

‘Not Fit for Purpose’

Residents’ Experiences of E.ON’s District Heating System on the Myatts Field North Estate and Oval Quarter development in Lambeth, London

A report compiled with additional research by

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An electronic version of this report can be downloaded from the following URL:

www.fuelpovertyaction.org.uk/research

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1. Introduction and Executive Summary

This report sets out in comprehensive detail the problems experienced by residents connected to a new district heating system on the Myatts Field North ('MFN') council estate and neighbouring Oval Quarter ('OQ') development in the London Borough of Lambeth ('Lambeth').

District heating brings piped heat in the form of hot water into homes or other premises, replacing the need for individual gas boilers or electric heaters. The district heating on MFN and OQ is run by E.ON under a 40 year contract. It has been installed as part of a housing regeneration scheme that began in May 2012 under the Private Finance Initiative¹ ('PFI'). While residents have experienced problems with every aspect of this PFI regeneration project², the district heating is the main focus here.

Publication of this report comes at a critical moment in the development of district heating in the UK. An estimated 210,000 households across the UK are connected to some 2000 district heat networks, a consumer base forecast to rise to 8 million by 2030.³ Used widely throughout Europe, district heating is seen as more efficient than conventional options. It can generate heat in one place instead of many, produce electric power at the same time through Combined Heat and Power⁴ ('CHP') technology, and use waste heat or renewable sources that individual homes could not access. This can bring real benefits, cutting both energy bills and carbon emissions.

The UK Government has set a target of 8 per cent annual growth to 2050 in what it calls "central heating for cities", and launched a five-year £320 million seed fund in October 2016 to help develop up to 200 new heat networks by 2021.⁵ The Greater London Authority ('GLA') is driving the roll-out across London with all development proposals required to evaluate the feasibility of new or expanded CHP heat networks to meet the Mayor's target of sourcing 25% of London's energy supply from decentralised energy sources by 2025.⁶ Other cities and city regions including Greater Manchester, Sheffield, Gateshead, Leeds, Stoke, and Bristol are also developing new municipal heat schemes.

However, district heating is also generating controversy among consumers with accusations of mis-selling, high cost, confusion over tariffs and charges, unreliability, inefficiency, poor customer service, and mishandling of complaints.⁷ A growing consensus links these poor experiences to an absence of consumer choice and protection in an industry where commercial providers are under pressure to deliver a high return for private investors from a relatively small pool of customers.

¹ The Private Finance Initiative (PFI) was launched by the Conservative Government in 1992 as a new public procurement model in which the building and running public infrastructure like hospitals, schools, and roads, is outsourced to private sector consortia comprised of developers, facilities management firms and international banks in long-term contracts.

² See article by Hodkinson, S. and Essen, C. (2015) 'Grounding accumulation by dispossession in everyday life: The unjust geographies of urban regeneration under the Private Finance Initiative', *International Journal of Law in the Built Environment*, 7(1): 72-91, http://eprints.whiterose.ac.uk/85448/1/Hodkinson_Essen_2015.pdf

³ Department for Environment and Climate Change (DECC) (2015), '£7m boost to heat industry innovation', January, www.gov.uk/government/news/7m-boost-to-heat-industry-innovation

⁴ Combined heat and power (CHP) integrates the production of usable heat and power (electricity) in a single process. It can use both renewables and fossil fuels.

⁵ Department for Business, Energy and Industrial Strategy (BEIS) (2016), 'New "central heating for cities" to help reduce energy bills', October, www.gov.uk/government/news/new-central-heating-for-cities-to-help-reduce-energy-bills

⁶ The Greater London Authority (2016), The London Plan, <https://goo.gl/AGWfYk>

⁷ See report by consumer magazine Which? in March 2015 that found major problems for consumers in many district heating schemes: see <https://goo.gl/7t9jqf>

Heat customers typically find themselves involuntarily “locked in” to long-term contracts by their landlords or the terms of their lease, preventing them from switching energy providers to access better deals. Unlike gas and electricity, the heat industry is almost entirely unregulated with no controls on pricing, providers, or indeed any aspect except metering and billing. Some suppliers, including E.ON, have registered their district heating sites with a voluntary regulatory body called the Heat Trust that was launched in November 2015. Unlike other heat customers, customers of Heat Trust participating networks do have access to the Energy Ombudsman – but only for a strictly limited range of problems (i.e. not including pricing). The Heat Trust also lacks regulatory power to enforce its own rules and is seen as too close to industry to be effective (see Section 3).

Given the potential of district heating to tackle fuel poverty and climate change, it is of major concern that customers in a number of district heating schemes, often on council or mixed-tenure regenerated estates, are experiencing significant problems that are difficult to resolve. If customers are not happy then residential developments with district heating planned in the future could be seen as too risky, placing the future of this very promising technology in doubt. All of these issues are creating growing pressure for regulation of the heat industry, which the evidence in this report makes clear is urgently needed.

The remainder of this introduction introduces the authors and purpose of the report, explains the evidence and methodology used, summarises both the main problems with the MFN/OQ district heating and residents’ demands for improvement, and outlines E.ON’s response to date.

1.1. About the report and authors

This report acts as a single evidence base for residents’ poor experiences of E.ON’s district heating system on MFN and OQ. Its main purpose is to demonstrate to E.ON and other relevant parties what the problems are so that they can be fixed, and ensure that lessons can be learned for the future. The report is being published because the question of how such problems are tackled, and the accountability of a big energy supplier to its customers, are of public interest.

The report has been compiled on behalf of the three residents’ groups whose residents are affected by the E.ON district heating system: the Myatts Field North Residents’ Association and PFI Monitoring Board (‘MFN-RAMB’), the Oval Quarter Residents’ Association (‘OQRA’) and the Oval Quarter Notting Hill Residents’ Association (‘OQNHRA’).

It is co-authored by **Dr Stuart Hodkinson**, Associate Professor in Urban Geography at the University of Leeds, and **Ruth London** of the campaign group, Fuel Poverty Action (‘FPA’). Dr Hodkinson has previously worked with the MFN-RAMB as part of a major study (2011-2014) of council housing PFI schemes in England funded by the Economic and Social Research Council (‘ESRC’).⁸ Ruth London and FPA have been actively supporting MFN and OQ residents over the past year to seek redress over the district heating due to clear evidence that it has created or worsened fuel poverty for many households.

The report focuses primarily on the role of E.ON as the key party responsible for the district heating on MFN and OQ. Residents’ groups recognise that not all of the problems are E.ON’s fault or responsibility and that they are partly rooted in the flawed delivery of the wider PFI housing regeneration contract. Other parties involved, notably Lambeth and the PFI contractor – Regenter

⁸ A profile of the research is located here: <http://www.researchcatalogue.esrc.ac.uk/grants/RES-061-25-0536/read>

Myatts Field North Ltd ('Regenter') – also bear responsibility for failures in consultation, monitoring, and enforcement of the contract, and this is briefly highlighted in passing.

The housing PFI model itself has also been a factor, due to a combination of procurement delays, rising financial cost, a poorly written contract, and the absence of proper monitoring that have led to similar experiences in other housing regeneration schemes.⁹ The failures associated with PFI are now well known and have been most recently exposed in Scotland where more than 70 PFI schools have now been found to contain construction defects that led to the closure of 17 schools in Edinburgh.¹⁰

In the interests of balance and accuracy, a draft version of this report was sent to E.ON, Regenter and Lambeth in February 2017 with an invitation to respond with any comments, explanations or suggested corrections to the contents. Their responses are discussed in section 1.5. We note here that although E.ON stated it could not accept some of the assertions and had not seen the evidence in support of some of the claims, it did not question the accuracy of the report, made no direct comment on any of the specific problems identified in the draft, and apologised for residents' poor experiences to date.

1.2. Evidence and methodology

The evidence presented in this report captures more than 300 households' experiences since January 2013 and has been compiled from several sources, including:

- Surveys and interviews conducted by Dr Hodkinson as part of his previous ESRC research between 2012 and 2015 and follow-on interviews up to 31 March 2017;
- A series of door-to-door and telephone surveys of households conducted by the MFN-RAMB since January 2013, the most recent being over December 2016 and January 2017;
- An online resident satisfaction survey of new private homeowners (March 2016) with 79 household responses conducted by OQRA using SurveyMonkey, and a customer bill survey in January 2017;
- Two door-to-door surveys (March and April 2015) with 51 household responses about their winter heating and hot water experiences conducted by Labour Party ward Councillors;
- Residents' testimonies about their heating and hot water supply and experiences dealing with E.ON's customer service team recorded on the OQ/MFN Residents Facebook Group (closed);
- Emails from residents to MFN-RAMB since 2013 and OQRA since 2015 documenting their problems, including communications with E.ON, Lambeth, Regenter, Higgins, Rydon, the Energy Ombudsman¹¹, and several official complaints;
- All reports and minutes of contract management meetings attended by residents' groups as part of the regeneration process with Lambeth, Regenter, E.ON, and other PFI contractors;

⁹ See Hodkinson, S (2011), 'The Private Finance Initiative in English Council Housing Regeneration: A Privatisation too Far?', *Housing Studies*, 26(6); and Whitfield, D (2017), 'PFI/PPP Buyouts, Bailouts, Terminations and Major Problem Contracts in UK', European Services Strategy Unit Research Report No. 9, <http://www.european-services-strategy.org.uk/publications/essu-research-reports/pfipp-pp-buyouts-bailouts-terminations-and-major/pfi-ppp-buyouts-bailouts-and-terminations.pdf>

¹⁰ Cole, J (2017), 'Report of the Independent Inquiry into the Construction of Edinburgh Schools', February, <https://goo.gl/Z3Do1u>; Public Finance (2017), 'Scottish schools found with significant structural defects', 13 April: <https://goo.gl/AOK0Ek>

¹¹ The Energy Ombudsman is an independent body set up under the Consumers, Estate Agents and Redress Act, 2007 to resolve consumer complaints about energy companies – see <https://www.ombudsman-services.org/sectors/energy>

- Written submissions by FPA to the UK Department for Business, Energy and Industrial Strategy (BEIS) consultation on the Heat Networks Investment Project ('HNIP') (June to August 2016), and the Mayor of London's consultation on A City for All Londoners (October to December 2016);¹²
- Communications from E.ON to residents' groups and households including newsletters, bills, letters, emails, FAQs, and a formal response to FPA's submission to BEIS;
- Pricing and customer experiences gathered from other district heating schemes in the UK.

This experiential data was then analysed in relation to promises and contractual undertakings made by E.ON and Regenter to Lambeth and residents as part of the following processes and documents:

- the pre-regeneration procurement, consultation and planning application process (2003-2012);
- the 25 year PFI Project Agreement, signed May 2012, between Lambeth and Regenter, and its accompanying sub-contracts between Regenter and E.ON, Higgins, Pinnacle and Rydon;
- the 40 year Energy supply agreement, signed May 2012, between E.ON and Lambeth;
- E.ON's service standards for heat customers;
- E.ON's membership of the Heat Trust and its rules;
- individual customer agreements with E.ON.

In the real-life examples used in this report, all names have been changed to guarantee anonymity except for the named representatives of the residents' groups.

1.3. Summary of problems with E.ON's district heating system

Since the first homes on MFN were connected in January 2013, households of all tenure and property types have collectively experienced service delivery problems in five key areas summarised below and discussed fully in sections 4-8 of this report:

- **Lack of consultation and information prior to connection (section 4).** Many households have complained about the 40 year energy monopoly that Lambeth, Regenter, and E.ON have imposed on them. Pre-existing council residents state they were never consulted by Lambeth on this deal in contravention of their statutory housing and consumer rights. New private homeowners feel they were misled about the district heating supply when buying their homes. This lack of consultation and information has angered many residents who feel they are now trapped in a long-term contract that prevents them from switching provider to take advantage of cheaper energy prices or more reliable provision. There is also ongoing confusion and lack of clarity about the length of E.ON's contract – Lambeth asserts that all E.ON contracts end in 2052, yet some private and council leaseholders have 25 year contracts.
- **Unreliable supply and repair service (section 5).** The district heating has been subject to poor reliability with estate-wide and partial failures **on at least 48 separate days since January 2013 – a 96.86% average service.** These outages have disrupted many residents' daily routines as well as ruining Christmas Day in 2014 and the August 2016 Bank Holiday Weekend. Numerous households have also experienced inconsistent and intermittent hot water temperatures with showers and baths suddenly turning tepid or cold, forcing some households to use kettles to heat water or top up baths. Some have found the automatic heating controls too complex and

¹² FPA (2016), Response to UK Government's Department for Business, Energy and Industrial Strategy's consultation on 'Heat Networks Investment Project', August 2016, <https://goo.gl/v20WCX>; FPA (2016), Response to Mayor of London's consultation on 'A City for All Londoners', December 2016, <https://goo.gl/D6y6ce>

cannot programme their central heating to come on and off when desired, or are affected by faulty valves and thermostats. There has been considerable dissatisfaction with repairs service, particularly in terms of reporting and resolving faults. Some homeowners report having to pay for parts and repairs they had been told were already included in the annual energy service charge. Residents' groups suspect the apparent technical inefficiencies in the system could be adding to carbon emissions and customer bills.

- **Unaffordable heat and inaccurate bills (section 6).** Many households have experienced problems paying their bills. A common experience has been extremely high estimated bills that bear no relationship to actual usage. This has been primarily caused by the widespread failure of E.ON's Automated Meter Readers¹³ combined with a highly inaccurate estimation methodology. Some households have also experienced high and inaccurate bills caused by faulty meters or Heat Interface Units (HIUs).¹⁴ E.ON's tariffs, service charges, and the underlying price-setting formulae are also seen as confusing, poorly explained and unfair. When combined with reliability and performance issues, these billing problems mean that it has so far been impossible to ascertain what bills would be like if based on actual usage and correct tariffs. But some households report paying far more than in previous, less energy efficient homes, and many believe the commitment to keep costs no higher than if with a gas boiler is not being met. This is supported by comparing E.ON's tariffs to both current consumer gas prices and the tariffs charged in some other new district heat schemes in the UK. As a result, numerous households report living in fear of receiving their next E.ON monthly bill and some have even have stopped using their district heating and hot water altogether.
- **Poor customer service failing the most vulnerable residents (section 7).** The problems with the district heating have led to a large number of disrepair reports and complaints. However, many households report that over the course of the past four years, E.ON has failed to properly handle their complaints, inform them of their rights to compensation, or adequately compensate those affected. Some households have been forced to take their complaints to the Energy Ombudsman because E.ON will not accept liability. The criteria for how much compensation should be paid are not based on the effects of poor customer service on residents and create invidious situations where one resident gets less than another. While the district heating has suffered years of frequent, relatively short-term outages, compensation is normally only payable for outages that last 24 hours continuously. Both the unreliable service and the poor customer care have hit some **vulnerable residents** – whether elderly, poor, disabled or carers – particularly hard. Tragically, an elderly man with dementia who had been complaining for several months about not being able to afford his E.ON bills was found dead in his flat with no food in his fridge in autumn 2016 (see Box 26). While a number of factors are involved in any such tragedy, this death underlines the gravity of the situation faced by vulnerable households in fuel poverty.
- **An unaccountable energy monopoly in a failing PFI contract (section 8).** Residents and their representatives have done everything possible to raise these issues with E.ON, Regenter and Lambeth. In January 2015, after the first two years of the district heating system, 260 residents signed a petition calling on Lambeth to force improvements on E.ON or free them from their

¹³ Automated Meter Readers (AMRs) enable data from energy metering devices to be read remotely through sending data using mobile or radio technology to a central database, thus saving utility providers the expense of periodic trips to each property to read a meter.

¹⁴ Heat Interface Units (HIU) act as a bridge between the central boiler on a residential development and the heating and hot water systems of the individual apartments.

contracts. Residents' groups have repeatedly complained at the regular contract management meetings. Yet many households have been continually frustrated and unable to get satisfactory redress with problems first dismissed, then misrepresented, until concerted high level pressure brings some degree of recognition without complete resolution. These experiences point to a deep failure of accountability at the heart of E.ON's delivery model and the wider PFI contract. Procedures for independent inspection failed to identify problems with different parts of the district heating system before it went live. Similarly, the PFI performance monitoring and penalty deductions regime managed by Regenter on behalf of Lambeth has failed to ensure that unavailability or poor performance is quickly sorted. Residents report being frequently passed around the different contractors responsible for different aspects of the district heating instead of one provider taking responsibility for the entire service. Additionally, the promised renewable energy supply from solar panels does not appear to have been fully delivered, and carbon emissions savings claimed so far do not approach the 77% promised when the scheme was proposed. Lambeth, meanwhile, steadfastly refuses to be responsible or accountable for any of the regeneration problems on MFN and OQ, stating that it is Regenter's responsibility alone under the PFI contract.

These experiences draw from evidence collated over more than four years meaning that some of the problems and individual examples highlighted in the report have been resolved. However, as of April 2017, residents' groups are aware of households still experiencing the following problems: hot water variability; difficulties in using their heating controls; poor customer and repair service; inaccurate metering; and unaffordable bills. Residents' groups currently have no confidence in how E.ON logs and responds to repair reports and complaints, or that their monthly bills match E.ON's commitment to ensure that they pay less – or even no more – than they would with a gas boiler. Nor do they currently have confidence that E.ON is meeting its compensation obligations under membership of the Heat Trust, or the promised carbon savings through on-site renewables and heating efficiencies.

1.4. Residents' groups' demands and proposals for improvement

Residents' groups have tabled a series of demands with proposals for how E.ON can improve its district heating service on MFN and OQ. These are summarised here and explored in Section 9.

- **Become accountable, take responsibility, be transparent.** Residents' groups want an end to the fragmented responsibility and poor accountability that sees households routinely passed around different contractors when seeking repair or redress. Instead, E.ON should take full responsibility for improving the reliability of the district heating system from boiler plant to inside the home – after all, it is E.ON that residents are paying. E.ON must designate a high level person who will be responsible and accountable to residents' groups and empowered to resolve all of the outstanding issues and any emerging problems with the district heating. As part of the rebuilding of trust, E.ON must also commit to sharing with residents' groups all availability and performance monitoring data and reports on the district heating network.
- **Be 100% reliable, submit to independent scrutiny, fix the problems.** Residents' groups want an end to E.ON's 96.86% district heat supply reliability, to variable hot water temperatures and to uncontrollable heating. Instead, households should have heat and hot water on demand 100% of the time, 24 hours a day, 7 days a week, and 52 weeks of the year. To restore trust and ensure that the district heating system is as reliable and efficient as possible, E.ON should jointly appoint with residents' groups an independent technical auditor to test all technical aspects of the

system – the CHP plant, properties’ internal heating, and the balance of the entire system – to identify and fix remaining problems. This would include auditing E.ON’s claims on carbon savings and agreeing an action plan to identify what technical improvements need to be made to ensure 100% reliability and performance of the heat and hot water supply and the maximum possible reduction of heat loss.

- **End monopoly pricing, change the tariffs, become affordable.** Residents’ groups want an end to households living in fear of putting on the heating or turning on the hot water because of the huge, unpayable, and often erroneous bills they receive. Instead, E.ON should provide an affordable, fair, transparent, and flexible pricing structure for district heating that enables households to choose the best tariff and service charge based on their usage, property type, and tenure, reflecting the consumer options and prices in the gas and electricity market they are currently denied access to. To this end, E.ON should commit to establishing a **Fair Heat Price Working Group** as part of the five year price review clause in the PFI contract. This would include residents’ groups, relevant experts and other stakeholders with the aim of reviewing and recommending a new, transparent and fair heat tariff, service charge and customer terms and conditions contract for households on MFN / OQ. As part of this Fair Heat Price Review, E.ON should fund an independent advisor to help customers reduce their bills and optimise the efficiency of their domestic heat and hot water use. The suspected involuntary heat consumption from faulty HIUs and the Keep Warm function should also be investigated and refunded if proven.
- **Re-think customer service, compensate the community, support the vulnerable.** Residents’ groups want an end to an uncaring and unhelpful customer service, to complaints not being correctly handled, to arbitrary and untransparent compensation awards, and to the poor treatment of vulnerable residents. E.ON must commit to working with residents’ groups and other relevant experts and stakeholders to identify the problems with E.ON’s customer interface and develop an action plan to address them in key areas such as arrangements for fault reporting, complaints handling, registration and monitoring of vulnerable residents, metering and billing. E.ON should also commit to a **new compensation charter** for MFN and OQ that awards compensation for each loss of heat and hot water and for the impact this has on households, not based on arbitrary 24 hour qualifying periods. As part of this new compensation settlement, E.ON must provide residents’ groups with full disclosure of all compensation awards (amount, reason, formula) made to residents of this site and work to further identify and properly compensate any resident who has received no or derisory compensation for an unacceptable experience.
- **Review and change the PFI contract and wider development sub-contracts.** Residents’ groups recognise that not all of the problems with the district heating system are E.ON’s fault or responsibility and that they are partly rooted in the continuing failures of the PFI contract. Therefore, solving all the problems is not E.ON’s burden alone. However, E.ON has the most to lose and needs to drive these changes on behalf of residents and its own reputation. Where resolving problems and meeting residents’ demands set out above cannot be accomplished by E.ON alone, residents expect all parties and stakeholders to the MFN PFI contract and OQ development – Lambeth, Regenter, Pinnacle, Rydon, Higgins, E.ON, and residents’ groups – to work together and use the contract review and change mechanisms within the PFI Project Agreement and sub-contracts to make the E.ON district heating system become 100% accountable, affordable, reliable, and customer-focused for the remainder of the contract.

1.5. E.ON's response and the current situation

Over the past four years, residents' groups on MFN and OQ have been persistent in presenting the problems they have experienced to E.ON, Regenter, and Lambeth, and more recently to the Department for Business, Enterprise, and Industrial Strategy (BEIS), the GLA and the Heat Trust. During this period, E.ON has gradually accepted and provided an explanation for most of the technical problems that have compromised its service to residents. For example, in a December 2016 letter responding to FPA's criticism of its record on MFN and OQ (see Appendix 1), E.ON's then head of Community Energy, Jeremy Bungey, explained what had gone wrong with supply reliability and billing accuracy:

To provide some background on the reasons for these outages, some were caused by pressurisation faults in the system, electrical component failures which meant an engineer had to visit the site to diagnose and fix a problem, or when communications failed to our central control room.

During 2015 and 2016 we have made improvements to the pressurisation software, new alarms, triggers and monitoring equipment in the control room and a much more rigorous preventative and planned maintenance regime to improve reliability and to speed up response times should a problem arise.

[...]

The automatic meter reading performance at MFN has not been to the standards we strive for. We have been working on a number of improvements which have increased the number of readings received. A wholesale site wide solution to install new hardware to all properties is being scoped which would complete in Q3 2017, however we are also concurrently investigating a non-intrusive software solution that we wish to test such that to keep disruptions to residents down to a minimum.¹⁵

At a meeting on 24 January 2017 with Mr Bungey, residents' representatives and the present authors presented a summary of the problems they had experienced with the district heating and a series of demands and proposals for change. In response, Mr Bungey apologised for the residents' experiences and committed to working with residents' groups and other stakeholders to sort the problems out:

I can't defend it... [E.ON's performance] There is definitely an issue. We are not seeing it. We only have nine open complaints, there is nothing on the system since October, it's been perfect over the winter. Clearly you have more information and we need to find a way to work with you... We need to say ... 'we are really sorry, this is not acceptable, but what we're going to do [is] work with the people around this table, break down these problems... and we're going to come back with an action plan [of] how we are going to resolve them'.¹⁶

The residents who attended left encouraged that they had been carefully listened to. In early February 2017, Mr Bungey wrote to all residents with a formal apology (see Appendix 2):

Over the last two months I have been meeting with resident organisations, the authority and our partners on the Myatts Field North regeneration project. Through these meetings a number

¹⁵ E.ON response to FPA regarding MFN, December 2016 - see Appendix 1.

¹⁶ Minutes of meeting between E.ON and Residents Groups from MFN and OQ, 24 January 2017.

of you have shared your experiences of E.ON Heat which have been both concerning and humbling to hear. We have always aimed to deliver a stable supply and great customer service and it is clear that we have fallen short of this goal.

We'd like to say sorry

As your Heat provider we have a responsibility to provide a reliable supply and a timely service to restore that supply in case of problems. I understand this has not been the experience for a number of you, and for this I apologise.

I would also like to apologise for the experience a number of you have received when you have needed our help. We are always striving for a best-in-class service, and I understand that we have fallen short of this.¹⁷

In its March 2017 written response to the draft version of this report (see Appendix 3), E.ON reiterated both this apology and also its willingness to work with residents and their representatives to further improve its service and “restore residents’ trust in E.ON as their heating provider”. E.ON further confirmed the following improvements it was planning to the district heating service:

- a schedule of HIU servicing would be offered to all residents in July and August 2017 following previous HIU upgrades in 2015 and actions to balance the heat network;
- there would be “greater availability of engineers, with priority explicitly given to vulnerable customers” to help customers who experience difficulties with their supply or equipment;
- a new “coaching programme for colleagues”, investment in the systems they use and additional staff recruitment “to ensure we deliver a consistent and appropriate service to all customers”;
- it was conducting “a full review of how we deliver that support to customers including our complaints processes and out-of-hours support” with the first improvements to be delivered in April 2017;
- it would improve clarity, timeliness and accuracy of billing, upgrade the “automated meter reading infrastructure beginning in April this year to further ensure customers only pay for the heat they use” and improve “our estimation methodology completing in July 2017”; and
- the MFN/OQ district heating service would be audited by the Heat Trust in 2017.¹⁸

Residents’ groups welcome the fact that finally, after a four year battle, E.ON has publicly acknowledged, and apologised for, its poor performance. They are pleased to confirm that there has been no major heat supply outage since December 2016, and welcome E.ON’s planned improvements to its smart metering and customer service, and the long overdue servicing of HIUs. A Heat Trust audit of the district heating system on MFN/OQ is also welcome, and will be an important test of this body’s independence, transparency, and capacity to effect change given previous perceptions that it is too close to the industry.

It must be noted that the progress made so far has only come from the tireless work of many people, and the fact that residents’ representatives, with the support of the present authors, FPA as an organisation, and local ward councillor Jacqui Dyer, have refused to give up in the face of all the obstacles. The intervention of BEIS, which helped to secure the residents’ meeting with the head of E.ON’s community energy division, was also critical to moving things forward. It must be possible to

¹⁷ E.ON public apology to MFN/OQ residents, February 2017 - see Appendix 2.

¹⁸ E.ON, Lambeth and Regenter’s response to this report - see Appendix 3.

get redress for malfunctioning district heating systems without having to move such mountains each time.

Nevertheless, residents' groups remain sceptical that such commitments will produce real and comprehensive improvement. Over the years, they have heard many promises, for instance on the metering problem, that have not been fulfilled. As we move to publication of this report, they are still reporting cases of poor response to complaints, and a lack of accountability in practice, and continued issuing of estimated bills that have nothing to do with usage.

This scepticism is further fuelled by what is missing from E.ON's response, along with those of Regenter and Lambeth (see Appendix 3 for these responses and for residents' groups' response in full). There has been no response at all on a number of the most serious issues, including the request for a working group on prices, the absence of quarterly billing, overheating in corridors, inadequate heating controls within the flats, the impact of HIU problems on bills, or the question of compensation for the first four years of what E.ON has referred to as "**teething problems**". Nor has there been commitment to provide more contractual flexibility and consumer rights, to appoint independent technical and bill reduction experts, and to change the PFI contract to ensure a single, accountable district heating provider with stronger incentives to meet promises and contractual undertakings. In fact, E.ON failed to respond to most of the residents' groups 82 demands and proposals for improvement.

In his December 2016 letter to FPA, E.ON's Jeremy Bungey wrote:

...we remain committed to working with residents and partners to make sure these [problems] are rectified so this project can become a leading example of decentralised energy in the UK.¹⁹

While residents' groups remain hopeful that this can still happen, at the moment they still regard E.ON's district heating system as "not fit for purpose".

1.6. Report structure

The remainder of this report is structured as follows. Sections 2 and 3 provide key background information on the MFN regeneration scheme, the PFI contract, and the E.ON district heating scheme, including the standards of service that customers on MFN and OQ should expect from contractual undertakings made by Regenter and E.ON. Sections 4-8 compare these promises and requirements to residents' actual experiences of the district heating, with specific attention paid to the technical problems that have beset the network, and their impact on vulnerable residents. Section 9 sets out residents' demands and recommendations for solutions. A collection of Appendices support the main body of evidence.

¹⁹ E.ON response to FPA regarding MFN, December 2016 - see Appendix 1.

2. The Regeneration Context

This section details the important regeneration context behind the introduction of the district heating system on MFN and OQ. This is not a stand-alone scheme but part of the major refurbishment and redevelopment of the MFN estate involving multiple private companies under a 25 year PFI contract. We show later in the report how some of the problems with the district heating stem from the complex and fragmented relationships between Lambeth, E.ON, and other regeneration contractors. We first provide a brief history of the MFN estate and the regeneration scheme, followed by relevant background to E.ON's involvement in the project.

2.1. About Myatts Field North and Oval Quarter

MFN is a council housing estate in Lambeth, located between Brixton and Oval in South London. Its original 477 homes were constructed in the mid-1970s as part of a slum clearance programme. Decades of under-investment needed to address structural and design flaws and disrepair, including the failure of a previous Estate Action improvement scheme awarded in 1993, badly affected MFN. This, and growing social problems over the 1990s and early 2000s, prompted Lambeth to bid to the previous Labour government's (1997-2010) PFI programme in 2003 to enable the estate's comprehensive regeneration.²⁰ The MFN project was approved in 2004, but it took a further eight years to procure a private sector partner. Part of the regeneration project involves the development of 503 new private flats branded as Oval Quarter ('OQ').

2.2. The PFI contract and wider development

PFI involves a public authority entering into a long-term (typically 30 years) contract with a consortium of private firms (e.g. builder, facilities manager and bank) to carry out a major investment programme ('works') and provide long-term management and maintenance services thereafter ('services').

The private consortium finances the upfront investment needed through a combination of commercial borrowing and equity. In return, it receives a monthly payment from the public authority called the Unitary Charge that includes the repayment of this capital investment, plus payment for the services it provides (together with its sub-contractors), and whatever profit margins have been agreed. The capital repayment is largely met by central government through a fixed subsidy ('PFI Credits'). The entire PFI project and the private sector's profits are, therefore, ultimately funded by the national and local taxpayer and local residents.

More than two decades of problems with PFI have largely discredited this model of public procurement with evidence of the enormous cost to the taxpayer, the excessive profits made by PFI companies and banks, its links to offshore tax evasion, the poor quality of infrastructure, and the failure to transfer risks to the private sector.²¹

The MFN PFI scheme began in May 2012 when Lambeth entered into a 25 year contract with Regenter, a joint venture between John Laing PLC and Pinnacle Regeneration Group. Regenter is the

²⁰ Lambeth bid for PFI funding in 2003 as part of the Decent Homes investment programme.

²¹ See Whitfield (2017) for the latest evidence from the UK.

main PFI contractor and manages the contract on Lambeth's behalf. Regenter sub-contracts the following companies to undertake key parts of the contract and wider development:

- **Pinnacle PSG** manages the homes and environment and provides housing services;
- **Rydon Maintenance Ltd** refurbishes and maintains the council homes;
- **Higgins Construction PLC** has built the new housing and facilities;
- **E.ON** provides heat and hot water;
- **Oval Quarter Developments Ltd** – jointly owned by Higgins Homes PLC and Pinnacle – is the developer of private flats on the estate outside of the PFI contract;
- **Notting Hill Housing Association** part-owns and manages 146 of these private flats as shared ownership homes.

Together, these companies have undertaken:

- the refurbishment of 172 council homes (including 16 leasehold);
- the demolition of 305 council homes (including 58 leasehold);
- the construction of 808 new homes (247 council tenanted, 53 council leasehold and 5 council freehold, 357 private leasehold and 146 shared ownership leasehold);
- the development of a new community centre and park, plus wider public realm improvements;
- the installation of a new gas-fired CHP and district heating network to provide hot water and heating to all 980 homes.

The PFI part of the development covers works and services (including district heating) to council tenants and council leaseholders.²² In addition to the government's PFI credits, Lambeth finances the day-to-day operational costs of the PFI contract mainly from its Housing Revenue Account – council tenants' rents and tenants/leaseholders' service charges – with supplemental finance from its General Fund.

The OQ development was privately financed by the developer outside of the PFI contract, but received taxpayer support in the form of gifted public housing land in return for Lambeth receiving a share of the eventual profits. The financial details behind the district heating system are not known, although E.ON has made a capital contribution to its development which appears to be being largely recouped from the comparatively high annual service charges (see section 6 for price comparison) and an extended 40-year deal (2012-2052) that outlasts the PFI scheme by 15 years.

2.3. Background to the E.ON district heating system

The district heating system for MFN needs briefly contextualising. The estate, and the neighbouring Myatts Field South (MFS) estate, were originally connected to a district heat system when built in the mid-1970s, powered by the iconic 'Camberwell Submarine' boiler plant on Ackerman Road to the south-east of the estate. The Submarine provided the nearly 800 homes across the two estates with all of their heat and hot water until its deterioration during the 1990s led to MFN's residents being disconnected and provided with individual gas boilers. The Submarine continued to serve MFS's 314 homes until May 2012 when they were connected to a temporary communal heater and the Submarine was handed to Regenter and E.ON to refurbish under the MFN PFI contract.

²² Council leaseholders either bought their former local authority-owned home under the Right to Buy or on the open market. They are distinct from the private leaseholders in the OQ development who are buying a new home on the open market from a private developer.

Figure 1: The Camberwell Submarine



As we discuss in section 3.1, the decision to re-provide a district heating system on MFN is shrouded in mystery for residents. It did not feature in Lambeth's original 2003 Expression of Interest to government, nor in its official public consultation that ended with residents voting in favour of PFI in July 2005, nor in Lambeth's 2006 Outline Business Case approved by central government, nor in its 2006 Development Planning Guidelines.

Lambeth in fact did not originally view the redevelopment of the Camberwell Submarine as economically viable and was wary of the technical challenges posed by "*heat losses due to the very large distribution system, the phased nature of the development and load profiles for heat and electricity*".²³

Residents were subsequently not made aware by Lambeth that in 2007 the Mayor of London insisted on the reprovision of a CHP plant within the existing Camberwell Submarine boiler plant as a condition of gaining planning approval and that Lambeth had agreed to this.²⁴ In April 2010, the CHP plant was included in Regenter's outline planning application. Initially, Lambeth asked for the new CHP plant to supply both *MFN and MFS estates*,²⁵ consulted the MFS Tenants' and Residents' Association on this, and agreed a £4.5m budget to lay the pipework and replace radiators.²⁶ But within months Lambeth changed its mind – again without residents' knowledge – in favour of installing individual boilers on MFS. Since then, while MFN residents have been wrestling with the problems of their PFI heating system, MFS tenants have been organising – so far in vain – to try to keep their flat rate, council-run communal heating system.

2.4. E.ON's contractual obligations and energy solution

Under the 25-year PFI contract, Lambeth requires Regenter and thus E.ON to:

- provide heat and hot water to all **council tenanted properties** and the new community centre through centralised boilers and an estate wide distribution system that can also serve the private OQ development;

²³ Greater London Authority (2007), Planning Report PDU/1492/01 Myatts Field North Estate in the London Borough of Lambeth, Planning Application No. 07/00157/OUT, 9 May.

²⁴ During Lambeth's pre-planning application discussions in May 2007, the Mayor of London Ken Livingstone, raised objections to Lambeth's energy strategy for the development. The Mayor saw a centralised CHP in a redeveloped submarine as technically possible and environmentally friendlier. His office insisted that Lambeth hold discussions with an experienced ESCo (Energy Services Company) about adopting a site-wide district heating scheme to lower the carbon footprint of the new development.

²⁵ Lambeth (2009) Planning Applications Committee A, 25 November, 'Island on Carriageway near Charles Edward Brook School (Vassall Ward) 09/03229/RG3, (<https://modern.gov.lambeth.gov.uk/documents/s20201/>).

²⁶ Inside Housing (2016) 'The Story of the Camberwell Submarine', 19 February, <https://goo.gl/rd5l97>.

- be responsible for the recovery of any costs associated with the consumption of energy by individual households;
- and levy energy charges on the basis of “**actual energy used... equivalent to or less than those costs that would be incurred for energy consumed if using a traditional, gas fired condensing boiler solution**”.²⁷

Related to the district heating are promises and obligations made by Regenter and E.ON during the planning process about energy conservation and renewable energy measures that would deliver a 77% reduction in CO² emissions from the total annual energy demand on the regenerated estate.²⁸ These measures included:

- constructing all residential units to meet the Code for Sustainable Homes Level 3 ENE 1 target;
- improving the fabric and heating systems in apartments and maisonettes to produce an average 8% reduction in CO² associated with regulated and non-regulated energy;
- connecting a large Gas Fired CHP to all Flats and the Commercial spaces to ensure a greater than 25% improvement of dwelling carbon emissions compared with Part L1 of the Building Regulations targets; and
- installing 168 Photovoltaic Solar Panels to generate electricity to communal area lighting and commercial spaces to ensure a 2.6% reduction in CO² from renewables.²⁹

The 77% CO² reduction claim was partly based on the greater efficiency of CHP energy technology:

In a power station, up to 60% of the primary fuel’s energy is dissipated through cooling systems and exhaust, but CHP recovers this energy to provide heat for the building services. Well-designed CHP can have efficiencies approaching 75%, as opposed to the 40-45% of the UK’s most efficient central power stations... providing electricity and heat to occupiers at competitive costs and with enhanced security of supply (our emphasis).³⁰

Regenter sub-contracted this **25-year PFI energy solution** to E.ON with some associated works and services carried out by Higgins, Rydon, and Pinnacle. However, to complicate matters further, Lambeth has also directly entered into a **40 year Energy Centre Lease and 40 year Pipework Leases** with E.ON to enable it to fulfil its PFI contractual obligations to Regenter for 25 years and to then continue to run the district heating system on behalf of Lambeth for 15 years after the PFI contract ends in 2037.³¹

²⁷ Pp.339-340, PFI ‘Project Agreement’ between Lambeth and Regenter, 4 May 2012 - <https://goo.gl/6ElsoZ>

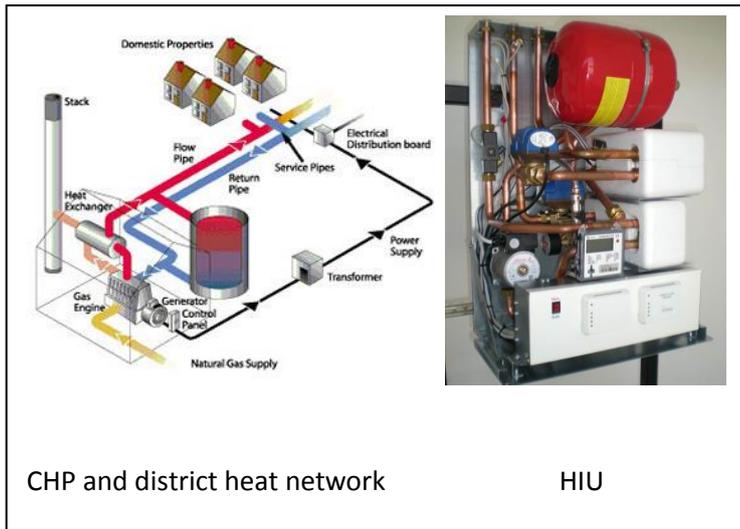
²⁸ GLA (2010), Planning Report PDU/2308/02, 29 June 2010, <https://goo.gl/syhwq0>; Regenter Consortium (2010), Myatts Field North Regeneration: Energy Assessment and Strategy, March. RPS Building Services Engineering – Report for Higgins Construction on Behalf of the Regenter Consortium at Myatts Field North Regeneration RPS Project No: JKK 3734 Revision H, <https://goo.gl/TrLGTK>

²⁹ P.40, Energy Services Contract, Schedule 14, PFI Project Agreement; see also Schedule 2 Contractors Proposals: Documents 5.7.2-001 ‘Environmental Sustainability’ Version E (p.3) and 5.7.2-002 ‘ESCo Solution’ Rev I (p.12)

³⁰ P.38, Regenter (2010), Myatts Field North Regeneration: Energy Assessment and Strategy, March. Note: the promised 77% reduction in CO² emissions included MFS – but they were subsequently excluded from the MFN district heating.

³¹ A redacted version of Lambeth’s Full Business Case for the PFI scheme (September 2011), released under Freedom of Information, shows the 40 year Energy Lease was an eleventh hour extension of the original 25 year concession. It was driven by the UK Coalition Government’s ‘value for money’ review of PFI contracts in December 2010 that resulted in a cut of £16.4 million in government subsidy (PFI credits) for the MFN scheme.

Figure 2: How district heating through combined heat and power works



As Figure 2³² shows, the basic principle of district heating is that instead of heating radiators and water from gas boilers in individual homes, properties are connected to a community-scale energy source that supplies them with hot water via a network of insulated pipes. This process can also produce electricity for local consumption and sale to the national grid, helping to reduce energy costs to consumers. In the UK, heat tends to come into homes through a Heat Interface Unit (HIU) inside the property.

E.ON's energy solution involves installing, maintaining, and operating a gas-fired CHP plant in the existing Camberwell Submarine boiler plant, plus associated pipe work and equipment to supply heat and hot water for the refurbished and new council homes under the PFI scheme, and the private and shared ownership homes as part of development agreements between Regenter and Oval Quarter Developments Ltd.

In practice, this meant progressively connecting 980 homes and a community centre to the new heating system as they were refurbished or built new.

Connecting the estate's 172 *refurbished* council homes (including around 16 leaseholders) to the E.ON system involved disruptive works to install new pipework and HIUs, followed by the disconnection of their existing gas supply and the replacement of any gas cookers with standardised electrical induction hobs supplied by E.ON. The first group of refurbished council homes were connected by the end of January 2013.

For the 305 households whose homes have been *demolished and re-built* – including 58 homeowners – and residents of the 503 new private flats, their new homes came pre-fitted with HIUs and electric induction hobs. The first of these new build properties were connected in May 2013.

Consequently, all pre-existing and new residents are locked into long-term individual contracts with E.ON for their heat and hot water supply up to 2052 (although there is confusion about the actual contract lengths that we discuss in section 4). All residents are still free to choose their electricity supplier. Significantly, despite Lambeth requiring the re-provision of the district heat system and being its ultimate owner, the Council is not directly involved in the supply to customers.

³² These images have been reproduced from (left) <http://ppsl-districtenergy.co.uk/> and (right) from <http://www.evinoxenergy.co.uk/>.

3. E.ON’s Promises and Contractual Duties to MFN and OQ Residents

This section outlines the specific undertakings that E.ON has made about energy supply, service standards, and affordable pricing to residents of MFN and OQ. These promises stem from the PFI procurement process, the energy services sub-contract between Regenter and E.ON, the various leases between Lambeth and E.ON, and E.ON’s own service guarantees to heat customers. In many cases these commitments contractually obligate E.ON to deliver services that this report will show in sections 4 to 8 are not always being fulfilled.

3.1. Contractual service requirements under the MFN PFI scheme

As a sub-contractor to the MFN PFI Project Agreement (‘PFI Contract’), E.ON is bound by the relevant requirements of the contract’s **Output Specification**. This prescribes exactly what Regenter must provide as defined by the **Availability Standards** and **Performance Standards** if it is to receive the full payment of its monthly Unitary Charge. Financial deductions can be levied for unavailability and poor performance; continued failure triggers a “ratchet mechanism” of higher and higher financial penalties until rectified. The PFI contract also contains the **Contractors Proposals** that record how Regenter and E.ON state they will meet these required standards (see Appendices 4-6 for fuller descriptions of all these obligations and promises).

3.1.1. Required availability standards

Table 1 highlights the PFI contract’s Availability Standards for Heating Systems that Regenter – and thus E.ON – must meet, along with the period of time they are permitted to rectify a problem (**Rectification Period**) before any penalty deductions can be levied.

Table 1: Relevant availability standards from the PFI Contract

Aspect	Standard	Rectification Period
Heat + hot water	supply 24 hours/day capable of independent operation	72 hours
Space heating	capable of achieving an internal air temperature of 21°C throughout habitable rooms when external air temperature is -1°C within 4 hours without use of secondary heat source	24 hours
Space heating	Ability of tenants to control system on a room by room and on a whole Dwelling basis	336 hours (14 days)
Water heating	supply of 135 litres of hot water at 60°C with a maximum recovery time of 45 minutes from ambient external temperature to 60°C	24 hours

Regenter and E.ON have committed to meet these Availability Standards through providing a “**Continuity of Energy Supply**” via a system designed to ensure that problems will be pre-emptively identified and fixed through continuous monitoring before they impact residents:

The Energy Centre comprises... redundant capacity and automatic back up to gas boilers should any breakdown occur... when any of the main boilers are taken down for routine maintenance or repairs *there is no impact on the continued provision of energy (our emphasis)*.

The district heating network has been designed to avoid traditional energy supply interruptions stemming from leaks of the pipework. The proposed pre-insulated pipe system avoids

distribution heat loss. It also contains alarm wires that continuously monitor the network for moisture in the insulation and is able to accurately pinpoint it to within one metre. By providing pre-emptive alerts the operator is able to take corrective action before serious problems occur, resulting in less disruption for the residents and minimal repair and maintenance costs.

...24 hours per day 7 days per week 52 weeks per year remote monitoring of the boiler plant so that, should the centralised plant fail, E.ON will be able to respond and rectify faults before they create a problem with the residents.

E.ON also promises to provide routine maintenance of the HIUs inside each property. Every two years, E.ON will **“check HIU for leaks and signs of damage or corrosion. Repair or replace as necessary... Bleed the air from the HIU (Including the heating pump)”**; and every 6 months E.ON will **“isolate HIU water supplies then, remove and clean strainers”**.³³

3.1.2. Required performance standards

Table 2 below lists relevant **Performance Standards** that Regenter/E.ON must meet in terms of Customer Service. These are monitored through their periodic quantification and measurement as Key Performance Indicators (KPIs) on Regenter’s computer system. Regenter is set KPI targets with financial penalty deductions levied if attainment rates fall below that target in any one month.

Table 2: Relevant performance standards from the PFI contract

Performance Standard	Target
Providing a Telephone Helpdesk 24/7, covering all matters during Core Service Hours (Defined as 9am to 5pm Monday to Friday), and offering a repairs reporting service only during non-Core Service Hours	99.5%
Answering calls to the emergency helpdesk outside office hours within 10 rings (automated responses not permissible)	95%
Acknowledging Complaints relating to Contractor services (however communicated) in writing within 2 Business Days of receipt with Stage 1 or Stage 2 complaints resolved within 15 Business Days	99%
Providing an efficient appointment system and home visit arrangements, with appointments for repairs/tenancy matters being offered	98%
Keeping all appointments	97%
Completing repairs in a single visit	90%

3.1.3. Promised customer care and complaints process

E.ON specifically promises in the PFI contract to protect vulnerable residents and also makes explicit promises about its Complaints Handling Procedure set out in Figure 3:

To ensure that vulnerable customers are not without heat for any more than 12 hours E.ON would implement the provision of localised electric heaters... if it was felt the failure would extend past the 12 hour deadline, in accordance with E.ON’s vulnerable customer policy.³⁴

³³ P.12, p.6 and p.38, ESCO Solution.

³⁴ Pp.18-19, ESCo Solution.

Figure 3: E.ON's promises on complaints handling³⁵

The image shows a page from a document titled "LAMBETH MYATTS FIELD NORTH REGENERATION RESPONSE ESCO SOLUTION". The page number is "PAGE 68 OF 69". The E.ON logo is prominently displayed on the left. The main heading is "Our complaints handling procedure". Below this, there are three sections: "What counts as a complaint?", "What happens after you've made a complaint?", and "How to make a complaint". Each section has a brief description. At the bottom, there is a note about contacting a dedicated team of specialists if the customer is still not happy.

LAMBETH MYATTS FIELD NORTH REGENERATION RESPONSE
ESCO SOLUTION

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e.on

Our complaints handling procedure

For residential heat customers

What counts as a complaint?
A complaint is any contact from, or on behalf of, a customer or potential customer who is not satisfied with any part of our service.

What happens after you've made a complaint?
We will try to resolve your complaint as quickly as possible. We will give you an explanation and an apology for any problems we have caused, and take action to put things right.

How to make a complaint
We follow easy steps to enable us to handle your complaint and put things right as quickly and effectively as we can.

If you are still not happy with our explanation, you can contact our dedicated team of specialists at our Customer Service Director's office. They will conduct a full review of your account and respond to you within 10 working days of you contacting them.

3.1.4. Pricing and charging

Regenter promises that its district heating solution will **“provide affordable heat to residents”**. As we detail in Section 6, all households are charged a Unit Price for actual heat consumption, and homeowners also pay an annual fixed Energy Service Charge (tenants' service charges are paid to E.ON by their landlord). The Unit Price is based on the price of gas with a reduction based on the price of electricity generated by the CHP plant.

Tariff charges – the Unit Price and Service Charge combined – must be **“equivalent to or less than... if using a traditional, gas fired condensing boiler solution”**.³⁶ In fact E.ON has promised to do better than this and **“deliver a saving on customer heating costs when compared to conventional heating of an equivalent new built property built to the same building regulation standards but using an individual gas boiler”**.³⁷

To ensure that residents are billed for **“actual energy used”** as required by the PFI contract, E.ON promises smart, remote metering that records all heat consumption, avoids the inconvenience of meter readers, and guarantees **“accurate up-to-date readings rather than estimates so residents pay for heat units used”**.³⁸ To ensure residents' usage is minimised, E.ON also promises a heat-on-demand system, to **“educate residents in their own heat use patterns”**³⁹ and to proactively offer **“targeted advice... [to] customers with consumption rates above expectations”**.⁴⁰

³⁵ P.68, ESCo Solution.

³⁶ Pp.339-340, PFI Project Agreement.

³⁷ P.9, ESCo Solution.

³⁸ P.4, ESCo Solution.

³⁹ p.2, ESCo Solution.

⁴⁰ P.14, ESCo Solution.

Finally, Regenter and E.ON promise to further reduce residents' service charges for the common areas of the buildings by passing on savings from the electricity generated by the 168 PV solar panels installed on the south-facing roofs of PFI residential blocks.⁴¹

3.2. Contract compliance monitoring and accountability

A key promise made to residents by Lambeth during the consultation and procurement phase preceding the start of the MFN PFI contract in May 2012 was that the PFI contractor (Regenter) and sub-contractors (including E.ON) would be accountable, and financially penalised, for poor delivery and performance:

PFI contracts have many safeguards so that residents are protected... Residents will have a big say in the standard of services provided by the PFI contractor. If the contractor doesn't meet these standards they are paid much less.⁴²

Residents were also promised that an **Independent Certifier** – a third party inspector jointly appointed by Lambeth and Regenter – would inspect all refurbished and new build homes to check that they met all of the required Availability Standards and either issue a Certificate of Availability or refuse one. Once a Certificate of Availability was issued, residents could have confidence that their homes had been properly refurbished or built, and crucially, that their heating and hot water supply was fit for purpose. Residents were also promised that Regenter would stringently monitor its own performance – and that of its sub-contractors – in managing, maintaining, and repairing homes and other parts of the estate, and in meeting the agreed customer service standards.

Importantly, residents were promised a central role in monitoring and enforcing the availability and performance standards of the PFI contract, including the district heating.⁴³ Regenter's vision of how residents would be involved in contract monitoring was clear:

We will create a high level Residents' Board to give residents real control over the services and their development over time. We see a strong role for the community, alongside the Council, in the formal monitoring of the services provided under the PFI contract.⁴⁴

To this end, a group of residents volunteered to join Regenter's residents' board in 2012 and in March 2013, with the agreement of Regenter and Lambeth, formed the Myatts Field North Residents' Association and PFI Monitoring Board (MFN-RAMB). We discuss their difficult experiences of contract monitoring in section 8.

3.3. E.ON's obligations under UK regulations and the Heat Trust scheme

A key problem for residents of MFN and OQ is that as district heating customers, their energy supply is not regulated in the same way as the consumer gas and electricity market – in fact it is almost completely unregulated. This means that residents currently have far less consumer rights and protections than if they were able to choose their energy supplier themselves.

⁴¹ P.13, ESCo Solution; P.49, Regenter Energy Assessment.

⁴² Lambeth newsletter to MFN residents 2005.

⁴³ P.337, PFI Project Agreement.

⁴⁴ P.3, Schedule 2 PFI Project Agreement, Document 5.16 'Involving Residents – Version E'.

New UK regulations for district heating came into force on 18 December 2014 under the Heat Network (Metering and Billing) Regulations 2014. However, these regulations concern only metering and billing, and do not enable prices to be controlled and providers to be subject to fines and enforcement orders. Under these regulations, E.ON, as the body ultimately responsible for supplying and charging these end users on MFN and OQ, is now legally obligated to:

- install Point of Entry meters and Final Customer Meters for buildings with one or more customers connected to a district heat network – this is mandatory for all new builds;
- bill end customers using actual meter readings (rather than estimates) at least once a year;
- provide anyone requesting electronic billing with invoicing at least quarterly; and
- ensure that bills contain current energy prices, details of total consumption (compared to the previous year if applicable), and general information on how to improve energy efficiency.⁴⁵

This report provides evidence that E.ON is not always meeting its legal obligations on actual metered billing, quarterly billing and information about energy consumption (see section 6).

E.ON is also a participant in the Heat Trust, the district heating industry's voluntary self-regulatory body, and thus is also subject to its Rules. The Heat Trust was launched in November 2015 and is run by the Combined Heat and Power Association (trading as the Association for Decentralised Energy). It aims to:

...offer protection to as many Heat Customers as possible by establishing a common minimum standard in the quality and level of protection which is equivalent, so far as possible, to that offered to other energy customers.⁴⁶

Residents' groups are concerned about the Heat Trust's impartiality given that E.ON is a founding member of the Heat Trust, helped to draft its rules and bye-laws, and sits on its board. Nevertheless, through its membership, E.ON has made important commitments to provide all heat customers with the following guarantees paraphrased in Table 3.

⁴⁵ Switch2 (2016), A Detailed Guide to the Heat Network (Metering and Billing) Regulations 2014, <https://goo.gl/u5ERBi>

⁴⁶ P.3, Combined Heat and Power Association (2016), The Heat Trust Scheme Rules, <https://goo.gl/DnwGcT>

Table 3: Key commitments by E.ON to heat customers as member of the Heat Trust

<p>Compensation for Interruptions</p>	<p>For Planned Interruptions longer than 5 days, at least £30 (Indexed) for each full 24 hours up to a total limit of no less than £500 (Indexed).</p> <p>For Unplanned Interruptions to supply longer than 24 hours, at least £30 (Indexed) for each full 24 hours up to a total limit of at least £500 (Indexed).</p> <p>For 4 or more Unplanned Interruptions of over 12 hours each during any 12 months a one-off payment of £54 (Indexed) in addition to any other payment due.</p> <p>For Interruptions longer than 12 hours where no alternative arrangements are made to supply heating to Registered Vulnerable Heat Customers, a one-off payment of £24 (Indexed) in addition to any other payment due.</p>
<p>Repair and replacement costs</p>	<p>Where the HIU or Heat Meter is E.ON’s property, it shall be liable for associated repair or replacement costs; if a Heat Customer is liable for any repair or replacement costs that are not a part of the Heat Charge, such costs must be reasonable, reflect the actual costs incurred by the Registered Participant, and be indicated clearly to the Heat Customer in advance of the work being undertaken.</p>
<p>Provision of information to prospective buyers or tenants</p>	<p>E.ON must maintain an up-to-date Heat Customer Information Pack for distribution to prospective Heat Customers, estate agents, letting companies, and other interested parties on request and for inclusion in the Heat Customer Supply Arrangements as per the definition of this term. As a minimum, the Pack will include: up-to-date heat tariff information, the current Standing Charge and Unit Charges for the property or type of property at the Registered Site, indicative annual Heat Energy consumption and Heat Bill; and terms and conditions.</p>
<p>Heat meter</p>	<p>Each Heat Meter should be continuously operating and accurately measure, memorise and display the customer’s actual consumption. Temperature control devices should be installed at or within customer properties to enable them to control consumption of heating. A customer should be able to view directly how much Heat Energy they have consumed (in kWh) and the heat meter must be clearly displayed in a place accessible to the customer where possible.</p>
<p>Vulnerable heat customers</p>	<p>E.ON must have and maintain guidelines for dealing with Vulnerable Heat Customers that are clear, understandable and accessible by customers. As a minimum, a Vulnerable Heat Customer is: significantly less able than a typical Heat Customer to protect themselves or represent his or her interests in the energy market; and/or significantly more likely than a typical Heat Customer to suffer detriment, or that detriment is likely to be more substantial. E.ON must ensure the following are considered as situations that may give rise to vulnerability: (a) age; (b) health; (c) disability; (d) low income; (e) severe financial insecurity; and (f) bereavement (p.42). E.ON must ensure that all staff members that engage with Registered vulnerable customers are aware of how to identify and assist them.</p>
<p>Complaint handling</p>	<p>E.ON must issue every Heat Customer who raises a Complaint with a Deadlock Letter within 8 weeks of the first complaint date. The Deadlock Letter shall set out: (a) E.ON’s final offer in terms of complaint resolution; and (b) details of the Independent Complaint Handling Service which the customer may contact if it does not accept E.ON’s final offer and wishes to pursue the Complaint further.</p>

This section has set out in deliberate detail the different undertakings and contractual obligations Regenter and E.ON as its sub-contractor have committed to as part of the MFN PFI regeneration scheme and its accompanying OQ development. We will now compare these promises, commitments, and contractual guarantees to residents’ lived experiences of the E.ON district heat system.

4. Poor Consultation and Information Prior to Connection to E.ON

In this section we provide evidence in support of the residents' groups' belief that neither pre-existing nor new residents were properly consulted or informed about the terms of their connection to the district heating system. For pre-existing residents on MFN prior to May 2012, the failure to consult is largely the responsibility of Lambeth and Regenter as E.ON was a relatively late addition to the private sector consortium. However, along with the developers and estate agents, E.ON is partly to blame for poor information sharing to residents moving into new homes on MFN and OQ. We take each in turn.

4.1. Pre-existing MFN residents' experiences of consultation

Box 1: Council residents' legal rights to consultation over changes to energy supply

According to the Electricity and Gas (Internal Markets) Regulations of 2011, tenants and leaseholders are entitled to connect to any energy supplier they prefer, unless the estate's supply infrastructure is unable to support it or if doing so would lead to a severe economic impact on the landlord. Under Section 105 of the Housing Act 1985 and Section 20 of the Landlord and Tenants Act 1985 existing council residents must therefore be consulted by their landlord about proposals that interfere with their rights to choose an energy supplier by changing the established energy supply infrastructure.

Prior to May 2012, the pre-existing council tenants and homeowners living on the MFN estate could connect to any energy supplier they preferred – they had the free choice of both gas and electricity. They had enjoyed this right since the mid-1990s when their district heating system was disconnected and individual gas boilers fitted. Under housing law, therefore, pre-existing MFN residents should have been formally consulted about proposals to deny their right to retain their *current* energy preferences by changing the *established* energy supply infrastructure on the estate.

However, we could find no evidence of written communication from Lambeth, the estate's previous (2004-2012) Tenant Management Organisation or Regenter to residents before the May 2012 contract about the proposed new district heating system. Interviews conducted for the report support the belief that pre-existing residents were not consulted properly if at all about it. In the early months following the start of the PFI scheme, many residents were genuinely surprised to discover that they were losing their gas cookers and boilers in favour of electric hobs and ovens, and district heating. Some households in refurbished homes claim that the first they heard of this major change to their energy rights and supply was when they received notices requiring them to give access to enable engineers to fit new heat network pipework and devices to their homes.

While residents from a variety of backgrounds interviewed during Hodkinson's ESRC research bemoaned the loss of their gas cookers, the new induction hobs were particularly unwelcome because they did not work with traditional Caribbean style "Dutch pot" cookware and do not fully allow traditional ways of cooking that involve using a naked flame. Some council tenants initially challenged the disconnection of their gas supply and their enforced connection to the E.ON system, stating that they wished or needed to retain their gas boilers and cookers. However, they were told that if they did not sign the E.ON agreement and allow E.ON to connect their homes to the CHP's

heat supply, they could face eviction.⁴⁷ They were also assured by Lambeth, Regenter, and E.ON that the district heating would be more efficient and cheaper than their existing supply, which persuaded them to back down. The fact that some residents were so surprised about the loss and impact of the loss of gas cooking suggests they had not been properly consulted or made aware of these changes.

Box 2: Janet’s Story – a disabled tenant threatened with eviction over connecting to E.ON

In August 2013, ‘Janet’, a disabled council tenant who was assessed by Lambeth as benefiting from retaining her gas cooker was told she would be served with eviction proceedings by Regenter’s housing management contractor, Pinnacle, if she did not allow E.ON to install an electric hob. Eventually Pinnacle backed down when challenged, but continued to threaten legal proceedings until Janet signed the E.ON agreement and stopped obstructing E.ON’s remaining conversion works, citing its rights of entry under Lambeth’s tenancy agreement.

In short, there is no evidence of a proactive attempt to consult widely in public on the *principle* of a new district heat system for MFN, or on the implications for gas cooking, and no evidence that it was made clear that residents would be contractually locked in for up to 40 years, or that they were given a clear outline of the tariffs and service charges that they would be expected to pay.

4.2. New residents’ experiences of poor information

Box 3: Heat Trust Rules on information to prospective heat customers

- *The supplier commits to maintaining an up-to-date Heat Customer Information Pack for distribution to prospective Heat Customers, estate agents, letting companies, and other interested parties on request and for inclusion in the Heat Customer Supply Arrangements.*
- *As a minimum, a Heat Customer Information Pack must include: up-to-date heat tariff information including the current Standing Charge and Unit Charges for the property or type of property at the Registered Site, indicative annual Heat Energy consumption and Heat Bill; terms and conditions of the Heat Energy Supply Agreement, or a standard copy of the Heat Energy Supply Agreement for the Registered Site and information explaining the protection available for a Heat Customer under the Independent Complaint Handling Service, the contact details and the Website link.*

As a Registered Participant of the Heat Trust, E.ON commits to provide **prospective** new customers with the information in Box 3 prior to them signing a long-term heat agreement. However, many new private homeowners who have moved into OQ – either through open market purchase or shared ownership through Notting Hill Housing Association – state they never saw a Heat Information Pack and were not properly informed about E.ON’s contractual terms, tariffs, service charges, and service standards before or during the purchase of their new properties. Mena Rego, Chair of the OQRA, describes her own experience of this in Box 4 below:

⁴⁷ Although the PFI contract allows council tenants the right to waive particular works to their homes (so as to retain their own fixtures, fittings or improvements), this does not cover the connection of their homes to the district heating system. After many complaints, some homeowners who have remained in their existing homes have been given the option of keeping their gas connections for cooking purposes and some tenants and leaseholders with health reasons sanctioned by the local authority have also been allowed, in theory, to keep their gas connections.

Box 4: Mena's experience of poor information for homeowners before connecting

"I was not aware when I purchased my flat there was a 25 year (let alone 40 year) contract in place for the supply of Heating by E.ON. The contract I entered into for the purchase of the flat simply states that "The Buyer may be required to enter into a Consumer Supply Agreement or a Heating Services Agreement on or before Completion in such form as the Seller shall reasonably require" which was explained as "Central heating with hot water radiators, powered by a communal central gas boiler (District Heating System) via a heat interface unit". My Solicitor drew my attention to E.ON being the supplier and informed me that a draft of the proposed form of Agreement would be found in the Legal Pack. But I never saw the Legal Pack or a copy of the contract with E.ON outlining details of the charges until after completion. It was certainly not drawn to my attention by the Higgins Sales Team at the time of purchase. To date I have never signed the agreement."

We have received similar testimonies from both council leaseholders moving from their demolished homes to new homes on the estate, and purchasers of shared ownership flats from Notting Hill Housing Association. In addition to E.ON, this raises questions about the conduct of the developers, OQ Developments Ltd and Higgins, Notting Hill Housing Association and the estate agents when marketing and selling the homes.

4.3. The current situation

While residents remain angry over the lack of consultation and information prior to connection, the main current grievance is confusion about the length of customer contracts with E.ON. Tenants and homeowners have been given contradictory information by different people across Regenter, E.ON and Lambeth – they still do not know if they are in a 25 or 40 year contract. In a bid to resolve the confusion, local Councillor Jacqui Dyer MBE made a Members' Inquiry to Lambeth housing officers on 21 November 2016 asking for clarification. Lambeth responded that all residents, regardless of tenure, have contracts **"until 3rd May 2052 i.e. the remainder of 40 years from May 2012"**.⁴⁸ However, numerous homeowners – both council and private leaseholders – have individual agreements that clearly state they are in a **25 year contract**. So, there remains contradictory information that has not been resolved as of 20 April 2017.

⁴⁸ Email communication from Cllr Jacqui Dyer MBE to report authors, December 2016.

5. An Unreliable Energy Supply and Repair Service

In this section we show how, in contrast to its contractual requirements and promises, E.ON has so far failed to provide a continuous and reliable supply of heat and hot water to residents' homes since January 2013 when the first homes were connected. Reliability problems include regular outages of the energy centre caused mainly by technical failures, intermittent and variable hot water temperatures, residents unable to independently control and programme the heating, and glaring failures in the repair service.

Box 5: E.ON's undertakings to provide continuous supply of heat and hot water

- *Space and water heating must be available 24 hours per day at required standards and E.ON must fix unavailability within 24 hours;*
- *Every Dwelling should be able to draw off 135 litres of hot water at a temperature of 60°C every 45 minutes, 24 hours a day;*
- *Every Dwelling should be capable of achieving 21°C throughout habitable rooms when the external air temperature is -1°C within four hours without the use of secondary heat sources;*
- *Heating and hot water should be capable of independent operation and available 24 hours per day, controlled both on a whole Dwelling and room by room basis;*
- *Energy centre performance will be monitored 24 hours per day 7 days per week 52 weeks per year so faults can be rectified before they impact residents;*
- *Residents must be provided with the correct instruction book for the control that is supplied and be shown how to use the system;*
- *The Annual Fixed Service Charge covers responding to "any faults with your HIU and includes all labour and materials";*
- *A 24/7 Telephone Helpdesk will be operated so that residents can report a fault to a person, and an efficient appointment and repairs service will be provided with appointments kept.*

5.1. Estate-wide outages

There have been frequent estate-wide outages often caused by failures of the CHP plant. In total, hot water and heating supply has experienced an outage for part or all of 48 separate days between February 2013 and April 2017 – 1 day a month on average. This is equivalent to a 96.86% service. Table 4 below details the chronology of these outages reported to the MFN-RAMB Chair, on the MFN-OQ Facebook Group and in the Regenter / E.ON service updates – there may be more. It does not include all of the individual complaints that involve the loss of hot water and heating to an individual property for reasons of faulty systems, parts or workmanship which we discuss in sections 6-8; nor does it include outages solely caused by a loss of the mains water supply.

Table 4: Chronology of major estate-wide heating and hot water outages and causes

Date	Impact	Official explanation
1 Feb 2013	7 homes without heating and hot water	dirt penetrating new system
30 Mar 2013	Elderly/vulnerable residents no supply over weekend	dirt penetrating new system
31 Mar 2013		
28 Aug 2014	No supply for three hours on a Sunday	electrical fault affecting pumps
30 Oct 2014	No supply for 8 hours (late evening to early morning)	software error caused back-up boiler not to start
6 Nov 2014	No supply for 8 hours	safety system prevented boilers from operating
25 Dec 2014	No supply from morning to 5pm on Christmas Day	over-demand; pumps failed due to trip settings
2 Apr 2015	No supply from morning	?
11 May 2015	No supply in the morning	?
20 May 2015	No supply for part of day	?
22 Jun 2015	No supply reported intermittently in several blocks	?
23 Jun 2015		
9 Jul 2015	No supply	?
20 Aug 2015	No supply in most blocks before 8am to after 1.30pm	?
22 Aug 2015	No supply across estate from 8am to 11.20am	control fault on CHP boiler
6 Oct 2015	No supply on several parts of the estate	?
3 Jan 2016	No supply reported by some residents	?
8 Mar 2016	No supply at several blocks in the evening.	boiler tripped in CHP
9 Mar 2016	No supply estate-wide before 8am.	
11 Mar 2016	No supply estate-wide before 8am	?
13 Mar 2016	No supply estate-wide: 8.25pm to 10.35pm	trips of network pressurisation system; series of pressure faults lead to prolonged trips to the network pumps
14 Mar 2016	No supply estate-wide: 11.45am to 11.50am	
15 Mar 2016	No supply estate-wide: 6.55am to 7.35am; 7pm to 9pm	
17 Mar 2016	No supply estate-wide: 17 th March from 12.45 to 1.30 (45 minutes) and from 6.15pm to 8.30pm (135 minutes);	
18 Mar 2016	18 th March between 8.25am and 9.25am (60 minutes)	London-wide grid failure caused CHP safety trip; pressure faults lead to prolonged trips to network pumps; sheared valve by sub-contractor affected mains water; pump failures in CHP
13 Apr 2016	Hot water out or tepid on several blocks	?
23 Apr 2016	No supply estate-wide from 10.08pm to 2.16am	low pressure fault condition
25 Jul 2016	No supply estate-wide since 8am more than 1 block	?
25 Aug 2016	Bank holiday weekend: 25 th Aug, some residents complaining of variable hot water and cold water; 26 th Aug, no supply in some parts of estate; 27 th & 28 th Aug: no supply after 8pm for 19 hrs 17 mins	boiler trip initially missed by central control room operator
26 Aug 2016		
27 Aug 2016		
28 Aug 2016		
21 Sep 2016	No supply estate-wide from approx. 5am to 9:48am	electrical breaker fault affected CHP
6 Oct 2016	No supply estate-wide: on 6 th Oct off before 8am and goes on for some residents until 8 th Oct; 8 th Oct: no supply estate-wide before 8am; Some residents report having no hot water at 8.20am the following morning (9 th Oct)	E.ON increasing water pressure at community centre
7 Oct 2016		
8 Oct 2016		
9 Oct 2016		
16 Oct 2016	No supply estate-wide after 6pm until at least 10pm. No	back-up boilers failed to automatically kick in so had to be started manually
17 Oct 2016	supply estate-wide from 8:00am to 9:17am	
3 Nov 2016	Some residents report no hot water in the morning	?
5 Nov 2016	No supply estate-wide – E.ON and Regenter dispute this saying readings from the energy centre show no loss of hot water but variable temperatures between 73 to 81°C	?
9 Nov 2016	No supply estate-wide from 7am to 2.34pm	Thames Water outage caused CHP boilers to trip
26 Nov 2016	Some residents report losing hot water for short period	?
30 Nov 2016	Residents complain about lukewarm and cold water	?
1 Dec 2016	Some residents have no hot water, or lukewarm and cold water at different times over these days	?
2 Dec 2016		
3 Dec 2016		
5 Dec 2016	No supply in several blocks from 7.15am; some have no supply when they come home at 10pm	?

These outages have had a detrimental impact on many households, especially on those with young children or with vulnerable residents. On each occasion, whether for one hour, four hours, all day or longer, residents did not have heat or hot water when they needed it and would not have known when their supply would be reinstated, making their day and routines difficult if not impossible to plan, and creating an unacceptable level of uncertainty and anxiety.

5.2. Inconsistent temperatures and intermittent hot water

In addition to estate-wide or block outages, many households have experienced inconsistent hot water and heating temperatures in both refurbished and new homes. Intermittent hot water problems emerged soon after the first homes were connected to the new system in January 2013 and have continued for some households to date. The recurring problem is hot water suddenly turning lukewarm or cold whilst running bath, shower, or kitchen taps, combined with extreme variations in water temperature. An official complaint by one resident who experienced problems for approximately one year captures the issues well:

Box 6: Yvette's story – intermittent hot water experience

"The water from the hot water tap was cold, or running lukewarm. Each evening I had to run the tap in the bath for a long time before receiving a few seconds of hot water which would go cold. I would then have to turn off the bath tap. The bathroom sink tap was then run until it became hot and then turned off with the bath being run again".

The intermittent and variable hot water has created the following kinds of problems for residents:

- some households routinely have to add kettles of hot water to their tepid bath, and some have given up baths altogether;
- temperatures swing wildly from one moment to the next, which is a peril in the shower, and can be dangerous for children and vulnerable adults;
- some have warm water instantly in the shower and then a minute into the shower it goes completely cold again for a minute and then slowly goes back to warm;
- some residents showering or bathing at peak demand periods (7am in the morning) have found their water go suddenly cold, forcing them to have cold showers, abandon showering or wait until the temperature returns making some late for work;
- some HIUs or water pipes are so hot that the cold water in the kitchen tap takes five minutes to become cold, while some households must wait a long time for hot water to come through their hot tap, which in addition to time and frustration wastes a lot of water, and financially penalises those who with water meters;
- one resident has now had to purchase an electric shower because the inconsistency of hot water impacts on when she can bath her disabled son.

A local Labour Party winter energy survey carried out over March and April 2015 provided further evidence of how the variable hot water has affected residents. Below are two such stories:

Box 7: Sally's and Susie's stories – how variable hot water has affected them

Sally moved into her new home in March 2014 and problems began from November 2014 onwards.

"The bath water temperature was already not very hot because of the heat limiter. This has got progressively worse. My flows per hour are at the lowest level. Hand basins in bathrooms give scalding hot water. Under the bath there are 2 blending valves, I've turned these up but still not enough hot water for a good hot bath – it is tepid or lukewarm. I barely have showers and cannot have baths."

Susie is 65 years old and has had constant problems with hot water:

"I have to transfer hot water from the sink to the bath; occasionally hot water comes out of the shower but stops when I put the hot tap on, but the water is boiling downstairs."

5.3. Difficulties controlling and programming space heating

Numerous households have been unable to independently control, in part or whole, their heating. They have found the controls far too complicated to use. Some residents have reported being unable to override the heating controls to turn the HIU on and then unable to get the problem fixed for a long time due to a refusal by E.ON and Higgins to accept liability. Others have been unable to isolate and vary heating levels in different rooms due to either faulty or missing thermostats, other parts, or faulty HIUs. Several homeowners have had this problem, as Mary's story shows:

Box 8: Mary's Story – a homeowner paying twice for the repair of a faulty E.ON HIU

"When the E.ON engineer came to fix the heating, he bypassed the failed pump so the HIU was linked to the working one. However, this meant that every time heating was put on downstairs, it actioned the upper floor heating which could not then be turned off as there is no thermostat on the main bedroom radiators. This meant that the heating system was not being run efficiently with heat being wasted and I was unable to control temperature by room as per the PFI contract. I was then told by E.ON that my annual fixed service charge does not cover replacement parts and labour for rectifying this problem. I was forced to buy two new Honeywell actuators at £80 each and overall spent £240 on parts and labour to get a new heating system working properly."

Other households have experienced multiple faults with their HIU and heat settings. Rachael told us in January 2017 about a triple problem affecting her HIU over the past six months:

Box 9: Rachael's Story – a faulty E.ON HIU causing involuntarily heat consumption

"E.ON found 3 faults in my HIU: a circuit board 'behaving oddly'; a thermostatic sensor fitted to the outgoing hot water pipe rather than the hot feed; and a hot water actuator valve permanently open which is why the HIU cupboard is always hot, which I was told also has 'metering implications'. E.ON now want a meter reading every day for two weeks to compare current to previous usage. Apparently, the sensor position and sensitivity problem is typical in our scheme and is referred to as 'the hot, cold, hot problem'."

Several households who have struggled to work the heating controls have complained about the poor quality of the instruction manuals and technical support they have received. This has had a

particularly detrimental effect on vulnerable households and/or those for whom English is not their first language. These issues are captured by Carlton’s story.

Box 10: Carlton’s Story – a failure of duty of care towards him and his vulnerable mother

Carlton cares for his elderly disabled mother who was diagnosed with dementia and suffered a stroke shortly afterwards. Their council home was demolished as part of the regeneration and they moved to a new flat in late 2013. They then had to live for more than 15 months without a properly functioning heating system and with boiling hot water coming out of some of their taps. This was very unsafe for an elderly woman with memory loss problems.

“On moving into our new build property we endured consistently poor service in the installation of adaptations to my mother’s home and communications with contractors. During the home tour the Resident Liaison Officer (RLO) was supposed to show us how to use the Heating Programmer. However the RLO was unable to provide a demonstration as he first needed to have training on how to use the model and then come back to show us how to operate the controls. The RLO returned a week or so later but instead of showing us how to work it, only provided a photocopy of the manual.”

A further heat control problem in the communal areas has affected residents in the new build properties with some households reporting **“unbearably hot”** corridors and very high constant temperatures of 30 to 40°C outside their flats. The problem was first reported to the Higgins aftersales team by numerous residents, in June 2015. Almost one year later, more residents in the same and new blocks began to raise the same problem. One resident wrote to Pinnacle and Higgins explaining that **“residents are having to prop open fire doors in order to let some of the heat escape and we cannot sleep in our bedroom as the wall backs onto the incredibly hot corridor”**.

Over the course of June to September 2016, these residents attempted to get Pinnacle and Higgins to investigate the problem and solve it. A Pinnacle employee agreed there was a problem: **“cleaners have confirmed that on occasions the blocks have been too hot to work in”**.⁴⁹ By 15 September 2016, Higgins instructed the electrical contractors to fit room thermostats over the following few weeks. Residents queried at the time why thermostats would alleviate the problem of overheating in the corridors when the heat appears to be coming from the units in the hallway where pipes that convey hot water to the individual flats are located. The overheating problem remains unresolved and residents have also queried whether these heating costs are being recovered through the leaseholder service charges.

5.4. Failures to repair faults on time or conclusively

These problems have inevitably led to a large number of repair requests, yet many residents have experienced an extremely poor repair service from E.ON and other PFI contractors. Faults and outages can be left for days, weeks, months, and even more than a year before being finally fixed. Often one repair creates a new problem and the need for a new repair. There have been widely experienced difficulties in reporting faults and outages, and arranging repairs. When there is a breakdown it can take a long time to get through to Pinnacle, Rydon, or the E.ON call centre; when residents do get through, it is common not to get a specific call-out time slot and it appears that the complaint will not even be logged unless the customer can guarantee to be home all morning or afternoon. Mena Rego, Chair of OQRA, has direct experience of this:

⁴⁹ Email correspondence between OQRA, residents and Pinnacle Places July to September 2016.

Box 11: Mena's story – E.ON's poor repair service for homeowners

"In terms of the Guarantee of Service my own experience of reporting a fault is that there was a reluctance to even record a fault unless I was prepared to make myself available for quite a large window of time for an engineer to call. For those at work this may not be easy to arrange. I would like to understand how the time line for response and resolution is measured."

This problem of fault reporting is particularly acute during the out-of-hours period of evenings, nights, and weekends. When the district heating went down over 30-31 March 2013, elderly and vulnerable residents, who were left without heating and hot water over the weekend, discovered that the emergency numbers were incorrectly advertised. On the 11 March 2015 outage, E.ON did not answer some residents' calls all morning and no one was answering the emergency number in the evening. When some residents have managed to get through on the out-of-hours number they have been told they cannot get a reference number on evenings or weekends as the report will not be logged. Others have been told: **"unless you're 80 years of age and have a serious medical condition, there's nothing we can do, you'll have to wait till Monday"**.

Another commonly reported experience is for residents to be told the engineer could not gain access even though the resident was at home, as Siobhan's story from May 2015 shows:

Box 12: Siobhan's Story – an E.ON engineer pretending not to be able to gain access

"E.ON has been trying to get hold of me since last year October to 'upgrade' my boiler... eventually the man visited again sometime last week and he must've been so shocked to see that I was in, instead of coming in to do the 'upgrade', he simply wrote his details on his 'no access card' and handed it to my son who was nearest to him. My son thanked him and closed the door".

Residents frequently report the failure of engineers to turn up or return at the agreed time, day, or at all, or to conduct repairs in a timely manner. This has affected some vulnerable residents especially badly as we see from the following examples:

- a household was without hot water for around six months between September 2014 and February 2015 despite engineers coming out six times, requiring her to take time off work. After multiple complaints, E.ON told her that hot water is not guaranteed all the time;
- a household was without hot water or heating for 23 days over Christmas and New Year of 2014/15 despite reporting it straight away and Pinnacle recording it as a priority to be fixed within 24 hours;
- a pensioner couple were forced to shower at the local gym at £4.40 per day for 21 days;
- a resident suffering from arthritis made worse by the cold went three months without hot water and heating in her new build flat, her children were forced to shower at the nearby gym;
- a pensioner whose heating and hot water broke down completely was given a temporary heater that was not adequate to keep warm;
- a household with three young children, including a 17 month baby, were without heating for almost a year after moving in;
- a disabled resident had no hot water or heating for around 15 months and had to sleep her clothes to keep warm – she was then billed for £468;

- a pensioner whose home was refurbished suffered for nearly two years with a faulty heating system until it was fixed in January 2015;
- a resident who went eight months without hot water or heating in her new flat until it was fixed in January 2015 was given a condenser heater but could not use it because it gave her family headaches;
- an elderly resident repeatedly reported receiving very hot water from when she moved into her property in April 2013 and in 2015 a visiting plumber noted the temperature was 68 degrees. The problem was not fixed until several months later.

The impact of these protracted outages of heating and hot water on vulnerable households, combined with fear of the bills, is powerfully captured by Anita's story as told to the local Labour Party Survey in March 2015.

Box 13: Anita's Story – a vulnerable resident living without hot water and heating for 9 months

"I moved into my new flat in April 2014 and I have had no hot water or heating since this time. I have had to boil the kettle to have a wash. Due to my arthritis I have a problem with my hands which means that I have great difficulty gripping things including the kettle which makes it unsafe. I have reported this issue to the housing officer and to E.ON. An engineer came in May 2014 and worked on the HIU to give me hot water but I did not have any heating. No heaters were offered and he said he would report it and be back but no one turned up. As the weather was getting warmer I did not pursue any further. As the winter increased and it got colder I reported the issue in early November 2014. E.ON said someone would call back regarding an appointment. Nobody did. I contacted them again later in November to complain. Another appointment was made and nobody turned up again. The house was so cold I stayed in bed. I decided to buy electric heaters to get some heat but also to control the cost as I am still getting high bills even though I only receive hot water. I spoke with the MFN-RAMB Chair in December 2014 who reported it to the E.ON surgery in January 2015 and it was subsequently fixed. I have received no compensation for the periods without hot water and the prolonged period without heating. However I do not have the heating on for fear of the cost; the house is freezing cold."

5.5. E.ON's explanation for unreliable supply and repair failures

Residents' groups' persistent lobbying at contract management meetings has forced Regenter and E.ON to gradually reveal over the past four years the various factors causing **supply outages**, some of which are listed in Table 4. These were summarised in December 2016 by E.ON's Jeremy Bungey:

...some were caused by pressurisation faults in the system, electrical component failures which meant an engineer had to visit site to diagnose and fix a problem, or when communications failed to our central control room.⁵⁰

Regenter and E.ON have been far less forthcoming over the water temperature variability problem. According to Uzoamaka Okafor, Chair of MFN-RAMB, **"for the first couple of years after the district heating was connected, we were repeatedly made to feel by Regenter and E.ON that we were imagining a problem that did not exist"**. This was because, according to these companies, residents were comparing the hot water temperature from the kitchen and bathroom sink taps with the deliberately cooler shower and bath water temperature as required by building regulations for all

⁵⁰ E.ON response to concerns about MFN raised by FPA, 23 December 2016 – see Appendix 1.

new builds. However, in January 2015, Regenter and E.ON finally acknowledged the intermittent temperature problems were real and not imagined by residents, admitting to a series of flaws in the district heating system that affected at least 281 properties.

One problem was caused by the use of two different types and specifications of HIUs – the Evinox and Wilson models – that were drawing hot water off the system at different rates, causing pressure imbalances in the overall network and explaining the sudden changes in temperature:⁵¹

These two units fundamentally are not working cohesively together across the network, in as much as the Evinox HIU (installed at the start on the DHN) is set to demand a higher flow rate than that of the Wilson HIU (installed at the latter stages of the DHN) so in essence by the time the heat is transferred through the pipe, the Evinox unit uses a greater capacity of heat than is required thus “starving” the Wilson HIU’s, the impact of which again is only discernible during peak times due to increased demand.⁵²

In an attempt to solve the HIU problems, E.ON initiated a programme of works in late 2014 to remotely change the flow settings of the Evinox HIU to 62 properties and then gain access to a further 222 properties to manually change the restrictor valves on the Wilson HIUs. Residents’ groups do not know where the HIU upgrade programme has reached, whether it has worked and how the impact of these works is being measured.

This was reinforced by a second problem largely beyond E.ON’s control and responsibility: wider network supply imbalances and overloading caused by a seven month delay in Higgins’ construction phase that meant vital pipework to the district heat distribution network was not installed on time. As a result, one of the blocks of flats and the community centre were being supplied by the wrong pipework and this was leading to impaired performance.

Internal heating control problems were among the first major issues that MFN-RAMB raised with E.ON, Regenter, and the other consortium members. Again, these concerns were initially dismissed and according to Uzoamaka Okafor, Chair of MFN-RAMB, **“the contractors were making a very clear inference that MFN council tenants were too stupid or lazy to use the thermostats and HIUs properly”**. For example, just after the first year anniversary of the PFI contract beginning, Regenter held a “One-year-on” celebration on 22 May 2013 to which some residents were invited. MFN-RAMB members used the occasion to challenge the Higgins project director on various problems, including heating controls. In response he stated **“there was nothing wrong with their equipment, the residents could not be bothered to learn how to use it”**. The then Resident Liaison Officer for Pinnacle agreed, stating she was **“fed up”** of having to go out all the time to show tenants how to do it.⁵³

Regenter and Lambeth have since acknowledged that the controls are too complex and a simpler model should have been fitted.⁵⁴ As a result of residents’ complaints, the next phase of the development includes simpler heat controls but there is no evidence these are now being retro-fitted to existing homes.⁵⁵ A second problem has also been discovered with a number of “faulty zone valves” causing the heating system not to work properly, explaining the failure of many radiators to

⁵¹ P.3, Regenter heating and hot water report, 14 January 2015 – see Appendix 11.

⁵² Email from James Quay (E.ON) to Stephanie Hudson (Lambeth) on 26 March 2015.

⁵³ Interviews with elected officers of MFN-RAMB, June 2013.

⁵⁴ Regenter/Lambeth response to residents’ petition, February 2015 – see Appendix 9.

⁵⁵ P.6, Regenter heating and hot water report, 14 January 2015 – see Appendix 11.

heat up.⁵⁶ Such apparently peripheral problems, which have not been resolved because of poor customer service, can leave residents cold in their homes.

E.ON has also been forced to do road shows, issue newsletters with instructions, and more leaflets, and some resident training took place in 2015. Numerous residents recall the poor quality of these sessions: one road show took place without printed instructions available, and another was later claimed as a “success” even though it had been cancelled as no one had the key to the building.

5.6. The current situation

In response to concerns raised by FPA⁵⁷, in December 2016 E.ON stated that the unreliability of heat supply and water temperature on MFN had been resolved after two years of making “**improvements to the pressurisation software, new alarms, triggers and monitoring equipment in the control room and a much more rigorous preventative and planned maintenance regime to improve reliability and to speed up response times should a problem arise**”. While accepting that its “**level of performance falls short of the standards we expect**”, E.ON sought to downplay the impact of these outages and once again asserted that variable water temperatures could be caused by residents comparing bathroom and kitchen hot water temperatures which are legally required to be different. E.ON also stated that it was the responsibility of the landlord to address:

Throughout 2016 our network was available and working for customers 99.4% of the time. In reality that means customers saw 45.5 hours of disrupted service during the year... The average time service has been restored during this period has been 5 hours 45 minutes, however that average figure has been skewed by one particular outage which unfortunately lasted for 19 hours...

District heating in itself does not impact overall water temperature in baths or showers, this purely relates to the design on the system within the property. The temperature of water coming out of the Heat Interface Unit (HIU) will be consistent with that coming from a combi gas boiler.

In all new build properties baths are fitted with Thermostatic Mixing Valves (TMVs) which are designed to prevent water temperatures higher than 48 degrees. Residents who have previously lived in a property without a TMV fitted may have been used to much hotter temperatures at the hot tap...

Fluctuation of temperature with a shower is commonly down to the thermostatic control valve within the shower fittings...

While residents’ groups welcome E.ON’s admission that their district heating system has not worked properly, and acknowledge there has been no estate-wide or block outage since 5 December 2016, they do not accept Mr Bungey’s figures or version of events for several reasons.

- E.ON’s 99.4% heat network availability figure for 2016 (45.5 hours of disrupted supply) undercounts the total number of hours (more than 113 hours = 98.7%) that residents reported being without heat and hot water in 2016 as per Table 4.
- E.ON appears to be counting only *whole system outages* whereas residents have also experienced *partial system outages* affecting one or more blocks or geographical locations, and

⁵⁶ P.3, Regenter heating and hot water report, 14 January 2015 – see Appendix 11.

⁵⁷ E.ON response to FPA regarding MFN, December 2016 - see Appendix 1.

some households have experienced individual outages due to technical failures that are apparently not being captured in the availability and performance monitoring.

- It also appears that E.ON's figures comprise energy centre restoration times, not the total time it takes for residents to have hot water and heating in their homes – the two are not the same as it takes longer for the heat to get back to temperature. For example, E.ON stated that the Christmas Day outage of December 2014 was restored in 4 hours, whereas some residents reported no hot water or heating from early morning until 5pm.
- The 99.4% figure also fails to quantify the actual inconvenience of outages that mainly occur during daytime hours when the service is needed and not at night, and ignores the detrimental impact that any loss or variability of supply has on residents as described earlier in this section. Outages can be lengthy, and can occur, unpredictably, at the most difficult moment.
- Ultimately, the accuracy of E.ON's 99.4% service claim is irrelevant as E.ON is contracted to provide a continuous supply of heat and hot water (see Table 1) and has failed to deliver on this.

In terms of the variable hot water and heating control problems, a residents' group survey during 16-20 January 2017 identified several households still experiencing the same issues as Margaret's story shows below. While E.ON appears to be blaming the landlords' pipework and valve settings for this problem, in this example it is E.ON's HIU that is not working properly.

Box 14: Margaret's Story – choosing between hot water or heating over New Year

"In December 2016 I began having problems with my heating. Although I had set the timer it would come on outside of the identified times i.e. in the night. An E.ON engineer changed the timer and a part in the HIU but the problem continued. Just after Christmas 2016 I noticed the hot water initially ran very hot then became cold. I called E.ON but they said there was nothing they could do as all the parts had been changed in the HIU (they only changed one part) and they could not find any problem with the unit. The operator said it was the pipe works and I needed to contact the Pinnacle Housing office to get a Plumber. On ringing Pinnacle the front line staff member who took the call remarked that 'they (E.ON) always say that'. An E.ON engineer looked at the HIU and mentioned something about 'the flow and shutting off'. As an interim fix I was told to choose between having either hot water or heating. I chose hot water and used my electric heaters (although I was offered a heater). The engineer also commented that the units on the HIU were going round very fast and should not be happening. I have previously reported my concerns to E.ON that the meter readings were too high. The engineer stated someone would definitely be in contact to fix the problems but no one from E.ON has and the heating still does not work! I have had to use an electric heater as I have a young grandson (aged 7) which has incurred costs to my electric bill."

Third, some residents are also still complaining about very high air temperatures in the communal corridors in many blocks. E.ON has since acknowledged at the meeting with residents groups in February 2017 that it might be responsible for not properly insulating the pipes taking heat and hot water to individual flats. To date, however, this problem has not been resolved nor has there been any promise to resolve it.

As it stands, therefore, residents' groups still do not believe that E.ON is supplying all homes with a consistent supply of hot water, or meeting the contractual requirement to enable residents to control the heating in their homes.

6. Unaffordable Heat: High Bills, Faulty Metering, and Confusing Tariffs

E.ON's contractual promise to provide "affordable heat" is arguably the most contentious and complex aspect of the district heating system for all tenures of MFN and OQ. This section shows how some residents have been receiving comparatively high bills that they cannot afford to pay. The problems extend beyond how the tariffs and service charge costs work out, to include both inaccurate billing and technical failures of the HIU and the smart metering system.

Box 15: E.ON's undertaking to provide affordable heat, accurate bills, and transparent tariffs

- *To deliver a saving on customer heating costs when compared to conventional heating of an equivalent new built property using an individual gas boiler;*
- *To target assistance to help residents to reduce their bills;*
- *To generate 100% accurate bills read remotely based only on actual energy used;*
- *To pass on energy saving efficiencies, electricity and feed-in tariff income generated from the CHP and solar panels in terms of lower heat tariffs, and service charge bills for communal areas of residential blocks.*

6.1. Residents' experiences of high bills and fuel poverty

Residents' groups began complaining about the high cost of E.ON's bills soon after homes began to be connected to the district heating. A local Labour Party heating and hot water survey in March and April 2015 visited 51 households on MFN and OQ and found that more than half (26/51) were struggling to pay their bills. OQRA surveyed 63 homeowners in March 2016 and found the greatest source of dissatisfaction related to the cost of the district heating with 86.5% complaining about the service charge which homeowners found to be excessive, unfair, and untransparent.

At the extreme end of the problem, some households have received very high bills over the past four years. Examples include: £1000 for one month; £1400 for four months; £113 for a month despite being away and not consuming any heat for that period; and £70 a month just for hot water as their heating was turned off. Some of these households have been affected by back-billing after E.ON took several months to set them up on the customer database, causing a huge initial bill compounded by residents not being able to check their energy use and adjust their tariffs and usage.

There is also significant variation in household bills that cannot just be explained by different property types or consumption patterns, with average monthly heat bills ranging from £14 to more than £100. At the high end of the spectrum, households report being baffled by their high bills and believe they are caused by faulty meters, HIUs or other technical parts of the internal heating system. Many feel they have been left deliberately in the dark by Rydon and E.ON about how to set up their tariff rates and how to set their radiator controls and thermostats to achieve the most energy efficient settings, which was evidenced in the previous section. Some tenants have also been receiving monthly bills that include the annual service charge that should only apply to homeowners. At the same time, in contrast to homeowners, tenants cannot access different tariff options and therefore cannot take switch to a tariff that better reflects their consumption.

The low end of this spectrum partly reflects the fact that many are rationing their heat consumption and some have even stopped using their heating altogether. Some homeowners have also moved

onto a Low User Tariff that E.ON now offers which works out much cheaper for those who have effectively stopped heating their homes but still use the hot water (see section 6.3).

Several households have come forward to the residents' groups to share their experiences of fuel poverty. They report: using electric or oil heaters to avoid using the district heating at all; rationing heating to six or seven hours a week; cutting down on food; and no longer washing dishes in hot water. The MFN-RAMB chair has reported to E.ON that even in the daytime some elderly residents are cold and she has had to bring blankets for them. Some homeowners on the MFN-OQ Residents Facebook Group also report under-heating their homes and going cold because of E.ON's prices and bills. This means they are paying to be connected to heat they cannot afford to use. One homeowner has turned the thermostat down to 11°C to prevent the heating from coming on.

The issue of high bills and unaffordable heat on MFN and OQ, however, is complex and involves different technical problems combining with E.ON's tariffs, different property types and tenures in often unique ways. We begin to unpack the issue by discussing the main technical faults to E.ON's billing service – smart meters and HIUs.

6.2. Erroneous bills: faulty meters and inefficient HIUs

The stark contrast between residents' expectations of low energy bills and the often inexplicably high *estimated* bills they have received bearing little relation to previous usage, has prompted many to complain. Some have subsequently discovered their high bills have been caused by inaccurate remote readings of their recorded usage on their meters, or a faulty meter whose readings are seriously out of kilter with their previous use of heat. They have challenged those bills and in some cases have won. For example, one resident's bill for £1000 was then reduced to £500 and then again to £300 after she kept objecting; another was sent a bill stating she was £271 in debt only to discover E.ON had doubled her actual metered use, and had the debt removed. Steve Hack, an elected officer of MFN-RAMB, told us about his experience with a faulty meter:

Box 16: Steve's Story – unjustified billing from a faulty E.ON meter

"E.ON tried to charge me £65.59 for the period 20 December 2014 to 19 January 2015 for using 976 kWhs at 6.72p each. After taking this money from my account, they later said it was based on a faulty meter reading (even though the meter was supposedly fixed in July 2014) and I actually owed them just £19.08p for the period from 20 November 2014 to 18 Feb 2015 for using 284 kWhs. They are reimbursing the money, but it is more evidence of their incompetence and how our vulnerable residents who are less able to challenge this kind of thing are being placed in a very difficult position. As there had been no hot water in the shower or bath for several weeks and inconsistent supply in kitchen they eventually sent engineer after engineer telling me several times that Rydon had to fix it because it could not be the HIU. Rydon found no fault on their remit but the E.ON engineer identified a fault with the HIU. I was told this was a separate issue from the meter fault. They said there is only compensation if you have complete loss of heating and hot water."

Unfortunately, some vulnerable residents have been affected by these faults:

- a disabled resident with a faulty electric meter was constantly billed over £400 per month between 2013 and March 2015;

- another disabled resident who had no hot water or heating from September 2013 to before Christmas 2014 and had to sleep in her clothes to keep warm still got a bill for £468;
- a resident with arthritis and diabetes who had been cut off from her supply in September 2015 was subsequently billed for over £90 for October and November when she was not connected;
- a vulnerable resident had a £1000 bill reduced to £90 with the involvement of the local councillor after E.ON threatened to disconnect his supply for non-payment of the original sum.

Box 17 tells the story of one resident with severe mental illness who received an overall bill for £1000 based on the wrong meter being linked to his customer account:

Box 17: Vulnerable resident testimony by Cllr Jacqui Dyer MBE, local ward member

“My neighbour, a council tenant living alone in a one-bed flat, is regularly, once every two days, knocking at my door with anxiety about his E.ON heating bills that were in the first instance estimated at £100 a month. He’s receiving these bills for heating and hot water that he literally doesn’t use. His anxiety is manifested in him constantly shaking, he has severe tremors when he talks about it. It has been traumatic for me to experience. To cut a long story short, he received an overall bill of a £1000 bill with formal demand for immediate payment. I contacted E.ON to resolve the issue. I took photos of the meter, I went backwards and forwards, they were telling me that it wasn’t his reading. I told them, ‘I’m in his house!’. Finally, they accepted what I was saying and calculated that E.ON owed him, he was in credit, so he didn’t have to pay for a few months. The ineptitude I had to deal with. I cannot believe they are paid to be customer service operatives. It’s a disgrace. So if I am having to negotiate to that degree to get a right outcome, imagine how it would feel to someone more vulnerable – it will put you in crisis. And now that his credit has ended, he is getting those bills again, but these are closer to his actual consumption as now E.ON recognise that he’s a one person household. But the bills still have a threatening tone.”

Numerous residents report paying these high estimated bills because they have felt intimidated by the threat of £10 penalties for late payment. The stress and anxiety of such unjustified bills has been compounded by E.ON’s refusal to allow quarterly billing for heat customers when it provides this service to its regular gas customers. Some residents in effect are having to challenge their erroneous bills on a monthly basis with the threat of disconnection constantly present. Again, vulnerable residents have been seriously impacted as Gail’s story (Box 18) shows below.

Box 18: Gail’s Story – E.ON hounding an extremely vulnerable family for bills they don’t owe

One elderly council resident caring for a severely disabled adult rarely puts on the heating. She sits in the cold for fear of high bills, only puts the heating on for 14 hours a week in very cold periods when she caring for her disabled son, only showers four times a week and goes to bed early to keep warm without putting the heating on. She has received a succession of bills within a month with urgent warning letters demanding payment of £0.39. On 23 September 2015 she wrote to EON for help with her bills:

“I haven’t used heating at all because it is too expensive, I cannot afford to pay a big bill, just saving for very cold days in winter. I did ask if you have now pay-as-you-go meters or smart meters you may call them. I sent an email and as usual you ignore my e-mails”.

It took 38 days – a breach of the PFI contract requirement for a 60 minute turnaround for email communication – for E.ON to send the following reply:

“Can you please call our team as I am unable to find your account on our system”

Another factor behind higher than promised bills concerns the apparent inefficiency of E.ON's HIU – the Heat Interface Unit. Residents' groups believe that households are being constantly charged for heat they have not requested due to the HIU's Keep Warm function that draws heat into the HIU every few hours to keep the network hot and ready. Philip Tromans, an elected committee member of OQRA, has been monitoring this and his findings are set out in Box 19 below:

Box 19: Philip's monitoring of involuntary heat consumption by his HIU while away on holiday

"I went on holiday for two weeks around a month ago (March 2017). I had my heating turned off, and I made sure that no hot water was used whilst I was away. Over the approximately 16 days that I was away, my HIU used 20 kWh units, and I can prove that my central heating didn't come on, and neither were any domestic hot water (taps, shower, etc) turned on. The 20 kWh units thus appear to be due to the 'keep warm' functionality enabled by E.ON on the HIU by default. Unless my HIU has a fault or there is something I have not considered, to me that's proof they're charging us for usage that we haven't asked for. I'm on the Standard User Tariff, so pay 5.14p/kWh unit (excl. VAT). So, I'm essentially being charged an extra 6.5p day in general. Someone on the Low User Tariff, who has a much lower daily standing charge but a much higher unit cost, would be paying 14.5p/kWh unit (excl. VAT), so they'd presumably end up spending an extra 18p a day. In other words, you can say that since moving in (at the beginning of January 2014) I've paid around £78 more than I should have. Someone on the low tariff would have paid £220 more than they should have. Multiply those numbers by the hundreds of homes on the estate and you're looking at tens of thousands of pounds so far... To give you some other context, my flat (ground floor, 2 adults at work during the day Mon-Fri, 0 children), uses about 3800 units of heat per year, so that'd imply about 12% of my heat usage is due to my HIU silently gobbling up units."

At the January 2017 meeting with Jeremy Bungey, residents' groups were told that the Keep Warm function is optional and can be turned off – but MFN and OQ residents have never been formally told this or shown how to do it. Residents have also provided photographic evidence of missing insulation on parts (e.g. a heat exchanger) inside the HIU and on other pipes, which adds to perceptions that heat is leaking in different places from the heat network and increasing their bills.

Residents' groups are therefore doubtful that households are fully benefitting in their bills from the promised greater efficiencies of district heat and believe they could have been – and could still be being – charged for involuntarily using heat due to errors with how the HIUs were installed, setup and maintained. Residents want to know how far back this potential involuntary heat consumption goes and what the cost implications of the Keep Warm function are.

6.3. E.ON's response to billing complaints and metering problems

Over the past four years, complaints about the high, variable, and inaccurate level of bills have been mainly met with disbelief by Regenter and E.ON; and some E.ON customer service staff have even refused to accept meter readings being given over the phone, such has been the disparity between estimated and actual use. However, once again, during 2015 and 2016, Regenter and E.ON were eventually forced to admit that residents' suspicions of faulty metering and billing were true as two major defects were found, with the Automatic Meter Readers (AMRs) and with HIUs.

The first defect was acknowledged in January 2015 when Regenter and E.ON stated that AMRs were malfunctioning because of their insufficient signal strength, made worse by a general signal problem across the new development caused by the steel structure of the buildings:

The District Heating Network has been designed to allow automatic meter reading. However it has been discovered that the existing signal strength has not been sufficient to provide the required coverage. This has led to the necessity for an upgrade programme... In addition to support AMR for the second type of HIU, a fixed mesh network concentrator needs to be installed to one of the mixed tenure blocks. An application has been made to Notting Hill RSL (Site 23) to allow the unit to be installed... Finally, there is a prominent mobile signal issue throughout the site, this impacts on E.ON's ability to see and read some meters automatically and they are currently working on a solution.⁵⁸

Despite nearly a year of works to fix this problem, in December 2015, E.ON's Jeremy Bungey reported to Lambeth that it was still affecting accurate billing and as a result E.ON was **"unable to guarantee one accurate bill a month as you have requested at this current time"**. By December 2016, E.ON claimed that 75% of residents' meters were now being read accurately by remote access.⁵⁹ Clearly, however, the problem has not been resolved as E.ON confirmed at a recent PFI project management meeting (8 March 2017) in announcing a new upgrade programme to its AMRs:

E.ON advised that they would be trialling a new type of smart meter, which relied on radio frequency rather than mobile signal. Version 1, available within one month, would read usage in Kilowatt hours; Version 2, available within three months, will also read temperature and flow measurements, with wider installation over the next nine months thereafter.⁶⁰

The second fault was discovered in June 2016 when a pensioner, who had paid very high monthly bills since 2014 when they moved in, found out from an engineer's visit to service the HIUs that his Wilson HIU was missing an Actuator – an electronic valve fitted to enable the heating circuit inside the HIU to be turned off when not required. The engineer said that even with the heating and water turned off costs were accumulating. The missing part was installed, but the pensioner was not compensated. As word got out, residents' groups began to ask how widespread the problem was and what difference it could have made to their usage and bills. The missing actuator was initially played down by E.ON to OQRA in mid-September 2016, as affecting **"a handful of properties"**.⁶¹ However, by mid-October 2016, Regenter and E.ON revealed the problem might be more widespread than first thought:

...it has been identified that some of these HIU's may have an incorrectly installed supply valve. The valve opens and closes based upon the temperature set at the property control panel. Thereafter, consumption will be monitored to establish any issues that affect billing.⁶²

A long list of blocks and individual properties affected was included, which proved the issue was in fact far more widespread. Residents' groups' suspicions about the missing actuator have grown since the MFN-RAMB chair received a letter from E.ON in response to a complaint (see section 7, Box 24) that stated the actuator had been removed from certain HIUs because it was thought to be causing the intermittent hot water problems discussed in section 5.

OQRA has provided E.ON with evidence from homeowners using data-loggers that HIUs with all actuators correctly fitted perform very differently to those with missing actuators, with the results for one 24 hour period in February 2017 illustrated in Figure 4. In simple terms, HIUs with actuators

⁵⁸ P.6, Regenter heating and hot water report, January 2015 - see Appendix 11.

⁵⁹ E.ON Response to Concerns Raised by FPA Regarding MFN, 23 December 2016 – see Appendix 1.

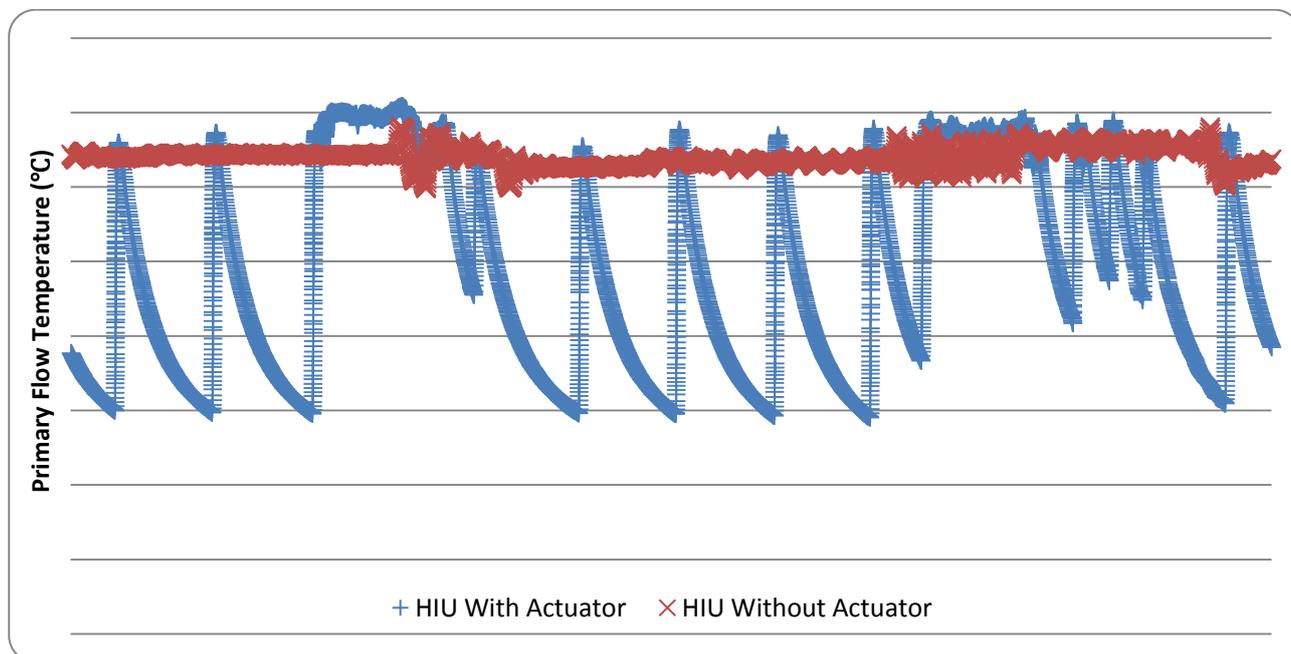
⁶⁰ Minutes of the MFN PFI Project Liaison Group, 8 March 2017.

⁶¹ Email from E.ON's Joe Ireland to Mena Rego of OQRA, 14 September 2016

⁶² Letter from Mark Diblin (Regenter) to Lambeth and MFN-RAMB, 17 October 2016.

appear to be drawing heat in when needed and every few hours as part of the Keep Warm Function; whereas HIUs with missing actuators appear to have heat flowing through them 24 hours a day.

Figure 4: Comparing HIU primary flow temperatures with and without missing actuators



Residents' groups therefore suspect that the missing actuators have led to increased heat consumption that affected residents are being charged for, as well as inefficiency and heat loss. E.ON engineers told residents at the 24 January 2017 meeting that the system works perfectly fine without the missing actuator, and that residents have not been billed for any apparent extra heat consumption, but could not satisfactorily explain why.

6.4. Unpacking E.ON's bills, price guarantees and tariffs

E.ON has stated that residents' bills are not too high. In their 23 December 2016 letter to FPA, they cited figures of a £460 average bill for all residents across the development (before any direct debit or e-billing discounts) and a £281 average bill for tenants (service charge covered by Regenter) as evidence of no underlying price unfairness:

Having looked at alternatives in the local area we believe the bills at Myatts Field North are lower than other heat networks or alternative energy sources... the price protections in our contracts ensure the tariffs are capped against a gas alternative... Prices can only change once a year from the 1st April so customers know exactly what they are paying from one year to the next and there are no surprises throughout the colder winter months... The mechanism for the price change is transparent, with the tariff part – the amount of energy used – changing in line with a formula that reflects movements in underlying commodity prices. The core fuel at Myatts Field North is gas but the benefit of power production is taken into account to reduce the heat tariff and provide a reduction in price volatility... E.ON also offer other tariff options for non-Lambeth residents to allow customers to pick a tariff that is most suitable to them.⁶³

⁶³ E.ON response to FPA regarding MFN, December 2016 – see Appendix 1.

However, residents' groups do not accept E.ON's assertions that its district heating bills are lower than alternatives, and are sceptical of E.ON's average bill figures for three reasons.

First, including the tenants' average bill – which excludes the large service charge and thus should be lower – as part of a development-wide average obfuscates the picture. Tenants and homeowners bills are different and cannot be used as part of a single average.

Second, all homeowners are put on to the Standard User Tariff and Service Charge by default for the first 12 months (which between 2013/14 and 2016/17 has meant a fixed annual charge rising from £376.18 to £402.68 excl. VAT). This means that their average annual bills will at some point have been much higher than £460. However, E.ON has not published the annual average bills for homeowners.

Third, as we have demonstrated in section 6.2, low bills are not necessarily a reflection of affordable prices – they can also reflect the fact that a significant number of households are rationing or turning off their heating altogether. Without a proper breakdown of the calculation showing the tariffs and actual heat consumed against the corresponding property type and household size, should not be used. There is also no data provided for the first three years.

As regards the pricing mechanism, many residents find the PFI contractual formula used to peg E.ON's prices to an equivalent gas-based system extremely complicated, opaque, full of hidden assumptions and producing incredibly varied bills. This chimes with emerging problems in new housing developments elsewhere. To show this, we now discuss this pricing mechanism in detail.

6.4.1. E.ON's tariff and service charge structure

According to the PFI contract, E.ON must ***“provide energy to residents at a cost equivalent to or less than the costs that would on average be incurred through the use of a ‘traditional’ gas fired condensing boiler solution”***.⁶⁴ This energy cost guarantee comprises both the charges for actual heat consumption (kWh) – the Unit Price – and the fixed costs of receiving the heat reflected in the **Annual Energy Service Charge** paid by homeowners. In common with normal landlord-tenant contracts in the UK, social tenants do not pay this service charge as it is covered by the landlord. In line with the PFI contract and E.ON's 40-year agreement with Lambeth, Unit Price charges must be for ***“actual energy used”*** and are calculated on an annual basis to always be the lower of E.ON's Heat Charge or a Gas Comparator set out in the PFI contract and reproduced in Figure 5 below.⁶⁵

⁶⁴ P.472, PFI Project Agreement.

⁶⁵ Pp.472-474, PFI Project Agreement.

Figure 5: How E.ON's Unit Price is Calculated and Capped for MFN and OQ

<p>The Unit Price is set on an annual basis as the lower of the Heat Charge and the Gas Comparator.</p>																											
<p>The Heat Charge, based on the wholesale cost of gas, is calculated as follows:</p> $(2.60 \times ((G \times 1.05) + \text{ISNEC})) - (0.89 \times E \times 0.9) + \text{NFVC}$ <p>where</p> <p>G is the wholesale annual gas price (p/kWh) as published in the NBP Price Assessment index produced by ICIS Heren.</p> <p>E is the wholesale annual electricity price (p/kWh) as published in the UK OTC Power Price Assessments index produced by ICIC Heren.</p> <p>ISNEC is the Industry Standard Non Energy Costs: National Gas Transmission Charges levied by the National Grid, Distribution Network Transportation Charges levied by the local Distribution Network Operator, and Gas Metering Charges as levied by National Grid Metering.</p> <p>NFVC is 3.27p/kWh (indexed by RPIx to March 2013).</p>	<p>The Gas Comparator, based on a traditional boiler system, is calculated as follows:</p> $\text{AEU} \times \text{AGT} / \text{GEA}$ <p>where</p> <p>AEU is the average energy used in kWh, based on the following table:</p> <table border="1"> <thead> <tr> <th>Refurbished Dwellings (PFI)</th> <th>Forecast Annual Heat Demand (kWh)</th> </tr> </thead> <tbody> <tr><td>1 bed flat</td><td>6,250</td></tr> <tr><td>3 bed house</td><td>13,500</td></tr> <tr><td>3 bed maisonette</td><td>13,500</td></tr> <tr><td>4 bed house</td><td>15,625</td></tr> <tr><td>5 bed house</td><td>16,250</td></tr> <tr> <th>New Dwellings (PFI)</th> <th></th> </tr> <tr><td>1 bed flat</td><td>3,449</td></tr> <tr><td>2 bed flat</td><td>5,244</td></tr> <tr><td>3 bed house</td><td>6,292</td></tr> <tr><td>3 bed maisonette</td><td>5,460</td></tr> <tr><td>4 bed house</td><td>6,869</td></tr> <tr><td>5 bed house</td><td>7,006</td></tr> </tbody> </table> <p>AGT is the average gas tariff at the date of the price review, based on the published Standard Gas Tariff (non-standing charge, single fuel, payment on demand, non on-line) of each of the 6 principle UK energy companies.</p> <p>GEA is the gas efficiency adjustment, which has a value of 80%.</p>	Refurbished Dwellings (PFI)	Forecast Annual Heat Demand (kWh)	1 bed flat	6,250	3 bed house	13,500	3 bed maisonette	13,500	4 bed house	15,625	5 bed house	16,250	New Dwellings (PFI)		1 bed flat	3,449	2 bed flat	5,244	3 bed house	6,292	3 bed maisonette	5,460	4 bed house	6,869	5 bed house	7,006
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E.ON's Heat Charge is made up of the costs of generating and supplying heat and electricity from burning gas in the CHP, with customers supposedly benefiting from a cost reduction based on the sale of electricity generated by the CHP plant to the national grid.

The PFI contract's Gas Comparator is based on an assumed annual heating bill for a range of MFN property types using a traditional gas boiler and an average of the Big Six energy companies' Standard Variable Tariff⁶⁶. This assumed bill specifically excludes all standing charges plus discounts for direct debit, online billing or dual fuel. The assumed heating bill is then divided by 80% to reflect the fact that 1kWh of gas produces 0.8kWh of heat using a traditional gas boiler.

In terms of the Annual Energy Service Charge, the PFI contract sets two different charges:

- Tenanted dwellings (council) are levied a fixed service charge of £275.74 per annum (excl. VAT; indexed to March 2013), inflated on 1 April by RPIx – the Retail Price Index excluding mortgage

⁶⁶ Standard Variable Tariffs (sometimes called a 'standard rate') are an energy supplier's basic offer that a customer will be put on if they have not chosen a specific energy plan. If you are on a standard tariff, the unit prices (the 'rate' presented in £ per kWh) for gas or electricity could go up or down at any time. All suppliers have STVs and they are usually more expensive than other plans they can offer.

interest payments. This is paid by Lambeth and is not chargeable to Council Tenants. For 2016-17, this had increased to £302.46 (excl. VAT).

- Owner-occupied dwellings (former council and private) are levied a fixed service charge of £376.18 per annum (excl. VAT; indexed to March 2013), inflated on 1 April by a weighted average based 40% on the appropriate British Electro-technical and Allied Manufacturers Association indices and 60% on Retail Price Index (which includes mortgage interest payments). This is chargeable to Leaseholders of the Dwellings in council and private blocks. For 2016/17, this had increased to £402.68 (excl. VAT).

To complicate matters further, E.ON also now offers MFN and OQ homeowners the additional options of a Low User and High User Tariff set out in Table 5. The Low User Tariff combines a much lower annual service charge of £96.91 (excl. VAT) with a much higher unit rate (14.53p excl. VAT) for households consuming below 3256 kWh a year. Similarly, the High User Tariff offers homeowners a modestly higher service charge (£485.62 excl. VAT) and slightly cheaper unit price (4.31p per kWh excl. VAT) compared to the default Standard Variable Tariff. While these options have been welcomed by some homeowners, there are problems with these tariffs that we discuss later in this section.

Table 5: E.ON Tariffs for homeowners 1st April 2016 to 31st March 2017 (excl. VAT)

Tariff	Annual Service Charge	Unit Rate p/kWh	Most suitable if consuming
Standard User	£402.68	5.14	Between 3,256 and 6,740 kWhs
Low User	£96.91	14.53	Less than 3,256 kWhs
High User	£458.62	4.31	More than 6,740 kWhs

6.4.2. Comparing E.ON’s tariffs to gas and other district heating providers

However, when looking at these tariffs and the bills they generate, many residents do not clearly see the promised saving on customer heating costs when compared to using an individual gas boiler. A recurring complaint from households is that the district heating bills are generally higher than their previous bills from individual gas boilers, whether in homes on MFN, or, for those who had moved into OQ, where they previously lived. Some pre-existing MFN residents say their monthly heat bills are between £20 and £50 higher than their old gas bills. Some new private OQ homeowners also say their bills compare unfavourably, like Greta (Box 20) whose bill for heating a supposedly modern, insulated flat is higher than the heating and electric bills combined in her previous large, poorly-insulated Victorian terrace:

Box 20: Greta’s Story – E.ON’s heating bill higher than all energy in previous Victorian terrace

“My housemate and I are now paying more in heating bills in this flat than we did for both gas and electricity in our three-bed, poorly insulated Victorian terrace we were renting before moving here. How can this be right? Our property handbook promises that our district heating system will never be more expensive than the equivalent home equipped with a gas boiler, however there is no easy way of proving this because although gas tariffs are much cheaper than heat tariffs, our heating system is supposedly more efficient making it impossible to do direct comparisons. My suspicion is that the district heating system is more expensive; E.ON estimates we should spend £372 per year on heat whereas my property’s Energy Performance Certificate estimates I should spend £268 per year, despite the fact that both estimate heating costs based on expected average use for a property of this size.”

It is not possible to directly compare the district heating bills with bills from individual gas boilers because heat and gas are not the same commodity, households have different consumption patterns and live in different building typologies (age, size, fabric, level, type), and providers charge for fixed costs and services in different ways and offer different discount options. However, for social tenants on MFN, we can compare their E.ON bills to what they could be paying if using a gas boiler and being supplied with gas by the big six energy companies once the greater efficiency of the district heating system over gas-fired individual boilers in producing heat is accounted for. This is because social tenants do not pay any service and standing charges under the PFI contract.

Table 6 and Figure 6 below compare E.ON's Standard Tariff heat unit price (incl. 5% VAT⁶⁷) – the default tariff and the only rate available for council tenants at an MFN postcode – to current Big Six energy companies' standard and fixed tariffs (incl. 5% VAT) available on 28 April 2017. The tariffs are based on an assumed annual heat demand of 5244 kWh – which is what the PFI contract estimated for a new build 2 bed flat.⁶⁸ In order to compare 1 kWh of heat with 1kWh of gas, we use the Gas Efficiency Adjustment in the Gas Comparator in Figure 5. This assumes that it takes 1.25 kWh of gas to produce 1 kWh of heat, meaning that an annual 5244 kWh heat demand would require 6555 kWh of gas. To reflect this 25% efficiency in an overall cost comparison, we derive an annual unit cost by multiplying the suppliers' gas unit rates by 1.25, then add the standing charges on top and divide by 5244 kWh.

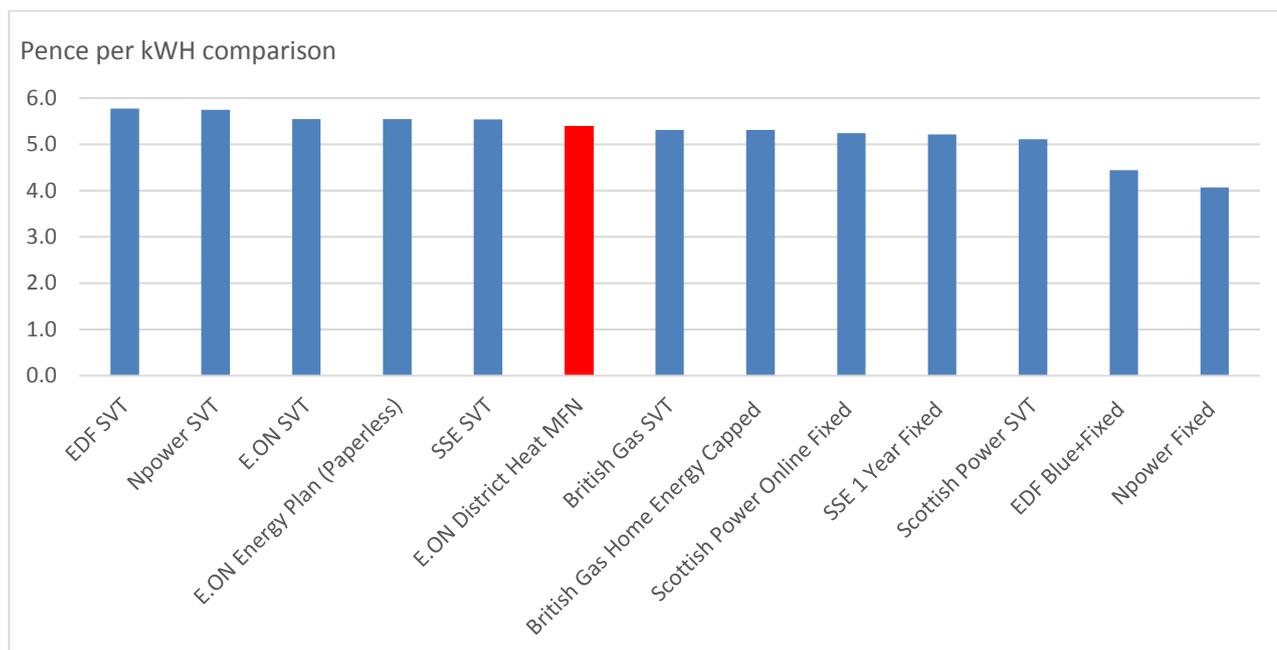
Table 6: Comparing E.ON MFN district heating bills for social tenants with Big 6 Gas Unit Prices (p/kWh) on fixed and standard variable tariffs (SVTs) (incl. VAT)

	Unit Price	Gas to Heat Conversion (x 1.25)	Annual Unit Cost (£ per annum)	Standing Charge (pence per day)	Total annual £cost comparison	Pence per kWh comparison
E.ON District Heat MFN	5.397	5.397	283.02	0.00	283.02	5.397
E.ON SVT	4.103	5.129	268.95	21.90	290.85	5.546
EDF SVT	4.216	5.270	276.36	26.25	302.61	5.771
SSE SVT	4.179	5.224	273.93	16.44	290.38	5.537
Scottish Power SVT	3.673	4.591	240.77	27.39	268.16	5.114
Npower SVT	4.356	5.445	285.54	15.82	301.36	5.747
British Gas SVT	3.850	4.813	252.37	26.00	278.37	5.308
E.ON Energy Plan (Paperless)	4.103	5.128	268.95	21.90	290.85	5.546
EDF Blue+Fixed Price June 2018	3.155	3.944	206.81	26.25	233.06	4.444
SSE 1 Year Fixed v10 Paperless Billing	3.948	4.935	258.79	14.80	273.59	5.217
Scottish Power Online Fixed Price Energy April 2018 v3	4.069	5.086	266.72	8.22	274.94	5.243
Npower Fixed short: Online Price Fix May 2018	2.934	3.667	192.30	21.09	213.40	4.069
British Gas Home Energy Capped May18	3.850	4.813	252.37	26.00	278.37	5.308

⁶⁷ VAT is charged at 5% for domestic energy consumption.

⁶⁸ Source: <https://www.ukpower.co.uk/> - comparing for SW9 6EA, gas only at 28 April 2017 (incl. VAT).

Figure 6: Comparing E.ON MFN district heating bills for social tenants with Big 6 Gas Unit Prices (p/kWh) on fixed and standard variable tariffs (SVTs) (incl. VAT)



When the price per kWh comparison is visualised in Figure 6 we can see that social tenants on MFN are generally paying less to heat their homes and water than if they were on **Standard Variable Tariffs (SVTs)**⁶⁹, but are **paying more than if they were able to choose a fixed price deal from a Big Six energy supplier**. Social tenants living in a 2-bed new build flat on MFN could be saving nearly £70 a year by opting for the best deal in Table 6. This shows that while E.ON’s heat price for social tenants are in line with the contractual promise to be no higher than average gas bills using traditional gas boilers, they are not as competitive as other deals on the market if tenants could engage in switching.

Obviously, this comparison does not tell the full story because homeowners on MFN not only pay a the heat unit price, but they also pay a standing charge that incorporates a share of the costs over 40 years of maintaining the district heating infrastructure including boiler plant, HIUs, meter reading systems, buying the input fuel, and running a customer billing and metering service.

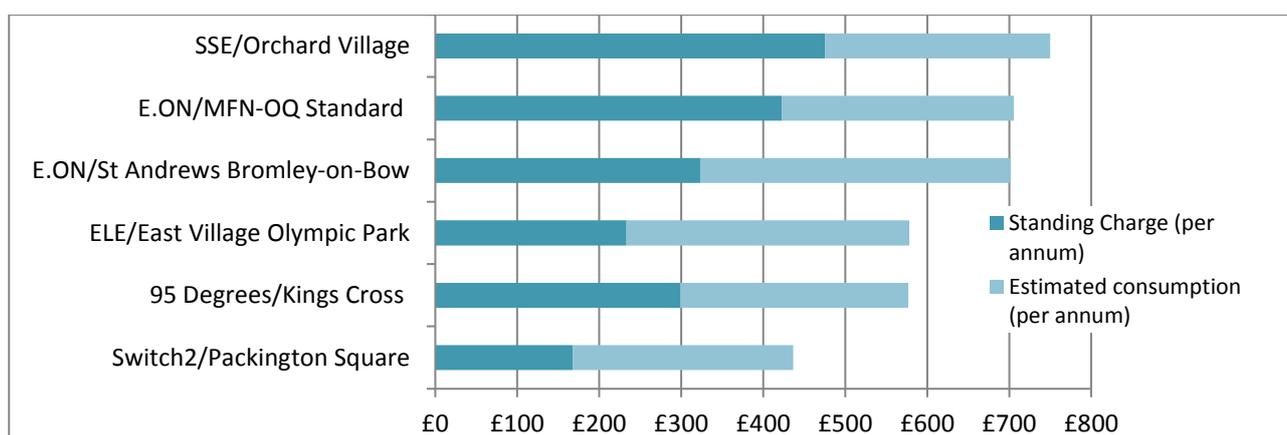
For these homeowners, a more accurate and useful comparison is to compare E.ON’s MFN/OQ heat tariff and service charge packages to some other equivalent district heating schemes in London that we obtained either from their websites or by contacting the providers directly set out in Table 7. Again, using the forecast heat consumption of 5244 kWh for new-build 2-bed flats in the MFN PFI scheme (see Figure 5), we compare homeowner charges using E.ON’s Standard User Tariff with equivalent tariffs from the other providers. Figure 7 sets out the results.

⁶⁹ Significantly, it is these SVTs that, at the time of writing, have been widely condemned by MPs, including the Prime Minister, the regulator Ofgem, and the media as “ripping off” loyal customers. Customers everywhere are strongly advised to switch to a better deal than the SVT, and told they can save hundreds of pounds by doing so. MFN and OQ residents, as with other estates with district heating schemes, however, are not able to switch. The Observer (2017), ‘Energy companies “ripping off” millions, ministers say’, 12 March, <https://www.theguardian.com/money/2017/mar/12/millions-overpaying-energy-bills-admits-ministry-big-six>

Table 7: E.ON’s MFN/OQ tariffs compared to equivalent district heating schemes (incl. VAT)

Provider and Housing Development	Tariff Type	Standing Charge (£ /month)	Unit charge (p per kWh)
E.ON Myatts Field North / Oval Quarter, Lambeth	Standard	£35.23	5.397
	Low	£8.48	15.257
	High	£40.13	4.526
95Degrees King’s Cross Central, Camden	Private	£24.91	5.303
East London Energy (ELE) ⁷⁰ East Village, Queen Elizabeth Olympic Park, Stratford	Standard	£19.45	6.572
Hyde New Homes / Switch2 Packington Square, Islington	Standard	£13.31	4.884
E.ON St Andrews, Bromley-by-Bow, Tower Hamlets	Standard	£26.91	7.224
SSE Orchard Village, Havering	Private	£39.61 ⁷¹	5.240

Figure 7: Comparing E.ON MFN district heating costs with other district heating schemes in London for a 2-bed flat new build on MFN and OQ (incl. VAT)



While E.ON’s unit price for MFN/OQ is the third highest of these six schemes, its service charge is the second highest. When unit price and service charge are combined, MFN and OQ homeowners in new 2-bed flats are clearly paying at the top end of equivalent district heating prices in London – in this comparison, E.ON is second only to SSE’s controversial scheme on Orchard Village in Havering.⁷² So, the cost of living and buying a new home on the MFN/OQ with E.ON providing the district heating scheme appears to be more expensive than the equivalent costs in all but one of the other developments we have looked at. This higher cost is especially acute for purchasers of shared ownership homes on OQ as they tend to have lower incomes yet are paying these premium prices.

In response to residents’ concerns about their bills, Regenter and E.ON issued a district heating service FAQs in July 2016 (Appendix 7) that sought to clarify how their tariffs for both heat use (unit cost) and service charges were calculated in line with the PFI contract. However, this

⁷⁰ The Olympic Park scheme also includes a Common Heat Availability Charge of 6.572p per kWh that is not possible to calculate and include here but this would make leaseholder bills higher in the comparison.

⁷¹ Includes an £8.95 a month Capital Replacement Fund.

⁷² Romford Recorder (2016), ‘Watchdog opens investigation over shocking energy bills at Orchard Village, Rainham’, 30 September, <https://goo.gl/73edSG>

clarification merely amplified suspicions that E.ON has been unfairly inflating the heat unit price – in breach of the PFI contract and individual customer agreements – by suggesting key elements of the Service Charge (HIU and CHP maintenance and replacement) are being double-counted in the heat unit price calculation.

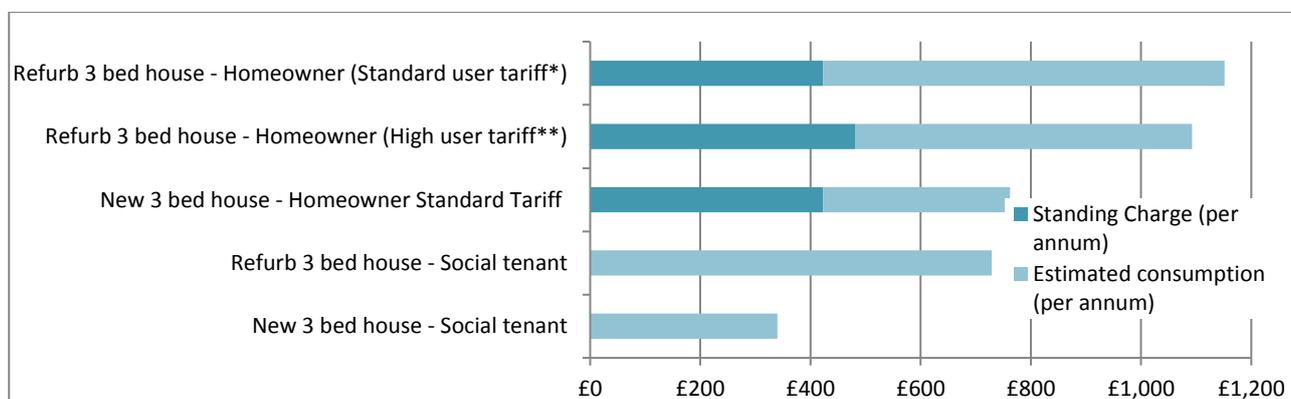
The FAQs state that E.ON sets its unit price by comparing its heat charge to an average gas bill – the Gas Comparator – that is *inclusive* of gas boiler maintenance and replacement costs. However, such costs should be removed because homeowners (including shared ownership residents) are already paying for these costs in their Energy Service Charge, while council tenants are not liable for them in either the unit cost or the service charge as it is their local authority landlord who pays for them (indeed, it is not normal for UK tenants to expect to pay for their boiler). To further confuse the issue, maintenance, and replacement costs for boilers do not appear in the PFI contract energy tariff benchmarking formula set out in Figure 5.

Including gas boiler maintenance and replacement costs in the Gas Comparator acts to inflate the upper limit of the eventual heat unit price – which means that E.ON has more headroom to raise its own Heat Charge and still be lower than the Gas Comparator. The Gas Comparator appears to be being further inflated by hidden assumptions about the size and price of boilers required, their lifetime, and the periods covered by manufacturers’ guarantees. If taking place, it would explain why bills are higher than what should be expected.

This has been further confused by examples of some customers being told by E.ON that equivalent boiler replacement and maintenance costs are not covered by the Energy Service Charge. As we explained in section 3.2.3, the service charge is supposed to include **“responding to any faults with your HIU and includes all labour and materials”**.⁷³ However, as we saw in section 5, some homeowners have been made to pay for repairs to their HIU and other parts of their heating system. For example, one leaseholder paid £240 for a HIU part.

We also found a major inequality between residents’ heating bills across the MFN and OQ based on whether the household was a social tenant or private homeowner, and whether they were living in a refurbished home or a new build. Figure 8 below uses the example of new and refurbished 3-bed houses on MFN. It compares E.ON’s forecast heat consumption of 6292 kWh for new-build and 13500 kWh for 2-bed new build flats in the MFN PFI scheme.

Figure 8: Comparing E.ON MFN district heating costs for tenants and homeowners of new build and refurbished 3-bed homes under E.ON’s current tariff structure



⁷³ P.9, ESCo Solution.

The results shows that MFN council tenants and homeowners whose homes have been refurbished face much higher heating bills than those who have moved into new build council and private homes. This is because the current Tariff structure for MFN and OQ takes no account of the vastly different energy efficiency performance of the homes on the development. As pre-existing residents had no choice about which homes would retained and demolished, this unfairly penalises residents whose homes were refurbished and benefits residents whose homes were demolished and re-built.

E.ON is not to blame for the design of the regeneration scheme and the fault for such inequality of energy efficiency lies with Lambeth, Regenter and other parties. However, given the evidence provided in Figure 6 about E.ON's uncompetitive prices for social tenants, E.ON could look across the development as a whole and restructure its tariffs to ensure that all residents can access affordable heat. This would involve making different tariff options available to reflect the inequality of energy efficiency left behind by the regeneration scheme.

A clear example of this failure is the fact that MFN council tenants are not given access to the High User Tariff that homeowners can access. This would help to bring down bills in refurbished properties as well as benefit vulnerable residents who spend a lot of time in their homes due to their health, disability, carer role or age, and thus have higher consumption needs. Regenter and E.ON have so far provided an unsatisfactory and disingenuous explanation for this denial of tariff choice to council tenants:

Regenter are responsible for the energy service charge for Local Authority tenants. It is therefore not beneficial to tenants, to offer a low user tariff rate. A tenant on such a tariff would incur higher costs than they would if they were on the Standard User tariff alternative.⁷⁴

As should be obvious, council tenants are not asking to be able to move to the Low User Tariff rate, but to the High User Tariff rate instead, from which some clearly would benefit.

6.5. The current situation

Residents are still experiencing billing problems. One Notting Hill owner was debited twice for £124.08 each in July 2016 for no reason when his typical bill was under £60, which E.ON then admitted was incorrect. However, despite multiple promises from different customer service operators it still had not been resolved by January 2017. Another Notting Hill owner who has been in his flat for over two years each month still receives an estimate for six months of actual use.

Some residents are taking drastic action due to lack of trust in the system. Five households surveyed between 16 and 20 January 2017 told us that their estimated bills were still very high and that they were continuously getting the wrong estimates or being overcharged. Some had resorted to purchasing portable oil-filled radiators and portable fan heaters in fear of receiving higher monthly bills from E.ON; others were rationing their heating usage, and had conditioned their family to limiting their usage even in the cold period to between 30 minutes and one hour per day.

In contrast to E.ON's claims about providing residents with certainty over their bills, many residents remain very uncertain due to the ongoing problems with meter readings and billing. Chrissie's story in Box 21 from 20 January 2017 captures all of these issues and underscores residents' groups' objection to E.ON highlighting the apparent low average bill for council tenants whilst ignoring that

⁷⁴ Regenter's district heating service FAQs, July 2016 - see Appendix 7.

many are simply turning off their heating yet are still being billed and harassed for payment based on 'estimates'.

Box 21: Chrissie's Story – reasonable bills because she has turned the heating off for a year

"My actual bills are normally around £20 per month, which appear quite reasonable until you realise that I haven't put my heating on over the past year because it's so expensive. So when E.ON says average tenant bills are £240 per year, this includes people who are not putting their heating on! I am fortunate enough to be in employment yet still I find the bills too expensive. In December 2016, after two years of actual bills, I was suddenly sent an estimated bill for £93. Given my bills of £20 per month were based on actual meter readings of which they have a two year record, how could they now send me an estimated bill nearly five times higher? They then sent me a reminder demanding I pay, this time making no mention that it was an estimate and threatening to charge a penalty if not paid. I was then sent an email requesting a meter reading before 10/1/17 – which was the previous week. Then E.ON requested the email be recalled, followed by a request for a reading before 20/1/17. On 20/1/17, I received a formal demand for payment and a letter threatening my credit profile. The first operative I spoke to had an attitude, did not know the answers to anything and when I asked to be put through to the complaints department she loaded the complaint herself and offered me £5 without explaining to me what it was for. I refused the £5 so she sent it to the resolution team. She was initially unable to tell me the timeline to answer a complaint so I had to insist. She went away to find out and told me 10 days. I had to request a complaint reference number as she was not going to offer it. I phoned back to speak to someone else and got someone I had dealt with before; she stopped the formal demands from being sent out which should have been done in the first instance. But the problem has kept on occurring. On 24/3/17 I received a bill claiming to be overdue for £48.72. It was dated 21/3/17 but stated it was for the bill dated 22/3/17. Upon speaking to E.ON, I discovered that E.ON had included £2.74 which I owed from last month and the estimated reading that was due for this month. As I had not yet received the bill for March, I was confused why I had to pay £48.72 immediately. It was also another grossly over-estimated bill: after disclosing the correct meter reading my bill was reduced to £15.42, which included the £2.74 from last month – this is a big difference. I have been on the phone trying to sort this out for 45 mins including waiting for 10 mins to get through to someone. I get anxiety every time I see EON correspondence or have to phone up to sort out another bill. This is seriously affecting my health and wellbeing.

Residents' groups suspect that with the history of faults, missing parts and other technical problems, the HIUs being supplied by E.ON are far less efficient in consuming heat than the CHP is in producing it. This underlines the more fundamental point that E.ON has, in effect, a double monopoly over MFN and OQ residents – it both sells the produced heat to their properties, and then controls how efficiently they can use that heat through the HIUs. It is, therefore, in E.ON's interest to generate heat as efficiently and cheaply as possible but it is not in E.ON's interest to ensure residents consume that heat energy as efficiently and cheaply as possible.

Overall, residents' groups currently have no confidence in the fairness of the tariff and service charge structure, in the complete accuracy of billing and metering, and in the claimed efficiency of their HIUs and other heat controls.

7. Poor Customer Service Failing the Most Vulnerable Residents

This section shows how the reliability and billing problems that have dominated residents' experiences of E.ON's district heating system on MFN and OQ have been compounded by very poor standards of customer service, particularly in terms of complaint handling, compensation, and support for vulnerable residents.

Box 22: E.ON's undertakings on complaints, compensation and vulnerable customers

- *To try to resolve a complaint as quickly as possible with an explanation and an apology for any problems E.ON has caused, and take action to put things right;*
- *To treat any contact from, or on behalf of, a customer or potential customer who is not satisfied with any part of our service as a complaint;*
- *To contact each customer "within 48 hours of receiving any complaint letters with the hope of resolving any matters referred to Head of Customer Services within two weeks";*
- *To conduct a full review and respond within 10 working days should a customer not be satisfied;*
- *To contact customers if E.ON is not able to resolve your complaint within 10 days, and tell you what progress they are making;*
- *To issue every Heat Customer who raises a Complaint that is contested with a Deadlock Letter within 8 weeks of the first complaint date;*
- *To have clear guidelines for identifying and supporting Vulnerable Heat Customers;*
- *To ensure all staff are aware of how to identify and assist Vulnerable Heat Customers;*
- *To provide electric heaters if vulnerable customers are without heat for any more than 12 hours;*
- *£30 compensation per service failure including: every 24 hour period without heat supply; not responding to faults within 4 hours during normal working hours and within 12 hours for out-of-hours; not providing temporary heating to a priority domestic customer whose heat supply has been interrupted within 24 hours; £54 (indexed) one-off payment for 4 or more Unplanned Interruptions of over 12 hours each to Heat Energy Supply during any 12 months*

7.1. Poor complaint handling

The problems outlined so far have led to numerous complaints and claims for compensation by households for their poor service experiences. However, residents' groups believe that E.ON has failed to properly handle complaints, inform residents of their rights to compensation, or adequately compensate those who deserve it. There are examples of residents forced to make a complaint over their poor customer experience only to be dragged through a seemingly interminable process that typically ends with E.ON either rejecting their complaint or offering derisory compensation for months without heating or hot water. Residents have frequently been told there is no record of their complaint or the underlying problem in their database; some have not been given reference numbers. For Bob, a shared owner with Notting Hill, this happened repeatedly:

Box 23: Bob's Story – 7 months without receiving an E.ON bill

"I went 7 months without a bill and found I had been put on the highest tariff without my knowledge. I also had really high meter readings when I hardly used the heating. When I complained, E.ON told me I should have checked the tariff but I never received a heat information pack or a bill to check; then they sent me a starter pack with someone else's name. I rang the complaints resolution team 15 times, and 15 times the E.ON call centre was not aware of my complaint. So I have gone to the ombudsman".

Others have experienced a failure to properly record the complaint in the first place, confusing and badly written communication, or months passing without a response and then have had the complaint closed with no or minimal compensation and with inadequate explanation. It is common for E.ON to close complaints after claiming to have tried to contact the resident without success, and for communications to be poorly written. Box 24 records what happened to Uzoamaka Okafor, Chair of the MFN-RAMB, when she made a complaint about different aspects of the missing actuator discussed in section 6:

<p>Box 24: Uzoamaka’s story of poor complaint handling</p> <p>We’ve tried to contact you about your complaint</p> <p>We’re sorry we haven’t been able to put things right for you just yet. We really need to talk to you so we can resolve your complaint.</p> <p>Reason for your complaint</p> <p>Why was the valve missing and why it was not noted when the HIU was commissioned.</p> <p>What is the role of the actuator valve and its impact on the billing?</p> <p>When did E.ON know about this and why haven’t we done anything about this.</p> <p>Seeking compensation for any overbilling.</p> <p>Explanation</p> <p>The manufacturers fitted the HIU when the development was refurbished/or built.</p> <p>The valve was fitted when the HIU was installed by the manufacture however we was then informed that this was causing the intermittent issues on site this was then removed.</p> <p>The actuator valve is fitted to control the pressure going around the system it can be used to increase or decrease the flow within the HIU</p> <p>We was not told about this until you had an engineer visit your property to look at the metering he called us on the 15/09/16 the day of your appointment to alert us shortly after his call you called in to raise a complaint regarding this.</p> <p>We have written to customers who have the Wilson unit in their property and asked them to call us to arrange an appointment to check if the valve is in their unit.</p> <p>I have looked into your consumption and there has been no change in your usage from having the valve fitted.</p> <p><small>E.ON Energy Solutions Limited Registered Office: Westwood Way, Westwood Business Park, Coventry, CV4 8LG Registered in England and Wales No 3407430</small></p>	<p><i>“I made a complaint to E.ON by phone in September 2016 after learning about the missing actuator which my neighbour had been told was causing high bills. I asked E.ON when were they were first aware, how many people were affected, and whether they had had informed the local authority. I was rung by someone from the complaints resolution team and I made a point of asking her to write down all of my complaint as some parts were missing in her record. On 15 September 2016 E.ON sent me a letter saying they needed more time; I did not hear from then again until the second week of January 2017 when they wrote to me with only half of my questions addressed, telling me completely contradictory information to previous E.ON explanations of the actuator issue, and offering £20 to close my complaint after claiming they had tried to contact me over the past fortnight. Yet I have no record of them trying to contact me – no missed calls, no answer machine messages, no emails and no letters. I do not even know what the £20 is for and how it has been calculated.”</i></p>
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7.2. Arbitrary, inconsistent and untransparent compensation

It took until March 2015 for E.ON to directly advertise its compensation offer to residents, having previously referred them to their website, which contained very little information for Heat customers. E.ON’s Guaranteed Standards of Service for Heat Supply Customers are cited in individual customer agreements but are currently not on the E.ON website. Many residents have experienced enormous difficulties in being able to claim. Below are just a few examples of the many individual stories:

- A homeowner without hot water for 71 days was offered a 50% refund on her standing charge during that period, working out at just £39.05 compensation or 55 pence a day;

- One resident who was without hot water for six months, with engineers coming out six times, requiring her to take time off work, was offered a £70 “resolution”, which she declined. E.ON told her that this type of issue is not covered by the Ombudsman and that if she wanted to take it further she would have to start legal proceedings;
- One resident was offered £50 for compensation for nearly six weeks without heating in the cold months of February and March of 2015. Her meter readings and account prove she did not use water and heating in this period but E.ON told her she could not receive any more money and the only option was to go to the Ombudsman;
- One resident was offered £60 and then £10 more for the inconvenience of 24 separate days without hot water or heating over a period from October 2014 to February 2015;
- One elderly man was offered just £50 compensation after 21 days of going to the local gym for showers because of an “intermittent” fault.

Another problem is a lack of transparency about how compensation is being decided and apparent inconsistencies in who is and who is not being compensated and by how much. Residents have found that the compensation paid is arbitrary and unevenly applied, never knowing why they get more or less than a neighbour for the same outage. Nor do they even know whether everyone who was entitled to compensation has received it.

This lack of transparency has been evident in the three main collective awards of compensation since 2015.

First, in February 2015, E.ON stated that it had made 36 payments of compensation totalling £1194.86 over the three months prior to January 2015.⁷⁵ Residents’ groups pointed out that this did not show how many different individual households had been compensated nor on what basis the compensation had been awarded. MFN-RAMB had information that a significant proportion of this compensation had in fact been paid to one person for an array of problems.

Second, in October 2015, in response to a joint letter from the Leader and Chief Executive of Lambeth to E.ON that was critical of the compensation, (***“Offers of compensation are unclear and in many cases unsatisfactory”***⁷⁶), E.ON reported that compensation for residents whose properties needed works to solve intermittent hot water problems caused by HIU faults had amounted to £25,000 paid to the 283 properties. These payments were uneven, ranging from £50 to £200, and again came with no explanation of how the compensation had been calculated.

When Lambeth wrote again to E.ON on 20 November 2015 requesting a ***“clear explanation of how the compensation was calculated and applied in each case”***, Jeremy Bungey’s reply on behalf of E.ON was that the variation in compensation amounts was based on ***“extensive analysis of site performance”*** in relation to the following factors: the period of time in property; number of call outs; HIU manufacturer; and location on the network.⁷⁷

However, none of these factors covered how residents may have suffered and the impact on their lives. Residents were neither consulted on the criteria, nor were they even told what they were until Lambeth pressed for the information. As a result of this approach, one leaseholder who was originally offered £50 compensation after his heat unit had not worked for a month decided to sue

⁷⁵ Regenter/Lambeth response to residents’ petition, February 2015 – see Appendix 9.

⁷⁶ Correspondence between Lambeth and E.ON, July to December 2015 – see Appendix 10.

⁷⁷ Correspondence between Lambeth and E.ON, July to December 2015 – see Appendix 10.

E.ON for lack of service. After he had made a claim at the Small Claims Court E.ON offered him £200 with a gagging order. He did not accept the offer and continued with his court action (cost £170). **After further dialogue, E.ON paid over £500 which was what he initially demanded.**

Third, since July 2016 when it was discovered there were actuators missing in hundreds of properties, E.ON has been fitting them and crediting residents £20 for the inconvenience. Once again, residents do not understand where this £20 comes from, and what historic impact the missing actuator has had on their bills. Some residents believe that the missing actuator has raised their bills and they want a refund for this if proven.

More generally, residents' groups believe there is a major loophole in E.ON's promised compensation offer: the condition that heat must be out for more than 24 hours continuously from the first time a resident reports it. As we saw in section 5 on estate-wide outages, in many cases, hot water and heating is intermittently on and off during a day, and therefore technically not out for long enough to qualify for compensation. By evaluating the potential for compensation from the 48 days of estate-wide outages since 2013 against E.ON's compensation undertakings in Box 22, in Table 8 we have estimated that in sum, **only 7 out of 48 outage days would qualify for the 24 hour compensation award, and there would only be enough qualifying 12 hour outages to merit one £54 payment per household. That is £264 for 48 days of unplanned interruptions, averaging a derisory £5.50 per outage.** And once again, residents' representatives have no idea whether residents owed this compensation have in fact been compensated.

Table 8: District heating outages liable for compensation

(1 tick = one incidence of compensation owed; 1 cross = no eligibility of compensation)

Date	Impact	£30 per Unplanned Interruption lasting more than 24 hours	£54 for 4 or more Unplanned Interruptions of 12 hours in 12 months
1 Feb 2013	7 homes without heating and hot water	✓ ✓	possibly
1 Apr 2013	No supply for three hours on a Sunday	✓ ✓	✓
28 Aug 2014	No supply for three hours on a Sunday	✗	✗
30 Oct 2014	No supply for eight hours (late evening to early morning)	✗	✗
6 Nov 2014	No supply for eight hours	✗	✗
25 Dec 2014	No supply from morning to 5pm on Christmas Day	✗	✗
2 Apr 2015	No supply from the morning	✗	✗
11 May 2015	No supply in the morning	✗	✗
20 May 2015	No supply	✗	✗
22-23 Jun 2015	No supply reported intermittently in several blocks	✗	✗
9 July 2015	No supply for part of day	✗	✗
20 Aug 2015	No supply in most blocks from before 8am - back on after 1.30pm.	✗	✗
22 Aug 2015	No supply across estate from 8am to 11.20am	✗	✗
6 Oct 2015	No supply on several parts of the estate	✗	✗
3 Jan 2016	No supply reported by some residents	✗	✗
8-9 Mar 2016	No supply at several blocks in the evening. No supply estate-wide before 8am.	✗	✓
11 Mar 2016	No supply estate-wide before 8am.	✗	✗

13- 15 Mar 2016	No supply estate-wide: 13 th March from 8.25pm to 10.35pm; 14 th March from 11.45am to 11.50am; 15 th March from 6.55am to 7.35am) and from 7pm to 9pm.	✗	✓
17-18 Mar 2016	No supply estate-wide: 17 th March from 12.45 to 1.30 and from 6.15pm to 8.30pm; 18 th March between 8.25am and 9.25am.	✗	✗
13 Apr 2016	Hot water out or tepid on several blocks	✗	✗
23 Apr 2016	No supply estate-wide from 10.08pm to 2.16am	✗	✗
25 July 2016	No supply estate-wide since 8am - more than one block	✗	possibly
25-28 Aug 2016	Bank holiday weekend: 25 th Aug, some residents complaining of variable hot water and cold water; 26 th Aug, no supply in some parts of estate; 27 th & 28 th Aug: no supply after 8pm for 19 hrs 17 mins	✓	✓
21 Sep 2016	No supply estate-wide from approx. 5am to 9:48am	✗	✗
6-9 Oct 2016	No supply estate-wide: on 6 th Oct off before 8am and goes on for some residents until 8 th Oct; 8 th Oct: no supply estate-wide before 8am; Some residents report having no hot water at 8.20am the following morning (9 th Oct)	✓ ✓	✓
16-17 Oct 2016	No supply estate-wide after 6pm until at least 10pm. No supply estate-wide from 8:00am to 9:17am	✗	✗
3 Nov 2016	Some residents report no hot water in the morning	✗	✗
5 Nov 2016	No supply estate-wide – E.ON and Regenter dispute this saying readings from the energy centre show no loss of hot water but variable temperatures between 73 to 81°C	✗	✗
9 Nov 2016	No supply estate-wide from 7am to 2.34pm	✗	✗
26 Nov 2016	Some residents report losing hot water for a short period	✗	✗
30 Nov 2016	Residents complain of having lukewarm and cold water	✗	✗
1-3 Dec 2016	Some residents have no hot water, or lukewarm and cold water at different times over these days	✗	✗
5 Dec 2016	No supply in several blocks from 7.15am; some have no supply when they come home at 10pm	✗	✓

7.3. Failure of duty of care for vulnerable residents

The fact that so many of the issues being discussed in this report have impacted **vulnerable residents** – whether elderly, poor, disabled or carers – reveals the failure of E.ON to properly identify and look after vulnerable households as it has promised and is required to do. All customers when contacting or contacted by E.ON should be asked a series of questions pertaining to their household’s vulnerability status. As residents’ circumstances can change, due to ageing, health deterioration, accidents, or changing financial status, it is vital that E.ON operatives try to identify vulnerability at every time and point of contact. Of all the residents we spoke to not one was ever asked such questions by E.ON. This is an industry standard that E.ON are not always adhering to.

What is most concerning about June's story (Box 25) is that she is a pensioner and has life threatening health conditions that require her to live in a warm home without stress. At no time was she asked about her vulnerable status, offered help or informed of any rights as a vulnerable customer. There was no offer of any alternative heating during outages, no help offered with billing or meter reading. This lack of care has had a detrimental impact on her well-being.

Box 25: June's Story – frightened by E.ON into paying grossly over-estimated bills

"I have never received an actual bill since occupying my home. My bills are grossly over-estimated. I cannot read my own meter and do not understand how to use the complicated control panel and do not understand my bills. Whenever I phone E.ON I have to wait at least 20-30 minutes for them to answer and then I get passed around to different departments. E.ON staff have no patience with me. At no time have they ever asked me if I am a vulnerable resident. My estimated bills are way higher than my actual readings. I was even sent a formal demand before my estimated bill, which frightened me into paying £70 of the £91 bill from my small pension. My neighbour is now helping to check my bills from now on and she has told me not to pay anymore as E.ON now owe me money. Today I received another, more formal demand threatening to go to debt collectors and Regenter against my credit profile. When I rang up, E.ON could not find the payment even though I have a receipt."

In October 2016, these failures to care for vulnerable residents were highlighted by the sudden death of a long-term resident on the estate who had dementia and was struggling to pay his E.ON bills, as recounted by the Chair and Vice-Chair of MFN-RAMB below:

Box 26: MFN tenant's death by fuel poverty?

"One resident who clearly had some kind of dementia repeatedly raised concerns to us about his high bills. He was in his 70s and had lived on the estate for more than 25 years. He repeatedly went into the housing office to raise concerns about E.ON and his bills. Even a frontline staff has confirmed he came in a lot. He came to many RAMB meetings with Regenter and E.ON to raise concerns. He wasn't eating, he couldn't work the heat controls, he didn't understand why his bills were so high as he wasn't actually using the heating. The last time he came to RAMB meeting at 25 July 2016, he was talking about the bills. We told him to go to the housing office, tell E.ON, and if it carried on being an issue we would take it on. He was found dead in October 2016 with no food in his home. He had chosen to pay his heating bills instead of buy food and this was a factor that contributed to his death. He was looking to move off the estate as he could not deal with the bills. You cannot imagine how guilty we feel – we could not cope with all of the different problems that residents were bringing to us, plus our own housing problems, and so we let this poor man deal with E.ON and Regenter by himself. We feel responsible for his death even though we know the fault lies elsewhere."

7.4. The current situation

All of the problems outlined in this section are still happening. Residents' groups, therefore, currently have no confidence in E.ON's complaints handling procedures, how it calculates and awards compensation, or how it supports vulnerable residents. Not surprisingly, many people give up complaining. After all, it is hard enough living with the lack of reliable heat and hot water or reliable bills without also spending half your life trying unsuccessfully to get a solution. In terms of statistics, this compounds the fact that so many complaints are made but not recorded, leading E.ON to claim that there are not many complaints. At the meeting with residents' representatives

on 24 January 2017, Jeremy Bungey appeared genuinely surprised at the level of dissatisfaction, stating there were only “**nine open complaints**”.⁷⁸

Since then, E.ON, Regenter and Lambeth have acknowledged that E.ON’s customer service has not been satisfactory. Regenter states that “**E.ON has fallen short in regards to customer service**”.⁷⁹ E.ON has put in place plans to improve the customer experience:

To improve your customer service experience we have recently launched a new coaching programme for colleagues, we have invested in the systems they use and also recruited additional staff to ensure we deliver a consistent and appropriate service to all customers. We are also conducting a full review of how we deliver that support to customers including our complaints processes and out-of-hours support. That review is happening now and the first improvements will be delivered in April 2017.

⁷⁸ Minutes of meeting between E.ON and Residents Groups from MFN and OQ, 24 January 2017.

⁷⁹ E.ON, Lambeth and Regenter’s response to this report – see Appendix 3.

8. An Unaccountable Energy Monopoly in a Failing PFI Scheme

Neither the technical failings nor the lack of joined-up contract management and service delivery detailed previously are supposed to happen under the MFN PFI contract. Residents have done everything possible, as both individual customers and collectively through the residents' groups, MFN-RAMB and OQRA, to raise the long list of problems identified in sections 4 to 7 with E.ON and the various PFI contractors, Regenter, and Lambeth over the past four years. Unfortunately, as this section shows, they have been unable to get satisfactory redress due to the lack of accountability under the PFI contract and due to E.ON's refusal to take responsibility.

Box 27: Regenter and E.ON's undertakings on accountability, contract compliance and resident involvement

- *Regenter to monitor E.ON's performance against agreed availability and performance standards and financially penalise sub-standard performance;*
- *Regenter to ensure that an Independent Certifier correctly inspects and certifies refurbished and new build homes, plus the energy centre and district heat network, to check the heating and hot water is fully functioning for residents;*
- *Regenter and E.ON to stringently monitor their own performance – and that of their sub-contractors – in managing, maintaining and repairing the district heating system and in meeting the agreed customer service standards;*
- *Regenter and E.ON to give residents a central role in monitoring and enforcing the availability and performance standards of the PFI contract through the Myatts Field North Residents Association and PFI Monitoring Board (MFN-RAMB).*

8.1. Failures of the certification process and performance regime

The problems and faults with the district heating should never have been allowed to happen in the first place if the procedures laid out in the PFI contract for independent certification set out in section 3.4 of this report had been more robust and properly observed. Yet it would appear that the Independent Certification process failed to identify problems with the different parts of the district heating system before it became live.

Irrespective of these failures, the PFI penalty deductions regime should have ensured that any incidences of unavailability or poor performance were quickly sorted through the threat or imposition of financial penalties. However, the MFN PFI contract appears to be found wanting because the penalties are not high enough or unavailability is not being adequately monitored, identified and acted upon. For example:

- E.ON is contractually obliged to provide round the clock heat and hot water supply to residents, but will only be financially penalised if the outage of hot water and/or heating has lasted 24 hours since it was first reported. This means that E.ON will not be financially penalised by Regenter for leaving residents without hot water or heating for up to 23 hours and 59 minutes on each occasion.
- Nor will E.ON be financially penalised for supplying hot water at variable temperatures or low water pressure as neither appear to attract financial penalties under the PFI contract and there is no defined process for measuring water temperature or pressure inside a resident's home.

- The PFI contract also allows contractors to evade availability deductions if, for example, they experience what is contractually labelled an Access Refusal Event that stops them carrying out a repair. As we saw in Box 12 (Siobhan’s story) in section 5.4, some residents have direct experience of E.ON engineers posting “no access” cards through the door without even trying to access a home, presumably to avoid making the repair.

In a similar vein, none of the performance standards in the PFI contract actually address ensuring residents get the right outcome. Pinnacle, Rydon or E.ON can answer the phone promptly, respond to complaints on time, and keep appointments, but they are not measured on what they actually say and do. In other words, they can be unhelpful on the phone, they can write confusing explanations as to why a complaint has been rejected, and they can botch a repair job – all of which we have evidenced in this report as happening - yet the performance statistics will still show they met or exceeded their Key Performance Indicator targets. Moreover, the financial penalties that can be levied for failing to meet these targets – as opposed to the availability standards – are relatively small, providing little incentive to any contractor to meet or Lambeth to pursue. They are therefore generally useless for compelling the Contractor and its sub-contractors to provide a reliable service.

Finally, it is important to recognise that although the E.ON district heating system and the poor experiences laid out in this report cover all tenures on MFN and OQ -- council tenants, council leaseholders, private freeholders and private leaseholders – ***none of the PFI availability or performance standards set out in Tables 2 and 3 in section 3 apply to homeowners whether council or private.*** In other words, the local authority appears to have no contractual power to compel Regenter or E.ON to provide the required heating and hot water standards to homeowners. These residents must instead rely on the terms of their individual agreements with E.ON and other routes for redress, such as the Heat Trust or the Energy Ombudsman, or their own private legal action.

8.2. Residents’ experiences of unaccountability

The PFI contract is supposed to ensure there is clear ownership and transfer of risks to different parties, and where risks are shared, that a joint-management solution has been put in place. In other words, residents are supposed to know who is accountable for failures of heat or hot water in their homes, and who is responsible for sorting it out.

However, this accountability has evidently not been in place for much of the past four years. This is despite really concerted attempts by MFN residents to get the problems sorted out, attempts including raising issues continually in MFN-RAMB and PFI contract management meetings with representatives of E.ON, Regenter and Lambeth, setting up surgeries, a protest march, a petition, a survey, and repeated appeals and complaints to the companies, local ward councillors, and the local MP. Worryingly, there have instead been repeated reports of residents having reason to fear that they will suffer discrimination, or even lose their homes if they are too outspoken.

One common experience is for residents is for their repair requests, concerns and complaints tend to be passed around different contractors without resolution. In the story overleaf, John, a shared owner of one the Notting Hill flats in OQ, shows how long it takes and how difficult it is to get E.ON and the other contractors to accept liability and compensate properly.

Box 28: John's Story – over a year fighting for compensation from E.ON for a faulty HIU

"I couldn't override the controllers to turn the HIU on and tried to get E.ON to fix the problem. It went on and on - well over year. E.ON kept fobbing me off saying that they weren't responsible. Wilson Energy was their subcontractor at the time and kept missing appointments. I had various conversations with E.ON call centre staff, many did not even understand what service they are providing to Oval Quarter. My complaint took over a year to be resolved. At first E.ON refused to accept responsibility for their subcontractors and refused to give me the statutory £90 for missed appointments. I had to speak with Higgins and Notting Hill to confirm this was E.ON's responsibility. Then in trying to wrap up the complaint E.ON pretended that the £90 was a 'gesture of goodwill' rather than a required payment. I finally - after numerous missed appointments, lack of responsibility and terrible service - made a complaint to the Ombudsman. I received £90 statutory compensation for missed appointments and £100 as a gesture of goodwill for its shortfalls in service and required an apology. You have to fight for even that (I got £190 in the end). Their call centre staff are either poorly trained or unaware of the services we pay for, or both. A scan through Facebook shows people are being misled about what E.ON are responsible for. I was once given guff that 'so long as hot water is coming to the property, everything else is your responsibility.' A friend was told that E.ON are only responsible for the white box. This is patently not true."

As early as January 2015, Regenter accepted there were contractual governance problems with the delivery of the district heating.⁸⁰ The main issue was a breakdown between the two site Operating and Maintenance (O&M) teams caused by ***"the delivery of the contract which previously led to inefficient reporting and accountability to the residents"***:

The DHN [District Heating Network] consists of two circuits namely the Energy centre up to the HIU (O&M by E.ON) and a secondary circuit covering heat controllers, radiators and pipework (O&M by Rydon) with this being reflected in the subcontracts. *In practice this required the resident to in effect diagnose the problem (our emphasis)* for the call centre to be able to pass it to the correct sub-contractor – clearly unacceptable... this has been further compounded by the potential for the build contractor (Higgins) to be responsible for rectification of the problem under the contractual 12 month defects process.

In other words, three different contractors responsible for different parts of the district heating and no joined up governance. Regenter told residents' groups in January 2015 that it had addressed this problem by making E.ON ***"the first port of call for the heating system relating to loss of supply"***:

Only plumbing issues i.e. radiator issues and leaks are now dealt with by Rydon. Liability towards Higgins is now addressed after the event by the sub-contractors.

However, in December 2016, E.ON's Jeremy Bungey stated that it was the landlord's responsibility to deal with any issues of variable water temperature:

We remain happy to advise where we can but in the first instance we would look to point customers towards the Housing Association or their landlord who ultimately have responsibility for pipework and fittings within the property...

⁸⁰ Regenter heating and hot water report, January 2015 – see Appendix 11.

This continuing picture of **fragmented accountability** forms part of a systemic failing at the heart of the PFI contract where different contractors are only responsible for their part of the district heating system and have little incentive to work together and provide a single service for residents.

A second aspect of E.ON's evasion of accountability and responsibility for the failing system is the way in which the MFN-RAMB as the official residents' monitoring board for all residents on MFN and OQ has been treated by all PFI contractors and Lambeth during the regeneration process so far. As we explained in section 3, the PFI contract obligates Regenter to enable residents to monitor the PFI contract. The MFN-RAMB constitution clearly sets out its role as a resident-led contract monitoring body for all residents of MFN and OQ with a strong mandate as these extracts show:

To scrutinise and advise on the day to day performance of the... PFI contract... To provide a forum for resident representatives to actively participate, alongside Lambeth Council, in the formal contract monitoring of the PFI Contract... To influence policy on all strategic matters relating to the PFI Contract... To monitor and measure the operational and financial performance of the... contract.⁸¹

As part of that agreed role, the MFN-RAMB constitution records that Lambeth, Regenter and all PFI contractors will ***“circulate all relevant information and reports, including contractual information, in an appropriate and timely manner to facilitate the optimal running of the Residents Association & PFI Monitoring Board in its monitoring capacity.”***

Yet elected resident representatives have found their efforts to scrutinise delivery of the contract and E.ON's performance continually frustrated. MFN-RAMB has experienced frequent changes of E.ON personnel attending meetings and surgeries that means there is no continuity of knowledge or tracking of problems all the way through. MFN-RAMB has only once in more than four years been provided with a report explaining the availability and performance deductions being levied by Regenter on its sub-contractors and owed to Lambeth.

MFN-RAMB and more recently OQRA have had to fill the gap left by E.ON and others in supporting residents to produce accurate records of problems, with dates, outcomes, frequency, and incidence, as well as writing and following up complaints. Residents' groups feel that the local authority, Lambeth, has proved completely ineffective in defending the interests of the residents for whom they contracted the district heating service. When council tenants and leaseholders directly seek redress from their local authority landlord, they are routinely directed back to the PFI consortium on the grounds that it is Regenter, and not Lambeth, that is now contractually responsible for the estate.

8.3. The current situation

In response to public criticism, residents' groups have seen some improvement in accountability with respect to E.ON in the past six months. In December 2016, E.ON wrote to FPA with an acknowledgement of the problems and an explanation for them. This was followed by an important meeting between residents groups, the present authors and the then head of E.ON's Community Energy division, Jeremy Bungey on 24 January 2017. From this meeting, Mr Bungey wrote to formally apologise to all residents of MFN and OQ for their poor experiences of the district heating.

⁸¹ The Constitution of Myatts Field North Residents Association and PFI Monitoring Board.

In response to a draft of this report, in March 2017 E.ON set out plans for further improvement to its technical infrastructure and customer service approach detailed in the Introduction of this report. E.ON also set up surgeries for residents with problems with their heating in February and March 2017 and made it clear in an email to the three residents' groups that E.ON would take the lead in ensuring that problems were sorted irrespective of who was contractually liable:

Their full remit will be to ensure any resident query is addressed, recorded and completely closed. This will extend to act in co-ordination capacity with our partners on the regeneration project such that all resident's heating queries are dealt with by the responsible party. To be clear, we will ensure whoever is required to complete action does so and residents are kept fully abreast. Any query which requires intervention will be escalated to me. I will also attend two of the current surgeries and ensure I am available for the pending weekend surgeries... Our complaints team have been fully briefed and we will share very openly and transparently the complaints performance with all – including this group – to ensure we are managing all residents' complaints effectively. All complaints, whether face to face or over the phone, will be recorded and performance shared.⁸²

Nevertheless, the main accountability problems outlined in this section remain in place as of April 2017.

The first of these is the failure of the PFI contract to ensure performance. In their response to a draft of this report, Regenter and Lambeth both acknowledge that the district heating service has not worked satisfactorily. Regenter states that ***“E.ON has fallen short in regards to customer service”***⁸³ while Lambeth states that the ***“initial snags in the commissioning of such a large infrastructure project... have been greater than anticipated at Myatts Field North and we understand the distress this has caused residents... [and] have not always been resolved to our or residents' satisfaction”***.⁸⁴ However, Regenter also state that E.ON is not in breach of the PFI contract, implying that it is not being financially penalised for the service failures:

According to our records, E.ON are meeting their contractual obligations. Regenter enforce contractual obligations and, where there is failure of KPIs, penalties and unavailability deductions are enforced.

Lambeth states that despite the problems and ***“distress”*** that residents have experienced, these poor experiences ***“have, for the most part, fallen outside the parameters for compensation”***. In other words, both the Heat Trust's rules and the PFI contract itself are not fit for purpose as they allow E.ON to perform poorly without attracting financial penalty or being liable for compensation claims.

Second, despite E.ON being made the first port of call for loss of supply as far back as January 2015, some residents are still being told by E.ON that it is not responsible for disrepair or faults with their internal heating network and being passed to other contractors. For example, several residents who have recently made complaints to E.ON (since July 2016) about the missing actuator in their HIU were told that no compensation was owed because E.ON did not fit the original HIU, as Box 29 below shows:

⁸² Email from Kishan Barot, E.ON, to residents' groups, 1 February 2017.

⁸³ E.ON, Lambeth and Regenter's response to this report – see Appendix 3.

⁸⁴ E.ON, Lambeth and Regenter's response to this report – see Appendix 3.

Box 29: Evidence of fragmented accountability for repairs

[REDACTED]
67 Cowley Road
Myatt's Field North
London
SW9 6BW

Any questions?

Call us on
0345 302 4332

We're open 8am to 8pm
Monday to Friday
9am to 6pm Saturday

Your account number
[REDACTED]

Date 18th October 2016

Written review

Account Number: [REDACTED]

Dear [REDACTED]

I'm sorry I've missed you please see my final offer in writing, I've re-looked into your complaint and reviewed your complaint by using the information we hold on your account.

I believe a fair offer is:

- An apology that your heat interface unit was installed without an actuator valve however as there is no evidence that E.ON install the original unit I am unable to offer you any monetary compensation for this as the unit could have been fitted by the developer.
- And an apology as you feel that you have high consumption I have re-checked your consumption from your meter as we are receiving automatic meter readings and there is no change before and after the valve was fitted and again I'm unable to offer you any monetary compensation for this.

Regenter has further confused the issue of repair responsibility in its March 2017 response to this report by stating that residents should log all heating repair requests with Rydon, directly contradicting what E.ON is telling residents:

The contract is set up so that complaints should be monitored by Regenter (and ultimately Lambeth Council), and there are service standards and KPI targets around complaints management. It is therefore imperative that all E.ON complaints are directed to our project partner, Rydon, who manage the reporting of the heating and hot water repairs in line with both our contractual obligations and good practice. Rydon receive all repair calls via their Helpdesk, and are responsible for liaising with service providers, including E.ON, to monitor and report on all issues and complaints they receive. All reports logged by Rydon are recorded, allowing us to follow up on reports. This ensures our project partners, including E.ON, are meeting contractual requirements and are held accountable when they fall short. It is vitally important for residents to use the Rydon Helpdesk to report any issues they experience, so we can appropriately – and accurately – monitor all service providers.

It is clearly not acceptable that residents are being asked to log their repair requests, complaints and experiences with multiple contractors so they can be monitored. Regenter should have access to all the contractors' databases so they can monitor performance, not residents. In any case,

suggesting that residents making repair requests and complaints to Rydon would only make sense for the council tenants and leaseholders who fall within the PFI-governed part of the regeneration scheme – the 503 private leaseholders who have bought their flats in the OQ development cannot report heat repairs to Rydon as they are not part of the PFI contract. This is a very significant oversight in Lambeth and Regenter’s monitoring arrangements of E.ON’s service delivery.

Finally, Lambeth, as the public authority client to the PFI contract, is supposed to ensure that the PFI Contractor’s performance complies with its policies and legal requirements such as Building Regulations, and achieves value for money. It can use its various powers of contract monitoring and compliance to ensure that either the PFI Contractors meet their required works and service standards over the duration of the contract, or that they are financially penalised for failures, which can act as a compensation to the public purse. For example, it can monitor the Contractors’ performance with respect to KPIs and Availability Standards and ensure that the Contractors’ Monthly Monitoring Report and its accompanying Monthly Invoice are accurate. If Lambeth does not accept the contents of Regenter’s Performance Monitoring Report, it can use its powers under part 6 of the PFI Project Agreement to inspect any property independently of the Contractor to ensure compliance with the Availability Standards, and to independently survey maintenance and management performance.⁸⁵ It can also provide formal warning notices that can lead to Termination of the contract due to Contractor Default.

Residents’ groups have seen no evidence that Lambeth has used any of these powers to ensure the district heating system works in the interests of residents and taxpayers. Instead, Lambeth repeatedly states that Regenter is responsible for ensuring the district heating works properly for the duration of the 25 year PFI contract. Despite all of the evidence presented in this report that Regenter is either not able or willing to do this, Lambeth’s response was to once again reiterate the status quo:

We will continue to press both Regenter and E.ON to make meaningful progress in resolving the issues raised in the report and hope that we will start to see these issues resolve and diminish, as we continue to work with all partners to move forward and drive change, but we are aware that some issues will take a while to improve.⁸⁶

Leaving the work of unearthing and pursuing problems to residents alone is a clear failure of accountability by the local authority. The officers of the three residents’ groups have far-reaching responsibilities for all sorts of issues on their housing estate following a regeneration project that has spawned a host of problems. They are neither trained nor paid for the huge amount of effort they put in. It is entirely unreasonable to expect them to carry the burden of work that should be done by E.ON and the contract monitoring that is the responsibility of Regenter and Lambeth.

⁸⁵ Pp.141-2, p.153 and p.158, PFI Project Agreement.

⁸⁶ E.ON, Lambeth and Regenter’s response to this report – see Appendix 3.

9. Residents' Demands for Improving E.ON's District Heat System

As the evidence presented in this report shows, the E.ON-run district heating system progressively installed on MFN and OQ since January 2013 has not been sufficiently reliable, affordable and accountable to residents. The report has demonstrated with more than 50 real life examples the major inconvenience and frustration this has caused for many households and the distress imposed on some. The report also shows that despite some improvements, the district heating is still not working properly after more than four years of operation. According to E.ON's Jeremy Bungey, such issues are normal "teething problems" as heat networks are developed:

It has often been the case that heat networks are prone to teething troubles as they develop and we are working hard to ensure that what is a difficult phase of any development is managed properly and we maintain the best customer experience. We accept that mistakes have occurred in the past and please accept my apologies for that. In situations where this happens we will always look to treat our customers fairly and look to improve where we can.⁸⁷

This inevitably raises questions such as ***why are the teething problems persisting for so long?*** And why must residents who are captured by a private energy monopoly and cannot opt out be made to pay in both financial and well-being terms? Residents' groups believe that the technical and customer service failings referred to at length in this report are in fact examples of ***a broken model that requires*** a holistic solution at different scales. We now set out the residents' groups' demands and proposals to E.ON for resolving these problems and restoring trust on the MFN and OQ development, which should be read alongside the more detailed Demand Tracker Chart in Appendix 12. However, it is already clear from E.ON's response to this report that ensuring residents are charged a fair price for the heat they consume can only come from government regulation that pays attention to how unit prices and service charges interact with both the energy efficiency of homes and the income levels of consumers.

9.1. Become accountable, take responsibility, be transparent

Box 30: Requested actions to improve E.ON's accountability

- *Take responsibility and be the sole port of call for all aspects of the district heating and inform residents of all tenures on MFN and OQ of this;*
- *Designate a high level person with the power to make changes who is responsible and accountable to residents;*
- *Share with residents all availability and performance monitoring data and reports;*
- *Disclose what financial penalty deductions have been made by Lambeth and Regenter as part of the PFI contract;*
- *Publish the annual report detailing the actual and expected expenditure to be drawn down from the Major Plant Replacement Fund that residents' service charges fund.*

Residents' groups want an end to the fragmented accountability of the district heating system that sees them routinely passed from E.ON to Pinnacle to Rydon to Higgins to Lambeth and back again when seeking repair or redress. They also want an end to the frequent changes of personnel

⁸⁷ E.ON response to FPA regarding MFN, December 2016 – see Appendix 1.

attending meetings and surgeries that prevents continuity of knowledge or tracking of problems all the way through; and an end to the misleading performance monitoring that states the heating service is excellent when it is not working properly, and to the secrecy of contractual liability and financial penalties.

Instead, E.ON should take full responsibility for improving the reliability of the entire district heating system from boiler plant to HIU, radiator, tap, thermostat, programming controls, and metering. After all, it is E.ON that residents have energy contracts with and who they pay their bills to, and it is E.ON who is providing heat and hot water to their homes, and the technology to use it and meter and bill for usage. As part of this shift in responsibility, E.ON should designate a high level person who will be responsible and accountable to residents groups and who will be empowered to resolve all of the outstanding issues and any emerging problems with the district heating system. This will be someone who residents' groups can maintain a continuous dialogue with over progress, and who they can contact when things go wrong. As part of the rebuilding of trust, E.ON should also commit to sharing with residents' groups all of their availability and performance monitoring data and reports on the CHP plant and district heating network.

9.2. Be 100% reliable, submit to independent scrutiny, fix the problems

Box 31: Requested actions to improve E.ON's reliability

- *Allow independent scrutiny of all technical aspects of the district heating system;*
- *Analyse customer heat usage to establish whether customers have been charged for heat they didn't want or use;*
- *Commit to retro-fitting an improved technical solution to any property found to have problems, to retro-fitting simpler and more reliable heating controls and to helping residents programme their heating and set room temperatures;*
- *Investigate very low hot water pressure in some blocks and low temperature of bath / water - it is below 48C in some flats;*
- *Investigate and reduce heat temperatures in communal areas to agreed level, and refund excess cost caused by energy inefficiency if borne by customers;*
- *Meet contractual requirements for repairs;*
- *Send fault and resolution real time information to customers via text / email and place it online.*

Residents want an end to E.ON's 96.86% district heat supply reliability, to morning and evening routines ruined by the sudden discovery of freezing water and cold radiators, to inconsistent hot water temperatures, sudden drops to tepid or cold, and to being told they are imagining it or confusing cold water with building regulations for bath and shower temperature. Residents want heating controls they can work, thermostats that function, and missing valves and parts in their HIUs fitted. At the moment, despite E.ON's assurances that previous problems with the CHP are resolved, residents' groups do not trust the system to work all the time and are in effect waiting for the next outage. Instead, residents want to have heat and hot water on demand 100% of the time - 24 hours a day, 7 days a week, and 52 weeks of the year.

To restore trust and ensure that the district heating system is reliable, E.ON should jointly appoint with residents' groups an independent technical auditor to test all technical aspects of the district heating system – the reliability and efficiency of the CHP, that every HIU is operating correctly and as efficiently as possible, and to identify and fix any outstanding problems with thermostatic valves,

internal pipe issues, actuators, programmers, radiator sizing and balance of system inside and out. This audit would include a sample of individual properties representing different typologies, would identify what technical improvements need to be made to ensure 100% reliability of heat supply and reduction of heat loss, and would recommend systems or establishing and monitoring reliability and efficiency. As part of this audit, E.ON's claims on carbon savings would be audited and an action plan to address any shortfalls identified will be agreed.

9.3. End monopoly pricing, change the tariffs, become affordable.

Box 32: Requested actions to improve E.ON's affordability and billing

- *Set up a Fair Heat Price Working Group to make existing pricing policy transparent, review all aspects of tariff and service charge pricing, and produce a new fair heat price settlement;*
- *Fund an independent advisor to help customers reduce their bills and optimise the efficiency of their domestic heat and hot water use;*
- *Stop sending customers gross-overestimated bills and instead ensure that all bills are accurate by accepting customer readings, or sending meter readers where requested, and that any estimates are based on previous usage;*
- *Provide an update on progress of its smart meter upgrade;*
- *Stop the practice of fining customers for the late payment of an estimated bill and ensure that all reminders make it clear if based on an estimated or actual reading;*
- *Allow customers the option of quarterly billing;*
- *Provide an accurate heat usage tracker per property that tracks residents' use over time and advises them on the appropriate tariff for that usage pattern;*
- *Allow customers to purchase HIUs on the open market, and have them maintained independently, lowering the service charge accordingly;*
- *Refund any tenant or homeowner who has been billed for repairs to any part of the district heating system in their homes;*
- *Provide a fully itemised service charge statement setting out what services homeowners are being charged for and how much each service costs, with full explanation;*
- *Investigate each customer's historic involuntary heat consumption through any faults or inefficiencies with HIUs, including the Keep Warm function, and refund as appropriate.*

Residents' groups want an end to people in their community living in fear of putting on the heating or turning on the hot water because of the unpayable bills they receive. They want end to the high estimates, erroneous remote metering, aggressive demands for payment of unwarranted bills, fines for not paying those bills, and faulty HIUs that might be driving up their usage. Residents also want an end to not knowing where the assumptions behind the Heat Price and Gas Comparator formulae come from, the apparent double-counting of service charge elements in their tariff rates, and the monthly uncertainty of what their bills will be. Residents do not want to be locked in to 40 year contract. Instead, residents want an affordable, fair, transparent and flexible pricing structure for district heating that enables them to choose the best tariff and service charge based on their usage and reflects the consumer options in the gas and electricity market they are currently denied access to.

To this end, E.ON should commit to establishing a Fair Heat Price Working Group. Built into the PFI contract is provision for the ***“threshold levels and price charges for the Heat Charge...[to] be***

varied... on an annual basis".⁸⁸ Individual E.ON customers on MFN and OQ are also promised a Heat Price Review every five years. Residents' groups want to use this five year price review clause to bring together relevant experts and stakeholders with the aim of reviewing and recommending a new, transparent and fair heat tariff, service charge and customer terms and conditions contract for residents of MFN / OQ. As part of this Fair Heat Price Review, residents want E.ON to fund an independent advisor to help customers reduce their bills and optimise the efficiency of their heat and hot water use.

9.4. Re-think customer service, compensate the community, support the vulnerable

Box 33: Requested actions to improve E.ON's customer service and compensation

- *Call centre operators must ask if a call is a complaint or fault report and must provide a reference number;*
- *Offer all vulnerable customers electric heaters in the event of Planned and Unplanned Interruptions to the heat supply, and compensate all residents for any additional electricity costs incurred during an outage;*
- *Escalate any hot water or heating faults for vulnerable customers if not resolved within one working day;*
- *Introduce lower tariffs for vulnerable customers;*
- *Ensure that all vulnerable customers are registered and that call centre staff and engineers follow the vulnerable residents' policies;*
- *Visit all vulnerable households to carry out a holistic audit of their systems, needs and billing issues and ensure any problems are rectified as a priority;*
- *Proactively monitor vulnerable residents' usage and respond to any sudden falls in their consumption with support;*
- *Compensate residents for each loss of heat/hot water and for the impact it has on households, without an arbitrary 24 hour threshold;*
- *Offer compensation for customer service failures such as erroneous bills, fines, demands, cut-off threats;*
- *Ensure that compensation is automatically awarded to residents where availability or performance failure has been recorded on its system, instead of residents having to request it.*

Residents want an end to an uncaring and unhelpful customer service that can take more than 30 minutes to get through to with complaints not being correctly recorded, logged, given reference numbers or answered in required timescales. Residents want an end to the poor treatment of vulnerable households and to the systematic failure to identify, monitor and support vulnerable customers who instead are being terrorised by erroneous bills, grossly inaccurate estimates, and threats to cut them off. Residents want an end to arbitrary and untransparent compensation awards, and having to seek compensation for system failures that E.ON is aware of. Instead, residents want a customer service that is designed for providing district heating to a residential community with many vulnerable households who are locked in to a 40 year contract.

To this end, E.ON should commit to work with residents' groups and other relevant experts and stakeholders to identify the problems with E.ON's customer interface and develop an action plan to

⁸⁸ P.474, PFI Project Agreement.

address them in key areas such as arrangements for fault reporting, complaints handling, registration and monitoring of vulnerable residents, metering and billing. E.ON should also commit to a new compensation charter for MFN and OQ that awards compensation for each loss of heat / hot water and for the impact this has on households, not based on arbitrary 24 hour qualifying periods. As part of this new compensation settlement, E.ON must provide residents' groups with full disclosure of all compensation awards (amount, reason, formula) made to residents of this site, and work to further identify and properly compensate any resident who has received no or derisory compensation for unacceptable experience.

9.5. Review and change the PFI contract and related agreements

Box 34: Requested actions to improve the PFI contract

- *E.ON to take sole contractual responsibility on behalf of Regenter for the district heating system;*
- *Lambeth to review with residents' groups and advisors the effectiveness of the current contractual arrangements for monitoring and penalising unavailability and poor performance;*
- *Lambeth to ensure an overarching contract framework in which residents of all tenures have the same standards, rights and services in relation to the district heating system;*
- *Lambeth to ensure that if E.ON's compensation to residents remains disproportionate to loss and suffering, it will be supplemented from any financial penalties they levy on Regenter/E.ON.*

Residents' groups recognise that not all of the problems with the district heating system are E.ON's fault or responsibility, as they are partly rooted in the continuing failures of the PFI contract, and thus accept that resolving all of them is not E.ON's burden alone. However, E.ON holds the energy services contract and should drive these changes on behalf of residents. To this end, where resolving problems and meeting residents' demands set out in 9.1 to 9.4 above cannot be accomplished by E.ON alone, all parties and stakeholders to the MFN PFI contract and OQ development – Lambeth, Regenter, Pinnacle, Rydon, Higgins, E.ON and residents' groups – should work together and use the contract review and change mechanisms within the PFI Project Agreement and sub-contracts, as well as existing powers to monitor and enforce standards, to make the E.ON district heating system become 100% accountable, affordable, reliable and customer-focused for the remainder of the contract.

Appendix 1: E.ON response to Fuel Poverty Action regarding Myatts Field North, December 2016

Foreword

The purpose of this document is to set out E.ON's position regarding district heating and in particular address the key issues highlighted by the Fuel Poverty Action response to the HNIP consultation. As recognised by the FPA the majority of issues arising at Myatt's Field North (MFN) have been resolved⁸⁹ but this document will provide performance statistics to confirm this fact and highlight the remaining challenges.

At the outset it is worth noting that E.ON believes district heating schemes are a means of tackling the three energy challenges of making sure we have a reliable, lower carbon and affordable way of heating and powering our homes and businesses. In this respect our aims are aligned with groups including Fuel Poverty Action.

Over the past few years E.ON has invested tens of millions of pounds in district heating schemes such as Myatts Field North and through innovative technology and customer contracts is leading the market in driving down the costs of heat provision for district heating customer whilst reducing carbon and increasing the security of supply.

It has often been the case that heat networks are prone to teething troubles as they develop and we are working hard to ensure that what is a difficult phase of any development is managed properly and we maintain the best customer experience. We accept that mistakes have occurred in the past and please accept my apologies for that. In situations where this happens we will always look to treat our customers fairly and look to improve where we can.

I am encouraged by the fact the submission acknowledges that many of the early issues have been resolved and that customers continue to see improvements both in what we do and how we communicate.

To respond to the specific points raised, I've split our response into two sections; one covering engineering and network performance and another looking at customer service and pricing. I also wanted to take this opportunity to further explain the process of district heating, some of the unique benefits and challenges it brings as well as what has potentially gone wrong in the past (and what we have done to fix it) and how we are improving things for the future.

Jeremy Bungey
Head of Community Energy, E.ON UK
December 2016

⁸⁹ FPA made no such recognition in its submission to BEIS and pointed this out at the stakeholder meetings with E.ON on 24 January 2017.

Background

E.ON is one of the UK's larger energy companies and supplies power and gas to about four and a half million people across the country. The company employs around 10,000 people in the UK and is part of the E.ON Group which employs more than 45,000 people from Western Europe to the USA.

Community Energy is E.ON's specialist district heating business, responsible for the operations and maintenance of a growing number of decentralised energy schemes around the country. Customers range from individual flat and house owners to housing associations and local authorities as well as major industrial and business customers.

The basic principle of district heating is that instead of receiving heat and hot water provided by gas boilers in individual homes, properties are connected to a community-scale energy source that supplies their heating and hot water via a network of insulated pipes.

In the UK, Community Energy serves the specialist requirements of district heating only and now has more than 22,000 customers over some 60 district and communal schemes. We maintain a 24/7 emergency and vulnerable customers service alongside our central operations team. We monitor all of our schemes from a control room based in Farringdon, central London, which is on hand to dispatch engineers 24 hours a day. This allows us to react promptly and proactively to any issues as they arise.

Myatts Field North is a regenerated south London housing estate with a mix of private and social housing. E.ON was awarded the contract by regeneration partnership Regenter to invest, design, build and operate an energy centre and associated heating network to 980 homes in 2012. First heat was supplied to existing homes in January 2013, with the first of the new build properties connected in May 2013. The number of connected homes has now grown to 933. The development phase of the project completes in Jan 2017 when all 980 properties and commercial premises will be connected.

E.ON's contract with Regenter is for the provision of heat services for a 40-year period to give consistency of service, operations and maintenance for the long term.

Under this contract E.ON is responsible for the operation of the local energy centre and the heat network up to and including the Heat Interface Unit (HIU) in customer homes as well as billing, collection and customer services. From the HIU onwards responsibility for things like internal radiators, pipework, thermostats and room controllers rests with either the property owner (if privately owned) or the Housing Association/landlord depending on tenure type. In the case of Lambeth residents, Rydon Maintenance provide this service.

Some basic facts of Myatts Field North for 2016

- 933 properties plus community centre connected
- 60% annual carbon savings to June 2016
- 134 complaints received in 2016 with 5 currently active
- 74% of all Community Energy customers calls answered with 20 seconds
- £460 average bill across the development*
- £281 average bill for Lambeth residents (service charge covered by Regenter)
- System interruptions of 45.5 total hours over the year 2016
- Eight energy centre interruptions in 2016

*Note: Estimated average customer bill across other Lambeth-owned DH schemes is £528. The E.ON average bill is before discounts for DD or e-billing that can reduce this figure by a further £40.

Technical performance

The Myatts Field North energy centre is housed in the 'submarine' building on site and consists of a 600kW Combined Heat and Power (CHP) engine and three 2.3kW backup gas boilers. It also has thermal storage tanks and other pumping and control equipment.

CHP engines used on-site are more efficient than traditional energy sources as they generate both power and heat from the same fuel source.

District heating schemes like Myatts Field North have been in place for decades across Europe and the UK Government believes they will play a vital role in helping to make energy more affordable and lower carbon for the future.

Our contract with Lambeth and Regenter requires us to provide heating and hot water 24 hours a day. We are contracted to respond to both site-wide and in-home incidents within 24 hours but in the majority of cases we beat this target and are on site same-day within a short time window. For example, on the unfortunate outage incident on Christmas Day 2014 as outlined in the FPA submission we were notified of the problem, dispatched an energy and rectified the problem within four hours.

Any interruptions longer than 24 hours are subject to penalty as per the contract in addition to E.ON's own Guaranteed Standards of Services to residents where we will compensate residents for disruptions to heating and/or hot water beyond 24 hours (12 hours for Vulnerable Residents).

Throughout 2016 our network was available and working for customers 99.4% of the time. In reality that means customers saw 45.5 hours of disrupted service during the year. This level of performance falls short of the standards we expect and we are constantly working hard to improve our operations and make our network ever more secure. The average time service has been restored during this period has been 5 hours 45 minutes, however that average figure has been skewed by one particular outage which unfortunately lasted for 19 hours.

To provide some background on the reasons for these outages, some were caused by pressurisation faults in the system, electrical component failures which meant an engineer had to visit site to diagnose and fix a problem, or when communications failed to our central control room.

During 2015 and 2016 we have made improvements to the pressurisation software, new alarms, triggers and monitoring equipment in the control room and a much more rigorous preventative and planned maintenance regime to improve reliability and to speed up response times should a problem arise.

E.ON reports to Regenter on a regular basis providing information on this issue as well as other performance data such as customer complaints, call handling and carbon saving. We also commit to producing more transparent data on our website for all to see and we will be putting this in place during 2017.

Specific Points raised by FPA:

Water temperature and wait for hot water

District heating in itself does not impact overall water temperature in baths or showers, this purely relates to the design on the system within the property. The temperature of water coming out of the Heat Interface Unit (HIU) will be consistent with that coming from a combi gas boiler.

In all new build properties baths are fitted with Thermostatic Mixing Valves (TMVs) which are designed to prevent water temperatures higher than 48 degrees. Residents who have previously lived in a property without a TMV fitted may have been used to much hotter temperatures at the hot tap. Kitchen taps are generally not fitted TMV's but it is possible to fit these valve or mixing values to reduce risk of scalding.

Fluctuation of temperature with a shower is commonly down to the thermostatic control valve within the shower fittings. Another root cause we have encountered through experience has been where hot and cold water pipes in the properties are adjacent to one another can impact the temperature of the cold water at the tap. Again we would advise customers to speak to the Housing Association or their landlord.

We remain happy to advise where we can but in the first instance we would look to point customers towards the Housing Association or their landlord who ultimately have responsibility for pipework and fittings within the property. Regenter provide a Freephone, email and repairs number for Lambeth residents for all maintenance queries.

Any wait for hot water is dependent on the pipe length and size of pipe from the HIU to the taps as the new water displaces them (sic) water in them. The HIU should respond within a fraction of a second however E.ON will always be happy to check the unit to confirm it is operating correctly.

New blocks

A district heating network can be affected by adding significant new load and sometimes needs rebalancing. As the Myatts Field North network was built out, new blocks were added which caused this issue with the supply to existing residents. The development is now largely complete and we expect no further issues.

We apologise to any customers affected by these issues and we have, where applicable, paid compensation. Ongoing maintenance checks and our monitoring procedures give us sight of inconsistent flow rate across the network to prevent this re-occurring.

Meter readings

The automatic meter reading performance at MFN has not been to the standards we strive for. We have been working on a number of improvements which have increased the number of readings received. A wholesale site wide solution to install new hardware to all properties is being scoped which would complete in Q3 2017, however we are also concurrently investigating a non-intrusive software solution that we wish to test such that to keep disruptions to residents down to a minimum.

In the meantime we have made provision for customers to provide their own reads and where required E.ON can assist.

Carbon emissions

During the year to June 2016 E.ON delivered a 60% carbon reduction.

Carbon reports have been circulated and details will be published online from next year.

Customer Service

E.ON offers a market leading customer proposition which is designed to provide the highest level of service combined with transparency and price protection.

The customer offer includes our Guaranteed Standards of Service (GSOS) which have been circulated and which set out exactly what our customers can expect of us.

Our Guaranteed Standards provide customers with the reassurance there will be no additional costs if something goes wrong and that if the service is not met compensation will be paid. These GSOS include the promise to deal with supply interruptions 24 hours a day, 365 days a year.

At Myatts Field North our customers benefit from a number of price protections which are set down in our contract with Regenter:

- a. Prices can only change once a year from the 1st April so customers know exactly what they are paying from one year to the next and there are no surprises throughout the colder winter months.
- b. The mechanism for the price change is transparent, with the tariff part – the amount of energy used – changing in line with a formula that reflects movements in underlying commodity prices. The core fuel at Myatts Field North is gas but the benefit of power production is taken into account to reduce the heat tariff and provide a reduction in price volatility.
- c. Our contract with Regenter also includes a comparison with market prices to ensure that our tariffs are no more expensive than efficiency adjusted gas prices.

The GSOS and price protections last for the full duration of the 40-year contract. The long term nature of the contract married with the contractual protections provide reassurance on both service and cost for residents. We believe that long-term commitment provides a great deal more reassurance and a better service for residents when compared to heat customers on networks operated by companies on short-term facility management contracts who have no vested interest in the future reliability of their networks.

These contractual protections are further built upon by E.ON's membership of the Heat Trust, an independent body looking to improve standards across this market. The Heat trust provides customer access to an ombudsman and comfort that E.ON will meet its promises.

To answer your specific points:

Heating controls

Heating controls inside individual properties are outside of our remit but we recognise that E.ON has a role to play in helping those customers who sometimes need extra support. That is why we attend regular surgeries, along with our Regenter partners, and we have our own engineers on hand. Our E.ON customer liaison officer is also available to visit people and provide further help.

Calling customer services

Community Energy has a specialist customer service team exclusively looking after district heat customers. As we said earlier, almost three-quarters of calls (74%) to our team are answered [sic] within 20 seconds.

Our customer service team is available between 8am and 8pm Monday to Thursday, 8am to 7pm Friday and 9am to 5pm on Saturdays. During all other times an out of hours call handling service is provided.

Estimated bills

As mentioned above we are aware of issues with the Automatic Meter Reading (AMR) service and we are working on resolving this in a number of ways. Typically 60% of all bills are based on actual AMR read. As it stands currently around 40% will be based on an estimate but this number will improve as technical upgrades are put in place. In the meantime we would encourage customers to provide a meter reading of their own to ensure a bill based on the most up-to-date information. If this is not possible our site support team can read a meter for them.

Prices

We believe that district heating is a means of helping to tackle fuel poverty and at the same time provide a secure and lower carbon source of energy. Having looked at alternatives in the local area we believe the bills at Myatts Field North are lower than other heat networks or alternative energy sources. In addition the price protections in our contracts ensure the tariffs are capped against a gas alternative. Furthermore these protections last for the full extent of the contract term.

E.ON also offer other tariff options for non-Lambeth residents to allow customer to pick a tariff that is most suitable to them. It is important to note that the tariff options change the Energy Service Charge to reflect usage patterns whereas Lambeth Residents do not pay an Energy Service Charge which is handled by Regenter on behalf of the authority. A phone call to our customer services team will check that residents are on the best tariff for them and whether there are any other discounts from which they can benefit, including Direct Debit payment or paperless billing.

Accountability

We can get better at telling customers about what we do, why and how. We already provide a range of reports to project partners on the efficiency of our network, how much carbon is saved through the use of more efficient technologies, what improvements are being considered and delivered in this market.

We are happy to share that so during 2017 E.ON will start publishing performance statistics for individual district heating schemes on its website for all to see.

Long-term contracts

We see the long-term nature of these relationships as an extremely positive thing for the customer as well as for E.ON. Delivering heating in this way puts significant responsibility on companies like E.ON to provide long term service and maintenance and price protections to the customer. These protections are considerably stronger than an alternative, short-term management contract or indeed an individual boiler solution. We want our network to work as efficiently as it can, not just for the first year but also for the future.

This level of protection is particularly important for more vulnerable customers who, evidence shows, are less likely to shop around for their energy.

Our investment and flexible approach made a huge contribution to the viability of the overall regeneration project. All PFI schemes were tested for Value for Money and efficiencies in 2012 by Central Government and again E.ON worked with all parties to establish an extended contract term from 25 to 40 years to enable cost savings in the PFI contract.

Conclusion

At E.ON we have experience of delivering decentralised energy projects going back decades. In Scandinavia, Germany and elsewhere E.ON has worked in partnership with local authorities and housing developers for many years and it is a similar model which is being explored by the UK Government right now.

We believe that district heating schemes provide a valuable offer to customers backed by long-term contracts and supported by built-in price protections and guaranteed service standards. That commitment provides a great deal more reassurance and a better service for residents when compared to heat customers on networks operated by companies on short-term facility management contracts who have no vested interest in the future reliability of their networks or their relationship with customers.

We recognise that there have been some challenges on reliability in the early days of the regeneration of Myatts Field North and we remain committed to working with residents and partners to make sure these are rectified so this project can become a leading example of decentralised energy in the UK.

Appendix 2: E.ON public apology to MFN/OQ residents, February 2017



<Name>

<Address>

Any questions?

Call us on

0345 302 4312

We're open 8am to 8pm
Monday to Thursday 8am to
7pm Friday, 9am to 5pm on
Saturday.

February 2017

Dear <customer name>

Over the last two months I have been meeting with resident organisations, the authority and our partners on the Myatts Field North regeneration project. Through these meetings a number of you have shared your experiences of E.ON Heat which have been both concerning and humbling to hear. We have always aimed to deliver a stable supply and great customer service and it is clear that we have fallen short of this goal.

We'd like to say sorry

As your Heat provider we have a responsibility to provide a reliable supply and a timely service to restore that supply in case of problems. I understand this has not been the experience for a number of you, and for this I apologise.

I would also like to apologise for the experience a number of you have received when you have needed our help. We are always striving for a best-in-class service, and I understand that we have fallen short of this.

We want to hear from you

To make sure we're working on the things that will make a real difference to you, our customers, I ask that you continue to talk to us and share your experiences and concerns. To help you talk to us in the most convenient way, my team will be holding walk-in surgeries at the Myatts Field North Community Centre, 24 Crawshay Road, London, SW9 6FZ on the following dates:

- Tuesday 7th February 10am – 1pm
- Thursday 2nd March 11am – 2pm
- Wednesday 22nd March 3pm – 7pm
- Wednesday 29th March 3pm – 7pm

Alternatively you can talk to us by calling 0345 302 4312 or emailing Heat@eon-uk.com

If you tell us about a problem you've experienced, then whether you do this in our surgeries or through our contact centre you will be given a complaint reference number which we will track until your problem is resolved.

We have committed to sharing our performance in this area so that you can see the improvement in how we deal with these problems. We have also included our Complaints Handling Procedure and our Guaranteed Standards of Service documents so it is absolutely clear what standards you should expect.

What happens next?

We will be continuing to work closely with you and your representatives and I welcome this as an opportunity to begin rebuilding your confidence in E.ON.

Yours sincerely

Jeremy Bungey
Head of Community Energy, E.ON Heat.

Appendix 3: E.ON, Lambeth and Regenter's response to this report

E.ON Response to Document of Residents' Experiences of the District Heating System on the Myatts Field North Estate

I would like to thank you for giving us the opportunity to respond to your report. While we are in no way complacent about our responsibilities in terms of providing a reliable, affordable and lower carbon source of heat and hot water for our customers, the issues outlined make are certainly cause for concern. We would like to reiterate we are very sorry that in some instances we have fallen short of the high standards for service and supply that you deserve and, indeed, which we set ourselves.

We hope that residents have experienced improvements in network performance and customer service in recent months, especially as the redevelopment works have progressed to completion, and that our investment and improvement works have seen some success. Many – but, we freely accept, not all – of the complaints highlighted in your report date back to the earlier days of this project and we are seeing the numbers of complaints fall dramatically. We remain committed to working with residents and their representatives to ensure we continue to improve – it is by recognising these issues and committing to improve that will help us to restore residents' trust in E.ON as their heating supplier.

Whilst we are incredibly keen to resolve or improve on all issues outlined, there are elements of this report that we cannot address or offer a solution, specifically where decisions were not made by E.ON or were taken before E.ON was appointed by the consortium to deliver the heating network. However, there are certainly opportunities for us all to look to those initial consultations with residents and to improve the current situation in terms of, for example, clarifying contract length and consumer rights. We are keen to explore these with residents as part of our regular conversations.

Equally, and in the spirit of being completely open and frank together, it is worth us saying that there are elements of this report where we simply cannot accept some of the assertions or where we have not seen the evidence that supports some of the claims. That is not to say that the origins of such comments are not accurate, or that we do not recognise the wider issue, but with the aim of moving forward we are keen to look at how we act on all issues raised rather than seeking qualification or correction on each individual point.

Looking to the future, we have already invested significant effort and resources in improving service to your development and we believe this has already started to show success. However, it is clear from the experiences outlined in the document and from our own monitoring that we are not yet at the level we aim to deliver and that our customers can reasonably expect of us.

To address some of the more specific comments and what we are doing to improve our performance around network reliability and customer service, I thought it worthwhile setting out some of the plans we have in place and will be developing in the near future:

- We have already invested significantly in improving the stability of supply for our customers, including Heat Interface Unit (HIU) upgrades through 2015 to balancing the network. That will continue with a schedule of HIU servicing to be offered to all residents through July/August 2017. Where customers experience difficulties with their supply or equipment

we have also recently taken steps to ensure greater availability of engineers, with priority explicitly given to vulnerable customers.

- To improve your customer service experience we have recently launched a new coaching programme for colleagues, we have invested in the systems they use and also recruited additional staff to ensure we deliver a consistent and appropriate service to all customers. We are also conducting a full review of how we deliver that support to customers including our complaints processes and out-of-hours support. That review is happening now and the first improvements will be delivered in April 2017.
- Where our customers do not experience the level of service they should expect, we will continue to provide compensation in line with our current frameworks and service level commitments (which meet or exceed Heat Trust standards)
- You will know of our belief that district heating provides an affordable and lower carbon source of heating and hot water. As part of that we are upgrading our automated meter reading infrastructure beginning in April this year to further ensure customers only pay for the heat they use. On those occasions when we need to revert to estimating usage we are also improving our estimation methodology completing in July 2017.
- Finally that we have held our unit prices at Myatts Field until April 2018, bringing greater clarity and cost security to customers.

I hope this response provides some answers to the comments and questions raised in your report. To build further on this conversation we propose to share greater detail of our improvement plans with residents and their representatives at our regular meetings. We are open to your feedback on the specifics of this approach and where you feel we should prioritise our efforts. It is our hope that such an approach gives residents the confidence that their concerns are being heard and that real progress is being made.

We would like to again thank residents for raising their concerns to us and for being willing to work with us to put in place the levels of service we both want to achieve.

Regards

Andy Boyce
Head of Customer Operations
E.ON Heat

13 March 2017

Myatts Field North

Proposed improvement plan

Acknowledging residents' views on required steps, we propose to discuss this plan at a forthcoming meeting with residents and their representatives

As such timings and activities are proposed pending agreement

Activity	2017											
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
Discussion of plans with residents/representatives Review and agreement of plans and how to provide better information and proof of delivery and how performance is improving												
Heat Trust Audit A review by the Heat Trust of how we meet their consumer standards												
Further investment in contact centre Recruiting and training more customer support colleagues and ensuring our processes remain fit-for-purpose												
Complaint handling process review An end-to-end review of complaint handling from raising to resolution												
Customer experience improvement Review and improvement of experiences, from out-of-hours emergency calls to reports of an intermittent heat issue												
Improved eonenergy.com/heat website We will review our specific E.ON Heat website to improve performance and make it work simpler and better for customers												
Review of E.ON communications Improved timeliness and content of E.ON letters, improved standards of email correspondence												
Billing improvement Ensuring our bills are timely and clear, and that estimated bills where necessary, are as accurate as possible												
Automated Meter Readings improvement Upgrading our systems and infrastructure to ensure accurate, automated meter readings												
HIU service programme Regular servicing of Heat Interface Units offered to all residents												



13 March 2017

Regenter Myatts Field North response to Residents' Experiences of E.ON's District Heating System report

Regenter takes the allegations outlined the report, Residents' Experiences of E.ON's District Heating System on the Myatts Field North Estate in Lambeth, extremely seriously. We have reviewed the report and have conducted an investigation into the issues surrounding Myatts Field North's energy provider, E.ON.

Section 7.1 of the report highlights poor complaints handling by E.ON. It is noted that that would appear that this is referred to complaints made direct to E.ON. The contract is set up so that complaints should be monitored by Regenter (and ultimately Lambeth Council), and there are service standards and KPI targets around complaints management. It is therefore imperative that all E.ON complaints are directed to our project partner, Rydon, who manage the reporting of the heating and hot water repairs in line with both our contractual obligations and good practice. Rydon receive all repair calls via their Helpdesk, and are responsible for liaising with service providers, including E.ON, to monitor and report on all issues and complaints they receive.

All reports logged by Rydon are recorded, allowing us to follow up on reports. This ensures our project partners, including E.ON, are meeting contractual requirements and are held accountable when they fall short. It is vitally important for residents to use the Rydon Helpdesk to report any issues they experience, so we can appropriately – and accurately – monitor all service providers.

According to our records, E.ON are meeting their contractual obligations. Regenter enforce contractual obligations and, where there is failure of KPIs, penalties and unavailability deductions are enforced. Despite this, it is clear that E.ON has fallen short in regards to customer service, and improvements must be made. As the community operations manager, Regenter has reviewed E.ON's suggested improvements and will ensure they commit to adhering to these changes moving forward in order to make sure residents start to see improvements from hereon.

We are dedicated to championing and supporting the Myatts Field North community and we will work hard to support residents well into the future.

Lambeth Authority's Response to specific issues raised in points 1 and 5 in "Summary of Residents' Experiences of the Eon District Heating System and Outstanding Issues to Resolve", dated 22/2/2017.

The Authority acknowledges and is aware of the issues and residents' concerns. Residents would be aware that throughout the long period during which the PFI scheme was developed, there was consultation with residents on various aspects of the project, including the provision of heat and hot water via a centralised plant

There are always initial snags in the commissioning of such a large infrastructure project, but these have been greater than anticipated at Myatts Field North and we understand the distress this has caused residents. We have been working in partnership with Regenter and E.ON to try to resolve these, but we accept that these have not always been resolved to our or residents' satisfaction and have, for the most part, fallen outside the parameters for compensation.

We will continue to press both Regenter and E.ON to make meaningful progress in resolving the issues raised in the report and hope that we will start to see these issues resolve and diminish, as we continue to work with all partners to move forward and drive change, but we are aware that some issues will take a while to improve.

Response from the three residents associations on MFN and OQ to E.ON, 17 March 2017

Dear Jeremy,

I am writing on behalf of Oval Quarter and Myatts Field North Residents' Associations, to acknowledge receipt of Andy Boyce's email, providing E.ON's response to our report and the representations we made to you when we met in January 2017.

We are pleased that your response reiterates that E.ON "are very sorry that in some instances we have fallen short of the high standards for service and supply that you deserve and, indeed, which we set ourselves".

And we note too that it provides a timeline for improvements in handling customer calls and complaints, from start of March, and improvements in billing, from start of April. We will obviously be watching out for these closely.

Speaking frankly, however, we find the response deeply disappointing and hard to accept. We engaged with you in good faith and have been offered almost nothing new in return.

Since we met in January, we still have fellow residents telling us about many of the problems we identified at our meeting and outlined in our report. In fact Kishan Barot was at the MFN-RAMB Meeting on Feb 2017 when some of these problems were reported as still being current.

Your response states that E.ON cannot accept some of our assertions. Which ones? It is quite possible that there are some things that we have not understood; this was an opportunity for E.ON to explain them but your response does not address a single page of our report.

Your response states that you have already invested significant effort and resources in improving services to our homes, and you believe this has already started to show progress. Please can you spell out what improvements have already been made, and how this should be evident to your customers?

Your response states that you are open to clarifying contract length and consumer rights, but you want to explore these with residents "as part of our regular conversations". This fails to acknowledge that these so called regular conversations over the past four years have completely failed to clarify these points or meet residents' needs. We thought we had opened an alternative, more effective, channel of communication between E.ON and its customers on this development and believed you, when you said you wanted to use it. We are therefore very disappointed that the response apparently seeks to go back on this offer.

Your response informs us of a planned schedule of HIU servicing this summer. This is welcome but HIUs are supposed to be serviced every 2 years anyway. We need more details to understand whether this is something new you are offering or something you are already contracted to provide.

Your response states there will be greater availability of engineers and that this will prioritise vulnerable customers. Of course they should be a priority, but does that mean other customers will continue to suffer from not enough skilled engineers being available? In fact this seems to suggest that there were not enough engineers before.

You state that you will “continue to provide compensation in line with our current frameworks” but say nothing to address the fact that current frameworks have left us suffering for four years with an abysmally unreliable service, while rarely triggering any compensation. We have asked for a new compensation approach. Are you rejecting this?

Your response states that you will be upgrading your automated meter reading to “further ensure customers only pay for the heat they use”. We have really had enough of paying for more than the heat we use. We are continuing to get outrageously high estimated bills.

You do not comment on the question of how our bills may (or may not) have been affected by the absence of functioning actuators. Is there an explanation you can give us?

There is no comment on the other problems we identified i.e. overheating in corridors, intermittent hot water, poor room controls, etc. Are you planning to address these?

We have asked for quarterly billing but apparently E.ON cannot commit to even responding to this request before the summer. Why not? You do not respond to our request for a working group on pricing, for independent audits and individual support for residents.

In fact, you do not respond to any of our 80+ demands and proposals. The reply we have received is cursory in the extreme and frankly insulting.

Turning to Regenter's response - they would require residents to make a complaint to Rydon's help desk every time something goes wrong, and for Rydon to then liaise with E.ON and monitor all complaints. Yet it was already announced by Kishan Barot in E.ON's letter to all residents, that the one point of contact for all heating problems, of whatever nature, would be E.ON. Instead of trying to help improve communications, Regenter appear to want to confuse everyone and place obstacles in the way of residents receiving a decent service. Furthermore their arrangement would not cover the 503 leaseholders in Oval Quarter - a very significant oversight in their monitoring arrangements of E.ON's service delivery.

We also note that Regenter say they have "reviewed E.ON's suggested improvements". What suggested improvements and why have they not been shared with any of us?

Regretfully, as it stands, we do not see any point in a further meeting with E.ON at this stage. We had been led to believe at the meeting with you in January that you were prepared to listen and take action and communicate with us in a different way to how we had been treated before. The response we have received tells us little more than we already knew.

If you were prepared to detail in writing your plans for improvement and send them to us in advance of any further potential meeting, then we would be prepared to reconsider and meet with you.

Finally, as you have not suggested any corrections to our draft report, we must assume you have none to offer. We will be publishing it in the next few weeks, with the responses we have now received as appendices.

Regards

Mena Rego, Chair Oval Quarter Residents' Association

Appendix 4: Heat / hot water availability standards in the PFI Contract

Asset		Availability Standard	Failure Event	Leaseholder Standard	Temporary Rectification	Unavailable but Used applicable
Heating Systems	36a	Space heating and water heating are to be capable of independent operation and available 24 hours per day, controlled both on a whole Dwelling and room by room basis.	Space and water heating not capable of independent operation.	N	None	Yes
	36b		Space heating not working.	N	Permissible up to 3 days	Variable. ⁹⁰
	36c		Water heating not working.	N	Permissible up to 3 days	No
	36D		Inability of tenants to control system on a room by room and on a whole Dwelling basis.	N	None	Yes
	37	To provide and maintain a space heating system free from leaks (whether water, liquid, gas or solid materials).	Leaks on a water pipe, tank, cylinder, boiler, or heat interface unit (HIU), fitting or valve.	N	Permissible up to 20 days	Yes
	38	The installation shall be capable of: <ul style="list-style-type: none"> achieving the internal air temperature of 21°C in habitable rooms (to include living rooms, dining rooms, kitchen/diner, all bedrooms, the bathroom and any other rooms where a radiator is fitted as at Service Commencement when the external air temperature is -1°C, assuming a minimum of two air changes per hour; achieving an internal temperature of 21°C within four hours when the external air temperature is minus 1°C or above, without the use of any secondary source of heat. 	Failure to provide an operable heating system that meets the required capabilities.	N	Permissible up to 20 days	Yes
	39 A	The Contractor will maintain any existing fixed and independent source of heating (other than supplied by the tenant) in the main living area.	Failure to maintain any existing fixed and independent source of heat in the main living area to a standard that is safe for operation.	N	None	Yes
	39 B		Failure to remove unsafe or irreparable fixed and independent sources of heating for which the landlord is responsible. Irreparable is defined as the value of any parts to facilitate a repair exceeding £250	N	None	Yes
Hot Water	40a	Every Dwelling to be provided with domestic hot water at all appropriate outlets as follows: <ul style="list-style-type: none"> Where provided from a storage system, 	Failure to meet domestic hot water capacities at the temperatures required and for the time	N	Permissible up to 4 days	No

⁹⁰ NOTE: Unavailable but Used deductions will apply during the period 21 March to 20 September inclusive, but will not apply during the period 21 September to 20 March. Provision for Temporary Rectification to heating failure events must be made by the Contractor to any Dwelling in which the main source of heating is incapable of meeting the standards set out for 2 Hours or more and there is no operable secondary source of heating at least to one living room (i.e. a room that is not the kitchen, bathroom, bedroom, storage or corridor area).

		<p>the delivery of 135 litres at a temperature of 60°C. The water heating system shall provide a maximum recovery from ambient external temperature to 60°C of 45 minutes (all as verified by manufacturer's specification). Where dwellings are smaller or larger than average, a suitably sized hot water storage tank is to be provided appropriate to the size of the dwelling.</p> <ul style="list-style-type: none"> • Where hot water is provided by a combi system or similar, a minimum delivery of 12 litres per minute (assuming use of a single outlet only) at a temperature increase of at least 35°C from incoming (as verified by manufacturer's specification). 	<p>allowed.</p> <ul style="list-style-type: none"> • Failure to maintain or provide hot water storage of appropriate capacity to the size of dwelling. 			
	40b		Loss of ability to control flow of hot and cold water at outlets.	N	Permissible up to 4 days	Yes
	41	Every Dwelling to be provided with a continuous supply of drinking water at an outlet in the kitchen and bathroom.	Loss of continuous supply of drinking water to kitchen and/or bathroom.	N	Permissible up to 4 days	No
	42	<p>Every Dwelling to have a water distribution system which shall:-</p> <ul style="list-style-type: none"> • have sufficient capacity and throughput to provide hot and cold water simultaneously; • be free from leaks; • suitably insulated so as to minimise risk of bursting due to frost; • satisfy any design requirements of any water company or authority. 	Failure of the water distribution system to meet the defined requirements	Y (Landlord Responsible Areas Only)	Permissible up to 20 days	Yes
Instructi on Books	50	The Contractor will provide each Tenant with up to date information on the operation of all mechanical and electrical systems for which the Contractor is responsible.	Failure to provide up to date information on the operation of installed systems.	Y (Landlord Responsible Areas Only)	None	Yes

Appendix 5: Relevant performance standards in the PFI contract

No	Performance Standard	Minimum Tolerable Level	Standard Service Level
1	Telephone Helpdesk is available 24/7, covering all matters during Core Service Hours (Defined as 9am to 5pm Monday to Friday), and offering a repairs reporting service only during non-Core Service Hours	97%	99.5%
2	Calls to the helpdesk within office hours answered within 8 rings (automated responses not permissible), a two tiered selection menu (Repairs or general Helpdesk enquiry).	78%	95%
3	Calls to the emergency helpdesk outside office hours answered within 10 rings (automated responses not permissible).	75%	95%
4	Reports to the helpdesk using electronic means (email/intranet) processed within 60 minutes of receipt on the computer system during Office Hours.	80%	95%
5	Provide a response to matters raised in correspondence (excluding complaints relating to Contractor services) in writing within 10 Business Days of having been received. Where a holding response is required, such responses should clearly indicate a timescale for resolution of the issue of no longer than 28 days. Only one holding response is permitted, unless the Contractor is waiting for information from an external party (such as the police, Fire Service, Housing Benefit, etc) that has been requested in a timely manner by the Contractor. The Contractor shall follow up the delivery of the request regularly and shall provide feedback upon request to the resident party involved in respect of the status of the matter on a weekly basis.	80%	95%
7	Acknowledge Complaints relating to Contractor services (however communicated) in writing within 2 Business Days of having been received.	90%	99%
8	Stage 1 or stage 2 complaints relating to Contractor services resolved within 15 Business Days from initial communication or rejection of stage 1 outcome. If complaints reach stage 3, they will be passed from the Contractor to the Authority and will require an Action Plan in accordance with Annex IX (Action Plan Protocol) to this Output Specification where the Authority agrees that the complaint is justified.	80%	99%
9	The provision of an efficient appointment system and home visit arrangements, with appointments for repairs/tenancy matters being offered.	80%	98%
11	All appointments made are kept	80%	97%
22	Provide an efficient repairs service for all identified or reported defects to assets for which the landlord is responsible where fault/defect is not covered by the Availability Standards.	28 days	14 days
23	Repairs to be completed in a single visit to the relevant Dwelling.	70%	90%
24	Failure to complete individual repair or Authority's request (Cat. B) within 28 days.	90%	98%

Appendix 6: Heat and green energy commitments in E.ON's energy services company (ESCo) solution

Promise	Where	Description
Accurate Meter reading and billing	Section 2.1, p.4	A heat meter will be supplied fitted within the HIU to record all heat consumption ... Heat meters will be read remotely (via radio communications)... avoids disturbance to residents as reading can be taken without visiting properties... accurate up-to-date readings rather than estimates so residents pay for heat units used.
Rectify faults in CHP before residents are affected	Section 2.2, p.6	"a 24 hours per day 7 days per week 52 weeks per year remote monitoring of the boiler plant so that, should the centralised plant fail, E.ON will be able to respond and rectify faults before they create a problem with the residents ".
Cheaper heating costs than conventional boiler	Section 3, p.9	"deliver a saving on customer heating costs when compared to conventional heating of an equivalent new built property built to the same building regulation standards but using an individual gas boiler ".
Fixed service charge includes repair, maintenance and replacement of system	Section 3, p.9	the fixed service charge offers a "comprehensive service for the provision of heat", covering "the fixed costs" of the system including HIUs/meters, "administration of the customer's heat account with E.ON... meter reading, bill compiling, 365-day 24-hour emergency callout service to respond to any faults with heat supply"; "ensuring that all of the equipment in the Energy Centre is operating correctly and is serviced regularly including provision of a 24-hour callout service for any faults"; responding to " any faults with your HIU and includes all labour and materials " and "major replacements to the Energy Centre or District Heating".
Solar Power will mean cheaper service charges	Section 5, p.12 Section 6, p.13	The Myatts Field PFI will include 168 PV panels @ 235Wp installed on the roofs of PFI residential blocks. "E.ON shall retain 100% of the generation element of the Feed-In Tariff for this purpose. The amount of electricity exported from the Solar Solution will be offset against the amount supplied by E.ON under the relevant electricity supply agreement for the common parts of the buildings. Residents will therefore benefit from this arrangement by receiving a lower service charge as a result of the reduction in electricity use for the common areas of the buildings ".
Continuity of Energy Supply	Section 6, p.12	"The Energy Centre comprises of a combination of gas fired CHP boilers with redundant capacity and automatic back up to gas boilers should any breakdown occur... when any of the main boilers are taken down for routine maintenance or repairs there is no impact on the continued provision of energy. "
HIUs will help save energy costs – customers only pay for heat they use	p.12	"water is heated when needed (i.e. turning the hot water tap), producing... saving on energy costs as the heat meter will only register when heat is being used. "
Affordable Warmth	p.13 p.14	"The aim of the ESCo will be to provide affordable heat to residents." "Customers with consumption rates above expectations will be offered targeted advice."
Complaint Handling	p.14	" All complaints are logged and are monitored stringently in order to meet our Guaranteed Standards and fulfil our Domestic Energy Customer Charter. We aim to contact each customer within 48 hours of receiving any complaint letters with the hope of resolving any matters referred to Head of Customer Services within two weeks."
Protecting vulnerable residents	Schedule 3, p.18-19	" To ensure that vulnerable customers are not without heat for any more than 12 hours E.ON would implement the provision of localised electric heaters to vulnerable residents if it was felt the failure would extend past the 12 hour deadline, in accordance with E.ONs vulnerable customer policy".
Regular maintenance of HIUs	Schedule 5/11HIU: p.38	Every two years, E.ON will: "Check HIU for leaks and signs of damage or corrosion. Repair or replace as necessary... Bleed the air from the HIU (Including the heating pump)"; Every 6 months E.ON will "Isolate HIU water supplies then, remove and clean strainers on a recommended 6 monthly basis."

Appendix 7: Regenter's district heating service FAQs, July 2016



Myatts Field North District Heating Service FAQ

What is a District Heating Service?

District Heating is a low carbon and renewable heat and power system that is produced locally and distributed via a heat network. The Government is expecting that up to eight million residential customers will be connected to low carbon networks by 2050.

To support Government policy of all new residential buildings, the London Borough of Lambeth (the Authority), specified that the regeneration of Myatts Field North would incorporate a low carbon and renewal heat and power service. This service is provided under the Regenter consortium by E.on Community Energy Ltd.

Why a 40 year contract?

In 2011 the Government undertook a review of all similarly funded regeneration schemes. This led to the requirement for all such schemes to undertake cost savings. One of the savings included a reduction in the annual maintenance costs for the energy centre. To achieve this saving the Authority extended the contract term from a 25 to 40 year period.

What do customers pay?

A heating and hot water bill is made up of two main parts. A unit price (pence per kilowatt hour), for customer usage and an Energy Service Charge.

- **Unit Price**

The price formula is calculated in the first quarter of each year and new prices are effective from 1st April, fixed for the following 12 months.

To determine the price a Gas Comparator is calculated, which is an upper limit for the tariff and is made of three components:

- Gas Tariffs (standing charge; unit rate)
- Gas boiler maintenance
- Gas boiler replacement

The Gas Tariff is derived from the average gas tariffs of the six largest utility suppliers.

N.B. Heat generated through District Heating boilers is more efficient compared to a traditional gas boiler – which is typically run at 80% efficiency. The average gas price is therefore multiplied by 1.25 to account for the efficiency difference between the two different boiler types.

- **Energy Service Charge**

The Energy Service Charge is a fixed annual charge and covers the following elements:

- Dedicated, UK-based customer service centre.
- Running and maintenance of the Energy Centre, the district heating network and the Heat Interface Unit (HIU) in your property.
- Service and maintenance of your HIU.
- 24/7 breakdown and emergency helpline.

The Energy Service charge is calculated using annual costs of both Gas Boiler Maintenance and Gas Boiler replacement as well as the average standing charge from the Gas tariffs described above.

A price review letter is circulated to all customers 30 days prior to the commencement of the new tariff contract year. This notifies customers of both the unit rate and the Energy Service Charge for the next 12 months from the price date review.

N.B. Under the contract with the Authority, Regenter are responsible for the payment of tenants Energy Service Charge to E.on.

What are the current tariff rates and prices from 1st April 2016 to 31st March 2017?

- **Home owners and leaseholders**

Home Owners and leaseholders have the opportunity to choose from a range of tariffs:

Tariff	Energy Service Charge £/year	Unit Rate p/kWh	Most suitable if consuming...
Low User	£96.91	14.53	Less than 3,256 kwh's
Standard User	£402.68	5.14	Between 3,256 and 6,740 kwh's
High User	£458.62	4.31	More than 6,740 kwh's

- **Local Authority tenants**

Regenter are responsible for the energy service charge for Local Authority tenants. It is therefore not beneficial to tenants, to offer a low user tariff rate. A tenant on such a tariff would incur higher costs than they would if they were on the Standard User tariff alternative.

Accordingly tenants are billed on the standard user tariff rate.

Tariff	Unit Rate p/kWh
Standard User	5.14

How can I make further enquiries about being on the right tariff?

E.on have an online service at heat.eonenergy.com, where amongst the services available, customers can check the Tariff Tracker to see if any further savings can be achieved.

What standards of service should I expect?

E.on have a Guaranteed Standards for Customer Service. This provides a number of customer service commitments. The Guaranteed Standards of Customer Services is available from the MFN Housing Office or the E.on website.

<http://www.eonenergy.com/for-your-home/your-account/heat/heat-standards-of-service>

What statutory protection can I expect?

E.on's Standards of Service sets out the standard of service and associated complaints procedure. If a complaint cannot be resolved there is an option for customers to refer their complaint to the Energy Ombudsman. The Ombudsman offers an independent service which is free to use, although you can only contact the Ombudsman if you have raised a formal complaint with E.ON and have been through their Complaints Handling Procedure. If as part of this E.ON are unable to resolve your complaint, they will send you a 'Final Position Letter' explaining what to do next. If you have received this letter or if E.ON have not resolved your complaint within eight weeks, you can contact the Ombudsman Service.

The Energy Ombudsman will carry out an independent investigation on your behalf. Any decision reached by the Ombudsman that you accept is binding on E.ON, but not on you. As part of resolving your complaint they may ask E.ON to do one or more of the following: apologise, give an explanation, take action to correct things for you, or award compensation.

There is also Heat Trust which was established in November 2015 after two years of collaboration between industry, consumer groups and government. E.ON are a member of the Heat Trust and by joining the scheme, demonstrate their commitment to providing their heat customers with this level of quality and protection. This common standard has been designed to give you, the customer, the same peace of mind as you would expect from other utilities.

Further information can be found at www.heattrust.org

Who is responsible for the different parts of the Heating & Hot Water service?

E.on are responsible for maintaining the District Heating Service and Heat Interface Unit (HIU). This is known as the primary system. Any repairs to the domestic secondary system for example radiators are the responsibility of home owners and leaseholders.

N.B. Under the contract with the Authority, Regenter are responsible for the repair of the secondary system for tenants.

What should I do if I am struggling to pay my bill?

If you are finding it difficult to pay your energy bill, E.on can help you. E.on trained advisors will take into account your circumstances and advise you on the payment options available.

Setting up an arrangement to pay an agreed amount weekly, fortnightly, or monthly, can help you repay any amounts owing in manageable installments.

E.on call centre: 0345 301 5882 and choose option one.

Opening Times: 8am to 8pm Monday to Friday, and 8am to 4pm on Saturdays.

What happens if you do not make contact and do not pay?

If you do not make contact and arrange payment, then the following actions may be taken by E.on:

- Contact you by phone and letter.
- Apply a late payment fee (currently £10).
- Visit you at home to collect the amount owed.
- Pass your account to a debt collection agency.
- Disconnect your supply.

If E.on have to come out to visit you or gain entry to your home, then these costs will be added to your account.

Is there any other Independent external support available?

Other organisations that can provide support if you are having trouble paying your bills:

Citizens Advice aims to provide advice people need for the problems they face. For England call 08444 111 444, for Wales call 08444 77 20 20.

Money Advice Trust, a charity that helps people to tackle debts and manage their money wisely. Call Monday to Friday 9am to 8pm, or Saturday 9.30am to 1pm on 0808 808 4000

StepChange is a charity offering free advice to help people overcome their debt problems. Call freephone 0800 138 1111.

Regenter Myatts Field North Limited
July 2016

Appendix 8: MFN residents' district heating petition, January 2015

Dear

Over 200 different households from Myatts Field north are petitioning you about the new dual power plant on Akerman road. It is the wish of the eon petition coordinating group that the individuals, who have signed the petition not be contacted directly but, instead the reply be sent direct to the EON petition coordinating group via email to the following: . We would like a response, which addresses point by point each of the concerns raised in the petition, as below.

myattsfieldnorth.rambo@gmail.com

The new dual power plant on Akerman road is not fit for purpose. We, the Myatts Field North Residents are petitioning our landlord Lambeth council and EON to address our concerns. We would like a hot water and heating service:

- To provide a basic service for central heating to residents- many are without heating
- To provide basic services for hot water- many do not have hot water or only have tepid water
- To complete repairs in a timely manner. Currently when repairs cannot be carried out the engineer disappears and the repair is officially said to be completed.
- For staff to turn up to appointments be it for repair, maintenance, upgrade, etc. Most residents work and will lose their wages when they sit in for a missed appointment.
- Disclose the amount EON earns from producing electricity from the dual power heating plant
- Provide accurate bills to residents - too many bills are based on wrong estimates or false charges(even after the smart meter is installed)
- Provide lowest average gas prices per kwh (stop charging 20% extra on top)
- To make the system more user friendly
- Provide a free phone line for customer care
- To pay residents £20 compensation, as in the contract, every time hot water or heating is not available for 24hrs.
- To reduce or stop related leaseholders service charges or allow to install their own system.
- To free residents from this ineffective EON system.

Appendix 9: Regenter/Lambeth response to residents' petition, February 2015

MFN Residents Association &
PFI Monitoring Board (RAMB)



February 2015

By email only: Myattsfieldnorth.ramb@gmail.com

Dear MFN Residents Association & PFI Monitoring Board (RAMB),

Heating & Hot Water Petition – 28.1.15

The Council and E.On are in receipt and acknowledge the petition signed by residents of Myatts Field North concerning the Heating and Hot Water service. We acknowledge and apologise that for a number of inter-related reasons there has been an intermittent service to the estate for several months.

We here below respond to the queries in the petition in the order raised:

1. To provide a basic service for central heating to residents – many are without heating.

Where individual failures of heat and/or hot water are reported, the contract requires that these be remedied within 24 hours, subject to access being given.

We acknowledge that there have been four known estate-wide heating and hot water failures over the last six months. These have primarily been caused by separate one-off failures within the energy centre. Each of these issues has now been addressed and measures put in place to ensure such faults do not re-occur.

An additional contributory factor has been the need to re-balance all existing blocks when a new block is completed and commissioned.

2. To provide basic services for hot water – many do not have hot water or only have tepid water.

Similarly, we acknowledge that some residents have received intermittent levels of hot water.

Regenter has recently written to affected residents acknowledging this issue, confirming that a programme of works is on-going to re-balance a consistent flow of hot water to all properties.

It is anticipated that these works (due to the requirement in some instances to obtain access), will take up to the middle of March to complete.

During this time residents who have been affected by this issue will see gradual improvements in service as the works progress.

The correspondence has made reference to the need to provide compensation to residents for the intermittent service, which will be reviewed on completion of the works.

This will also be followed up in a newsletter to all residents.

3. To complete repairs in a timely manner. Currently when repairs cannot be carried out the engineer disappears and the repair is officially said to be completed.

In order that the Council may follow up any individual cases where this has occurred, we would be grateful if you could provide us the address details.

A dedicated team of engineers is on site to allow repairs to be carried out. In addition the wider Regenter team are available to assist for example vulnerable residents who require any additional assistance.

The desired outcome is a right first time fix repair. We therefore apologise where residents may not have received this level of service and inconvenience has been caused.

4. For staff to turn up to appointments be it for repair, maintenance, upgrade etc. Most residents work and will lose their wages when they sit in for a missed appointment.

Where a resident has been inconvenienced through a missed appointment or other circumstance they have the opportunity to apply for compensation under E.on's Guaranteed standards of service. (See point 10 for further clarification). When an engineer does call and gets no reply, a calling card will be left.

In addition if any residents need support under this process the Resident Engagement Manager Jennifer Dixon is able to assist.

5. Disclose the amount E.on earns from producing electricity from the dual power heating plant.

The sale of electricity to the grid is governed by the feed in tariff set by the Government (see www.gov.uk/combined-heat-and-power-incentives). E.on have made an assumption on the levels of electricity generated from both the District Heating system and the small number of installed Solar Panels. This assumption has been discounted in respect of the overall tariff rate referred to in point seven below.

6. Provide accurate bills to residents – too many bills are based on wrong estimates or false charges (even after the smart meter is installed).

It is recognised that due to poor signal strength that a programme of upgrading the Automatic Meter Reader (AMR) within the Heat Interface Unit (the boiler), has been required. Letters have been circulated by E.on requesting that residents make contact to arrange an appointment to upgrade their AMR.

Similarly, all residents who attend the Heating and Hot water surgeries are requested to make appointments to allow the upgrade to be completed.

To date 60% of residents are receiving an accurate AMR reading allowing for the issue of accurate bills. Residents are therefore encouraged to make contact with E.on or call the Housing Office to arrange an appointment. This will then support residents in the provision of accurate billing.

7. Provide lowest average gas prices per kwh (stop charging 20% extra on top).

E.on are required under the PFI contract to provide energy to residents at a cost equivalent to or less than the costs that would be on average incurred through the use of a 'traditional' gas fired condensing boiler.

The tariff rate is based upon an industry formula whereby it is the lower of the 'heat charge' and the 'gas comparator'. This is calculated on 1st April each year and fixed for the following 12 month period.

A presentation was made to the February 2014 PLG on the tariff for 2014/5. It is envisaged that a similar presentation will take place (at either the February or March PLG). Thereafter a letter will be sent by E.on to all residents advising of the tariff rate for the next year.

8. To make the system more user friendly.

The heating and hot water service is controlled by residents through a Heat Controller. It has been recognised that residents have found the Heat Controller difficult to use. Accordingly, a number of measures have been put in place to support residents, including additional visits from the contractors to explain usage, and publication of instruction in newsletters.

The specification for the Heat Controller in the more recent new build blocks, has been changed to mirror the simpler unit provided under the refurbishment programme.

In addition a number of other measures have been put in place including a series of heat control road shows and simplified heat control leaflet. Call outs are also taking place as part of the regular service to provide any further guidance.

9. Provide a free phone line for customer care.

All requests for service should be routed through the standard repairs call centre number, 0800 0851230, which is free from landlines. A number which is at a reduced tariff, 0330 1239166, is also provided for mobiles.

10. To pay residents £30 compensation, as in the contract, every time hot water or heating is not available for 24 hours.

Under the contract E.on refer to *standards of service for our heat supply customers*. The Guarantee confirms that if the supply is not restored within 24 hours, residents will be eligible to claim £30 for each incidence of failure, for missing appointments and poor customer service

This has been reflected in the following number of claims being issues over the last three months.

Credit Reason	Total	Value
GSOS for 24hr off supply	3	£90.00
GSOS other	22	£700.00
Poor Customer Service	11	£404.86
Total	36	£1,194.86

The E.on standards of service have been advertised in the estate wide newsletter. In addition, as requested by RAMB representatives, a dedicated newsletter is to be provided by E.on that outlines how residents can apply for compensation payments.

Residents may also contact the E.on Customer Service Team on 0345 302 4312 to make an application for compensation.

This issue will be raised again by the Council in February's PLG.

11. To reduce or stop related leaseholder service charges or allow to install their own system.

A standard service charge is levied by E.on to all properties. This covers both maintenance and renewal of the Heat Interface Unit (HIU). The charge for the tenanted properties is borne by the Authority (through the contract with Regenter), while the charge for leaseholder properties is the responsibility of the lessees.

The charge for leaseholders is a similar principle to a maintenance contract that individual lessees would have taken out before, under the previous gas combination boiler service. In addition the charge covers for the replacement of the HIU.

The E.on customer services team can be also contacted on 0345 302 4312 to further explain the detail of the charges.

12. To free residents from this ineffective E.on system.

The provision of the District Heating Network was part of the design solution meet the GLA's required carbon reduction targets.

In this respect the contract provides clear requirements for E.on to provide an efficient and effective heating and hot water service.

There is no opt out available to Lambeth tenants to disconnect from the system.

Regenter will continue to provide updates in the various forums and dedicated newsletters until all the issues are resolved to the satisfaction of residents.

In conclusion it is fully acknowledged that for the reasons outlined above the Heating and Hot water service has incurred a series of unexpected difficulties which are being resolved as quickly as possible. The Council and Regenter, in co-ordination with yourselves, will closely monitor service delivery to ensure that improvements are sustained.

Yours sincerely

Su Gomer
Lead Commissioner for Housing

cc.
Councillor Matthew Bennett
Councillor Jacqui Dyer
Jacqueline Davy (LBL Democratic services)

Appendix 10: Correspondence between Lambeth and E.ON, July to December 2015

Our Ref: LP/PT/2015-07-31/01

Jeremy Bungey
Head of Community Energy – E.ON
47-53 Charterhouse Street
London
EC1M 6PB



31 July 2015

Dear Mr Bungey,

We are writing to you to set out our concerns about the experience of residents on Myatts Field North and Oval Quarter in their interactions with E.ON. As one of the key partners in the Regenter consortium, E.ON must commit to making visible improvements and sustaining the levels of responsiveness so that these issues can be resolved without further delay.

From our conversations with local residents it seems that more must be done to build on the efforts so far and improvements are needed to:

- **Service levels** – there are still concerns about poor water pressure and intermittent supply of central heating and hot water
- **Charging mechanisms, tariff and billing** – these need to be more transparent
- **Customer service** – residents calling E.ON say it is expensive and time consuming; access to a 'Freephone' number may help address this.

Having reviewed E.ON's Service Standards and even allowing for the context giving rise to the intermittent supply of central heating and hot water, there are a series of failures that must be acknowledged and addressed going forwards:

- Residents are frustrated that their concerns are not being taken seriously and E.ON have been slow in responding to these
- Poor communications
- Unsatisfactory preventative measures to avoid intermittent supply issues
- Offers of compensation are unclear and in many cases unsatisfactory.

Building on the improvements so far and looking ahead, residents need to be reassured that the district heating system offers good value for money and the operation of HIUs, heating controls and smart meters must be properly explained and implemented uniformly.

We note that you cannot recommend compensation payments until all appointments have been made, however we want to ask that this approach is reviewed at the next Project Liaison meeting on 12th August.

In terms of the pricing tariffs, the attached FAQs have been agreed between E.ON representatives and Regenter, and were referred to at a meeting with the Residents Monitoring Board this week. Whilst this brings a greater degree of transparency to pricing calculations we would like to understand the degree of price competitiveness between the six suppliers referred to.

The Myatts Field North PFI manager will continue to work closely with you to ensure that the concerns of the council and residents on Myatts Field North and Oval Quarter are being addressed.

Yours sincerely,



Cllr Lib Peck
Leader of Lambeth Council London Borough of Lambeth lpeck@lambeth.gov.uk



Sean Harriss
Chief Executive London Borough of Lambeth
sharriss@lambeth.gov.uk



E.ON UK plc
Waterfront
House
Lakeside Court
Sherwood Park
Annesley
Nottinghamshire
NG15 005
eon-uk.com

Cllr Lib Peck
Leader of Lambeth Council
London Borough of Lambeth
Lambeth Town Hall
Brixton Hill
London SW2 1RW

cc. Sean Harriss, Chief Executive, London Borough of Lambeth.

12th August 2015

Dear Clir Peck

Many thanks for your letter dated 31st July. Firstly, apologies for the delay in responding, but this letter hopefully provides a full response to all the points you have raised.

Service Levels

The heat network at Myatts Field North is a direct fed system, which has the benefit of making it very efficient, but requires periodic re-balancing as it grows and takes on more customers.

E.ON recognise that parts of the system performed below expectations in Winter last year and are conducting extensive works this summer to prepare for the peak demands later this year. Broadly the works comprise three areas:

- 1. E.ON has deployed a team to site to conduct a root-and-branch analysis of the network to re-balance it, optimise running arrangements, and to recalibrate dynamic components of the system.*
- 2. We are deploying a software upgrade on a population of heat interface units within our customer homes; a team are currently deployed to Myatts Field to secure bookings with residents for access to the units; and we are currently on target to complete over 90% of upgrades by end September.*
- 3. Over the summer we will have commissioned a new CHP engine at our*



energy centre to support growth in heat demand and improve system efficiency.

Charging Mechanisms, tariffs and billing

We have just launched improved material for tenants and buyers so they know exactly how they'll get their heat from the moment they step into the show home. Then, when they move into their new home, we'll give them a welcome pack with all the information they need.

We have also improved our bills to make them easier to understand based on customer feedback. We send customers a bill every month to help them stay in control. It includes the cost of the heat units used, and the energy service charge. The energy service charge covers benefits including 24/7 breakdown and emergency cover 365 days a year.

In October last year we launched heat.eonenergy.com where customers can register their details online, and once signed up they'll be able to:

- Access their account 24/7, 365 days a year
- View and pay their bills online
- Get live updates on their Heat Service
- View their usage and compare it to other similar homes on their development
- Save £5 off their bills, simply by choosing paperless billing
- View a tariff tracker to ensure they're on the best product for them

As a company we absolutely recognise the unique features of district heating, therefore to reassure our customers, we operate in accordance with an independently verified price protection policy that ensures our customers pay no more for heating their properties when compared on a like for like basis to heating via a gas boiler. As part of this comparison we do include the standard gas prices of the 'big 6' energy suppliers and several smaller ones.

It's worth noting that a communal heat service is very common for apartment blocks and high density developments. Traditionally these schemes have been run by facility management companies on short term contracts. This tended to lead to price uncertainty and little incentive for the efficient running of the system.



In many cases the total costs are simply aggregated and spread across the resident's bills. This meant that if plant or networks failed or needed replacing, residents could be asked to pay additional fees to cover these costs. Furthermore due to the short term nature of contracts there is little certainty on the ongoing life of the assets, which could be problematic when a resident tries to sell their property.

In recent years the 'ESCO' model has become more common place within this market. E.ON has been at the forefront of developing this long term approach and we believe that this offers residents much greater certainty on pricing, transparency and a superior service.

Customer Service

We're committed to giving customers an excellent service, that's why we've introduced our guaranteed standards of service.

We have a dedicated, UK based customer care team who are trained to put things right, and if they can't, we have a clear complaints handling procedure, and they will put a customer in touch with one of our resolution managers.

In terms of our customer service performance, we answer our customer calls in less than a minute on average and reply to customers emails within 24 hours.

Our telephone number begins with 0345, and calls to these numbers are free for customers with land line or mobile packages with inclusive minutes, for example the calls are included within the BT Standard Anytime package. For customers who don't have included minutes, calls are charged at local rates. The average call duration is 5 minutes.

We are regular attendees of the RAMS forum, and so far this year have also ran a number of customer surgeries at the community centre inviting customers to come along with any questions or queries.

We are the first heat supplier to become a member of Heat Trust which is a new scheme due to be launched in September 2015 and has been shaped by amongst others the DECC, Which?, Consumer Futures and industry experts.

The Heat Trust sets common standards for quality and protection across district heating schemes. It also offers heat customers an independent process for



settling disputes with their supplier.

In terms of our offer of compensation, we absolutely recognise that a number of customers have been affected by intermittent hot water last winter, and we implemented a programme to compensate customers for this poor experience. It is important to us that we get the technical issues fixed in order to ensure that a customer's issue is resolved. Once resolved we can then compensate the customer for the poor service. As mentioned above we are making significant progress on the fixes and compensation is being paid

I hope this letter addresses your concerns but I would further like to assure you that we are committed to great customer service and we are putting significant effort into resolving the issues.

If you do have further concerns I would be happy to meet with you to discuss.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Jeremy Bungey', with a stylized flourish at the end.

Jeremy Bungey
Head of Community Energy

20th November 2015

Mr Jeremy Bungey
Head of Community Energy E.ON
47-53 Charterhouse Street London
EC1M 6PB

Dear Mr Bungey

Thank you for your letter of 12th August, 2015. We apologise that it has taken some time to revert back to you, but we wished to seek resident feedback and gain an understanding as to the level of improvement of the E.On service at Myatts Field North, which has taken some time.

Service Levels

We understand that most of the issues regarding consistency of supply of heat and hot water to properties have now been resolved. As you point out, however, the system requires periodic rebalancing as it takes on more customers. We would, therefore, welcome some reassurance that, with a substantial number of residences still to be constructed, there will be no recurrence of the issues experienced to date.

We are aware that you have paid compensation to residents affected by the intermittent of supply of heat and hot water. However, residents have raised concerns that there seems to be an inconsistency in the sums received against the actual level of lack of service experienced and individual compensation levels vary widely. Please may we and residents be provided with a clear explanation of how the compensation was calculated and applied in each case.

Charging mechanisms, tariff and billing

One of the chief issues raised by our residents in connection with their bills is that they received a high number of automatically generated invoices, based on estimated usage, sometimes several in a matter of days. This has led to confusion and distress among our residents, many of whom are elderly, vulnerable or do not have English as their first language. We have been advised that this is due to the poor mobile signals in the area and difficulty collecting data from Smart meters. We are aware that various measures have been put in place to attempt to improve this situation, but would welcome an update on the work you have done in this area and confirmation that customers will now only receive one accurate bill each month.

Customer Service

You refer in your letter to the establishment of the Heat Trust, expected in September. We understand that the scheme is, at this time, still not up and running. The imminent launch of the scheme has been awaited by residents for some months, with the anticipated launch date advised to both the Council and residents being continually revised and pushed back. We would like a clear commitment as to the launch date of this scheme, so that residents can be assured that their interests are being looked after and protected.

Regards,

SL Gomer

Sumitra Gomer,
Lead Commissioner,
Neighbourhoods and Growth Division
London Borough of Lambeth
Chartwell Business Park (2nd Floor)
61-65 Paulet Road
London, SE5 9HW

Tel: 020 792 64208

Mob: 07961212468

Lambeth - The Cooperative Council



Sumitra Gomer,
Lead Commissioner,
Neighbourhoods and Growth Division
London Borough of Lambeth
Chartwell Business Park (2nd Floor)
61-65 Paulet Road
London, SE5 9HW

14th December 2015

Dear Sumitra

In response to your recent correspondence find below my response to the queries raised.

Service Levels

As you have highlighted, issues regarding consistency of supply of heat and hot water to properties have now been resolved and performance levels across the site remain consistent. We continue to monitor this site alongside all our District Heating sites to ensure performance levels remain stable.

Compensation Payments

The amount of compensation does indeed vary between customers, ranging from £50 to £200. The amount that customers were recompensed was based on a number of factors including;

- o The period of time in property
- o Number of call outs
- o HIU Manufacturer
- o Location on the network

These factors were decided upon following extensive analysis of site performance. We believe that this was the fairest approach for all parties and provided a proportionate amount depending on individual circumstances.

I'm not able to disclose details for individual customers as this would be a direct breach of the Data Protection Act.

Residents were advised to contact our contact centre directly if they required further information regarding their individual compensation payments.

Charging mechanisms, tariff and billing

Regarding the concerns raised in relation to estimated bills, we have recently made further enhancements which should improve the situation but as you have noted the mobile signal at the site remains poor and therefore impacts the ability for us to obtain accurate reads. We are therefore unable to guarantee one accurate bill a month as you have requested at this current time.

If we've been unable to obtain a read we attempt to contact customers each month prior to producing a bill, requesting them to provide their own read. Alternatively they may contact us on receipt of their bill with an up to date reading and we will provide a revised bill.

Heat Trust

The Heat Trust officially launched on the 25th November 2015. We had no control over the delays on the launch date as the Heat Trust is an independent body.

Kind Regards,

Jeremy Bungey
Head of Community Energy
E.ON

Appendix 11: Regenter heating and hot water report, January 2015

Myatts Field North
Project Liaison Group
14.1.2015
PLG
Heating & Hot Water Performance

1. Background

This report provides an overview of performance relating to the development of the District Heating Network over the last three months.

The report acknowledges that various unrelated issues have contributed to a poor level of service to residents.

The primary issue has been in relation to intermittent availability of hot water. The report also refers to the on-going development and commissioning of the network as well as improved operating and maintenance systems.

2. Contract

The contract with E.on is for a period of 45 year. The first 25 years of the service is provided as a subcontractor to the main Regenter contract. The remaining 20 years is through a direct contract between the Authority and E.on. This arrangement reflects the level of initial capital investment in the District Heating Network. (DHN)

2.1 Key Performance Indicators (KPIs)

The main KPIs for the delivery of the heat and hot water systems are as follows:

Nos.	Availability Standard	Failure event	Rectification period	Temporary rectification
36a	Space heating and hot water heating are to be capable of independent operation and available 24 hours per day, controlled both on a whole dwelling and room by room basis	Space and water heating not capable of independent operation	3 days	None
36b		Space heating not working	1 day	Permissible up to three days
36c		Water heating not working	1 day	Permissible up to three days

The heating and hot water sub-contract is a self-monitoring contract, consistent with the primary Regenter contract. KPI performance is reported on a monthly basis with the Authority have the right to audit the reports at any time.

2.2 Energy benchmarking

The sub-contractor is required to provide energy to residents at a cost equivalent to or less than the costs that would be on average incurred through the use of a 'traditional' gas fired condensing boiler.

2.3 Energy efficiency

The minimum SAP (energy efficiency) rating for each new dwelling is 80. SAP rating calculations for the new dwellings are based upon the full operation of the District Heating scheme based upon 480 units.

3. Commissioning – current position

There are 66 properties on site 18 to be commissioned in w/c 12.1.15 for two weeks, completing phase one of the scheme.

4. Quarterly operational summary

Over the last quarter (Oct – Dec 14) the following Operational & Maintenance (O & M), issues have occurred:

- Two hot water estate wide outages in October and November
- Intermittent hot water temperatures to part of the estate
- Intermittent levels of Automatic Meter Readings leading to high levels of estimated billing
- High levels of call out to advise residents on the methods of using the system.

5. Primary issues – heating & hot water

5.1 Hot water outages

During 2014 there were three unrelated interruptions to the delivery of heat and hot water to residents through the District Heating Network. All were corrected on the same day. These were:

- 28.8.14 The electrical supply to the pumps of the primary district heating system failed resulting in service interruption for three hours. The electrical fault was traced and fixed.
- 30.10.14 A programming error in the software that runs the boilers meant that the service was interrupted for eight hours (late evening to early morning). The software error has been corrected by the supplier.
- 6.11.14 The service was interrupted for eight hours (late evening to early morning). This was due to the boiler ventilation safety system preventing the boilers from operating. The cause of the trigger was rectified.

5.2 Hot water temperatures

The main complaint that has occurred over the last three months has been differential hot water temperatures. These have two causes as follows:

Differential pressures

During the course of the build programme two types of Heat Installation Unit (HIU's) have been installed as manufacturers upgraded their products. Slightly different specifications between the models has led to hot water being drawn off at different rates. This caused pressure imbalances in the system. The fault has been identified leading to a programme of removing a restrictor flow valve to one of the two types of HIU unit.

This relates to 133 occupied and 110 unoccupied and non-commissioned properties. There remain 34 occupied properties to amend, which it is anticipated will be completed (subject to access), within the next two weeks.

Once this has been achieved the overall flow rates for the network can be rebalanced leading to a more consistent hot water service.

Legislative requirements

Residents have previously raised concerns over the hot water operating temperature to the bath.

This is due to the legislative requirement to install a mixing blending valve to the bath that lowers the temperature below kitchen temperature outlets.

Accordingly, the above issue has compounded residents perception in relation to on-going hot water operating temperatures.

5.3 Zone valves

The third common fault has been a small number of faulty zone valves within properties. The maisonettes have a zone controlled system between the living areas and bedrooms. Following initial commissioning on a small number of occasions it has been found that a faulty valve has had to be replaced.

These valves are held in stock on site and therefore on identification of the need for replacement, are immediately replaced.

In addition a valve shut down occurred to a small number of properties for several hours on Christmas Day. This arose from a sharp spike in demand and was reinstated by 4.00pm on the same day.

6. Operating & Maintenance performance during this period

6.1 Key Performance Indicators (KPIs)

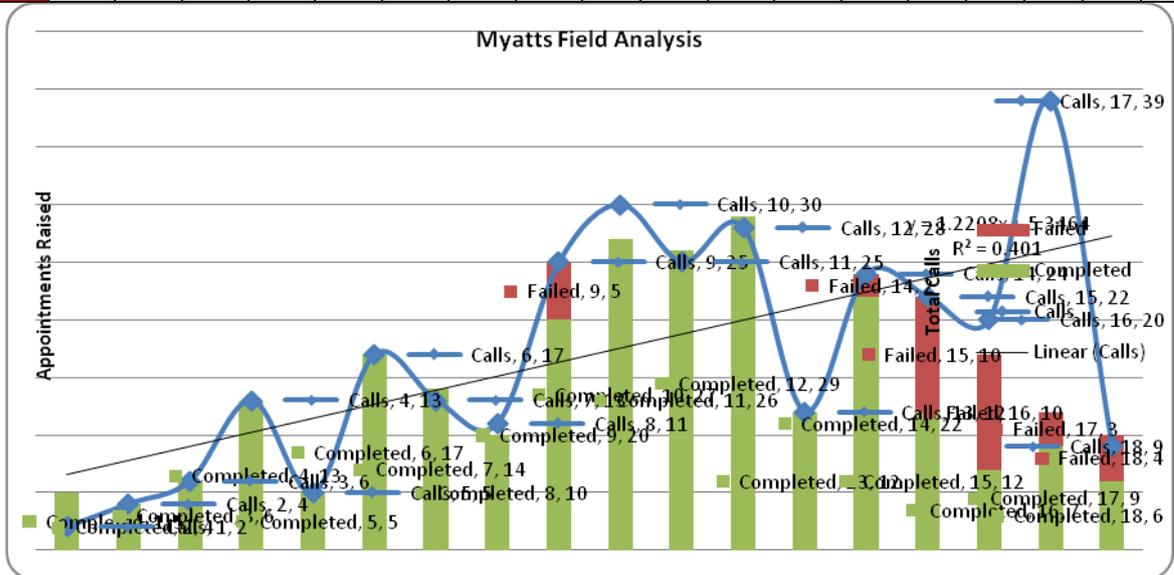
It is recognised that the above occurrences have caused inconvenience to residents which we are committed to minimise.

The following KPI performance has been reported over the last three months.

Month	Sep-14				Oct-14					Nov-14				Dec-14				
Week	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53

E.ON	2	3	6	12	5	16	12	9	16	22	22	28	12	24	21	16	10	6
Impact	0	1	0	1	0	1	1	2	9	8	3	0	0	0	1	4	29	3
Total	2	4	6	13	5	17	13	11	25	30	25	28	12	24	22	39	9	

Raised	5	4	6	13	5	17	14	10	25	27	26	29	12	24	22	17	12	10
Completed	5	4	6	13	5	17	14	10	20	27	26	29	12	22	12	7	9	6
Failed								5					2	10	10	3	4	
Completed Perc	100 %	80 %	100 %	100 %	100 %	100 %	92 %	55 %	41 %	75 %	60 %							



6.2 Guaranteed Standards of Service

Under the contact E.on refer to *standards of service for our heat supply customers*. The Guarantee confirms that if the supply is not restored within 24 hours, residents will be eligible to claim £30 for each incidence of failure, for missing appointments and poor customer service

This has reflected in the following number of claims being issues over the last three months.

Credit Reason	Total	Value
GSOS for 24hr off supply	3	£90.00
GSOS other	22	£700.00
Poor Customer Service	11	£404.86
Grand Total	36	£1,194.86

7. Site Operating & Maintenance team

There have been a number of issues surrounding the delivery of the contract which previously led to inefficient reporting and accountability to the resident.

These have been addressed in the following manner:

7.1 Primary and secondary circuits

The DHN consists of two circuits namely the Energy centre up to the HIU (O&M by Eon) and a secondary circuit covering heat controllers, radiators and pipework (O&M by Rydon) with this being reflected in the subcontracts. In practice this required the resident to in effect diagnose the problem for the call centre to be able to pass it to the correct sub-contractor – clearly unacceptable.

In addition this has been further compounded by the potential for the build contractor (Higgins) to be responsible for rectification of the problem under the contractual 12 month defects process.

All of these issues have been addressed to allow for E.on to be the first port of call for the heating system relating to loss of supply. Only plumbing issues i.e. radiator issues and leaks are now dealt with by Rydon. Liability towards Higgins is now addressed after the event by the sub-contractors.

7.2 Dedicated team

To ensure that the necessary O & M service is providing an effective service, a dedicated site engineer is based on site full-time and until further review. This service is supported by both mobile teams and the new build commissioning teams.

This dedicated team are now conversant with both the different type of HIU's and heat controllers that have been installed.

8. Heat Control units

A number of call-outs continue to be attributable to residents being unable to use the heat control unit. To resolve this matter going forward the specification for the heat controller has been changed to a unit similar in nature to the simpler refurbishment heat controller.

Over and above this, roadshows, simplified leaflets and on-going support is provided to residents.

9. Automatic Meter Readings (AMR's)

The District Heating Network has been designed to allow automatic meter reading. However it is has been discovered that the existing signal strength has not been sufficient to provide the required coverage.

This has led to the necessity for an upgrade programme. This is currently being undertaken with the last remaining properties awaiting access via the Housing Management team.

In addition to support AMR for the second type of HIU, a fixed mesh network concentrator needs to be installed to one of the mixed tenure blocks. An application has been made to Notting Hill RSL (Site 23) to allow the unit to be installed.

In the interim residents are being supported to minimise the likelihood of high estimated bills. This includes requests for meter readings via text message, supported by a planned communication on the method of meter reading.

The Housing Office will be also contacting residents from the joint E.on / Housing Management vulnerability list to ensure that estimated billing concerns are minimised.

Finally, there is a prominent mobile signal issue throughout the site, this impacts on E.on’s ability to see and read some meters automatically and they are currently working on a solutions to resolve.

10. Customer services

10.1 Monthly surgeries

To support customers in the understanding of billing, monthly surgeries have been introduced.

In the first surgery in December there were 29 attendees requiring follow up actions. This was followed by the surgery held in January where 13 residents attended.

	Dec 14	Resolved	Jan 15	Resolved
Billing issues	16	12	4	
No heating	1	0	0	
Temperature control	3	2	3	
Repair appointment	6	6	2	
Other	3	0	2	
Total	29	24	13	

10.2 Call Centre

On-going improvements are being put in place to support residents from the initial point of contact. These include the following:

- Improved repair identification scripts
- Increased Call Centre opening times 8.00 – 8.00pm & Saturdays (prior to out of hours service)
- Welcome call services for new customers

10.3 Independent Heat Customer Protection Scheme

It is recognised that E.on's customers under the District Heating Network do not have recourse to the Office of Gas and Electricity Markets (OFGEM) which regulates the companies which run the gas and electricity networks.

All existing practices mirror OFGEM however to strengthen this approach the Customer Heat Protection Scheme (CHPS) are aiming to launch a voluntary code of which E.on will be part of from April 2015.

This will be shortly circulated by E.on to allow residents to have the opportunity to make reference to this independent body.

Mark Dibblin
General Manager
9.1.15

Appendix 12: Tracker Chart of residents' groups' demands to E.ON

Issue	Specifics	Latest situation	Residents' Requirements
R E L I A B I L I T Y	Network outages	<p>E.ON says: problem solved over winter; 99.4% system reliability with 45.5 hrs total outage in 2016.</p> <p>Residents say: E.ON's statistics do not include partial or individual outages; latest partial outage was 5/12/16 during winter; 96.86% reliability over 4 years.</p>	<ol style="list-style-type: none"> 1. Heat and hot water to be available 24/7/365. 2. Commitment to deal promptly with root cause and prevent recurrence. 3. Automatic customer credit for all outages and no charges for any day with an outage. 4. Specific provision for vulnerable customers (see below). 5. Reporting outages E.ON's responsibility not the customer's.
	Inconsistent water temperature + Wait for hot water	<p>E.ON says: problems relate to design of system within customers' homes; happy to offer advice but "refer customers to their Housing Association or Landlord" (Dec 2016).</p> <p>Residents say: Regenter / E.ON agreed other problems causing this in late 2014/early 2015 e.g. different / faulty HIUs and incomplete installation of heat network; began programme of corrective works; agreed that E.ON would be customer's first port of call for fault reports on this area; problems with hot water still happening and responsibility still being passed back and forth.</p>	<ol style="list-style-type: none"> 6. Estate-wide check of HIUs to confirm they're operating correctly. 7. E.ON to investigate thermostatic valves, internal pipe issues, actuators etc. 8. E.ON to investigate very low hot water pressure in some blocks and low temperature of bath / water - it is below 48C in some flats.
	Heating controls	<p>E.ON says: room heating controllers, pipework in the home and radiators not their responsibility; residents should revert to HA/Landlord/Rydon as appropriate (see above).</p> <p>Residents say: Room controllers are difficult to use, sometimes wrongly wired and do not address the actual temperatures in the room they are located in; E.ON should take responsibility regardless of contractual liability as the heat controls manage the interface with the HIU and thus key to heating service.</p>	<ol style="list-style-type: none"> 9. Estate-wide check of controls, including on radiators. 10. Retro-fit simpler and more reliable controls. 11. Help residents to programme heating and set room temp and check radiator sizing and balance of system inside and out.

Overheating in corridors	<p>E.ON says: possibly responsible for lack of insulation on heat pipes.</p> <p>Residents say: corridors still extremely hot, adjoining bedrooms unusable; query heat wastage and cost.</p>	<p>12. Reduce heat temperatures in communal areas to agreed levels.</p> <p>13. Remedy heat loss and refund excess cost caused by energy inefficiency if borne by customers.</p>
Energy usage (incl. HIUs /actuators)	<p>E.ON says: accepts responsibility for the HIU but makes no mention of increased energy usage in Dec 2016 letter or in earlier reports of problems with actuators identified in 2014 and more recently in Sept 2016.</p> <p>Residents say: HIU is vital part of E.ON's heating system and key to energy usage within home. E.ON engineers have implied the missing actuator has led to using more heating units than they should have but our claims are being dismissed. We've heard that missing or unattached supply valves are common on Rydon-installed HIUs of all brands. Other problems being identified with HIUs e.g. faulty circuit board wiring, un-insulated pipes in the unit.</p>	<p>14. Estate-wide investigation of all HIU types & customer heat usage.</p> <p>15. Establish whether customers have been charged for heat they didn't want or use.</p> <p>16. Meet outside arbiter re assessing customers' possible losses.</p>
Repair service	<p>E.ON says: excellent call response time.</p> <p>Residents say: ongoing problems with out of hours service and calls not being logged; in terms of reporting faults there is evidence of continuing incorrect diagnosis and wrong referral elsewhere, failure to complete repairs on the first visit and necessity for several visits to resolve problems, if resolved at all.</p>	<p>17. Meet contractual requirements for repairs.</p> <p>18. Operative must ask if a call is a complaint or fault report and must provide reference number.</p> <p>19. Independent audit of E.ON's system for logging fault reports and recording time taken to complete repairs satisfactorily.</p> <p>20. Publish repairs monitoring data.</p>
Overall system reliability and efficiency	<p>E.ON says: new improvements to software, monitoring equipment and maintenance will improve reliability (Dec 2016).</p> <p>Residents say: Only full system outages are showing signs of improvement, though customers still not being kept informed of when and how long the system is down. Other system issues that relate to partial outages and HIU failures do not appear to be monitored so no true picture of end to end reliability. No confidence that all the problems are being addressed /will be resolved quickly.</p>	<p>21. Commit to independent audit of system.</p> <p>22. Send fault and resolution real time information to customers via text / email and place online.</p>

Issue	Specifics	Latest situation	Residents' Requirements
V U L N E R A B L E C U S T O M E R S	Outages	Residents say: elderly and vulnerable customers being left cold risking their health.	24. Offer vulnerable customers electric heaters in case of any outage as soon an outage occurs. 25. Electricity costs to be covered.
	Water temperature	Residents say: carrying and pouring kettles of hot water unsafe; not acceptable to be forced to shower elsewhere.	26. Water temperature issues for vulnerable customers to be escalated if not resolved in one day.
	Bills	Residents say: High bills and exceptionally high estimated bills mean many vulnerable people cannot afford to keep warm. One man, very worried about his bills and not eating, was found dead.	27. E.ON must get readings that reflect actual usage. 28. Lower and simple tariffs for vulnerable customers.
	Meter reading	Residents say: bills must be based on actual usage. It is not residents' fault the smart meters don't work.	29. Vulnerable customers to be personally told of meter reading service.
	Priority Services Register	Residents say: people are never asked about possible vulnerabilities. Vulnerable residents worst affected by customer service issues like billing, "can't find you on the system", "can't see your last payment", etc as well as unreliability of heat and water.	30. Ensure all vulnerable customers are registered and ask every caller every time.
	Ensure problems dealt with urgently	Residents say: Vulnerable residents are in real danger.	31. Audit - ensure their heat and water is working ok. 32. Note sudden falls in usage, contact them asking if need help.
	Heating controls	Residents say: even the contractors can't work them.	33. Prioritise vulnerable residents for retrofitting easier controls and training.

Issue	Specifics	Latest situation	Residents' Requirements
B I L L I N G	Failure of remote access meters	E.ON says: 75% now have functioning remote meters. Residents say: Doubtful as recent experience shows that some that were working are not now. NB This was agreed by E.ON in meeting 24.1.17	34. Accurate update on progress and date for solution with smart meter upgrade.
	Unacceptable estimates	Residents say: estimates are grossly inflated, terrorise residents, come with demands for immediate payment threatening penalties, leading people to pay what they don't owe at great cost to their health and welfare.	35. Estimates to be based on customers' previous use. 36. No penalty for late payment of estimated bill. 37. Reminders to make clear if estimate, and invite people to ask for help reading meter. 38. Automatic refund on erroneous bills and compensation for mistake.
	Customer readings rejected or difficult	E.ON says: easy to inform of own reading. Residents say: it's hard to get through, and residents' readings may be rejected.	39. E.ON to accept customers' readings. 40. Provide option of quarterly billing.
	No E.ON meter readers	E.ON says: they will read meters if required.	41. Inform all residents that E.ON will read meters.
	Heat tracker on bills misleading	E.ON says: it's inaccurate and not about your own use, ignore it. Residents say: it is confusing and worrying.	42. Take heat tracker off bills. 43. Confirm if inaccuracy is reflected in reports to RAMB/Lambeth.
	Service charge statements	Residents say: annual service charge statements are not transparent - they do not explain what the service charge is for in contrast to landlord service charges which must by law itemise what items are being re-charged for.	44. Provide a fully itemised service charge statement setting out what services homeowners are being charged for and how much does each service cost with full explanation.
	Billing frequency	E.ON says: it cannot give an answer on quarterly billing until the summer 2017. Residents say: do not understand why quarterly billing cannot be implemented – this has been demanded for years.	45. Allow residents' quarterly billing for those who want it.

Issue	Specifics	Latest situation	Residents' Requirements
C O M P E N S A T I O N	Amounts and thresholds for outages	<p>E.ON says: "if the service is not met compensation will be paid... include the promise to deal with supply interruptions 24 hrs a day, 365 days a year."</p> <p>Residents say: Amounts and thresholds for outages disproportionate to suffering and no deterrent to poor performance.</p>	<p>46. Compensate for each loss of heat/hot water and for the impact it has on households, without an arbitrary 24 hour threshold.</p> <p>47. If amount paid to customers remains out of proportion to loss and suffering, Lambeth should pass on to customers (of all tenures) any financial penalties they levy on Regenter/E.ON.</p>
	Having to fight for compensation	Residents say: Customers have had to fight for compensation, as far as the small claims court.	<p>48. Compensation should also cover customer service failures.</p> <p>49. Compensation should be automatic, and not require a request.</p>
	Inadequate compensation for past four years.	Residents say: Compensation has been reluctant, arbitrary, divisive, and often derisory. Many weren't even informed about compensation until March 2015.	50. Compensation for past failures is essential to establish new relationship. One-off estate-wide settlement credited to all bills, amount to be negotiated with residents groups.
	Amounts are determined by criteria irrelevant to customer experience	2015 compensation for hot water problems caused by HIU faults ranged from £50 to £200 without consultation based on E.ON's logic, not impact on residents lives.	51. Flat rate depending on length of outage/ delayed response etc, same for all tenures.

Issue	Specifics	Latest situation 24/1/2017	Residents' Requirements
T R U S T / A C C O U N T A B I L I T Y	Repeated broken promises and contractual commitments	Residents say: serious breakdown of trust.	52. Resolve all problems within six months. 53. Make up past losses with compensation, to establish trust. 54. Formal acknowledgement and apology that the system and service has been sub-standard. 55. E.ON to provide one named, high up person to be responsible for redress and accountable to residents.
	Fragmented responsibilities	Regenter says: residents should not have to diagnose problems, on heating E.ON is first port of call whatever the fault may be. Residents say: frequent change of liaison personnel; even the ones who have been at a previous meeting deny knowledge of what was agreed; being told to contact Regenter, Rydon or Pinnacle for problems inside flats, and homeowners are asked to pay for parts, then compensated if they fight it.	56. E.ON to take responsibility for entire Heat Service from CHP to Radiator / Tap / Controls. 57. Make clear to all residents of all tenures that E.ON will now take responsibility and be sole port of call for all aspects of heating - E.ON to then deal with Pinnacle, Higgins, Rydon, Regenter or others as appropriate.
	No faith in district heating efficiency and state of repair	Residents say: waiting for the next outage; don't trust the bills or meters; don't trust carbon savings; don't trust energy efficiency	58. Independent 3rd party audits of whole system re technical improvements needed and customer services. 59. Independent advisor to target homes where costs or tech problems are particularly high and propose action plan.
	Non-transparency and openness	Residents say: E.ON hiding performance stats, need to see actual usage behind average bills figures; tariff options, contract rights; problems admitted belatedly	60. E.ON must publish availability and performance data; deductions made by Regenter and Lambeth; contract length and rights; and full explanation of problems so far.
	E.ON to Lambeth "Payment mechanism"	Residents say: Not functioning as an effective deterrent to poor performance; E.ON assessing their own failures.	61. E.ON to commit to champion contract review and changes. 62. E.ON's performance should be stringently monitored and financial penalties implemented.

Issue	Specifics	Latest situation	Residents' Requirements
A F F O R D A B I L I T Y	Overall pricing issues	E.ON says: pricing is fair, transparent and relatively low. Residents say: the opposite is true.	63. Set up working group to make policy transparent and fair to feed in to 5 year price and contract review.
	Accountable pricing	E.ON says: overall average bill on estate is £460, and for council tenants £281. Residents say: do not recognise these figures, they are misleading.	64. Average costs to be broken down by the service charge, heat usage, and tenure. A histogram broken down by decile (since low bills from voids or people who do not use their central heating because of cost, will significantly affect the average).
	Comparison with gas	E.ON says: meeting promise of heat tariff will be same or lower than gas comparator. Residents say: paying much more, not transparent; service charge and gas comparator mean repair & replacement double counted.	65. Full transparency of the gas comparator. 66. Comparison must include service charge (ASA). 67. Stop double-counting service charge elements in heat charge calculation. 68. Automatic refund if charge is more than Heat Trust's comparator.
	Heat charge	Residents say: no explanation of how this is calculated.	69. Clarify the formula so residents understand it. 70. Review heat charge with residents.
	Efficiencies and inefficiencies	E.ON says: gas cost multiplied by 1.25 since gas is 80% efficient and DH is 100%. Residents say: We were supposed to get the benefit of increased efficiency. Also, DH is not so efficient in whole system or in individual HIUs and flats.	71. Change the Gas Comparator to reflect actual efficiencies of E.ON CHP and HIU. 72. Solve or take account of whole-system inefficiencies and factors like hot cupboards and hallways, poor balancing, which affect customers' heat usage. Working group to consider.
	Tariffs for non-council tenures	Residents say: many people were left long time on wrong tariff, not informed of options.	73. Ensure all with options are on right tariff for their usage. 74. E.ON check back; any losses to be repaid.
	Tariffs for council tenures	Residents say: many residents not using heating as they cannot afford it; particularly hurts vulnerable tenants.	75. Allow tenants to access high user tariffs.
	Service charge	Residents say: unfair for small pool of customers to pay initial and replacement costs of capital investment.	76. Clarify so residents understand it, including what it covers.

			77. Meet to discuss how it can be brought down. 78. Refund homeowners and Lambeth for clear service failures of metering, billing, repair and customer service.
	Costs of inefficiency	E.ON says: nothing. Residents say: we should not pay cost of any poor design, maintenance, balancing, missing actuators or insulation in HIUs or of maintaining store of hot water in HIU.	79. Explanation, correction, quantification, repayment if appropriate. 80. E.ON to allow customers to purchase HIUs on the open market, and have them maintained independently, lowering service charge accordingly. 81. Keep warm option to be explained, defaults to be set according to customers' wishes.
	Payment for parts	Residents say: at least one leaseholder has had to pay for parts.	82. Refund. Publicise that no one is liable for parts – or spell out where they <i>are</i> liable.