

‘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

Dr Stuart Hodkinson
School of Geography, University of Leeds

and

Ruth London
Fuel Poverty Action

On behalf of:

Myatts Field North Residents’ Association and PFI Monitoring Board
Oval Quarter Residents’ Association
Notting Hill Oval Quarter Residents’ Association

Executive Summary

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Further information

For enquiries about the issues presented in this report, the authors can be contacted by email:

Dr Stuart Hodkinson – s.n.hodkinson@leeds.ac.uk

Ruth London – fuelpovertyaction@gmail.com

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

www.fuelpovertyaction.org.uk/research

1. 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-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/AOKOEK>

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 contracts. Residents' groups have repeatedly complained at the regular contract management

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.

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 for full report.

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 of full report.

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

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 full 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 of full report.