

HEAT NETWORK (METERING AND BILLING) REGULATIONS UPDATE

The Heat Network (Metering and Billing) Regulations 2014 implement the requirements in the Energy Efficiency Directive (EED) with respect to the supply of distributed heat, cooling, hot water and cold water and came into force on 18 December 2014. The EED promotes energy efficiency in the EU to achieve the Commission's 2020 20% headline target on energy efficiency. It lays down rules to overcome market failures that impede efficiency in the supply and use of energy.

The Regulations are enforced by the Regulatory Delivery Directorate (RDD) within the Department for Business, Energy & Industrial Strategy (BEIS).

A summary of the Regulations and the changes that have occurred up to October 2016 are provided within this update. For further details, see www.gov.uk/heat-networks.

Scope

1. The regulations cover two types of heat networks: District Heat Networks and Communal Heating.
 - a. District Heat Networks refer to the distribution of thermal energy in the form of steam, hot water or chilled liquids from a central source of production through a network to multiple buildings or sites for the use of space or process heating, cooling or hot water. The minimum size for a district heat network is 2 buildings and 1 final customer.
 - b. Communal Heating refers to the distribution of thermal energy in the form of steam, hot water, or chilled liquids from a central source in a building which is occupied by more than one final customer, for the use of space or process heating, cooling or hot water. All communal heating systems serve only one building. The minimum size for a communal heating network is 2 final customers. This, therefore, can include multi-let offices and shopping centres where the owner supplies heating, cooling and hot water services.
2. Where chilled liquids are supplied to multiple heat exchangers within a system supplying more than one customer this is in scope. However, air conditioned systems relying on local compressors, purely ducted air or variable refrigerant volume/flow (VRV/VRF) are not in scope.
3. An important aspect to note for commercial property owners is that where there is no partitioned space, such as wholly open plan areas serving multiple tenants, or where only communal areas are heated, then this is not considered part of a network for the purposes of the regulations.

Notifications

1. Heat suppliers must, in relation to each district heat network or communal heating operated by them, submit a notification to the RRD.
2. Notifications for existing heat networks were required to be submitted to the RRD before 31 December 2015.
3. Notifications for new build systems must be made on or before it commences operation.
4. Notifications need to be updated at least once every 4 years.
5. The Notification templates for single or multiple networks are available [here](#).
6. The date from which final customer meters must be fitted subject to cost-effective tests will be detailed in the amended regulations planned for 2017 (see section below on cost-effective tests for more information)

Requirement to Install Meters

1. For a District Heat Network connection to a building occupied by more than one final customer, the heat supplier must ensure that meters are installed to measure the heating, cooling or hot water at the point of entry to that building.
2. Where there is more than one final customer in a building supplied by a District Heat Network, or by Communal Heating, the heat supplier must ensure that meters are installed to measure the consumption of heating, cooling or hot water by each final customer.

3. For any District Heating Network connection to a newly constructed building or where a major renovation of building on a district heating network, meters must be fitted.
4. The installation of meters is only required if it is cost effective and technically feasible to do so.
5. Where installation is viable, works must be completed by 31 December 2016. See further details regarding the cost effectiveness and technical feasibility below.

Determination of cost effectiveness and technical feasibility

1. In late 2015, the European Commission became dissatisfied with the proposed implementation of the Heat Networks elements of the Energy Efficiency Directive (which is implemented via the Heat Networks (Metering and Billing) Regulations 2014 in the UK) by various member states. As a result, the Commission enlisted a consultancy, Empirica, to conduct a review and update guidelines on how member states should develop their own methodology for determining "technical feasibility" and "cost-effectiveness" to support a consistent and harmonised approach across Europe. Further details are available at <http://mbic.eu/home.html>.
2. Based on the updated guidelines, BEIS is currently revising the UK's cost effectiveness tool, and, as a result, advised that that no further action should be undertaken with regards to implementation of the elements of the Heat Networks Regulations that make heat metering installation contingent on cost effectiveness and technical feasibility. The remaining requirements in the regulation remain unaffected.
3. Therefore, as far as the UK Government is concerned:
 - c. Installations that currently are required and are not subject to a cost effectiveness test should be completed by 31 December 2016.
 - d. Operators of heat networks that may be required to install heat meters should hold back on their installation where this involves a test of cost effectiveness or technical feasibility.
4. A consultation on the revised methodology for assessing the cost effectiveness of metering for district and communal heat networks is expected in early 2017. Accordingly, RD will take a pragmatic approach for any non-compliance with this requirement until a new tool and re-testing date is in place. The consultation will also seek views on some additional areas where the regulations could benefit from clarification following the first two years of implementation.
5. In addition, the Financial Conduct Authority (FCA) has confirmed that it would not impose fines or other disciplinary measures (where a heat supplier was separately regulated by the FCA) in respect of a breach of the requirement to test and fit meters by 31 December 2016 whilst the cost effectiveness tool is being updated. As such, it is not considered necessary for a heat supplier to inform the FCA if it has been unable to meet this requirement.”
6. Following the planned public consultation, BEIS intend to launch the new cost effectiveness tool and accompanying regulatory amendments later in 2017.

Billing

1. Where meters or heat cost allocators are installed bills and billing information for the consumption of heating, cooling and hot water by a final customer must be based on actual consumption. The minimum requirements are set out in Schedule 2 of the Regulations.
2. A bill must be issued at least once a year.
3. Billing information must be provided at least twice a year. This includes:
 - e. Current energy prices charged to the final customer by the heat supplier;
 - f. Information about the final customer's energy consumption from the heat supplier;
 - g. Where available, comparisons of the final customer's current energy consumption from the heat supplier with consumption for the same period in the previous year, if possible displayed in a graph; and
 - h. Contact information, including website addresses, for organisations from which information may be obtained on available energy efficiency improvement measures and technical specifications for products which use energy.
4. If the customer requests to receive electronic billing, bills and billing information must be provided at least quarterly.
5. There is cost effectiveness test with regards to the provision of bills and billing information where it is deemed reasonable that the issuing of information does not exceed £70 per final customer per calendar year. Costs within scope of this calculation include:
 - a. Collecting, storing and processing meter readings;
 - b. Preparation and issuing of the bill and billing information;
 - c. Processing of payments; and
 - d. Issuing of demands for payment if a bill is not paid.