

Policy and Sustainability Committee

10.00am, Tuesday, 22 August 2023

Heat Networks and Building Assessment Reports

Executive/routine Wards Council Commitments	Routine All
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1. Recommendations

- 1.1 It is recommended that Policy and Sustainability Committee:
 - 1.1.1 Notes the principal roles, responsibilities, and powers of the Council with regards to the emerging regulatory regime for heat networks;
 - 1.1.2 Notes the action currently being taken by the Council; and
 - 1.1.3 Agrees that the Council should write to the Scottish Government requesting to be designated the consent authority for Edinburgh, with the timing of the request to be agreed with Scottish Government officials.

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Heat Networks and Building Assessment Reports

2. Executive Summary

- 2.1 This report summarises the roles, responsibilities, and powers for the Council stemming from the emerging regulatory regime for heat networks and how the Council is responding to these. Committee is also recommended to agree that the Council should write to the Scottish Government requesting to be designated the body with authority for consenting heat network developments in Edinburgh.

3. Background

- 3.1 A heat network is a network that distributes thermal energy (i.e. heat and/or hot water) from one or more sources to more than one building.
- 3.2 The Scottish Government is seeking to increase the quantity of heat demand in Scotland met using heat networks. The Heat Networks (Scotland) Act 2021 sets a target of increasing the quantity of heat supplied from 1.2 terawatt hours per annum currently to 2.6 terawatt hours by 2027 and 6.0 terawatt hours by 2030. This is equivalent to 120,000 homes currently heated using gas switching to heat networks by 2027, and 400,000 by 2030; on a pro rata basis, this would equate to circa 11,500 additional homes in Edinburgh connecting to heat networks by 2027, and 38,500 by 2030 (albeit in reality it is likely that a significant proportion of this demand would relate to large non-domestic buildings rather than individual homes).
- 3.3 The Scottish Government has taken various actions to support the expansion of heat networks in Scotland. These include the introduction of a regulatory regime that is intended to provide certainty for investors and confidence for customers. The main aspects of the emerging regulatory regime are as follows:
- 3.3.1 Heat network licences – operators of heat networks must secure a license to ensure they are “*solvent, fit and proper*” and that heat networks are developed and maintained to high standards. Licence holders will be granted new rights such as wayleaves, compulsory purchase powers, and road work and surveying rights. It is understood that OFGEM is proposed to serve as the licensing authority for Scotland. Licences will be awarded to companies rather than on a site-by-site basis.

- 3.3.2 Heat network consents – there is a requirement to secure consent before building or operating a heat network. A consent is a site-specific permission to develop and operate a heat network.
- 3.3.3 Heat network permits – operators will receive permits granting them exclusive rights to develop and operate heat networks in heat network zones.
- 3.3.4 Heat network assets schedule and transfer scheme – schemes will be put in place to provide for the transfer of operational rights to a different operator to avoid supply interruptions if an operator ceases to operate a heat network.
- 3.3.5 Heat network zones – certain areas will be designated as zones that are particularly suitable for heat networks. These zones will form the basis of the heat network permits regime.
- 3.3.6 Building assessment reports – owners of certain non-domestic buildings will be required to produce reports assessing their suitability to connect to a heat network.

Local Context

- 3.4 In the context of the emerging regulatory regime for heat networks, the Council is developing several heat network projects in Edinburgh. The most advanced of these is the proposed Granton Waterfront heat network, for which the Council is in the process of procuring a partner to design, build, finance, operate, and maintain under a concession model.
- 3.5 The national Heat Network Support Unit is currently supporting 17 emerging heat network projects across Scotland, of which four are in Edinburgh (Edinburgh Airport Low Carbon Heat Network / Edinburgh BioQuarter / Edinburgh Gracemount / Granton Waterfront).
- 3.6 The proposed City Plan 2030, which is currently being examined by Scottish Ministers, would mandate that “*All new developments should connect to an existing or planned heat network or other significant heat source wherever possible to do so*”.
- 3.7 The Edinburgh Local Heat and Energy Efficiency Strategy (LHEES) (which is scheduled to be published by the end of 2023) will set out more information on how the Council will support the development of heat networks in Edinburgh, again in the context of the emerging regulatory regime which will introduce additional levers.

4. Main report

- 4.1 This report outlines the principal roles, responsibilities, and powers of the Council with regards to the emerging regulatory regime for heat networks, as set out in the Heat Networks (Scotland) Act 2021 (“the Act”) and The Heat Networks (Heat Network Zones and Building Assessment Reports) (Scotland) Regulations 2023, (together “the Regulations”).

Heat network consents

- 4.2 A heat network may not be constructed or operated without a heat network consent.
- 4.3 The Council may make a request to the Scottish Government to be designated as the consent authority for Edinburgh (or the Scottish Government may itself designate the Council as such); otherwise, the Scottish Government will serve as the consent authority for Edinburgh.
- 4.4 Heat network consent applications must be made by any party wishing to develop or operate a heat network. Before granting an application, the consent authority must *“be satisfied that each person to whom the consent is to be granted has (or will have) a right to use each listed asset of the heat network for the purpose of operating the heat network”*. When granting an application, the consent authority may impose *“any conditions or limitations it considers appropriate”*.
- 4.5 The consent authority may amend or revoke consents. Consents can be transferred with the approval of the consent authority. Applications may be called in by the Scottish Government at its discretion, and rejected applications can be appealed to the Scottish Government.
- 4.6 The Act makes provision for an enforcement authority to take enforcement action if a heat network is constructed without consent. The enforcement authority is the Scottish Government, or *“such other person as the Scottish Ministers by regulations designate”*.
- 4.7 The Scottish Government may give a direction for planning permission to be deemed to be granted upon the granting or modifying of a heat network consent.

Heat network zones

- 4.8 The Regulations introduce a duty on the Council to consider whether any areas of Edinburgh are considered to be particularly suitable for the construction and operation of a heat network. This review must be carried out *“as soon as practicable”* and at five yearly intervals thereafter. The review must be published by the Council, including being made available *“at the local authority’s principal office and at public libraries in their area”*, with the publication of the review and its availability for inspection to be publicised in a local newspaper and on the Internet.
- 4.9 The Regulations grant a power to the Council to designate (and vary) heat network zones in Edinburgh (having due regard to relevant consideration and consulting relevant bodies). The Scottish Government can itself designate zones in Edinburgh, or direct the Council to do so. Heat network zone designations are to be made available for inspection and publicised in the same manner as the review.

Building assessment reports

- 4.10 The Regulations introduce a requirement to produce a building assessment report (BAR) for all non-domestic buildings owned by the public sector with an annual heat demand of 73 megawatt-hours per year or greater. A BAR captures information on the heat supply and demand of the building and assesses its suitability to connect to a heat network.

- 4.11 The first BARs are to be prepared “*as soon as reasonably practicable*”, and thereafter every five years.
- 4.12 The Council, as a public sector body, is required to prepare BARs for all non-domestic buildings in its estate with an annual heat demand of 73 megawatt-hours per year or greater.
- 4.13 Additionally, the Council is required to receive copies of all BARs for Edinburgh (i.e. those for the Council’s estate and those for all other eligible public sector-owned buildings in Edinburgh), with the data from the BARs to be utilised to inform decisions around heat network zoning in Edinburgh. The Council began receiving BARs for buildings in Edinburgh in May 2023.

5. Next Steps

- 5.1 It is recommended that the Council write to the Scottish Government requesting to be designated the consent authority for Edinburgh, with the timing of the request to be agreed with Scottish Government officials. This will give the Council greater control over the development of heat networks in Edinburgh. In particular this would give the Council the ability to impose “*any conditions or limitations it considers appropriate*”, which would potentially give the Council a measure of control with relation to matters such as net zero carbon and fuel poverty. This will also prevent the Council potentially losing control over heat network developments in Edinburgh in terms of the Planning system.
- 5.2 The technical work underpinning the designation of heat network zones will be undertaken as part of the Council’s Local Heat and Energy Efficiency Strategy (LHEES), which is scheduled to be published by the end of 2023. The LHEES will identify draft heat network zones in Edinburgh. Available data from BARs will be used to refine this. These zones will then be consulted upon with a view to submitting final heat network zones to members for approval in the first half of 2024.
- 5.3 The Council’s Asset Strategy team will prepare BARs for the Council’s non-domestic buildings in due course. The Council has created a generic email address for public bodies to submit completed BARs to; BARs received by the Council will be reviewed in the context of heat network zoning.

6. Financial impact

- 6.1 In the short-term, it is proposed that the costs associated with the duties introduced by the Regulations will be met from the Council’s LHEES budget and other service budgets.
- 6.2 The Act requires the Scottish Government to assess the costs to local authorities of carries out duties under the Act and to set out an approach for funding these costs. The Act further make provision for the Scottish Government to set fees relating to a

local authority acting as consent authority. These measures are expected to defray the costs of carrying out the duties in the medium to long-term.

7. Stakeholder/Community Impact

- 7.1 Consultation with stakeholders will be undertaken as part of the development of the Edinburgh LHEES and the subsequent designation of heat network zones.

8. Background reading/external references

- 8.1 [Heat Networks \(Scotland\) Act 2021](#)
- 8.2 [The Heat Networks \(Heat Network Zones and Building Assessment Reports\) \(Scotland\) Regulations 2023](#)

9. Appendices

- 9.1 None.