Regen SW's response to the Government's consultation on the Heat and Energy Saving Strategy (HESS) and Community Energy Saving Programme (CESP)

May 2009

1. Introduction and process

Regen SW is the sustainable energy agency for the south west of England. We have spoken to a number of businesses across the region to gauge their response to this consultation and hosted a joint consultation event with DECC in Bristol on the 28th April 2009 to help businesses input their views to government.

Regen SW will be continuing this engagement with south west businesses when the more detailed consultations on the Renewable Heat Incentive and Feed in Tariffs are opened, and will host workshops in the summer to examine the issues in more detail with businesses in the region.

We have worked in partnership with the Energy Saving Trust, the South West RDA and South West Regional Assembly to get their input and ensure a common regional message across the two current consultations (HESS and CESP). The South West Regional Assembly and South West Councils Secretariat have submitted a letter to DECC setting out their support for this Regen SW response.

Following this introduction, a detailed response to the HESS is set out in section 2, with issues raised by the CESP covered in section 3.

2. Detailed HESS response

a. The scale of the task

Q1 The following approximate estimates may help to give an idea of the scale of activity on sustainable energy required in the south west by 2020.

Nick Stern's review suggested the UK ought to be investing 1 to 2% of GDP a year in combating the effects of climate change. South west annual GVA is £90 billion and so we would expect to see investment of around £1.5 billion a year for the next 40 years.

Overall a 15.5% reduction in electricity and heat energy demand is planned by 2020; this is considerably greater than the 10.7% potential for demand reduction estimated by the Regen SW report *The Road to 2020* (September 2008). Our report estimated that the south west needed to implement 26 TWh of energy efficiency and demand savings by 2020 and to be generating 19 TWh/y of renewable heat and electricity. Taking a very broad brush approach, the energy efficiency measures required in existing buildings amount to a 15 TWh reduction and will cost around £4bn; in addition there will be the cost of demand reduction measures in new buildings and in transport. New renewable heat and electricity capacity of about 7,200 MW will be required, up from 211 MW existing today and this will cost in excess of £10bn. So at least £14 billion needs to be spent in the south west over the next 12 years to reach the EU 2020 target.

Whilst the ambition in the HESS is admirable, a clear plan for how this ambition will be achieved, and funded, needs to be set out. In particular, Regen SW urge government to bring forward planned actions, for example not waiting until 2012 to begin a review of regulation in existing buildings.

b. Planning for energy demand reduction and renewable heat

Q2 <u>The role of Regional Development Agencies (RDAs) and local authorities</u>

Regen SW welcomes the HESS planning proposals and particularly supports the key role that the HESS indicates for local authorities and RDAs. The HESS states that RDAs and local authorities can play a key role in devising energy plans that make sense for particular localities, and in bringing people and communities together to save and generate energy to reduce their CO_2 emissions. It highlights that more concrete actions to facilitate deployment are required. This supports the approach, mooted in the Renewable Energy Strategy consultation last summer, of Regional Deployment Strategies where regions and local authorities take a proactive approach to planning for integrated sustainable energy delivery.

Regen SW welcomes the recognition of the importance of local authorities in delivering on this agenda and believes that there could be significant efficiency gains from local authorities working together in various ways to take this forward. However, we also recognise that this places a significant burden on local authorities, and government must work to support local

authorities in gaining the skills and resources necessary to take this agenda forward. Regen SW is currently working with Government and partners to establish what this could mean in practice and identify how Regen SW can support local authorities in this work. More support and clearer guidance from government would be welcomed.

Q23 Heat mapping

The HESS contains strong statements pointing local authorities towards heat mapping. This will form the basis of important evidence to help local authorities encourage local renewable heat solutions. A number of local authorities are already looking at this in the south west, but there is concern that because of a lack of guidance we will see inconsistency of approaches and in some instances data which is not robust enough to stand the scrutiny of the planning system.

We are considering whether we could support local authorities by taking the lead in developing the framework for a regional programme with other partners, such as SW Councils and the Environment Agency.

It is essential that government gives local authorities access to all individual gas and electricity consumption in their area, on a building by building, meter by meter basis. Without this data, heat mapping is too coarse. The previous agreement with suppliers to keep this information confidential should be overturned as climate change priorities are now more pressing.

c. Regulation

Q21 Action on existing buildings

Actions for improving the regulation of existing buildings are limited in the HESS, focusing on voluntary codes and a review of the current situation in 2012. At Regen SW's consultation event, there was broad agreed that stricter regulation is necessary, due to the scale of carbon reductions that need to be achieved. Although tighter regulations may be seen to be unpopular with the general public, bold action is required from the government. Given the huge scope for energy improvements in the existing housing stock this area must be tackled as soon as possible and without waiting for another review in 2012.

Regen SW's *Road to 2020* report calls for "significant new policy drivers, particularly for the retrofit of renewable heat systems in existing buildings, [as] essential to deliver significant amounts of renewable energy in the built environment." The South West Regional Targets for Low Carbon Housing and Fuel Poverty (GOSW, 2006) suggested that 16% of the region's 2.1 million homes have no access to mains gas and use oil, electricity and liquefied petroleum gas for their heating. Normal boiler replacement cycles mean that at least 60% of these homes are likely to replace their boiler by 2020. This is potentially a huge market for renewable heat – up to 7% of the south west's heating demand in 2020 – but without the necessary funding and regulatory

drivers the opportunity for existing buildings to switch to renewable sources of heat will be missed.

We agree that the proposed Renewable Heat Incentive will go some way to acting as a driver for installing heat in existing buildings, but we believe that waiting until 2012 to begin a review of other potential, regulatory measures will be missing an opportunity.

d. Renewable heat funding

Q2, Q11 Level of funding for renewable heat

When surveyed by Regen SW, solar thermal companies unanimously agreed that the funding currently available through the LCBP for their technology is insufficient. Some local authorities are offering top-up grants for installations, bringing the total to around £1000 per household; the evidence suggests this level of funding is sufficient to increase demand. The installers surveyed called for funding to cover 30% to 50% of costs. Similar recommendations were made by the heat pump and biomass companies when surveyed about the level of funding that their technologies require to significantly boost demand.

We recommend that the government sets RHI at a level that offers microgeneration customers funding for between 30% and 50% of the costs of installation.

Regen SW has experience of working in the biomass sector from its role in running the SW Bioheat programme, which will see the installation of 40MWth of wood fuelled heating systems in the region over the next 2 years. Our experience has shown that access to specialist feasibility advice, in addition to grant funding, is crucial to catalysing action in installing renewable heat in existing buildings, as there is often considerable design work required to overcome specific issues on site. However, government funding criteria currently do not allow feasibility or consultancy work in defining projects and programmes to be funded. Disallowing feasibility/specialist project support in defining requirements serves to hinder successful installation and passes excessive risk to the customer.

We recommend that funding for biomass installations includes an allowance for pre-feasibility works, to reduce the risks on the end user associated with the initial stages of biomass projects.

Q14 Interim support

The recession is having a real impact on the region's renewable heat companies now. In a recent survey of renewable heat companies by Regen SW, one company reported a "fall in enquiries of 80% since September (2008)" and others claimed to be experiencing "a vast fall in demand". One respondent reported laying off staff, whilst other companies reported that jobs are "at risk" and that "streamlining" of the workforce would have to take place if demand continues at

the present low rate. Companies gave anecdotal evidence of other businesses in the industry going out of business, with one mention of a large firm that employed around 40 installers.

Several installers reported that their demand was being sustained by work through phase 2 of the Low Carbon Buildings Programme (LCBP); applications for this scheme are due to cease in June 2009 and it was feared that the withdrawal of this scheme would create a funding gap, potentially stalling demand. The government has announced a £45 million boost to the LCBP in its 2009 Budget with the aim of ensuring that there is no gap between the programme and the introduction of a FIT and RHI.

We suggest that clarity over how these funds will be distributed through the scheme – which sectors and technologies – should be provided as soon as possible. We also recommend that the government continues to monitor uptake of the LCBP over the interim period to ensure that the fund is providing sufficient stimulus to the market, across all the technologies.

The findings of Regen SW's survey of renewable heat companies demonstrated that the current level of £400 per household for solar thermal through the domestic LCBP is too low to maintain recession-hit demand in this sub-sector. **The government needs to increase the level of funding per installation available through the LCBP for solar thermal technologies to support this sub-sector through the interim period.**

Q8 Certainty of funding for renewable heat

Lack of certainty over funding is acting as a "handbrake on the market". A proper plan needs to be developed; the timing of any announcement on support is crucial. A recent example of this is the confusion over the availability of funding through Round 5 of the Bioenergy Capital Grants Scheme, which is likely to have significant knock-on effects through the biomass sub-sector.

Whilst of course the news that Round 5 can proceed again is welcome, the fact that there is now an artificial backlog of applicants and a potential surge in installations will have negative impacts on top of the stop-start nature of DECC/government release (and re-release) of funding. The backlog of applications will lead to a hiatus in demand, with cash-flow implications for firms already struggling with credit. The surge in installations once the funding is released will artificially skew the front end 'sell' philosophy of installers. If we had consistency, installers would start to adopt a through life approach. Regen SW hears negative comments about all biomass installers regarding commissioning and aftercare/in-service support. Stop/start funding does not serve to grow and sustain viable business in this sector.

Furthermore, because the initial Round 5 is underfunded, there is the possibility that government may have to dip into the funding for Round 5 anticipated follow-

on to satisfy successful applicants. This will increase the spike in demand further, with consistent, reliable support that creates consistent, reliable demand being put off until the introduction of the RHI.

Interim support needs to be well planned and reliable. Furthermore, as advocated by the REA, we recommend that the structure and levels of the FIT and the RHI should be specified as early as possible. This should aim to reduce the likelihood of new installations stagnating until the schemes are in place and to allow firms to invest in new capacity and new skills so that they can deliver to the anticipated levels of demand once they are operational.

e. Renewable heat supply chain issues

A number of issues have been identified through engagement with the south west renewable heat sector that are relevant to the HESS consultation, but that do not directly fall under any of the consultation questions. This section (2e) sets out these supply chain issues.

Access to credit

When surveyed by Regen SW, firms with high levels of demand reported that their growth is being constrained by a lack of access to credit. Lack of available cashflow is constraining companies' ability to take on staff and to hold stocks of products. Banks are not lending to renewables companies despite admitting that they are the ideal investment opportunity. Both growing and shrinking companies referred to problems with overdraft facilities being withdrawn and suppliers placing tighter limits on credit arrangements.

In the 2009 Budget, government has announced up to £4 billion of lending through the European Investment Bank. Government should ensure that this mechanism and any others introduced provide access to credit to micro and small renewables businesses, as well as for larger projects and businesses.

Retaining GVA

Retaining economic benefit in the UK from achieving national and international policy objectives requires a strong domestic supply chain. Our experience of the biomass supply chain through the SW Bioheat programme highlights that the sector relies heavily on imported boilers. Development of a high quality British product suited to the UK market would provide a significant boost to the biomass sector.

We recommend that a portion of the £405 million support for low carbon technology and manufacturing announced in the 2009 Budget should be used to support the development of a renewable heat product.

Accreditation

At present Microgeneration Certification Scheme (MCS) accreditation is required for companies to be able to undertake LCBP funded projects. The renewable heat companies surveyed by Regen SW unanimously felt that the cost of accreditation is too high, both in terms of the fee paid and the time and effort required to go through the process.

Accreditation should be based on the quality of products used and of the service provided – not the ability of the company to pay the fees. Some companies also felt the service they receive from BRE (the administrator of the scheme) is "extremely poor". These problems need to be dealt with as soon as possible to ensure that all appropriately qualified installers are able to take advantage of the new funding allocated to the LCBP in the 2009 Budget.

Measures to overcome the high costs and improve the poor service associated with accreditation to the current LCBP should be introduced as soon as possible, rather than waiting for the introduction of the new FIT/RHI schemes.

Whilst the MCS accreditation is unpopular with companies, they have invested heavily to gain accreditation and are concerned that the end of the LCBP funding stream will mean that they lose the investment they have made. **Government needs to ensure continuity in the accreditation scheme to ensure this is not the case.**

Training

Growth in demand for renewable heat technologies will need to be supported by ensuring there is adequate training available for installers at low cost. "Cohesive training" is needed so that installers are capable of specifying the right type of heating technology, rather than being confined to a single technology. Companies surveyed by Regen SW noted a lack of a "national renewables training centre" and of "renewables apprenticeships". Without adequately trained competent installers, there is a risk that the RHI will lead to poor quality installations that do not create the expected carbon savings. Poor sales practices also need to be guarded against in the event of a boom.

Companies in the south west feel that MCS accreditation should be used to provide additional benefits alongside access to funded work. These benefits could include subsidised training or marketing for the sector and individual companies. At present this opportunity is being missed.

Regen SW recommends that the government supports the development of comprehensive renewables training provision. The MCS accreditation scheme should be considered as a vehicle for offering subsidised training.

f. Delivering domestic energy efficiency measures

Q4 Home energy advice

The HESS consultation emphasises the need for Home Energy Audits, with these receiving a score under the CERT+ programme. Home energy advisors need to be impartial and independent in order to gain the trust of householders, as a focus on behavioural change as well as energy efficiency measures is essential to maximising the carbon savings achieved. Advice should signpost what needs to be done by the householder and demonstrate the benefits of action clearly in terms of potential savings. A clear link between receiving advice and taking action needs to be made.

Energy performance certificates (EPCs) are not currently living up to their potential to inspire householders to take action on energy efficiency. Mechanisms to link EPCs with action are needed, such as setting out the financial benefits of potential improvements and educating estate agents about the implications of energy ratings. With substantial improvements to their current structure, EPCs have the potential to be a tool in home energy advice.

The availability of training is an issue with regard to Home Energy Audits. At the Regen SW/DECC consultation event, there was some debate about whether EPC providers were capable of delivering the type of home energy advice that is needed. Whilst this existing group is qualified in technical building energy efficiency issues, EPC providers are not currently trained in supplying customer focused advice and in influencing behavioural change. If this group were used to perform home energy audits, significant training in these areas would be required.

Delegates at Regen SW's consultation event in Bristol flagged up that community groups and self-assessment processes could also have a role to play in offering home energy audits to a broad range of householders. A staged approach such as that used for the Digital Switchover could be introduced; the majority of the population could access online home energy advice, with vulnerable groups being given extra support through community organisations. Responses to preliminary online questionnaires and from community groups could then be used to target more detailed advice to those with specific needs.

Whichever mechanism for delivering home energy advice is used, adequate training needs to be offered and high quality standards enforced, to ensure that advice leads to action and the expected carbon savings from grant and advice services are achieved.

Q17 Consistency of funding for energy efficiency

Consistency of funding is a major issue for companies looking to invest in responding to the demand it creates. The German model of a large programme of low-interest loans to enable householders to improve their houses, with a clear

target of improving all the housing stock by 2020 appears to demonstrate this type of commitment.

We suggest the various, random and intermittent grant programmes be replaced with long-term funding mechanisms that provide certainty to suppliers and become known and trusted by households and firms. Given the size of the task to meet the UK's 2020 EU targets, the funding arrangements must be timely, secure and commensurate in scale.

Level of funding for energy efficiency

It is evident that the level of expenditure must be increased greatly. A difficulty the Government faces in preferring market-based solutions is that it has to design a policy framework to incentivise the market that is vulnerable to stall when economic conditions change – e.g. companies like Shell and EdF pull out of major renewable energy schemes in UK to focus on other parts of the world.

Given the tight timescale to 2020 the Government cannot rely on a market-based approach to meet target and we recommend it plans to play a more active and directive role.

Q17 Delivery mechanism for post-CERT programme

The current supplier-led CERT model has resulted in a number of well-documented issues that are recognised by DECC in the HESS consultation, such as the conflict between energy companies aims of selling energy and the government's objectives in the CERT programme.

One issue of particular relevance to the south west is the lack of stimulation that the CERT programme has offered to the local energy efficiency supply chain. There is no obligation on energy companies to target their interventions to specific geographic areas under CERT and installations have therefore been concentrated in areas where the already developed supply chain offers the lowest cost interventions. As a result, the south west has received a lower share of the funding than other regions with more developed supply chains. In addition, CERT's delivery has been almost entirely concentrated through the "big 5" installers and therefore has not offered support for the energy efficiency supply chain both inside and outside of the region to its full potential. Stimulating the energy efficiency supply chain to a wider extent will support healthy competition, bringing down the cost of installations.

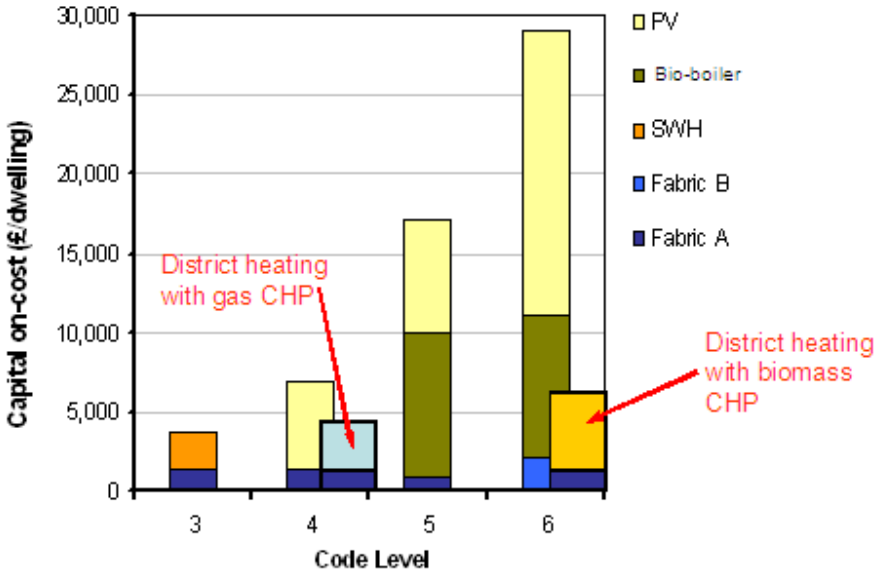
We recommend that in considering a post-CERT delivery mechanism government favours a mechanism that supports a more equitable distribution of energy efficiency delivery across the country and that stimulates local supply chains.

g. District heating

Q23 Regen SW's work on district heating has focussed on new building developments. A key finding is that in large developments where Code for Sustainable Homes Level 4 and above is required, CHP and district heating are "strategic technologies" "enabling significant CO_2 reductions at lowest cost" (see http://www.regensw.co.uk/downloads/RegenSW_230.pdf). With the introduction of CSH level 4 in 2013 and a typical build rate of 300 homes per year, this finding affects developments of over 1200 homes now.

The Cranbrook development East of Exeter is the leading example. The challenge with this development, which will initially be 2900 homes but may ultimately expand to 7500 homes, is that there is no incentive for the developers to start with district heating because it is a more expensive solution for the CSH level 3 homes that they have committed to build initially. However, if district heating is not installed for the first 1000 homes, a significant potential heat load is lost which, in turn, increases the cost for higher CSH level homes required in the later phases of the development, thus making a more piecemeal approach to these higher code level homes far more likely.

The graph below illustrates the dilemma. The taller bars show the costs of energy solutions for individual homes at Cranbrook versus the labelled bars which illustrate the per home costs of district heating solutions at CSH 4 and 6.



Our work across the region has also shown that the development community is deeply sceptical about district heating. Developers and house builders are conservative and perceive that "untested" district heating will put house buyers off buying their homes (despite evidence to the contrary in smaller schemes and

elsewhere in Europe). While some major house builders have worked with district heating on small sites, none have installed it in a major open market scheme. Exemplar large open market schemes will help address developer concerns.

Local authorities are inexperienced in considering and implementing community energy solutions. Regen SW's support for local authorities (for example in commissioning energy strategy and heat mapping work, reviewing developer sustainability strategies, etc.) has helped selected local authorities across the region to be in a position to have informed negotiations with developers and resulted in district heating being a leading contender for the energy solutions.

While some of the issues identified in a green field development like Cranbrook apply to other similar developments, there are inevitably site specific issues. Issues can include:

- Legacy energy systems in existing buildings
- Co-ordinating the energy strategies for different parcels of land under different ownership
- The phasing of developments
- Land take for energy centres
- Biomass transport and storage in a city environment
- The creation of an ESCo or ESCos
- Financial viability

More broadly, the take up of district heating will only become established when local authorities can make connection to the district heating a requirement. While this may be practical in new development, it is far more challenging in retrofit situations. For example, heat mapping will typically identify areas of older energy inefficient buildings. However, except for historical buildings, old buildings have by definition a shorter future life and therefore are not necessarily best placed to support a long term energy system such as district heating. In addition, old buildings should be either targeted with energy efficiency measures as the lowest cost carbon savings approach, or replaced with new energy efficient buildings. **To enable the appropriate deployment of district heating, local authorities need to engage comprehensively with the entire building stock in their area and formulate objective community wide long term plans for mitigating CO_2 emissions in the most effective way.**

Analysis for Exeter City Council's climate change strategy represents an example of how to approach this type of work (see http://www.exeter.gov.uk/CHttpHandler.ashx?id=9189&p=0). The Council has just finished an energy study on an electrically heated part of the City (which considers retrofit district heating) and has studies ongoing into district heating in two commercial/industrial areas of the City. Both studies will illustrate the challenges of retrofit district heating schemes.

While heat mapping and engaging property developers will both be beneficial in making the case for district heating it is difficult to see how these activities will in themselves tackle commercial barriers. However, using the planning system and requiring connection are important ways of supporting the delivery of district heating.

Q24 The main commercial challenge, in a situation where competitively priced gas is available to most buildings in the UK, is that transporting heat is fundamentally more expensive than transporting natural gas. Individual gas boilers and the hydraulic interface units (HIU's) used in building have a similar cost. There are also unlikely to be prolonged or significant differences in input fuel costs (for example between biomass and gas per net kWh of heat) because the market is effective at closing such arbitrage.

The high upfront cost of district heating pipe work and its installation (especially in a "hard dig" retrofit application) is a major commercial barrier especially when payback is usually long term and is subject to a range of risks outside the control of the operator including:

- Energy volume risk. The risk that heat off takers use less energy than is assumed or contracted. Many possible causes including seasonal factors, large customers going out of business etc.
- Energy price risk. The risk that the price charged to the customer (which is usually guaranteed to be less than competing heat prices) changes relative to the input price of fuel.
- Cost risk. District heating is subject to long terms changes in cost that are not in the control of the operator and which it may not be in a position to pass on to heat customers.
- Regulatory risk. The risk of changes in the regulatory regime that effect costs (regulatory burden) or revenues (e.g. the renewable heat incentive)

The high up front capital costs combined with the risks require private sector operators to seek commensurate rates of return. Policy therefore needs to provide either capital and / or revenue assistance for district heating to compete with gas and mitigate the risks DH developers face.

Capital assistance to schemes can be provided in the form of grant or a regulatory requirement to reduced CO_2 emissions (i.e. CSH standards in new homes) or a requirement to connect. With the former the burden fall on the tax payer and with the latter it falls on developers or property owners.

Revenue assistance can be in the form of a financial reward for heat provided via DH (i.e. the RHI) or penalties (e.g. carbon tax) on competing fuels such as natural gas used for direct heating.

Risk mitigation could be provided by giving fuel price certainty to DH system operators enabling developers to lay off fuel price risk at minimal cost.

The lack of CHP and district heating in the UK illustrates market failure and Government support is clearly needed. Capital grants and the RHI (both set at the right level) are key support mechanisms. However, most importantly, it is critical that Government acknowledges and mitigates regulatory risk by establishing a clear long term approach to support and regulation and ensuring that this is delivered with clarity and certainty.

3. CESP response

The main south west issue relating to the CESP is the criteria by which the funding will be allocated and how this affects the distribution across the region.

Q23 (CESP) Index of Multiple Deprivation

The use of the Index of Multiple Deprivation as the only measure to identify areas with the highest levels of low income households will mean that only small parts of Bristol, North Somerset, Torbay, Plymouth and Cornwall will be eligible in the south west. Areas of need with deprived households elsewhere will be overlooked because IMD does not consider the current energy efficiency of the housing stock.

A total of just over 60,000 homes would be in eligible areas in the south west. Not only is this figure considerably lower than other regions in the UK, but the south west is also likely to see lower than average interventions by the energy companies under CESP due to their preference for lowest cost installations. The less developed supply chain (e.g. a lack of qualified installers) means that installations in the south west are more costly than those in other areas with more developed supply chains. Continuing this bias by not ensuring an equitable regional distribution of CESP funding will mean that the south west's supply chain will not receive the kick-start that it needs and the cycle of underinvestment will continue.

Focusing on the poorest 10% ignores the other challenges the south west faces, for example there are particular issues with rural homes that are off gas grid that are unlikely to feature if the IMD was the only measure to target areas for CESP. There is also the opportunity to develop local knowledge, the local supply chain and also to inspire other local communities to act if CESP is spread out across the UK. A regional allocation of CESP projects could allow this.

One option could be that as well as the Index of Multiple Deprivation, eligible areas should be identified using the Fuel Poverty Indicator developed by the University of Bristol and CSE or a similar tool. This will allow areas in fuel poverty to be considered for the programme and in particular allow more rural communities with particular needs to be considered.

We recommend that a regional allocation of projects is made to ensure a spread of projects across the UK. A mechanism to ensure that a variety of diverse communities are engaged with the programme should be used.

Q15 (CESP) Scoring of measures under CESP

Care needs to be taken to ensure that the scoring of measures under CESP does not result in perverse outcomes. For example, by not including glazing as a measure under the scheme, there is a risk that a raft of other more costly measures are introduced in a home that continues to leak energy through its windows.

The CESP proposes that biomass installations need to have Ofgem assessments to calculate the CO_2 savings achieved on a case by case basis. This added "hoop" may act as a disincentive on biomass installations. **Standardised CO_2 savings measures are available for biomass and should be used to determine the CESP scores.**

Q16-18 (CESP) District Heating

The consultation asks if district heating should be included as a potential measure under CESP. District heating can deliver significant carbon saving at community scale. Currently the financial viability of district heating is marginal. In special situations around the country (Sheffield, Nottingham, Woking, Southampton etc.) communities have been able to demonstrate the applicability of retrofit district heating solutions despite the financial challenges. Element Energy's energy strategy for the East of Exeter[1] shows the importance of district heating as a key enabler in the transition to a low carbon economy in larger scale new development.

However, Regen SW's work with developments across the south west of England shows that the development community is sceptical. Our work also shows that local authorities are inexperienced in considering and implementing community energy solutions. However, more district heating schemes are urgently needed to demonstrate the benefits they can bring to communities. **It is therefore critically important that CESP provides financial support for the development of district heating.**

District heating can play an important role in providing carbon savings for hard to treat buildings, which cannot be demolished or upgraded (listed / protected buildings). In such circumstances, schemes for relatively small geographical areas can provide significant carbon savings. **District heating schemes for hard to treat buildings could be prioritised by CESP.**

[1] See http://www.regensw.co.uk/downloads/RegenSW_230.pdf

Rather than attributing specific base-line scores to particular types of scheme, assessment on a case by case basis is needed. However, guidance should be given on the cost per tone of CO_2 saved to ensure that only district heating schemes that provide the appropriate levels of CO_2 savings are submitted for assessment. **Guidance will be needed on both the calculation methodology and benchmark levels of CO_2 savings that are likely to receive CESP support.**

End of Regen SW response