
Report To:	Environment and Regeneration Committee	Date:	18 January 2018
Report By:	Corporate Director, Environment, Regeneration and Resources	Report No:	E_R/18/01/01/PM /SJ
Contact Officer:	Paul Murphy	Contact No:	01475 712062
Subject:	Second Consultation on Local Heat and Energy Efficiency Strategies and Regulation of District and Communal Heating		

1.0 PURPOSE

- 1.1 The purpose of this report is to inform the Committee of the second consultation on proposed statutory Local Heat and Energy Efficiency Strategies and Regulation of District and Communal Heating for local authorities and to gain approval for the Council's response.

2.0 SUMMARY

- 2.1 The Scottish Government proposes a statutory obligation for local authorities to develop Local Heat and Energy Efficiency Strategies with district heating being an inherent part of these. The Scottish Government held an initial consultation on this between January and April of this year. Following analysis of this consultation, the Scottish Government is holding a second consultation between November 2017 and February 2018. The Council has drafted a response to the second consultation which is included as Appendix 1.

APPENDIX
Min. Ref.
E&R Cttee:
15/06/2017.
Para 314.

3.0 RECOMMENDATION

- 3.1 It is recommended the Committee approves Appendix 1 as the Council's response to the second consultation on Local Heat and Energy Efficiency Strategies and Regulation of District and Communal Heating.

Stuart W. Jamieson
Head of Regeneration and Planning

4.0 BACKGROUND

- 4.1 In June 2015, the Scottish Government designated energy efficiency as a National Infrastructure Policy in its Infrastructure Investment Plan. The Scottish Energy Efficiency Programme is the cornerstone of this, aiming to reduce energy demand and decarbonise the heat supply to buildings while tackling fuel poverty. As part of the Scottish Energy Efficiency Programme, the Scottish Government proposes that local authorities be required to create Local Heat and Energy Efficiency Strategies to support the delivery of heat decarbonisation and energy efficiency objectives. In addition, it is proposed that regulation be put in place to specifically support the development of district heating. This would include provisions for zoning of areas for heat networks and connecting users.
- 4.2 The Scottish Government held an initial consultation on Local Heat and Energy Efficiency Strategies between January and April 2017. The Council in its response to the initial consultation was largely supportive of Local Heat and Energy Efficiency Strategies as it would provide an impetus for local authorities to implement heat demand reduction and decarbonisation initiatives. Following analysis of the initial consultation, the Scottish Government has released a second consultation on Local Heat and Energy Efficiency Strategies and Regulation of District and Communal Heating with responses due on 20 February 2018.

5.0 PROPOSALS

- 5.1 In the 'second consultation' document, the Scottish Government has confirmed it will provide support to local authorities to develop Local Heat and Energy Efficiency Strategies. The consultation further proposes that fuel poverty be transferred from Local Housing Strategies to Local Heat and Energy Efficiency Strategies. With regard to district heating, the consultation proposes that the responsibility for awarding consents be with local authorities with the granting of licenses being the responsibility of the Scottish Government. The consultation further proposes that Local Heat and Energy Efficiency Strategies include a socio-economic assessment, ways to engage producers of waste heat to connect to district heating networks and options for consumer protection concerning district and communal heating.
- 5.2 In its response, the Council in the main agrees with the proposals put forward by the Scottish Government. It does, however, include a number of caveats, notably that Local Heat and Energy Efficiency Strategies will require significant resources to implement, which a number of local authorities may not currently have. One example is in the district heating consent process whereby a local authority may neither have sufficient expertise and experience in district heating nor the financial resources to employ suitably qualified personnel. There are further questions with regard to encouraging producers of waste heat to engage with local authorities in connecting to a district heating network. The Council's response further stresses the importance of consumer protection concerning district heating and has suggested conditions could be placed within the consent and procurement process to strengthen this.

6.0 IMPLICATIONS

Finance

- 6.1 There may be financial implications for the Council in terms of developing a Local Heat and Energy Efficiency Strategy. These, however, are neither certain nor quantifiable at this time.

Financial implications

One off costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
n/a	n/a	n/a	n/a	n/a	n/a

Annually Recurring Costs/Savings

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From	Other Comments
n/a	n/a	n/a	n/a	n/a	n/a

Legal

6.2 There are no direct legal implications arising from this report.

Human Resources

6.3 There are no direct human resource implications arising from this report.

Equalities

6.4 There are no direct equalities implications arising from this report.

Repopulation

6.5 There are no direct repopulation implications arising from this report.

7.0 CONSULTATIONS

7.1 None.

7.2 **Chief Financial Officer:** no requirement to comment.

7.3 **Head of Legal and Property Services:** no requirement to comment.

7.4 **Head of Organisational Development, HR and Communications:** no requirement to comment.

8.0 BACKGROUND PAPERS

8.1 The consultation documents can be viewed on the Scottish Government web site as follows:

<http://www.gov.scot/Resource/0052/00527606.pdf>

Appendix:

Inverclyde Council response-LHEES & DH regulation consultation 2

Q1. Do you agree with our proposed overall approach to Local Heat & Energy Efficiency Strategies?

Yes Inverclyde Council agrees with the Scottish Government's overall approach to Local Heat & Energy Efficiency Strategies. Collation of data on existing buildings will help with prioritising and target setting. An area based approach correlates with existing Home Energy Efficiency Programme for Scotland Area Based Schemes programmes. The Council welcomes the offer of capacity and support from the Scottish Government, since Local Heat & Energy Efficiency Strategies are likely to require significant resource which is currently limited. The option for local authorities to produce Local Heat & Energy Efficiency Strategies jointly is welcomed.

Q2. What are your views on asking local authorities to report on tackling fuel poverty and climate change in the Local Heat & Energy Efficiency Strategies rather than the Local Housing Strategy?

Inverclyde Council hold the view that tackling fuel poverty sits better in Local Housing Strategies rather than Local Heat & Energy Efficiency Strategies. Local Housing Strategies, however, can feed into Local Heat & Energy Efficiency Strategies

Q3. Do you agree with our proposed overall approach to zoning?

Yes, Inverclyde Council agrees with the Scottish Government's overall approach to zoning. Focussing on zones aids the strategic approach and with planning, and sits well with existing Home Energy Efficiency Programme for Scotland Area Based Schemes. The Council welcomes that designation of zones would be indicative only.

Q4. What are your views on the proposed district heating consent process?

In particular, what are your views on:

a) the appropriateness of any potential options for a relevant body to act as 'the developer of last resort', to ensure completion of development?

b) options for ensuring that district heating operators have similar or the same rights as other statutory undertakers for permitted development and wayleaves.

Inverclyde Council agrees in principle with the proposal to strengthen the power of local authorities through a district heating consent system. There are, however, concerns about the level of resource and expertise within local authorities to effectively analyse consent applications. Consents for district heating would be a new function for local authorities, a number of which will have no experience of district heating. Those local authorities with no experience or expertise in the field of district heating would have to employ suitably qualified personnel which they may not have the financial resources to do on account of budget pressures. There is also the question of whether or not a fee would be charged for consents and would it cover the cost of considering licence applications. Moreover, if a fee was charged, would there be a sufficient number of applications to justify a local authority employing individuals with relevant expertise in district heating or allow the development of expertise among its existing staff through training and experience. Consideration could be given to making the consent process a shared function between neighbouring local authorities as some will have more resource than others.

The Council agrees with proposed conditions for consent stated and any other conditions to ensure effective implementation and operation of a district heating network. The Council particularly welcomes the development by the Scottish Government of national guidance for district heating consents. The Council agrees with the dual approach consenting process thereby allowing flexibility to develop district heating strategically through Local Heat & Energy Efficiency Strategies or through speculative requests within or outwith a Local Heat & Energy Efficiency Strategies zone that can be explored further.

(a) The Council agrees with having a developer of last resort but it feels this should not be the local authority since it has neither the resource nor expertise. The Scottish Government should appoint an appropriate body that is able to complete the development. The Council regards the option to ensure completion of development through the inclusion of performance standards in licensing conditions as preferable. The consent system should also incorporate this, e.g. ensuring developers have appropriate insurance.

(b) The Council's view is that district heating operators should have the same rights as other statutory undertakers for permitted development rights and wayleaves.

Q5. What are your views on the proposals for socioeconomic assessment?

Inverclyde Council agrees with the proposals regarding socioeconomic assessment. The Council welcomes statutory guidance on this. Please note, however, that fuel poverty aims and climate change mitigation aims do not always align.

Q6. What are your views on the proposals for data for Local Heat & Energy Efficiency Strategies?

Inverclyde Council regards good energy consumption data as essential in developing Local Heat & Energy Efficiency Strategies. This should be ably assisted with the roll out of smart meters. There may, however, be issues with obtaining data from domestic and business users since provision of data is voluntary. Education and engagement is, therefore, essential in encouraging domestic and business users to allow access to their energy consumption data. This could be done through appropriate community organisations, business associations, chambers of commerce, Scottish Enterprise, etc.

Q7. What types of data information would industry be willing to provide a local authority or national delivery mechanism to develop Local Heat & Energy Efficiency Strategies, so that they can identify opportunities (potentially in aggregate) for heat demand reduction and heat recovery, both on and off site?

Inverclyde Council is not sure about this. It would first have to engage with industrial organisations in Inverclyde. Organisations that generate waste should be compelled to at least engage with local authorities regarding Local Heat & Energy Efficiency Strategies. There may be options for SEPA to be involved if organisations are particularly resistant to engaging with a local authority.

Q8. What data from industry would be most helpful in developing district heating projects?

Accurate historic energy consumption and cost data, operations information and details of processes that result in waste heat to determine how much heat could be exploited for district heating.

Q9. What data could be provided without compromising competitiveness of these organisations?

Organisations may consider all the information stated in Q8 as commercially sensitive. Organisations should be encouraged to engage. Assurances can be made that any data provided would be kept in the strictest of confidence by a local authority when developing Local Heat & Energy Efficiency Strategies.

Q10. What are your views on our proposed approach to district heating licensing?

Inverclyde Council agrees with the proposed approach to district heating licensing. The Council particularly notes that market stability and heating supply be maintained. Licensing conditions should ensure that district heating operators have suitably qualified maintenance personnel to ensure issues with heating supply are resolved quickly and effectively.

Q11. Taking into account the limitations of the Scottish Government's legislative competence in relation to consumer protection:

a) what are your views on our proposals around consumer protection

b) how do you think could we provide a robust complaint resolution process in relation to District Heating in Scotland?

(a) Inverclyde Council agrees with the proposals around consumer protection. The Council further suggest that consumer protection can be incorporated into the consent and procurement processes controlled by local authorities, e.g. requirement for district heating operator to be a member of the Heat Trust or equivalent.

(b) Inverclyde Council suggests using similar processes that are in place for electricity and gas incorporating a hierarchical system with which complaints can be escalated culminating in an ombudsman.

Q12. What are your views on how consumer advice should be provided for district heating customers in Scotland – what form should this take? Who should it be aimed at? What should be provided?

Inverclyde Council holds the view that consumer advice should be provided by organisations independent from commercial interests. This could include national governmental bodies, local authorities, Home Energy Scotland, Citizens Advice Bureau and so on. Advice should be as clear as possible and could take the form of easy to read pamphlets. Suitably qualified advisors should also be stationed in the local authority area, e.g. in local authority, Citizens Advice Bureau, etc. offices and there should some form of outreach engagement, e.g. in libraries, shopping centres, etc.

Q13. What are your views on the proposed approach to connecting heat users?

Inverclyde Council agrees with the proposed approach to connecting heat users.

Q14. What are your views on the proposed phased approach to non-domestic sectors with potentially usable surplus heat?

Inverclyde Council in principle agrees with the proposed phased approach but wishes to stress the importance of the need for engagement with organisations with potentially surplus heat. A number of potential district heating projects have not gone ahead due to an organisation's refusal to engage with the local authority. Organisations should be strongly encouraged to engage with the potential that they be compelled to engage.

Q15. Requiring all regulated non-domestic sectors (see Box 1) with potentially usable surplus heat to carry out energy efficiency assessments, including heat (and its recovery, and onsite and offsite use), and implement recommendations where feasible.

Inverclyde Council agrees with this proposal. If heat is considered a pollutant then organisations can be compelled to consider such requirements.

Q16. How should energy efficiency (including heat) be assessed across the regulated non-domestic sectors – including consideration for energy efficiency beyond the site boundary?

Inverclyde Council regards suitable benchmarks relevant to the nature of the organisation's activities can be useful.

Q17. Could a more consistent approach be achieved within the PPC regime, with the existing energy efficiency requirements for Part A sites being applied to Part B sites?

Inverclyde Council favours a more consistent approach incorporating both Part A and Part B sites.

Q18. Which benchmarks or criteria should be used / considered in assessing energy efficiency?

Inverclyde Council regards suitable benchmarks relevant to the nature of the organisation's activities can be useful.

Q19. What range of industrial processes should be covered, including size and sector, and why?

Inverclyde Council hold the view that the all industrial processes should be considered but prioritised based on the most to least polluting (note surplus heat is considered a pollutant).

Q20. What are your views on the establishment of a national delivery mechanism to support local authorities in delivering their proposed functions for Local Heat & Energy Efficiency Strategies and district heating, and which could support delivery and governance of SEEP more widely? What form should it take? What functions should it have?

Inverclyde would welcome the establishment of such a national delivery mechanism. Inverclyde favours national oversight provided directly by the Scottish Government to give SEEP the appropriate authority and gravitas. The Council regards the level of transformational change to achieve the SEEP objectives and climate change targets to be worthy of such authority.

Q21. Please let us know any views you have on the most cost effective way of supporting schemes that are socio-economically appropriate and in line with the Local Heat & Energy Efficiency Strategies.

Inverclyde Council welcomes support with the development of Local Heat & Energy Efficiency Strategies and district heating projects. Financial support in the form of grants and loans is

important but support in the form of advice, expertise and other human resource is equally important.

Q22. We would welcome stakeholders' views on our suggested approach to wider UK heat market reform, and in particular:

a) any additional evidence that can be offered around the approach that should be taken to decisions on decarbonisation of the gas supply

b) any views on the issues being considered within the remit of the ADE taskforce

Inverclyde Council agrees with the Scottish Government's approach to wider UK heat market reform.

Q23. Please tell us about any potential impacts, either positive or negative, you feel our proposed approach may have on particular groups of people, with reference to the "protected characteristics" listed above.

Inverclyde Council advises that with respect to district heating, consideration be given to the fuel poor to ensure that the heat is affordable. There should further be sufficient support given to those that fall into economic difficulties to ensure their heat provision is not affected.

Q24. Are there any special provisions/ measures we should consider/ make/include:

a) to ensure protected characteristics are taken account of in the Local Heat & Energy Efficiency Strategies? In your opinion, should the Local Heat & Energy Efficiency Strategies process specifically include/address the protected characteristics?

b) to ensure protected characteristics are taken account of in the socioeconomic assessment? In your opinion, should that process specifically include/ address the protected characteristics?

c) in terms of the installation of networks in order to minimise disruption to people with mobility problems or any other protected characteristic?

d) in terms of consumer protection, that would better assist in ensuring that people with protected characteristics will be safeguarded (taking account of our limited legislative competence in this area)?

e) in terms of communications, that would better assist in ensuring that people with protected characteristics will be kept informed and can fully participate?

Inverclyde Council considers the supply of utilities to be an essential part of healthy living so provision should be made that there will be no loss if supply as a result of economic difficulty.

(a) Inverclyde Council has the view that protected characteristics should be included and addressed in the Local Heat & Energy Efficiency Strategies.

(b) Inverclyde Council has the view that protected characteristics should be included and addressed in the socioeconomic assessment.

(c) Inverclyde Council has the view that installation of heat networks should adhere to 'considerate construction' and other requirements that apply to infrastructure projects with regards minimising disruption, particularly those with mobility issues and other protected characteristics.

(d) Inverclyde Council suggests consumer protection could be incorporated in the consent and procurement process for local authorities.

(e) Inverclyde Council considers outreach engagement to relevant community organisations, public libraries, shopping centres, etc. along with delivering of clear literature in the form of pamphlets, newsletters and use of online and social media to be effective.

Q25. Please tell us about any potential costs or savings that may occur as a result of our proposed approach and any increase or reduction in the burden of regulation for any sector. Please be as specific as possible.

Inverclyde Council has the view that there is potential for residents and non-domestic organisations to make significant savings in energy and carbon costs from the development of Local Heat & Energy Efficiency Strategies. This would be through improvements in thermal efficiency and a more efficient heating supply through district heating. Non-domestic organisations have the opportunity to reduce Climate Change Levy, CRC and EU ETS costs. Furthermore, there is an economic opportunity for producers of waste heat to make revenue from this via a district heating network.

Q26. Please tell us about any impact on individual privacy/ data that may result from our proposals. If there is an impact on individual privacy, are there any special provision/ measures we should consider/ make/include that would better assist in ensuring that this privacy impact is lessened/ negated?

Inverclyde Council considers the security of data to be paramount and that guarantees should be given that any data provided is held securely, kept in the strictest of confidence and only used for the purposes intended. Local Heat & Energy Efficiency Strategies should incorporate the most stringent requirements of the Data Protection Act.