

# District Heating Opportunities in Edinburgh

## Stratego stakeholder engagement event

**Place:** City Chambers, Edinburgh

**Date:** 18 May 2016

**Time:** 12:15-17:00

### Attendees:

Name	Organisation
Cllr Gavin Barrie	City of Edinburgh Council
Michael Barton-Maynard	Homes for Scotland
David Baxter	City of Edinburgh Council
Ken Brady	Energy Savings Trust
Amy Brown	Scottish Cities Alliance
Ruth Bush	University of Edinburgh
Mark Currie	Royal Highland Centre
Martin Dalziel	New Ingliston
Jestyn Davis	Murray Estates
Morten Jordt Deudahl	Danish Board of District Heating
Charlie Drysdale	Pinnacle Power
David Gee	Paper Contracts
David Graham	Places for People
David Graham	Taylor Wimpy
Charlie Halpin	NHS Lothian
Mark Harris	EDI Group
Dave Hawkey	University of Edinburgh
Paul Heap	AMCO Developments
Cllr Lesley Hinds	City of Edinburgh Council
David Holman	Scottish Enterprise
Anna Jaskolska	City of Edinburgh Council
David Jewell	Springfield
Michael Kellett	City of Edinburgh Council
Ricky Kennedy	Vital Energi
Michael King	Aberdeen Heat & Power
Christian Koch	BRE
Chris Larkins	Heriot-Watt University
Robert Law	Allen Build
Bryan Wright	CALA Homes
Sarah Price	Edinburgh Printmakers
David Lee	Allen Build
Valerie Leslie	Places for People

Bruce Lindsay	CCG
Kuan Loh	EDI Group
Ruth Macdonald	City of Edinburgh Council
Lisa Mallon	City of Edinburgh Council
John Marsh	Metropolitan Infrastructure
Alistair McArthur	City of Edinburgh Council
Patrick McCarthy	Heriot-Watt University
Graeme McGartland	City of Edinburgh Council
Colette McKenna	City of Edinburgh Council
Cllr Adam McVey	City of Edinburgh Council
Nikola Miller	Homes for Scotland
Paula Mowbray-Logan	Craighall Energy
Iain Murray	City of Edinburgh Council
Bruce Newlands	Construction Scotland Innovation Centre
Michael O'Neill	Craighall Energy
James Palmer	Buccleuch Property
David Park	Vital Energi
Janice Pauwels	City of Edinburgh Council
Ali Rimell	Brodies
Ian Russell	The Clancy Group
David Skedd	City of Edinburgh Council
Paul Steen	Ramboll
Dave Stobbs	Springfield
Ken Tippen	City of Edinburgh Council
Toby Tucker	Scottish Futures Trust
Sam Verner	City of Edinburgh Council
Ruth Williamson	Changeworks
Alastair Snow	Edinburgh Printmakers

## Introduction

The City of Edinburgh Council in partnership with the [Stratego Project](#) (a project funded by Intelligent Energy Europe and Scottish Government) recently held an event focusing on District Heating Opportunities in Edinburgh. The event was aimed at developers, both public and private and its purpose was to discuss opportunities for district heating in Edinburgh including reasons for why it might be pursued, and any issues or barriers to its development.

Overall the event highlighted the significant opportunities that exist for the development of district heating networks across Edinburgh, and also the main areas that were perceived as the key barriers to its development. The following report discusses the main findings arising from the group discussions.

## Objectives of the meeting

Overall the event provided both the City of Edinburgh Council and the Scottish Government an invaluable insight into local perspectives on district heating from a range of key stakeholders. This has allowed us to determine the current level of understanding regarding district heating and to also promote the opportunities for the development of district heating across Edinburgh. The event has also provided important feedback which will allow us to identify where the gaps are in the existing support that is currently available for the development of district heating, and what further support is required.

## Photos



## Minutes:

### 1. Welcome from Councillor Lesley Hinds (Convenor of the Transport and Environment Committee, City of Edinburgh Council)

#### Key Point(s):

- For the Council to act in a leadership position on DH through its Sustainable Energy Action Plan (SEAP) requires effective partnering with other delivery/practitioner/policy bodies.

### 2. [Introduction to the Edinburgh context and opportunities for district heating](#) (Janice Pauwels, Sustainable Development Manager, City of Edinburgh Council)

#### Key Point(s):

- The Council is currently in the process of strategically identifying additional DH sites of opportunity, as well as seeking to expand on those already operating – the Heat Network Partnership has already identified opportunities for further development;
- One idea is to have numerous energy hubs across the city that are linked through DH networks;
- The Council is establishing 'Energy for Edinburgh', an arms-length energy services company that will deliver energy efficiency and potentially district heating across the city. It aims to reduce carbon dioxide emissions, create affordable energy and generate community benefits and income. Directors are currently being recruited.

### 3. Session 1: Why opt for District Heating?

Presentations were provided by: [Michael King \(Aberdeen Heat and Power\)](#)  
[Morten Jordt Duedahl \(Danish Board of District Heating\)](#)

### 4. Session 2: Discussion on Issues/Concerns Relating to District Heating

Key themes from the group discussions included:

**Leadership and the Role of Local Authorities** – A key area of discussion was the need for a 'leadership body' to establish cohesion, coordination and partnerships across the district heating sector, and provide a direction, or strategic steer.

- The role of Local Authorities in this capacity was highlighted – in particular the possible role for local authorities in providing a 'common goal' in the context of a 'national forum' or platform that brings developers, Local Authorities and other decision makers together. A forum / platform could

allow developers to share information, and move away from a case by case / site by site basis, to look more strategically across the city. This would also be a great option for the public sector who really should be working more closely but rarely interact with each other regarding more joined up thinking around district heating opportunities. Particularly as many public sector developments could act as key anchor loads.

- Another key area of discussion regarding leadership was the role of the Local Authority acting as a 'facilitator' in discussions, leading through 'setting out the pathway' or acting as an 'oversight' body. The same group indirectly implicated Local Authorities with a notion of power, or the ability 'to get things done', more so than the Scottish Government. There was a suggestion that Local Authorities may further be able to create bridges between local development plans, broader government-led public sector guidance on DH and the developer community.
- Local Authorities in particular also control a lot of heat demand and as such should be central to discussions on potential district heating schemes. These anchor loads that sit within the Local Authority estate can form the basis for the establishment of city wide district heating networks (e.g Aberdeen Heat and Power).
- There was a suggestion that the wider benefits of district heating are not being communicated very well. A district heating scheme will create jobs, reduce fuel poverty and thus take pressure off health services, as well as reducing emissions etc. Local authority ESCOs should calculate these savings and present them in terms of economic development, community well being, etc, and advertise these benefits clearly.

**Planning (local and national)** – A recurring theme throughout the discussions was criticism towards the current regulatory model in that there is a feeling that planning policy should be used to a greater extent to 'force through' DH projects.

- England are forcing district heating through with planning, one table suggested that this needs to happen in Scotland as well, but shouldn't all be 'sticks' without incentives though, as this could discourage development in the area.
- Comments were made around the current set-up whereby building regulations present a more immediate requirement for developers to implement and sometimes can stimulate DH installations. There is a suggestion that this mis-alignment and necessity creates confusion in the sector regarding what is expected of it.
- There was a proposal that planning policy should adopt a modular, or phased approach to DH, whereby a project is encouraged at a smaller scale that can then be built up into a larger project as time [and milestones] progresses. This type of approach is also recognised by another group as meaning that contracts and agreements made can be more adaptable to increases in demand to connect into the network as it expands.
- A number of groups referred to the massive disconnect between Local Development Plans (LDP) and the National Planning Framework 3 (NPF3). NPF3 requires all new developments to be future proofed for connection to potential future district heating schemes. No developer was aware of

this, and LDPs also seem to be unaware of this. The Greater London Authority is a great example of planning regulations working to increase the amount of district heating schemes being developed.

- If Edinburgh and Scotland are serious about district heating, planning regulations need to be changed, otherwise it's not going to happen. Planning policy can significantly influence the uptake of district heating schemes, and these requirements send the message that local authorities are serious, which in turn sends a message of confidence and certainty to developers. More importantly other than enforcing district heating through planning policy, a local authority has very few levers to influence the uptake of district heating.

**Ownership, Risk and Transparency** – A number of groups discussed the role of the Scottish Government in the context of ownership over district heating assets (e.g. pipes) as a means to reduce risk exposure for the market.

- Concerns around asset ownership were also raised, indicating the possibility of there being confusion over who has ownership rights over district heating installations, creating differences in perceptions of the technology. However, this was not believed to be a sensitivity of home owners yet.
- The notion of market share was also highlighted by another group who expressed concern that district heating is dominated by only one or two firms creating a barrier to entry for new competitors.
- Reducing the risk for market investors was further referred to in the context of planning policy development and Local Authorities – i.e. by ensuring a strong, future-proofed approach to district heating is introduced through planning infrastructure and wider planning policy being in place, Local Authorities are seen by some as providing a security to the market. Communicating the message of the availability of district heating, and using government 'soft' mechanisms (i.e. incentives) to encourage uptake of district heating networks, was also seen to be enable a de-risking of district heating.
- In terms of actual delivery models many groups felt that the most transparent model was the not-for-profit model, where a Local Authority arms length ESCO could become an attractive option. A Local authority ESCOs could then potentially take the lead in helping to develop district heating networks. They can access low interest loans via the Public Works Loan Board (and thus retain the risk), retain ownership of the pipes, and outsource the different energy services where expertise may be lacking. This model could be viewed as a 'carrot' for developers who don't want to own any energy services, retain any risk or worry about raising finance for any district heating infrastructure.
- One of the main points raised by the expert panel was in relation to risk for both public and private developers. Potentially in 30 years time existing developments will be required to be retrofitted to connect to a district heating scheme, which will come at a significant cost. Developers should be building this risk into their business plans and future proofing developments to connect in the future otherwise they are in danger of serious reputational risk in the future.

**Customer perceptions of district heating** - There was a concern that customers are un-used to district heating and that this might put them off buying houses with district heating.

- There was a perception that more needed to be done by national and local government to increase understanding across the general public about what district heating is.
- Many people felt that a key way to ensure people felt comfortable with district heating was to link the heat price to the equivalent price of household-level gas boiler heating provision. District heating could thus be cheaper for the customer, and this needs to be used as a selling point. If district heating is installed at the point of development, the developer can set the terms e.g. ensure that heat prices work out at 10% cheaper than the costs of providing the heat through a gas boiler. This also provides confidence for the developer who can advertise this saving to potential customers, and promote the district heating scheme as a key asset of the overall development.
- It was also discussed that it was essential to have a transparent business model that customers can understand in terms of what they will be paying vs stand alone gas boilers and that heat prices would only be adjusted according to inflation / tax / cost of fuel, not to pay for bonuses to Directors. This transparent business model would need to provide potential consumers with a clear understanding of three crucial components: affordability, controllability and reliability. The Heat Trust is making important inroads here and is available for consumers now to compare prices etc.
- Those with experience of engaging with selling houses connected to district heating noted that customers did not seem concerned about the district heating system. They had more questions about the kitchen (i.e can they still cook with gas?). Discussions also focused on customer protection and the need to establish a clear protocol to deal with when things go wrong.

## 5. Session 3 : Expert Panel session

**Panel members were:**

- Dave Hawkey (University of Edinburgh)
- Michael King (Aberdeen Heat & Power)
- Morten Jordt Duedahl (Danish Board of District Heating)
- John Marsh (Metropolitan Infrastructure)
- David Park (Vital Energi)

Questions generated during the group discussions were put to the panel in turn.

6. Closing Remarks from Councillor Adam McVey (Vice Convenor of the Transport and Environment Committee, City of Edinburgh Council)

**End of meeting.**