



Report of: **Maxine Holdsworth, Service Director, Housing Needs and Strategy**

Meeting of:	Date	Ward(s)
Environment and Regeneration Scrutiny	14/07/15	All
Delete as appropriate	Exempt	

## **SUBJECT: THE EU ENERGY EFFICIENCY DIRECTIVE AND HEAT METERING**

### **1. Synopsis**

- 1.1 This report sets out the implications of the 2014 EU Energy Efficiency Directive for Islington's Housing Service including the need to procure a heat metering supplier and operator.

### **2. Recommendations**

- 2.1 That Scrutiny Committee note the implications of the 2014 EU energy Efficiency directive for Islington's housing service.

### 3. Background

#### 3.1 The EU Energy Efficiency Directive

3.1.1 The EU Energy Efficiency Directive ('the Directive') came into effect in Autumn 2013. It includes Directions on heat metering in communal and district heating systems with the aim of giving consumers better control over the heat they consume – so that overall consumption and hence carbon emissions are reduced. Implementation of the Directive is mandatory for EU countries. The Directive has been interpreted by the Department of Energy and Climate Change (DECC) following a consultation process (to which Islington responded). DECC published their response in November 2014 and the resultant regulations ('the Regulations') came into effect in December 2014.

3.1.2 DECC's Regulations apply to District and Communal heating systems differently. District heating systems have one boiler house serving more than one block. In communal heating systems one boiler serves one block. The council has sixteen unmetered district heating systems, thirty three unmetered communal heating systems, and two metered district heating systems.

3.1.3 Under the Regulations it is mandatory for heat network operators (such as Islington Council) to install heat meters in the following circumstances:

- Building level heat meters in all buildings served by district heating systems
- Individual heat meters where a building served by a district heating system undergoes major renovation<sup>1</sup> that includes the renovation of the technical services of the building
- Individual heat meters in all properties served by district or communal heating systems where technically and economically viable.
- Individual heat meters in any new building served by a district heating system.

3.1.4 The Regulations also introduce increased requirements to ensure the accuracy of all individual heat meters. The council has two individually-metered estates: Delhi Outram and Aubert Court. These meters have not been calibrated since they were installed (in 2001 and 1996 respectively) and therefore would not be compliant with the regulations. Under the Regulations the expected lifespan of an individual heat meter is ten years and the council would be required to ensure its individual heat meters were working effectively.

3.1.5 The implications of the Regulations for Islington are summarised in the table below. The costs are estimations from the DECC guidance on the Regulations. Actual costs may differ depending on the complexity of the installations.

Regulation	Impact for Islington	Estimated Cost
Requirement to install building level meters in all buildings served by district heating systems.	Installation of 101 building level meters by December '16.	£2,500 per meter, £252,500 in total
Requirement to install individual heat meters as part of 'major renovation' of district heating systems.	Unlikely to be required to install individual heat meters as part of major renovation. This is because the trigger of spend including the technical services of the building	£0, but all CIP schemes to be checked against the table at appendix A to ensure spend does not exceed the trigger to require individual heat meters. If the trigger was

<sup>1</sup> Major renovation is defined as the renovation of a building where the total cost of the renovation relating to the building envelope or the technical building systems is higher than 25% of the value of the building, excluding the value of the land upon which the building is situated.

	greater than one quarter of the building's value (excluding land) is unlikely to be met. The estimated spend trigger for each of the council's district heating systems is shown at appendix A.	met, cost would be £450 per unit. Total risk is £1.2m
Requirement (irrespective of major renovation) to install individual meters to all properties served by communal or district heating systems where technically and economically viable.	DECC have produced a tool to test whether it is technically and economically viable to install meters. This model has been tested on a number of our systems and the tests suggest none of our systems will pass the technical and economic viability test.	£0. To be confirmed by completing technical and economic viability tests for all of our estates. If was required cost would be £450 per unit. Total risk c£2m.
Requirement to recalibrate individual heat meters every ten years.	Recalibration or replacement of individual heat meters at Delhi Outram and Aubert Court. Not yet clear when this would be required.	£200 - £450 per meter depending on whether replacement is required. £58k - £176k in total.
Requirement to install individual heat meters in any new building served by a district heating system.	Individual heat meters already included in the employer's requirements for new build properties served by district heating systems.	£0
<b>Total</b>		<b>£310.5K - £428.5K plus fees @10% = £340k - £471k</b>

3.1.6 Compliance with the regulations will be monitored by the National Measurement Office who will be taking a risk-based light touch approach to regulation. However, where an organisation repeatedly and unreasonably fails to meet its obligations, the NMO will be able to apply appropriate enforcement action and penalties.

3.1.7 The key dates for implementation of the Directive and the Islington's recommended actions are set out in the table below.

<b>Date</b>	<b>Change</b>	<b>Recommended Islington action</b>
31 <sup>st</sup> December 2014	Accurate billing information is required where meters are in place	All of our individual heat meters work on a pre-payment basis so residents pay for what they use. New requirement to send an annual statement on usage. Service Development Team have raised this with the heat meter operator (Switch2).
30 <sup>th</sup> December 2015	Heat suppliers are required to notify the scheme administrator – the National Measurement Office	Service Development Team are leading this.
31 <sup>st</sup> December 2016	Deadline for first metering/heat cost allocator viability assessment in multi-apartment/multi-purpose buildings, and installation where viable.	Service development team to co-ordinate this and report back. Housing property services to carry out desk-based viability assessment and installation of building-level meters.

### **3.2 Procurement of a heat meter supplier and operator and approach to metered communal heating charges.**

3.2.1 The council is undertaking a procurement exercise for a heat meter installer and operator that would be used to install and operate replacement and new heat meters. As part of this procurement project the council will review its approach to charges for individually-metered heat and the type of meters it uses – for example whether standing charges should be used and whether payments could be made online or over the phone instead of through local shops. The Service Development Team will lead this project because its scope spans Housing Property Services, Housing Operations, the Energy Team, Strategic Housing and Housing Finance.

## **4 Conclusion and reasons for recommendations**

5.1 The EU Efficiency Directive has resulted in UK regulations requiring the mandatory installation of heat meters in certain circumstances. This report sets out how this will affect Islington and recommends how the council should respond to the new requirements.

**Background papers:** None

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