



A grassroots campaign taking action against mammoth fuel bills and working towards an affordable, sustainable and democratic energy system

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Mr Sadiq Khan
Mayor of London
City Hall
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Dear Sadiq Khan,

Fuel Poverty Action response to A City for All Londoners consultation

Thank you for the opportunity to comment on the City for All Londoners plan.

We are glad to see in this document a clear and repeated commitment to carbon emissions reduction. Energy efficiency, and the increasing use of renewable energy, are key both to limiting climate change and to allowing Londoners to heat our homes – without going hungry to do so.

In particular, we value your commitment to insulation, to supporting solar and local community energy enterprises, to making more use of locally produced energy and London's energy resources (eg the Underground) and to exploring the possibility of a not for profit energy company to supply cleaner energy in the city.

Bringing homes up to standard on energy efficiency is a crucial area which we hope others will comment on who are experts on this issue and will know what to suggest for enforcement of standards in social housing, and in the private rented sector, and for ensuring that fuel poor and other home owners can get the help they need. Minimum standards remain legally mandatory, although undermined by regulatory changes and by central government cuts to insulation programmes.

Equally important to reducing fuel poverty is the availability of social housing and *genuinely* affordable and secure private rented housing. For many tenants, asking the landlord for insulation or a new boiler is unthinkable: they do not even dare to complain if a window frame is broken. The critique and recommendations contained in the London Tenants Federation's response to this consultation are urgent.

We ourselves want to comment on three other specific areas, where we are concerned to ensure that efforts to improve energy efficiency and save carbon

a) are not at the expense of particular groups of customers who are likely to suffer fuel poverty, including social housing tenants, private rented sector tenants, and residents of all tenures on regenerated council housing estates, who may be made to carry an unfair burden on behalf of us all; and

b) are designed and implemented in an accountable way which ensures that savings in carbon – and in household bills – really materialise, and are not just promises used to get new projects off the ground.

1. A public energy company

We endorse the recommendations contained in the response you have received from Switched On London, which seeks to establish an energy company which is not only not-for-profit but democratically accountable, sustainable, with progressive pricing, and fair to its workers and to people in fuel poverty. A License Lite would not fulfil the needs of fuel poor Londoners to nearly the degree that we could expect from a company like this. In the longer term, we want to see energy generated, as well as supplied, on a non-profit, accountable, environmentally sustainable basis.

2. Prepayment meters

We are sure you agree that energy prices are currently anything but fair, and want to draw to your attention the particular discrimination suffered by people using prepayment meters (PPMs), who, according to the CMA pay £260 - £300 more than people who pay their bills by direct debit, a sum that will only be reduced by £75 by the CMA's new cap.

You will be aware that although some people choose a prepayment meter – generally because they are low income and afraid of getting into debt, and want to use the meter to ration their energy use – most have the meters forced on them, often by traumatic, violent home break-ins.

Either way, PPM users tend to be the most financially vulnerable customers, but pay a higher tariff. The Competition and Markets Authority has recently proposed to cap this extra premium – but still at a level much higher than that paid by other customers, a blatant injustice. We are aware that this is largely beyond the GLA's control, but urge you ensure that social housing tenants at least are not forced to use prepayment meters because of the landlord's policy. For instance, no one should be stuck with a prepayment meter because they have been installed on a whole estate, or because the previous tenant was in debt to an energy company. (They certainly should not be stuck paying off that debt, as frequently happens!) We hope you will find ways to encourage this policy in private lettings as well, eg via a Quality Assurance Standard or by making it a condition of registration or licensing.

Of course, this is the kind of injustice that could be avoided by a publicly accountable energy company of the kind advocated by Switched On London.

3. Heat Networks

Great care is needed to ensure that your commitment to localised energy is implemented in a way that brings genuine benefits to its customers and other Londoners, in view of the very serious problems that have so far emerged in many such schemes.

Heat networks have great potential to save both on carbon and on bills, and we are aware that communal heating has often served its users very well over the decades – to the degree that when it is decommissioned, residents can be plunged into fuel poverty, and left cold. Anna Eagar, who sits on the Board of the Heat Trust, tells the story of a bingo club on Cranston Estate in LB Hackney London, where participants who lived on a nearby estate were warm in their homes one year, and the next year were freezing, having been cut off from their communal system and placed on a gas central heating system they felt was too expensive to use. We have supported residents on Myatts Field South estate in Lambeth, who have fought long and hard to prevent this same disaster from happening to them. LB Lambeth has been determined to move this estate onto individual boilers, going so far as to take tenants to court to get these installed, and sadly only a minority of tenants are still holding out to keep their precious “communal”. We are glad to see in the London Plan a commitment to identify and safeguard existing heating and cooling networks.

Many new heat network users, too, are happy with their systems, and prefer it to their previous heating system (as reported for instance by [Changeworks](#)). The potential for new networks to use heat sources like the London Underground, as at Bunhill, Islington, is also very exciting, as is the opportunity to use renewable energy on a large scale – always bearing in mind that biomass is not necessarily genuinely renewable, and, depending on its source, can cause more carbon in the atmosphere than the fossil fuels it replaces.

It is however essential that new networks now being developed, and the ones that have been installed in the past few years, should be made to work for the people who have to use them. This has not always been the case, and we are very concerned that what is seen as a GLA directive to install heat networks “wherever possible” – as a default – can lead to them being installed in places where alternatives could be less expensive for consumers and for the environment, or being installed in places where they *are* the best option, but badly, or on poor terms for the users.

We have been working closely with residents on Myatts Field North estate, a regenerated estate neighbouring the Myatts Field South cited above but experiencing the opposite problem: they have a communal heating system that they now do not want (for a comparison between the two, see [Inside Housing](#)). The residents report frequent outages, unpredictable water temperatures, overheating, failing remote access meters, and appalling customer service which reflects the fact that the supplier, E.ON, knows its customers cannot switch: the contract lasts for 25 years for leaseholders, and for council tenants, for 45 years. Despite this being a new build estate with good insulation, bills are very high, and much more than the residents would have expected to pay if they had gas boilers. A number have decided not to use their heating at all and have bought electric heaters, or gone cold.

A gentleman on this estate was recently found dead in his flat, after going repeatedly to the estate office, complaining that he could not afford his heating bills. A neighbour said he was constantly fretting about his bills, and had stopped eating, trying to make one day’s meals stretch over several days.

We submitted a response to BEIS's consultation in preparation for the release of Heat Network Investment Project (HNIP) funding, and, with residents' representatives, we went to BEIS about this. We are hopeful of progress in Myatts Field as a result, but clearly this process will not be replicated all over London. The problems, however, appear to be quite typical. We have been in touch with residents in Greenwich, Hackney, Haringey, Havering and Ruislip, as well as in Lambeth, who feel they are trapped in a nightmare and are desperate to find a solution.

A [Communal Heating Systems Review](#) produced by Lewisham's Housing Select Committee in May 2015 was based not only on residents' experiences but on the experience of a series of key figures from commercial and public bodies and experts active in the industry, including the GLA's own Peter North. This report gives an analysis of the problems – and good practice – and a list of recommendations that in our view must not be ignored. On a national level, [Which?](#) and [the CAB](#), report very similar issues with heat networks; the [Changeworks](#) report cited above was more positive overall but still reflects some of these problems, and [a new report](#) by Changeworks with the Centre for Sustainable Energy, and funded by Joseph Rowntree Foundation, will be published in February, flagging up a series of problems experienced by local authorities and residents, with suggested solutions.

This autumn we proposed to the GLA a survey of heat customers on Myatts Field North estate; this appears to have led to a possible London-wide survey. We believe this is urgent, to prevent really damaging mistakes being repeated all over the city.

The specific problems customers experience seem to stem from a number of structural issues, which are not yet widely known but are bound to become so.

- (a) The lack of regulation. We understand that the government is refusing to regulate the industry on the grounds that this would deter investment in it, and the investment is needed in order to reduce carbon emissions. However, because it is unregulated, the carbon emissions may turn out to be a mirage: we are not aware of many statistics on carbon savings from existing schemes and given the very evident inefficiencies in many systems, including overheating, oversizing, poor insulation, poor balancing, maintenance and monitoring, etc, they are extremely unlikely to come near what is promised at the time of commissioning. Without any equivalent for Ofgem, the only protection is the industry's own voluntary self-regulating body, the Heat Trust, the remit and powers of which are quite limited. Most suppliers do not even belong to it, and those that do are still beyond any control comparable to that exerted in other industries. Companies like E.ON, regularly fined millions by Ofgem for their behaviour in the regulated energy market, are free to supply heat without any independent oversight or sanctions.

The GLA obviously cannot make up for the lack of legislation, but can impose conditions (see below), and can actively press the Government to regulate this industry.

- (b) Systems for inspection and monitoring are often sorely lacking. In Myatts Field monitoring is supposed to be carried out by the Myatts Field North Residents Association and PFI Monitoring Board (MFN RAMB), a conglomerate of residents, local authority, and estate management/construction firms that is totally ill-equipped for this responsibility. The

result is huge pressure on hard pressed volunteer residents, attempting to confront a multinational corporation.

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

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

- (c) An editorial in [Heat Networks Vanguard's Newsletter](#), October 2016, suggested that heat networks are being rolled out in the UK at a speed that is not commensurate with the complicated arrangements and adjustments they require. It also questioned the transparency of public finance through the Heat Networks Investment Project.
- (d) Local Authorities do not often have the necessary experience, know-how, or resources to get a good deal from the private companies that design, install, and run heat networks, or to monitor them in operation and enforce contracts. Some are more committed than others to getting and enforcing a good deal for their residents (and protecting their own investment). They may altogether reject responsibility for customers who are not their own tenants but leaseholders or part-owners who have bought homes in a development whose heat comes from a scheme which they commissioned.
- (e) There is an engineering deficit. We are not technical experts, but have been informed that Heat networks cannot work efficiently without correct sizing, diversity, balancing, pipe insulation, thermal stores, etc. We've been told that in the UK systems are often much too large, and also that if something isn't working, an engineer is often dispatched who just turns up the output through the controls, destroying any balance and increasing costs and fuel use. If heat networks are not well designed and run efficiently, **they do not produce savings in carbon** and are not economical to run.
- (f) Heat networks are expensive, and under the present system of financing them, so is the heat they produce for their customers. A network may be more efficient than individual gas boilers, but there is also the initial investment to pay back. With investors typically expecting to make back their investment in something like 25 years, and with a limited number of customers, it is hard to see how prices could compare with prices for gas, where the pipes and other infrastructure were laid down and paid for decades ago, and where costs are spread among far more customers.

We do not believe this means that networks shouldn't be built. But why should residents of regenerated estates – often present or previous council tenants – pay more than other

Londoners for a carbon saving policy that does not personally, specifically, benefit them – and in fact often leaves them with a worse service?

It is often claimed that heat suppliers will charge no more than their customers would pay for the “counterfactual” (which in many places is currently gas). But the “cost comparator” produced by the Heat Trust is based on some very questionable assumptions. In any case, pricing at the level of the comparator it is not enforced by regulation, or even by the Heat Trust. It offers no protection from extortionate tariffs and, especially, standing charges. Nor can customers switch.

- (g) The Competition and Markets Authority (CMA) has specifically banned the Heat Trust from intervening on questions of price or length of contract, on the grounds that this would be “uncompetitive”. They do not appear to see it as uncompetitive that commercial companies have 20 – 80 year monopolies to supply a whole neighbourhood.

We believe that these are issues which the GLA may be able to solve, or at least mitigate, in implementing its policy of promoting heat networks.

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

- (a) be a member (“participant”) of the Heat Trust
- (b) at the minimum, comply with the technical Code of Practice laid out by CIBSE (the Chartered institution of Building Services Engineers) and ADE (the Association for Decentralised Energy) – with this compliance written into all contracts and effective penalties if the standards are not met (initially and through the years). Penalties must be set at a level where they cannot just be absorbed, so that they genuinely determine what happens in practice. The aim then should be to move beyond this to bring London schemes up to the latest European standards.
- (c) ensure that it is genuinely carbon saving, have considered carefully at the planning stage the best way to achieve this, and what the alternatives might be (Including insulation), and monitor what the savings are in practice once the scheme is in operation and over its lifetime.
- (d) have clear lines of responsibility with one named overall responsible body, regular reporting, and effective complaints procedures, compensation, and sanctions.
- (e) offer active support for customers – eg meeting space, independent advice, secretarial support with minute-taking, recording of problems, etc., as requested, for residents’ organisations.
- (f) have a clean track record. No company or public body should be allowed to be involved in commissioning, building or operating any new network until they have dealt with any significant outstanding complaints about networks they have already been involved in. As Lambeth councillor Jacqui Dyer, explained to BEIS, there are vulnerable people at risk here – there should be a DBS service with disclosure and barring of anyone whose track record is bad, before they are considered for public support.

We hope you will also consider the following:

(a) The GLA is well placed to facilitate and encourage exchange of experience and expertise between boroughs, and ensure that those boroughs whose residents have been unprotected understand the need to bring their practice up to the standard of boroughs who have had engaged and consumer-focused District Heating advocates.

(b) A report by CBx – researchers and advisers in partnership with UCL Energy Institute – recommends “financial support for energy audits of underperforming networks, to identify cost effective modifications” ([Low Carbon Heat Networks. How to optimise an existing system for improving performance](#)). They also suggest prioritising Government funding for local authority schemes that link into existing, oversized networks.)

(c) Could the GLA take on inspection and monitoring of heat networks?

(d) Could the GLA set up a unit as supplier of last resort to take over badly functioning schemes if an Energy Service Company is not performing in the interests of its customers?

(e) Could you require all District Heating Operators in London to provide details of their tariffs and charges, which you could publish in a list to help customers compare what they are paying with district heating prices elsewhere?

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

We believe the measures suggested above can go some distance towards closing the gap between the theory and practice of heat networks – between what is promised on the one hand, and what is delivered and experienced on the other. If it means that initial costs are higher, or risks are seen as greater, this may result in fewer networks being commissioned. But if the roll out of heat networks is *not* carefully controlled, it will not bring about carbon savings anyway. Far better to have fewer networks but sustainable ones that their users are happy with.

Otherwise, people's health and welfare will be sacrificed for the sake of carbon savings which remain unfulfilled promises, and yet again people will be led to see "green measures" as a con, imposed at their expense.

There is, in the industry, widespread acknowledgment that district heating will not work without public acceptance. There is a real danger that in the near future it could become toxic, like fracking. You could see, for instance, people leaving networks – contractually, many leaseholders can do this – which could make the whole network financially unviable or even technically inoperable, as it is planned to work for a certain customer base. You could also see people refusing to buy homes in these developments. Homeowners on heat network estates are already worried about the resale value of their property, given the cost of standing charges.

These are real issues which absolutely must be addressed if district heating is to be a boon to Londoners and not a disaster on the scale of PFI hospitals. And addressing them is most urgent, both because heat networks are being developed at considerable speed now, and because there is a danger that problems with poorly designed and operated heat networks will lead to alternatives being installed which may be just as bad or worse. Until the necessary skills, accountability, and priorities are in place, it would be extremely damaging for decisions to be prejudiced in favour of heat networks because they are GLA policy. However, it would be equally damaging for developers to end up installing electric heating as an alternative – which would currently mean much higher costs to residents, more fuel poverty, and higher carbon emissions.

London can be a flagship for District Heating – but only if consumers are protected.

Thank you for your consultation and consideration of these points.