DPS FRAMEWORK SCHEDULE 4: LETTER OF APPOINTMENT AND CONTRACT TERMS

Part 1: Letter of Appointment

[redacted]

Letter of Appointment

This letter of Appointment dated Wednesday 27th October 2021, is issued in accordance with the provisions of the DPS Agreement (RM6018) between CCS and the Supplier.

Capitalised terms and expressions used in this letter have the same meanings as in the Contract Terms unless the context otherwise requires.

Order Number:	PS21152 – Heat Networks Consumer and Operator Survey 2021 Social Research
From:	The Department for Business, Energy and Industrial Strategy (BEIS), 1 Victoria Street, London, SW1H 0ET ("Customer")
To:	Kantar UK Limited, TNS House, Westgate, London W5 1UA ("Supplier")

Effective Date:	Friday 29th October 2021
Expiry Date:	Thursday 31st March 2022 Notice Period of Cancellation is 30 days

Services required:	Set out in Section 2, Part B (Specification) of the DPS Agreement and ref ined by: · the Customer's Project Specification attached at Annex A and the Supplier's Proposal attached at Annex B;

[redacted]	[redacted]

[redacted]

Insurance Requirements	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

GDPR	As per Contract Terms Schedule 7 (Processing, Personal Data and Data Subjects)

FORMATION OF CONTRACT

BY SIGNING AND RETURNING THIS LETTER OF APPOINTMENT (which may be done by electronic means) the Supplier agrees to enter a Contract with the Customer to provide the Services in accordance with the terms of this letter and the Contract Terms.

The Parties hereby acknowledge and agree that they have read this letter and the Contract Terms.

The Parties hereby acknowledge and agree that this Contract shall be formed when the Customer acknowledges (which may be done by electronic means) the receipt of the signed copy of this letter from the Supplier within two (2) Working Days from such receipt

For and on behalf of the Supplier: **For and on behalf of the Customer:**

[redacted]

Date: 28th October 2021

Date: 8th November 2021

ANNEX A

Customer Project Specification

1. Background

Project Context

In 2019, the UK Government set a legally binding target to achieve net zero greenhouse gas emissions across the UK economy by 2050. This made the UK the first major economy to legislate for a net zero target. The UK has already made progress towards this target, reducing emissions by 49% between 1990 and 2020[1]. The UK continues to show international leadership on climate change, recently announcing the world's most ambitious legally binding target, to reduce greenhouse gas emissions by 78% by 2035. [2] This follows the Climate Change Committee's (CCC) sixth Carbon Budget advice and will ensure that Britain is on track to end its contribution to climate change by 2050, fulfilling commitments under the Paris Agreement. [3]

Heat in buildings is responsible for over a fifth of UK greenhouse gas emissions. [4] Meeting our net zero target will require virtually all heat in buildings to be decarbonised, and heat in industry to be reduced to close to zero carbon emissions.

The way heating is supplied to over 28 million homes, businesses and industrial users will need to change. Over the next fifteen years, we will gradually move away from fossil fuel boilers towards lower carbon alternatives. [5]

Heat networks are heat distribution systems that transfer heat from a central source(s) and deliver it to a variety of domestic and non-domestic customers. Expanding heat networks are a key part of BEIS's net zero plan: the CCC estimate that to reach carbon neutrality, 18% of the UK's heat must be provided via heat networks.
Heat networks are inherently monopolistic: as once they are set up, customers have no option to change their supplier. Ensuring that consumer interests are protected while allowing the industry to grow is therefore key to BEIS's approach to regulation of this industry.

Project background:

In 2017, a consumer survey was carried out to fill a quantitative evidence gap in consumer experiences in the UK[6]. Kantar Public, the selected contractor, carried out a postal survey

[1] https://www.gov.uk/government/statistics/provisional-uk-greenhouse-gas-emissions-national-statistics-2020
[2] Departmentfor Business, Energy and Industrial Strategy (2021), UKenshrines newtargetin lawto slash emissions by 78% by 2035: https://www.gov.uk/government/news/uk-enshrines-new-target-in-law-to-slash-emissions-by-78-by-2035
[3] Climate Change Committee (2020), Sixth Carbon Budget: https://www.theccc.org.uk/publication/sixth-carbon-budget/
[4] Departmentfor Business, Energy & Industrial Strategy (2021), Final UKgreenhouse gas emissions national sta tistics 1990-2019, emissions categories included:'Commerciala nd miscellaneous combustionand electricity', 'Public' and 'Residential' https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-national-statistics-1990-to-2019
[5] Departmentfor Business, Energy and Industrial Strategy (2020), Energy white paper: Poweringour net zero future: https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future
[6] https://www.gov.uk/government/publications/heat-networks-consumer-survey-consumer-experiences-on-heat-networks-and-other-heating-systems

to supply this data. The outcome of this survey formed the evidence base for development of reforms to the existing Heat Network (Metering and Billing) Regulations 2014 and the development of a Market Framework, on the recommendation of the Competition and Markets Authority. This research was supplemented by a further qualitative study of heat network consumers and operators in 2018[7].

We have further evidence gaps that were not addressed by the first consumer survey. The main gaps are:

1) Experiences of non-domestic consumers: The first Heat Network Market Framework consultation responses suggested the consumer protection needs of microbusinesses and SME non-domestic consumers are similar to domestic consumers, but we have no quantitative evidence of this on which to base our policy development.
2) Equality and fuel-poverty experiences: The first Consumer Survey collected limited information on the experiences of those with protected characteristics, those vulnerable to interruptions of service, and vulnerable to fuel poverty. This data gap makes it difficult to quantify the equality gaps we may wish to address as part of the Public Sector Equality Duty.
3) Technical standards: In the first survey, respondents had a limited understanding of the technical aspects of their heat networks e.g., how heat is generated, retained and lost in their building and/or dwelling. This limited understanding of technical standards in existing heat networks has affected work to establish a technical standards program and to compare the heat profiles of buildings connected and those not connected to heat networks.

Some actors in the heat network industry have indicated to BEIS that they do not agree with the findings of the 2017 survey on pricing which reported that the median price paid by heat network consumers was on average £100 less than non-heat network consumers. Whilst the 2017 survey did identify pockets of heat network consumers paying very high annual bills, further evidence on what is driving the high variability of pricing, and the impacts of this, is needed.

Finally, since the first survey was carried out, there have been changes in policy development for the sector, in the form of Heat Network Metering and Billing Regulation amendments and the upcoming Market Framework. We also believe that the HN market may have grown in the last four years. This means that there is a need to establish a new evidence baseline to understand how consumer experiences have changed as the industry has grown.

This research project aims to carry out an updated survey to establish a new evidence base for policy development.

The outputs of this research will inform policy development including:

- Consumer protection rules and technical standards under the Heat Networks Market Framework
- Heat Network Zoning and other Heat Network market growth initiatives.

Scale and scope of the research

The survey will include England, Wales and Scotland.

BEIS is responsible for all heat regulation in England and Wales and the 2017 survey only covered those regions.

[7] https://www.gov.uk/government/publications/heat-networks-the-experiences-of-consumers-and-operators

As BEIS is responsible for consumer protection in Scotland, and those parts of the Market Framework will apply there, we have judged it would be valuable to include them in this iteration of the survey, despite not having included them in the 2017 survey.

As heat and consumer protection regulation is entirely devolved to Northern Ireland, the survey will not extend to NI.

This survey will collect user experience views from:

- Domestic consumers
- Non-domestic micro and SME consumers[8]
- Heat suppliers and network operators

2. Aims and Objectives of the Project

Research Aims

This research aims to improve and strengthen the evidence base on the experiences of heat network consumers by developing a statistically robust representation of consumer experience across both domestic and non-domestic sectors. It will assess current consumer satisfaction and service levels and how these differ for different types of Heat Networks consumers; and whether there is a difference in experience for those covered by existing protections, such as the Heat Trust.

It will also improve and strengthen the evidence base on the experience of heat network operators. It will assess current business models and how these influence approaches to customer and technical services, and awareness of current and future requirements and regulations.

The overarching research objectives of this project are to assess:

- The current domestic consumer experience of heat networks in England, Scotland and Wales, and whether that has changed since the 2017 Heat Network Consumer Survey[9].
- The non-domestic consumer experience of heat networks in England, Scotland, and Wales.
- The demographics and experiences of different types of heat networks consumers, particularly potential differences for consumers that have specific protected characteristics, or are fuel poor or vulnerable.
- How the experiences of heat network consumers compare to those with other heating systems.
- Different approaches to the operation of heat networks by operators.

The research project will also provide:

- comparative profiles for consumers and building types between heat networks and gas/electric provisions and separate social housing from private.

[8] The consumer protectionregulations willonly apply to smaller non-domestic consumers.

[9] https://www.gov.uk/government/publications/heat-networks-consumer-survey-consumer-experiences-on-heat-networks-and-other-heating-systems

- More information on consumer protection, including awareness of suppliers, exploitative practices or heat inequality, including heat rationing or disconnections, and whether there are priority reconnection plans for vulnerable people.
- Deeper understanding operator approaches to and consumer experiences of technical standards, including outages, overheating and efficiency.

These research objectives have been designed to deliver a comprehensive understanding of the heat network operator and consumer experience in order to inform the development of future heat network regulations and consumer protections, as well as wider heat network policies.

Research Themes and Questions

This research is divided into six high level themes, which will be addressed by answering five research questions. The themes and research questions are outlined below. Sub-questions are also included, providing an indication of areas for further focus:

Themes
RT1: Heat network consumer demographics and operator profiles
RT2: Pricing and billing arrangements
RT3: Technical service and satisfaction
RT4: Customer assistance, awareness and satisfaction
RT5: Heat network impact on potentially vulnerable, fuel poor customers and those with protected characteristics (where relevant)
RT6: Heat network operations

- **RQ1: What are the demographics and characteristics of heat network consumers?**
    a) What is the range of demographic profiles of heat network consumers, including age, household make-up, socio-economic status? How does this compare with national averages?
    b) What proportion of domestic heat network consumers have protected characteristics, or are identified as vulnerable or fuel poor? How does this compare with national averages?
    c) What other common types of heating systems are used in similar properties and households, that are not connected to heat networks?

- **RQ2: What are the common pricing and billing arrangements for heat network consumers?**
    a) Have pricing, billing and metering practices changed for domestic consumers since 2017? [10]
    b) How much do heat network consumers pay for heat? Can they afford to pay their bill? Does this vary depending on network age, metering arrangements, or ownership/tenancy type?
    c) What type of billing arrangements do heat network consumers have, for example billing frequency, payment methods, and tariff agreements?
    d) Do heat network consumers pay more now than in 2017. How do price increases compare with those in electricity and gas in the same time frame.

[10] For comparisons to the 2017 survey BEIS will work with the contractor to agree where direct comparisons can be made and where additional weighting or analysis of results is needed.

e) Do heat network consumers pay more for heat than would be possible using gas or electric heating, i.e. max Ofgem price adjusted for heating share only?
f) Are consumers satisfied with the price they pay for their heating.? What strategies are employed by consumers who struggle to pay their bills in relation to their heating?
g) Are consumers satisfied with current billing arrangements? Do they understand them?
h) Would heat network consumers be prepared to pay more for their heating if it was low-carbon?
i) How comparable are experiences across the domestic and non-domestic sectors?

- **RQ3: What level of technical service do heat network consumers receive and how satisfiedare they?**
  a) Have technical services and standards changed for domestic consumers since 2017?
  b) What level of control do consumers have over their heating? How is this control achieved and are consumers satisfied with this? Do consumers experience over or underheating?
  c) Do experiences of technical service differ for the different types of consumers identified in RQ1? Does this vary depending on heat network characteristics (e.g. size or age), or operator types?
  d) Does being on a heat network have different impacts for domestic customers that are vulnerable, or fuel poor or have protected characteristics? Are there plans available to protect vulnerable customers?
  e) What types of maintenance and repair arrangements exist? How are costs of repairs distributed by operators?
  f) How comparable are experiences across the domestic and non-domestic sectors?
  g) How do customers' experiences of heat network technical service compare to other regulated utilities (e.g. gas, electricity and water)?

- **RQ4: What is the currently level of customer service & assistance, awareness and satisfaction?**
  a) Has customer service & assistance, awareness and satisfaction changed for domestic consumers since 2017?
  b) What level of awareness of heat networks do heat network consumers have? Do they know they are on a heat network and understand what it is? Have they been provided with any information on heat networks by their operator or other relevant authority?
  c) Are consumers aware of their rights? Do they have access to their terms of service or understand how to complain?
  d) Do vulnerable know if their operator maintains a vulnerable consumer registers?
  e) How many consumers have made complaints about their heating? What is the nature of these complaints? Were these complaints resolved to their satisfaction?
  f) How do experiences compare across the domestic and non-domestic sectors?

g) How do customers' customer service & assistance, awareness and satisfaction compare to other regulated utilities (e.g. gas, electricity and water)?

- **RQ5: How do heat network operators own and operate a heat network?**
  a) What types of business models are common amongst heat network operators? How many networks / consumers do operators serve? What additional roles might the operator have (e.g. Landlord, Local Authority, etc.)?
  b) What are the ownership and operating structures? How often is running and maintenance sub-contracted?
  c) How are tariffs or pricing structures calculated? How often is this reviewed? How does this vary between different types of operator?
  d) How do operators approach billing of consumers? How is this decided?
  e) How frequent are heating outages, what is the balance between planned and unplanned outages? How do operators plan and respond to outages?
  f) How do operators approach their customer service obligations? Why do operators decide to join voluntary schemes such as the heat trust or not?
  g) How does the heating source (for example high vs. low carbon) impact operators' approaches to billing, operation and maintenance? Are there specific challenges associated with low carbon heat sources?
  h) Do operators maintain vulnerable consumer registers? Do operators give special considerations to vulnerable customers?
  i) Do operators vary their approaches in interactions and obligations towards domestic and non-domestic consumers?
  j) Are operators aware of existing and upcoming regulations? What are their perceived impacts of these?
  k) How many operators are likely to apply for rights and powers[11]? What are the triggers for doing so and do operators experience barriers when applying? What are these barriers and how significant are they?

Bidders should outline how they would address these research questions, proposing a suitable methodological approach and engaging sufficiently with the challenges associated with said approach. Bids should also demonstrate an understanding of the context surrounding these questions, outlining a broader understanding of the policy area and heat networks more generally.

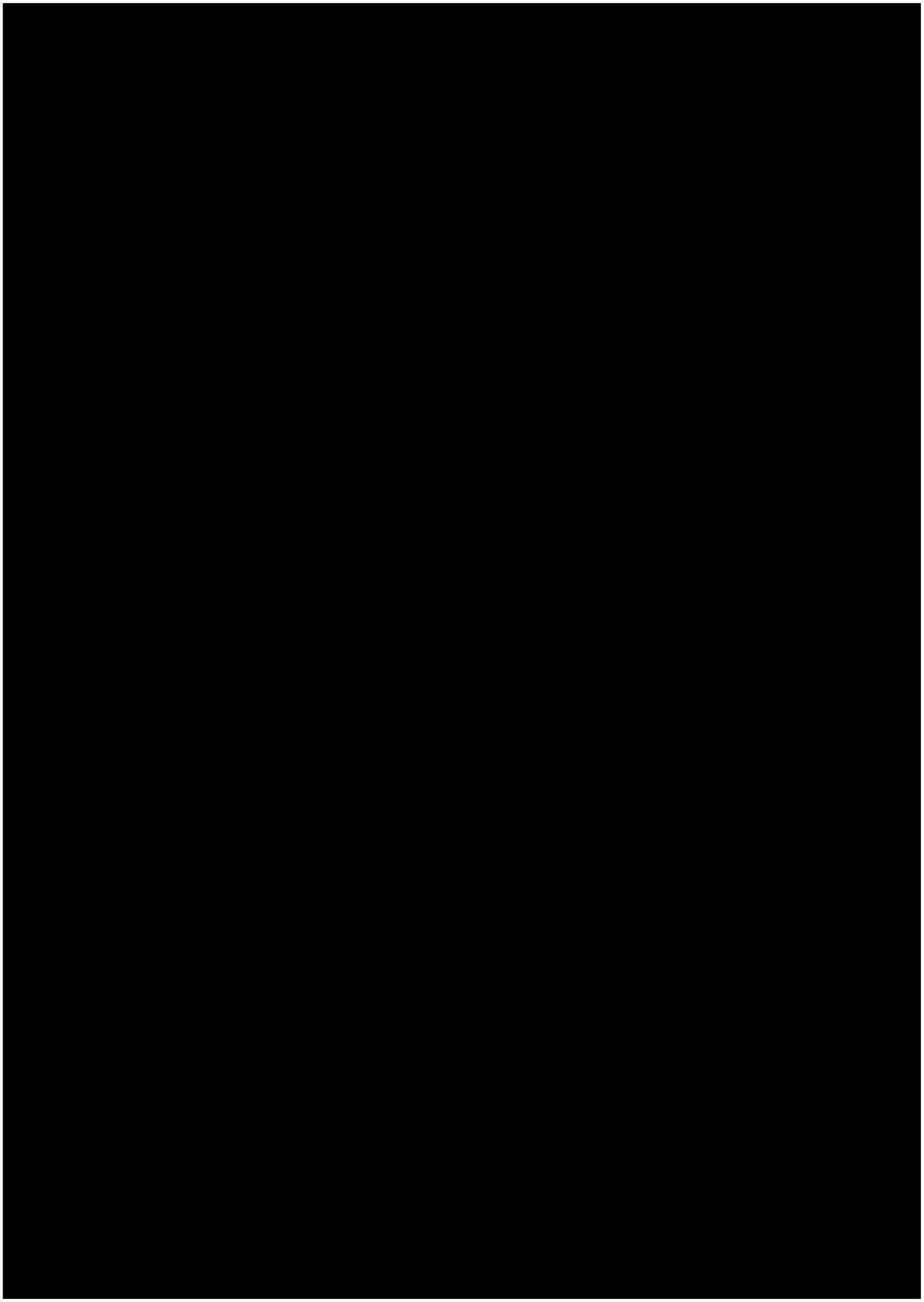
3. Suggested Methodology

[11] Heat networks, unlike other utilities (e.g., electricity, gas and water), do not have statutory powers to carry out roadworks and other activities which are essential to the construction and maintenance of their networks. This means that heat networks often experience longer delays for construction, maintenance and repair than comparable services. Given that heat networks provide an essential service (in supplying heat), there is a clear justification for giving them equivalent rights and powers to other utilities to improve consumer outcomes.

If applicable:	Insert numbers:
Total number of Participants (experimental design)	0
Total number of Interviews (survey)	8,800
Total number of Interviews (qualitative)	100 (optional additional requirement)
Total number of Focus Groups	0
Total number of Case Studies	0

Any other specific requirements	Literature review and secondary data analysis.

[redacted]



Part 2: Contract Terms

Contract Terms v6.0