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| <b>Item No.</b><br>7.              | <b>Classification:</b><br>Open | <b>Date:</b><br>24 June 2020  | <b>Meeting Name:</b><br>Housing Scrutiny Commission |
| <b>Report title:</b>               |                                | Update on district heating strategy   |   |
| <b>Ward(s) or groups affected:</b> |                                | All   |   |
| <b>Cabinet Member</b>              |                                | Councillor Kieron Williams, Cabinet Member for Housing Management and Modernisation |   |

## RECOMMENDATION

1. That the housing scrutiny commission note the update on the district heating strategy.

## BACKGROUND INFORMATION AND PROGRESS UPDATE

2. In July 2019 the Cabinet Member for Housing Management and Modernisation presented an update on the district heating strategy to Cabinet. Since then the following new and ongoing work streams have taken place:

### Heat Networks Governance Board

3. As approved by cabinet this group was established and has met every six weeks since August 2019. The group discusses a range of operational and strategic issues including priority estates and problems, resident communication, carbon saving projects and future investment.

### Heat Networks Resident's Working Group

4. As approved by cabinet, resident representatives from across many estates and tenures have formed a working group of around 15 people. This group met three times between October 2019 and February 2020 and was an excellent source of feedback on the Council's heating operations and future strategy. Key messages included the need to improve communications, increase digital integration, maintain affordability and consider investment impacts on leaseholders.

### Heat Mapping and Master Planning –

5. This work by Arup was already mostly completed by July 2019 but an extension to the project was commissioned in which Arup's hydrogeology team drew together additional data sets and performed a desktop analysis to create unique map layers showing the potential for open and closed loop ground source heating across the borough (see Appendix 1). The maps and accompanying report show where ground source heat pumps would be most appropriate and effective.

### **Water source heat pump project**

6. In July 2019, a high-level feasibility of eight sites had been carried out which pointed to a high technical and economic potential for five of those sites.
7. Following cabinet approval, a detailed feasibility study was commissioned and undertaken throughout the autumn. This found three of the five sites to be both technically and economically feasible – these are Consort, Newington and Wyndham. Between the three estates the project is expected to save almost 4,000 tonnes of CO<sub>2</sub> in the first year alone while also reducing local flue gas emissions.
8. A detailed specification was written and the Council's major works framework was used to run a tender in February 2020 which was followed by a period of tender evaluation.
9. Gateway 2 approval was received at the start of April. The preferred contractor has not yet been appointed to begin work.

### **SELCHP Heat Network extension**

10. A feasibility study by consultants, Anthesis Group, looking at the extension towards the Old Kent Road development area and Peckham was partially complete in July 2019 and was finished off towards the end of 2019. The primary conclusion of this work was that extending the SELCHP network offered the best value approach to reducing carbon for Old Kent Road developments as well as the council's housing estates.
11. Officers worked with legal experts to undertake a review of the procurement options if wanting to extend the SELCHP network. It was found that simply varying the existing contract with Veolia, rather than undertaking an open tender, would be perfectly legal as well as being the common sense approach. This view was then confirmed by a QC for additional certainty.
12. The Council has since worked with Veolia to develop a collaboration agreement to define the steps, roles and responsibilities of the two parties in extending the network. This is still in progress.

### **Recruitment**

13. In line with the July 2019 report an additional officer was recruited to support the Strategic Project Manager in developing and delivering the Heat Networks Strategy. This post was filled in April 2020.

### **Performance analysis**

14. Analysis of historic performance statistics to identify the heat networks most in need of priority investment.

### **Further resident consultation**

15. Following on from the three very useful meetings with the resident's working group, it was decided that a wider net should be cast to allow all residents to have their voices heard. A public consultation was launched in June 2020 and will close in August.

### **Heat Network Optimisation Opportunities**

16. In January 2020 the Council was successful in having five sites join a consultancy investigation led and funded by Department of Business Energy and Industrial Strategy to identify how a range of different heat networks could have their performance levels improved. Southwark's consultancy partner is WSP who are now investigating the costs and benefits of various improvement measures that could be carried out at Brandon, Brimington, Newington, North Peckham and Sylvan Grove estates. Investment grade proposals should be ready by the end of 2020 and it is hoped that the outputs should be applied across to other estates.

### **Technical and business modelling**

17. Of private investment into Council heat networks to investigate ways in which the private sector could potentially play a role in investing into the Council's networks and providing operational and maintenance services over a long-term contract. This work is still in progress.

### **Government Regulation Update**

18. It is important that Councillors understand that the government has recently consulted on two major areas affecting the Council's heat networks:
  - Proposed amendments to the Heat Networks (Metering and Billing) Regulations 2014. The requirement to install heat meters in dwellings other than newly built properties has been on hold in recent years. If this requirement returns in a significant way when the government's response to the consultation is released and primary legislation comes forward it could have far reaching implications on the Council's operations. The installation of dwelling heat meters and controls can be expensive, disruptive and change the way residents pay for heat, but overall could reduce energy consumption and carbon emissions.
  - The development of a regulatory framework for heat networks. Government has proposed to make heat networks a regulated market in the same way as gas and electricity markets. The proposed regulator would be Ofgem. Government aims to protect consumers, increase technical standards, increase investment and drive decarbonisation. The result of the Government's response to the consultation could have significant impacts on the way the Council operates its heat networks.

## BACKGROUND DOCUMENTS

| Background Papers | Held At | Contact |
|-------------------|---------|---------|
| None              |         |         |
|                   |         |         |

## APPENDICES

| No.        | Title                                    |
|------------|--|
| Appendix 1 | Southwark GSHP mapping Executive Summary |

## AUDIT TRAIL

|   |   |                          |
|---|---|--------------------------|
| <b>Cabinet Member</b>   | Councillor Kieron Williams, Cabinet Member for Housing Management and Modernisation |                          |
| <b>Lead Officer</b>   | Gavin Duncumb, Head of Engineering (Acting)   |                          |
| <b>Report Author</b>  | Gavin Duncumb, Head of Engineering (Acting)   |                          |
| <b>Version</b>  | Final   |                          |
| <b>Dated</b>  | 16 June 2020.   |                          |
| <b>Key Decision?</b>  | No  |                          |
| <b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b> |   |                          |
| <b>Officer Title</b>  | <b>Comments Sought</b>  | <b>Comments Included</b> |
| Director of Law and Democracy   | No  | -                        |
| Strategic Director of Finance and Governance                            | No  | -                        |
| Cabinet Member  | Yes   | Yes                      |
| Date final report sent to Scrutiny Team                                 |   | 16 June 2020             |