

EBRS requirements for heat networks



In September we wrote to you about the Energy Bill Relief Scheme (EBRS), a government package that will provide energy bill relief for non-domestic customers (including heat networks) this winter.

Since our previous article, UK government passed the Energy Prices Act 2022, which legislates for the EBRS and establishes a requirement that any price support is passed on to end customers.

This means that Heat Suppliers in receipt of the EBRS must pass on the benefit of reduced prices to their end customers, both domestic and non-domestic, and provide information on how they will do this.

[The Energy Bill Relief Scheme Pass-through Requirement \(Heat Suppliers\) \(England and Wales and Scotland\) Regulations 2022](#) ('the Regulations') place significant responsibilities on Heat Suppliers, including:

- Passing on the benefit of the EBRS to end customers and providing information on how the pass-through will be affected
- Registering to the redress scheme, administered by the Energy Ombudsman, allowing heat network customers to raise a complaint if they have not received the benefit of the EBRS

SECTION 1: DEFINING THE HEAT SUPPLIER

The Heat Supplier is the legal entity that supplies and charges for the supply of heat and/or hot water to a final customer through a heat network. In most cases, this will be the entity that has a Lease Agreement (and/or Heat Supply Agreement) with the customer, generally the building Freeholder.

If you are a Managing Agent and you manage a development with a Heat Network (including communal heating and/or hot water services), you will likely have a responsibility on behalf of your client (the Heat Supplier) to ensure that they are fully compliant with regulations.

If you (or your client) have a Lease Agreement (and/or Heat Supply Agreement) stating that you/your client are responsible for the supply of heat and/or hot water to a development (despite contracting the metering and billing services with us) you/your client will be classed as the Heat Supplier under the Regulations.

If you are unsure who the Heat Supplier is for your development, we recommend you refer to the Lease Agreement /Heat Supply Agreement for clarification. If you require assistance interpreting the document, please contact your Energy Manager who will be happy to help.

SECTION 2: REGISTERING FOR THE REDRESS SCHEME

On 1 November, it was announced that all Heat Suppliers must register to the redress scheme, administered by the Energy Ombudsman. Under the legislation, heat network customers can complain on the following grounds, if their respective Heat Supplier has not:

- a. Notified customers that it has benefitted from the EBRS
- b. Notified customers of how it will pass through the benefit from the EBRS
- c. Passed on the scheme benefit within the timeframe required by the Regulations
- d. Otherwise complied with the requirements to pass through the EBRS benefit

Heat Suppliers subject to complaints will need to pay the Ombudsman a case fee to cover the costs of investigating the complaint, as is the case for gas and electricity suppliers.

The Energy Ombudsman is currently setting up a dedicated team to answer questions and provide support. Meanwhile, if you have any questions about the redress scheme, or to register, please contact HeatNetworksInfo@Ombudsman-services.org.

SECTION 3: REQUIREMENTS ON THE HEAT SUPPLIER

Under the Regulations, a Heat Supplier that benefits from the EBRS must pass on that benefit to customers in a just and reasonable way. The Heat Supplier must ensure the benefit is passed on as soon as reasonably practicable after receiving the benefit.

As per our previous correspondence, the EBRS will apply discounts to energy consumption during the 6-month period between 1 October 2022 and 31 March 2023.

Different deadlines will apply depending on when the Heat Supplier is in receipt of the EBRS:

Scenario 1	Scenario 2
Heat Suppliers benefiting from the EBRS on the date the Regulations came into force (1 November) have until 30 November to provide customers with details on the reduction of their bills, and how it will be applied.	Heat Suppliers that will benefit from the EBRS after the Regulations came into force will have 30 days from the point they receive the benefit, to meet the above provision of information requirements.

If you are unsure which scenario relates to your development, please refer to **Section 6: Next Steps** (page 6) or contact your Energy Manager.

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Heat Suppliers that do not benefit from the EBRS, such as those that entered a fixed energy contract prior to 1 December 2021 (the earliest date from which contracts benefit from the EBRS), are not subject to pass-through requirements.

However, if your energy contract is due for renewal between now and when the EBRS ends (31 March 2023) the Heat Supplier will need to comply with the pass-through requirements from the date the new contract starts.

SECTION 4: PASSING ON THE EBRS BENEFIT TO CUSTOMERS

Under the Regulations, the Heat Supplier must provide customers with evidence of what factors have been taken into consideration in determining that the pass-through amount is just and reasonable. That Heat Supplier should consider:

- The amount the Heat Supplier paid for energy, which was subject to price reductions under the EBRS.
- Any other costs incurred in supplying heat and/or hot water during the period it is benefiting from the EBRS – this includes costs from heat losses, efficiency of generation, operation, maintenance, and capital costs.
- Any losses incurred as a result of the cost of purchasing energy exceeding the amount charged to customers, for the supply of heat and/or hot water during the period for which the benefit was provided.

SECTION 5: COMMUNICATING WITH CUSTOMERS

It is the Heat Supplier's responsibility to notify each of its customers in writing that it has benefitted from the EBRS. Communication can be made by letter, email, text/instant message or newsletter.

Contact must be made within 30 days of the EBRS benefit being received and must set out:

- The amount of EBRS benefit provided to the Heat Supplier
- The period of time to which the benefit relates
- A summary of the requirements to pass on the benefit of the EBRS to customers
- The amount of the benefit which will be passed onto the heat network customer
- How that amount has been calculated
- Why the amount has been determined as being just and reasonable
- When and how the amount will be provided to the heat network customer
- Details of how the customer may resolve any dispute it has with the Heat Supplier about how it has complied with the requirement to pass through the EBRS benefit, which may involve the Heat Supplier sharing its complaints handling procedure

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- That a customer can make a complaint to the Energy Ombudsman (in Great Britain) or General Consumer Council for Northern Ireland
- That a customer can recover the pass-through amount as a civil debt if the Heat Supplier does not provide the customer with that amount

The government has published a series of letter templates for guidance, found here:

<https://www.gov.uk/government/publications/pass-through-requirements-for-energy-price-support-provided-to-intermediaries>

We believe the following example will apply to the majority of our clients:

Scenario

A Freeholder is the Heat Supplier to a block of 100 flats which is connected to a communal heat network.

Each customer pays a standalone heat tariff, consisting of a variable charge (based on consumption) and a standing charge, meaning that each customer is charged a different amount for the heat and hot water they use.

The communal gas supply contract, which commenced in August 2022, now benefits from the EBRS. This means that the supplier is now paying 20% less for energy than it was under its previous contract.

Just and Reasonable Test

Having taken into account other factors, such as wider costs associated with supplying heat and hot water, the Heat Supplier applies a 15% reduction to the variable charge of each customer's bill.

Result

Each customer receives an equal percentage reduction in their variable charge in November, with customers who consume more and therefore pay more receiving a larger reduction in £ terms.

Within 30 days of receiving the EBRS benefit, the Heat Supplier contacts each customer to explain the pass-through amount they will receive, and how it was determined that this is a just and reasonable amount.

The Heat Supplier also provides details of how the customer can resolve disputes, including the grounds on which the customer may raise a complaint with the Energy Ombudsman.

Source: <https://www.gov.uk/government/publications/pass-through-requirements-for-energy-price-support-provided-to-intermediaries/guidance-on-the-energy-bill-relief-scheme-pass-through-requirements-for-heat-networks>

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SECTION 6: NEXT STEPS

Our energy managers are currently working to identify developments affected by the Regulations. As it stands, this will only apply to developments that have a heat tariff based on an energy contract agreed on/after 1 December 2021.

If your development is subject to the pass-through requirements, your Energy Manager will require a copy of the communal gas/electricity bill covering the period of October consumption (usually issued in November). Once in receipt of the bill, we will calculate a new tariff for recharging based on the EBRS discount. We will also issue a letter to customers, explaining how the discount has been calculated and applied.

If your heat tariff is based on an energy contract agreed prior to 1 December 2021, we recommend you issue a letter to all customers explaining why the EBRS does not apply to the development. We will be happy to provide some content for this communication.

It should be noted that not all contracts agreed on/after 1 December 2021 will automatically qualify for the EBRS. If you are in any doubt, we recommend that you check with your energy supplier for confirmation.

For further information or support please contact your Energy Manager in the first instance. Alternatively, please contact the team on **01279 810 120** or at **info@dataenergy.co.uk**.

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