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Dear Elliot,

Thank you for your letter dated 3 June, to the Rt Hon Alok Sharma MP, regarding the recent heat networks consultation. I am responding as this matter falls within my Ministerial portfolio.

I was sorry to read about the issues raised by your constituents regarding the Sutton Decentralised Energy Network. The points you raise are of concern and I welcome your contribution as we consider the future for a market framework for heat networks.

Heat is a major part of our economy and accounts for around a third of UK carbon emissions. To meet our carbon reduction targets, we must significantly cut our emissions from heat as you mention in your letter. This requires us to move to cleaner and more efficient ways of heating our homes, buildings, and industry.

Heat networks present a significant opportunity for low carbon heating with the Committee on Climate Change stating that by 2050, heat networks could provide 18% of UK heat. To achieve our 2050 obligations, supply will have to switch from a gas-dominated marketplace to a more diverse energy landscape with no one technology providing the only solution. We appreciate that, in its current nascent state, further policy and investment is required to realise our ambitions for heat networks.

In the right circumstances, heat networks can reduce bills, support local regeneration and can be a cost-effective way of reducing carbon emissions from heating. Ours and the Competition and Market Authority's (CMA) evidence shows that on average, heat network consumers pay the same or lower bills for their heating and hot water than other consumers and they are likely to receive comparable levels of service. However, both our Consumer Survey and the CMA Report also found evidence that some consumers are getting poorer deals in terms of price and service quality. Your survey results suggest that your constituents, unfortunately, may be part of this minority.

The Government is on the side of the consumer. Ensuring heat network consumers pay a fair price is an important priority for our longer-term market framework. All heat network consumers should be charged a fair price and receive good quality service. Our market framework consultation proposes that Ofgem will be given powers to ensure this is the case. We also want to ensure that customers all receive sufficient protections and routes to redress when things go wrong.

Our proposals around fair pricing will address the “no freedom of choice” issue as described in your letter. As you have articulated, there is currently little incentive for heat network operators to reduce high energy bills and we are proposing that Ofgem should have powers to mandate and enforce suppliers to publicly disclose their fixed charges, tariffs and unit rates and provide clear explanations about how prices are set for consumers investigating where required.

As mentioned above, heat networks present an opportunity for heat decarbonisation in the right circumstances. You stated that New Mill Quarter is reportedly being heated by gas boilers at the incinerator site as opposed to the incinerator output – this is of concern. Within our market framework we propose setting maximum carbon emission standards in the future which regulated heat networks would be obliged to meet, and we are working to ensure that the carbon factors used in this approach reflect the actual operation of the infrastructure.

I have asked my officials to make contact to learn more about how you believe the facility is underperforming and the financial issues with the development. We are keen to ensure that, under a regulated market, consumers have greater transparency about how well their network is operating and the heat sources that are contributing to it. My officials will be taking your letter into consideration when analysing responses to our market framework consultation and how we plan to address these issues under the market framework.

Thank you for taking the time to write. I hope you and your constituents find this information helpful.

Yours ever,

A handwritten signature in black ink, appearing to read 'Kwasi Kwarteng', is positioned above the printed name.

RT HON KWASI KWARTENG MP

Minister of State for Business, Energy and Clean Growth