heat Networks (Scotland) Bill – Call for Views.

Call for Views: Heat Networks (Scotland) Bill

EAUC-Scotland:

Response on behalf of our members (Scotland)

About the EAUC

Our passion is to create a world with sustainability at its heart. That's our vision. We exist to lead and empower the post-16 education sector to make sustainability 'just good business'.

The membership of the EAUC comprises further and higher educational (FHE) institutions, with a combined budget of some £25 billion, responsible for educating over 2 million students supported by half a million staff.

We have regional and country chapters, with member institutions connected deeply with business, industry, health and civic bodies at local levels, with reach internationally via their research, innovation and student mobility.

EAUC-Scotland's Approach to the Inquiry

While we have specific responses to some of the questions, we felt it might be useful to provide a more summarised input from the tertiary education sector on heat networks in universities and colleges and the challenges and opportunities experienced.

The FHE sector already operates a number of multi megawatt heat networks and Combined Heat and Power systems at individual institutional level. Together these networks serve hundreds of thousand square metres of space across Scotland, and as such they provide an existing network that can be expanded as part of the UK and Scottish Governments' drive towards a low carbon economy.

Scope 1 emissions currently account for 43% of FHE sector emissions within Public Bodies Climate Change Duties reporting and have only reduced by 1% since reporting began in 2015/16. Therefore, EAUC-Scotland is very supportive of the roll out of large scale low carbon heat networks as these will play a key role in reducing these emissions and transitioning towards net zero.

Regulation is required in order to enable progress on heat network deployment and the Heat Networks Bill is viewed as a positive step in the right direction. It is both flexible and comprehensive in its scope. Some aspects are not covered such as rateable value for infrastructure; air quality standards and details of planning and planning development for heat networks. EAUC-Scotland

would certainly like to see city and region deployment of renewable and waste heat networks as part of the FHE sector's decarbonisation transition.

As noted above, the FHE sector has experience in the design, procurement and installation and investment in heat networks and it is clear that this Bill needs to consider the regulation and funding of heat networks in a different way to electricity and gas networks. Heat networks require a considerable sunk cost in groundworks, distribution pipe and energy generation equipment. This will be a new cost for cities and investors, so a different set of mechanisms will be needed to accommodate these sunk costs and to provide risk certainty.

While it is encouraging to see this positive framework emerging, EAUC-Scotland would like to see much more detail regarding a number of aspects which are noted below. These observations are meant as constructive feedback and they are set against the FHE sector's existing investment and adoption of heat networks, combined with future plans for further expansion and linking into city scale zero carbon heat networks in an effort to decarbonise heat across Scotland.

Response to the call for views:

Q1. Which part of the Heat Networks Bill is of most relevance to you or your organisation, why, and what do you consider its impact will be?

The emphasis on coordinated municipal heat master planning, with powers reserved for Scottish Government to coordinate conditions of consent, provides much a needed coherent approach to heat network development which has been lacking.

Q2. Are you content with the definition of heat networks used in section 1 of the Bill? (If not, please elaborate.)

Greater clarity is required on the definition of 'communal heating', specifically the conditions whereby 'building units' within a single building constitute a defined heat network - e.g. by use/function, structural separation, legal ownership, tenancy?

Q3. Previous consultations have identified different priorities for this legislation – including transition to low-carbon or renewable energy, tackling fuel poverty, and ensuring consumer protection. To what extent do you think such priorities are reflected – and balanced – in the Heat Networks (Scotland) Bill?

The Bill provides a clear indication of the direction of travel for heat network development in Scotland. Greater detail is required for existing owners and operators of heat networks, particularly in likely heat network zones, and the restrictions which regulation might put in place on extending and developing pre-existing heat networks. In particular, on the likely technical and performance standards which will inform consent.

Q4. What are your views on the licensing regime as envisaged by the Bill?

The creation of a Licensing Authority is welcomed and we look forward to seeing more detail on this in further legislation and how this relates to organisations such as Ofgem and BEIS.

EAUC-Scotland considers that ambient heat loops are included in the legislation for network operators.

Consumer protection is important and EAUC-Scotland is keen to see further detail on this element.

EAUC-Scotland has no fixed view as to the 'Options' for regulation but is supportive of the need for operators to be licensed and competent in the operation of the network for the benefit of end users.

EAUC-Scotland considers that commercial organisations will make their investment decisions on a number of factors of which the compulsion to connect and consume is a major part.

More detail is needed on the compulsion to connect or to consume heat. This is an especially important aspect and clarity on this is very important. EAUC-Scotland would like to see the legislation being designed to make connection details clear. The tools used to compel connection and consumption and any incentives.

EAUC-Scotland understands that while a connection can be provided to the 'front door' of a potential user, this legislation does not compel connection or consumption. Clearly the use of RHI has not been a huge success, so perhaps other instruments are needed in order to make heat networks a success and to enable the FHE sector to decarbonise its heat. Denmark's models of state ownership of distribution networks and assets, heat connection regulations and levy for those who do not connect could be a useful assistance in this area. Capped charging for heat may also be a way to instil confidence to connect.

Compulsion to connect and consume could be what makes heat network deployment a success and to meet the challenge of heat decarbonisation. Issues such as resilience of heat supply, low carbon heat, its relative affordability will also enable buy-in for deployment of networks.

Greater clarity is required on the exemptions to "heat networks licence" requirements and the timeline for progressing any secondary legislation.

Greater clarity is required on the Scottish Government position on regulated heat pricing and consumer protection legislation.

Q5. What is your opinion of the approach taken with Heat Network Zones (see parts 3 and 4 of the Bill)?

EAUC-Scotland would welcome clarity on this important area and particularly how zones and permits relate to the deployment of renewable energy, waste heat and energy loads.

More clarity is needed on the requirement for Local Authorities to actually designate 'zones' within their LHEES areas. EAUC-Scotland feels that this should in fact be a mandatory requirement and the legislation should be clear on this.

More clarity is also needed on what happens if zone permit conditions are not complied with and what this power means for existing networks within a zone.

It is noted that existing consented heat networks will be allowed to operate within designated heat network zones, providing they are operational prior to heat network zone notice being given. Greater clarity is required on the restrictions to extending and developing pre-existing heat networks within heat network zone permit areas. Heat network investment may be directly linked to institutional master planning and the delivery of net zero greenhouse gas emissions targets.

Q6. How will the Bill impact on local authorities? (In terms both of the assessment of the suitability of their own buildings and also the power to designate heat network zones)

No comments

Q7. Part 6 of the Bill confers powers for the compulsory acquisition of land and wayleave rights; to survey land for the purpose of construction or operating a heat network, and to access land in order to carry out repairs. What do you think of the extent of the powers in the Bill for licensed heat network operators (similar, in some respects, to those of utility companies)? Has a balance been struck with the rights of others (property rights for example)? If not, what would that balance be?

EAUC-Scotland notes the inclusion of a wayleave right with associated survey and access powers in order to enable DH networks. With this in mind, it is sensible to include compensation to affected landowners.

EAUC-Scotland is keen to see clarity regarding the rights of operators to enter streets and footways in order to install and maintain heat networks as this is currently an area of concern for those FHE institutions that have systems that are within local authority adopted streets and roads.

Q8. Please feel free to provide your views on any other aspects of the Bill or the policy aims underpinning it if not covered above.

Network Consents

EAUC-Scotland welcomes the provision for consents and the inclusion of 'deemed' planning permission for heat networks. We would be interested to know more about any inclusion or exclusion of existing heat networks.

EAUC-Scotland also needs clarity on aspects such as the ability of new heat networks to work with existing networks. The FHE sector has invested heavily in heat networks which can be used to stimulate and grow city scale systems.

Waste heat also needs to be included within heat networks and detail on how this resource would be treated is needed.

Greater clarity is required on the technical standards which might inform consent to operate an existing heat network in a manner that meets Scottish Minister's guidance, and the timeline for progressing any secondary legislation.

Greater clarity is required on consent to operate being contingent on the ability to operate a heat network in a manner that meets Scottish Minister's guidance, particularly regarding use of heat sources such as CHP and fossil fuel back up boilers, and the likely timeline for implementing technology interventions and/or demonstrating operational efficiency and GHG emissions performance standards, and to what level,

Networks Assets and Asset Transfers

More detail is needed on how this new element affects existing networks and who would own these assets and the conditions regarding this aspect.

What does this aspect mean for property rights and what is the impact for landowners hosting key network assets, pipes, pumps, energy centres etc?

Building Assessment Reports

This is a very important aspect of the new legislation as knowledge of the scale and nature of the existing building estate across Scotland will be vital in informing the uptake and decision making for those who would invest in heat networks. The FHE sector has generally very good data regarding its building stock and is well placed to support this aspect. The FHE sector is also currently very concerned about how to decarbonise its estate and the retrofit of low carbon/zero carbon heat into existing building stock; the transition away from gas fired CHP systems is a vital consideration. Funding of this transition is also very important for the legislation to consider.

More detail is needed on what this requirement means in practice. It seems to relate to public sector buildings but it must also be extended to the private sector stock in order to efficiently enable deployment of networks, investment decisions, and scope of the opportunity.

How frequent will the reports be needed? What of the scope of the reports? What are the key criteria? Is it a duty or simply a data collation survey exercise? What will be done with the data and by whom? Is the Building Assessment report findings and outcomes going to be used to compel connection and consumption? EAUC-Scotland thinks that it is only logical that once the heat network zone is declared and anchor heat loads known, it makes sense to then compel connection and consumption.

Yours sincerely,

A handwritten signature in black ink that reads "M Woodthorpe". The signature is written in a cursive, slightly slanted style.

Matt Woodthorpe, Scotland Programme Manager, EAUC-Scotland