



Department
of Energy &
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Heat Networks Delivery Unit

Heat Strategy & Policy Team

DECC

July 2013

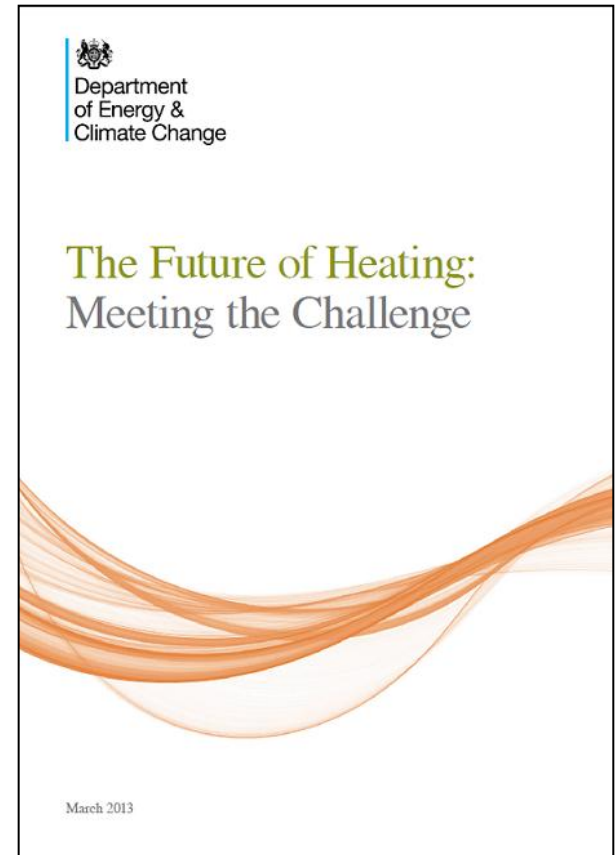
“Meeting the Challenge” covers the whole spectrum of heat questions in the UK



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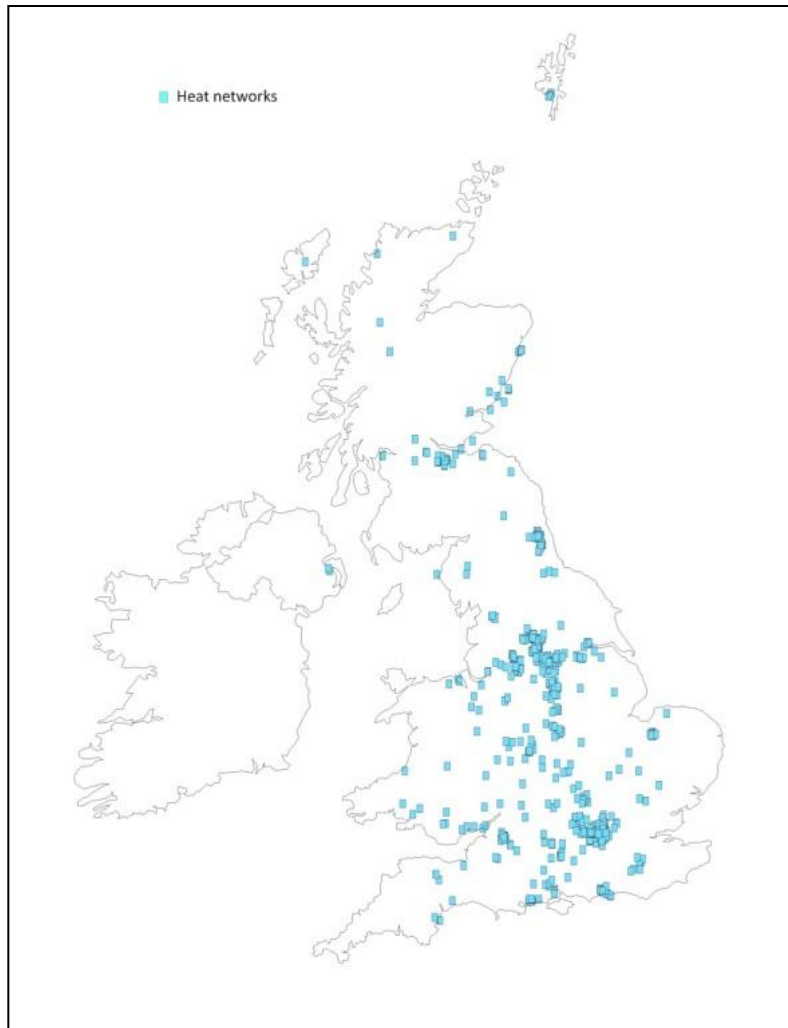
Contents

- Ministerial Foreword
- Introduction
- Chapter 1: Efficient low carbon heat in industry
- Chapter 2: Heat networks
- Chapter 3: Heat and cooling for buildings
- Chapter 4: Grids and infrastructure
- Evidence Annex

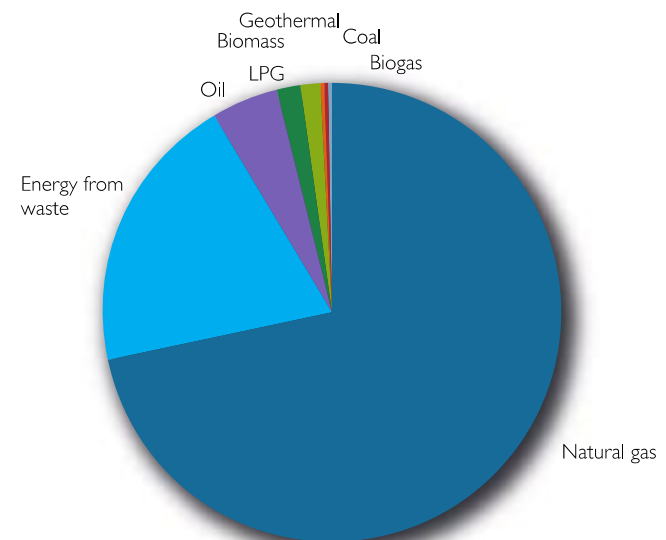




Heat Networks: the situation now



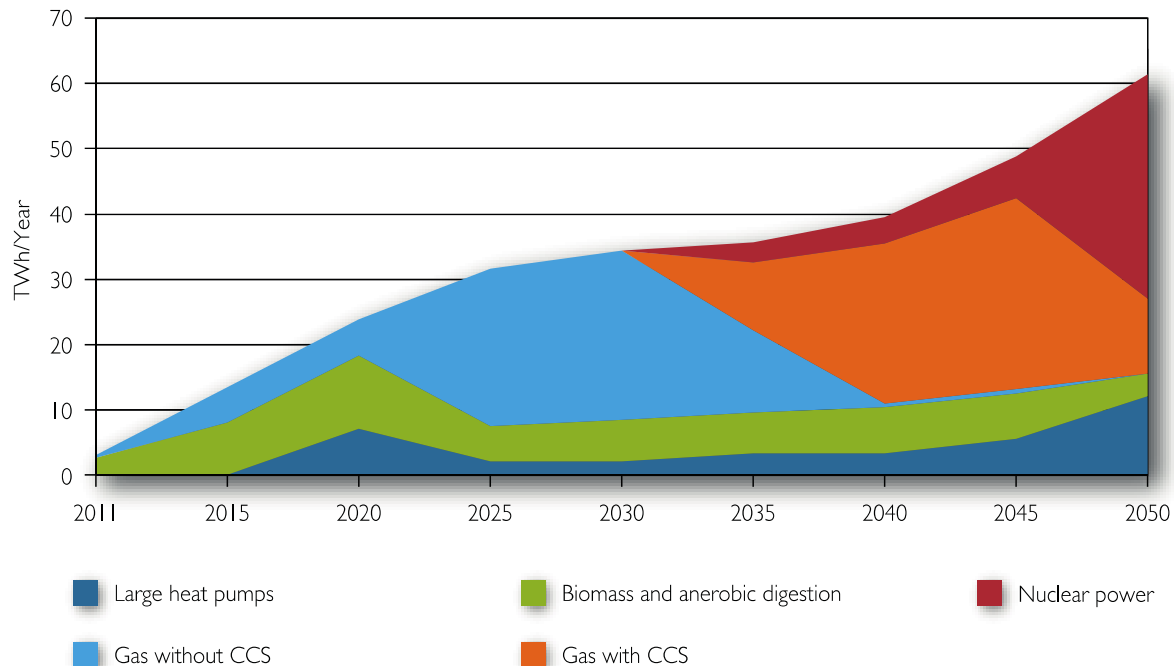
- 2000 networks
- 2% of domestic, public and commercial demand
- Predominantly natural gas fired





Heat Networks: the potential

- DECC modelling: 20% of domestic heating demand by 2030, because they allow for flexibility over time
- Diversification of fuel sources





Heat Networks: barriers

Local authority-led schemes

- Obtaining funding for feasibility/viability work
- Obtaining capital funding
- Selecting suitably qualified consultants
- Identifying internal resources to instigate scheme and overcoming lack of knowledge

Private sector-led schemes subject to fewer barriers



Importance

- Geographical responsibility
- Strategic planning
- Heat networks benefits: fuel poverty / carbon / growth

Barriers

- Capacity and capability
- Capital cost
- Development funding

Next steps



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11 actions identified, including:

- Setting up a **Heat Networks Delivery Unit** and **development funding stream** (£9m, in place for two years from this autumn)
- Supporting the establishment of an industry-led customer **code of conduct**
- **Supporting technical innovation** in design and installation
- Examine scope for extra **financial support** for heat networks through the **RHI** (as part of RHI review 2014)
- Transposition of the **Energy Efficiency Directive**
- Development of **technical standards**

Work since March



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Low carbon pioneer cities

- Learning from previous funding and on-going programme of work

HNDU funding

- Developing funding criteria

Developing the shape of HNDU

- 8-10 people including, commercial, financial, technical and policy specialists

HNDU Recruitment

- Investment Director recruitment in the latter stages
- Team recruitment underway

HNDU Timeline and Engagement

- Recruitment and demand building phase (including HNDU roadshows)
- Formal launch in Autumn – development funding stream applications open



Expert support and advice

- Guidance and advice to LA/LEP project teams
- Delivery focussed
- Creating smarter LA/LEP clients

Fund management (£6m)

- Contribution to cost of advice
- HNDU to assess applications
- Condition: HNDU support to ensure VFM of funding

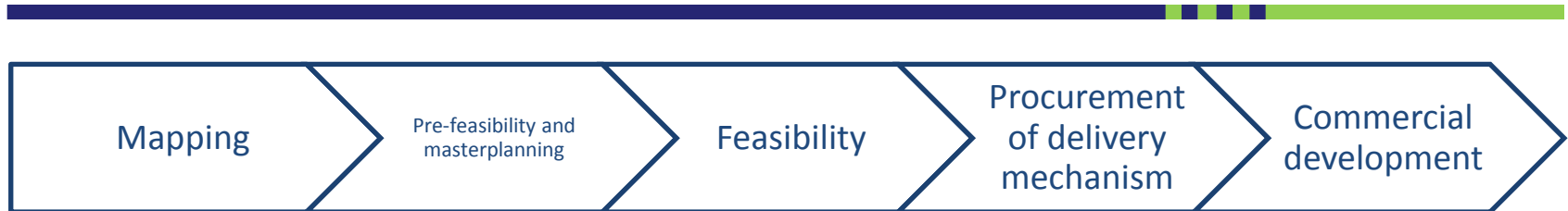
The HNDU Offer (2)



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GIB /
private
investment

HNDU support



HNDU funding



Development funding stream: likely criteria



Likely criteria

- Credible prospects for commercial development
- Clear components in plan and credible delivery timetable
- Institutional support of the LAs/LEPs
- Supportive policy framework in place
- Track record of delivering projects
- Route to zero carbon
- Strategic location and scope for expansion
- Mix of projects at different stages

Ask: LA/LEPs start thinking now about what they might apply for and why