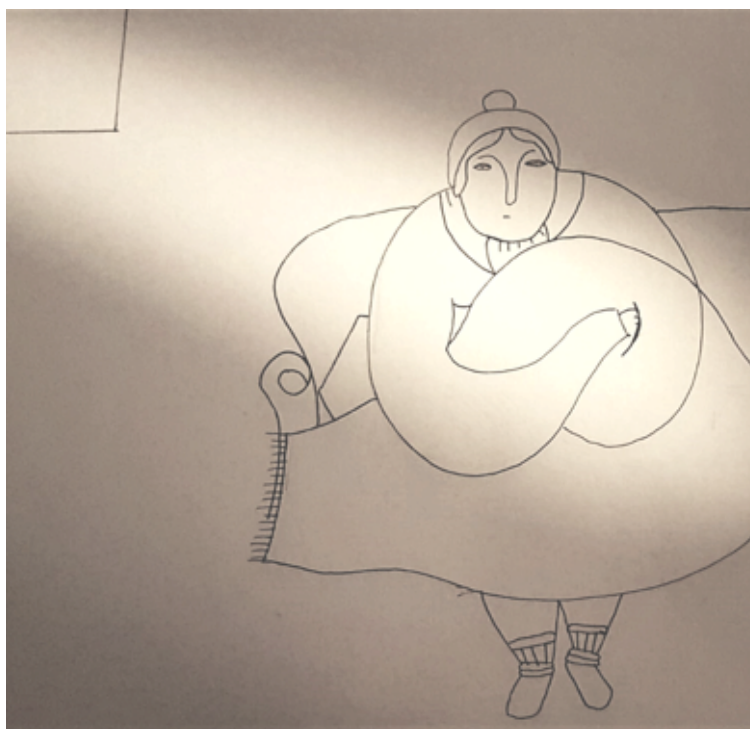


# Holding feet to the fire: Peabody tenants confront unaccountable heating and housing management



A dossier compiled by



in consultation with Peabody housing  
association tenants in Phoenix Works,  
Tower Hamlets, London

**April 2021**

# Acknowledgments

This dossier was compiled by members of Fuel Poverty Action, Maddy Winters, Ruth London and Joanna West. The work was done in close consultation with four Peabody tenants Shapla Ali, Forid Hussain, Ashna Rahman, and Ms Lewis who contributed their own personal statements and also worked to determine priorities, check facts and formulations, and pin down evidence and dates. We are grateful for sections contributed by Suzanne Muna of Social Housing Action Campaign ([SHAC](#)), Glyn Robbins of Quaker Court TMO in Islington, and tenants and leaseholders of St Clements, Tower Hamlets. For invaluable advice, we also want to thank Michael King of District Energy Development Ltd who generously contributed hours of his time and expertise, Syed Ahmed of Energy for London, Dr Stuart Hodgkinson of the University of Leeds, Richard Whittell of Corporate Watch, and Matthew Chester. Joan Hall and John Knight read the document and offered helpful comments. The views expressed, and any errors of fact or understanding, are our own.

## Cover cartoon by Rhiannon Hughes

## Names in this dossier

Except for the CEO of Peabody housing association and the Managing Director of KFH, we have changed the names of employees of the various bodies confronted by Phoenix Works tenants.

## “Heat networks” and “district heating”

These terms are both used to refer to heating systems where heat is produced centrally and distributed to different households via pipes, in the form of hot water. Strictly speaking “district heating” refers to a heat network that reaches beyond one building, and “communal heating” refers to a heat network serving one building only. But the terms are widely used interchangeably, and we have done so here.

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# Introduction

Before the Covid 19 pandemic, around 10,000 people were dying every winter in the UK because they could not afford to heat their homes. The death toll now will be much higher. At the same time, climate change is wreaking havoc and we urgently need to stop heating our homes with fossil fuels like gas.

New modern housing and new heating systems are supposed to contribute to solving both these crises. The housing is supposed to be, and often is, well insulated and energy efficient, saving both on carbon emissions and on bills. Increasingly, heat is provided by “heat networks”, also known as “district heating”<sup>1</sup>. These networks work like central heating for a whole building, estate or district, with insulated pipes distributing heat from a central source. While the usual fuel is gas, this is changing. Heat networks are supposed to provide a low cost, and potentially low carbon alternative to individual gas boilers or electric heaters. Yet many residents of modern developments with heat networks are freezing cold.

While the Grenfell Tower fire established beyond doubt that “listening to residents” is crucial, unaccountability is built into the market frameworks of both housing and heating, leaving hundreds of thousands of people cold, at a time when warmth is more than ever essential for our health.

As a condition of planning permission, developers of new estates are forced to allocate a portion of flats to “affordable housing”, usually through a housing association. Tenants of these flats are effectively subletting from their social landlord, and even the housing association may have little control over management of the estate. In addition, where heating is provided by a heat network, residents cannot switch to another utility, and wield no power to set terms with the one they have. In addition there are currently no regulations to protect them from extortionate prices.

This dossier tells the story of the fight for affordable heating on one development: Phoenix Works in Tower Hamlets, east London, which has a heat network. It spotlights housing and heating providers’ unaccountability as laid bare through the words of the people on either side. That is, on the one hand, affordable rent tenants and, on the other, the housing and heating managers who should be - and may even want to be - answerable to them.

It tells how tenants are succeeding against the odds in wresting back some small degree of influence, and how they have won a reduction of their heat tariff, so far by about one half.

It pinpoints one example of a widespread crisis, and it focuses on details. That is where the devil is. And until we can establish entirely new, accountable systems of both housing and heating, that is also where we have to look for change.

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<sup>1</sup> According to [government statistics](#) there are now about 14,000 heat networks in the UK serving 480,000 consumers. Analysis using figures from the Committee on Climate Change suggests that by 2030 one million homes would need to be connected to heat networks in order to deliver on UK carbon targets. ([Citizens Advice, 2017](#))

Fuel Poverty Action has worked with residents of a dozen London estates with heat networks, many of them wrestling with multiple layers of responsible parties, looking for a chink in the armour, trying to find someone who is, or can be made to be, responsible to *them*. The specifics in each case are different, but they can inform each other. While the dossier highlights specific obstacles faced by social housing tenants on a predominantly private, leaseholder estate, it also focuses on aspects of heat network pricing that affect both leaseholders and tenants, on estates and developments that may be wholly home-ownership, wholly rented, or mixed tenure.<sup>2</sup>

Following the heart of the dossier, a chronology of events at Phoenix Works, we draw out the implications of one localised confrontation, for people in other developments and for housing and heating policy. Both heat networks policy and social housing policy are currently being debated in preparation for forthcoming legislation. We aim to inform these debates.

At Phoenix Works our purpose is to help residents get clear protections - transparency, accountability, contracts - and suitable radiators, thermostats and insulation to make their homes warm in the future.

***“Why did Peabody not check the flat was safe and warm to live in before moving residents in? This is something I would like to know and be compensated for. And on top of this they have the audacity to then charge us very high amounts for the heating and hot water on the meter. For something that does not even work properly! Peabody have been stealing off us and forced us to live in inhumane conditions. And it has been traumatic for myself, being unheard when I have pleaded for help.***

***I am left with almost nothing every month and I have been working tirelessly to keep up with the high rates Ista and Peabody have placed on myself.***

***There have been times when I have been forced to take my children and wife to their nans. I had to stay there for a month due to how cold it was in my home. This made me feel guilt and anger being unable to do something about my situation.”***

- Forid Hussain, 02 March 2021

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<sup>2</sup> In some estates and developments, like this one, tenants and leaseholders live in separate blocks and have not established any communication, or, in some, there may be antagonism between the two. In others, tenants and leaseholders are working together on their district heating issues.

## A home is not affordable if you can't afford to heat it

In the autumn of 2019, 40 households moved into attractive newly built “affordable housing”<sup>3</sup> in Phoenix Works, a mixed-tenure development in Tower Hamlets, London’s east end. They had been council tenants and in at least one case, homeless. They are now tenants of Peabody housing association, which leases the flats for affordable rent tenancy or shared ownership. The other 103 flats in the development are for leaseholders. The whole estate is managed by Kinleigh Folkard & Hayward (KFH).

The new tenants were told by their landlord that their heating system would be cheaper and greener than what they had before, but they were given no information about the heat network.

They soon found out that their heat, which they paid for via a heat prepayment meter, was prohibitively expensive, charging at a rate four times higher than the national average for gas.<sup>4</sup> In winter 2019/2020, as the Covid-19 pandemic started, some were paying up to £250 a month. Some stopped using heating entirely but still used hot water; sometimes they did not even have that. Some were forced to move out and stay with relatives, or go back and forth to their relatives’ homes even during lockdown. Some, including children, were made ill. Some went deeply into debt. One was unable to furnish her new home. At least one tenant considered suicide. Others just went cold.

As soon as they saw that they could not afford their heat, some Phoenix Works tenants raised the issue with their landlord. Peabody said they sympathised but tenants had to speak to KFH. KFH refused to communicate with tenants, who they said were Peabody’s responsibility. The billing for heat was administered by a firm called ista Energy Solutions Limited (hereafter ista, or ISTA in emails). ista also disclaimed all responsibility for the level of the tariff and would not respond to tenants’ questions about what the tariff was.

As customers of a heat network the tenants could not switch supplier. Nor were they protected by any price controls. The Peabody tenants had, and still have, no contract or agreement with the heat provider. For over a year it seemed impossible to find out who the heat provider actually was. While they do have tenancy agreements, from when their bids for the flat were accepted, there is nothing in the agreements to protect the tenants in relation to heat. Schedule 3 in their tenancy agreements should detail “*Heating/hot water charges and how they may vary*”. It was left blank.

Like many people who started out on council housing lists, these housing association tenants are caught in a tangled web of ownership and control where no one is accountable to them.

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<sup>3</sup> For further information on “affordable homes” see [Housing Associations and 'Affordable Rents' - the context for Peabody's policies](#)

<sup>4</sup> Tenants pay for heat (including hot water), not for the gas that is used to produce it. They do not have a gas bill. (They do have a separate electricity bill which covers other uses, eg lighting, cookers, etc.) For issues around comparing heat tariffs with gas tariffs, see [Heat Networks Pricing - peering through the fog](#).

## Who is moving the mountains?

In February 2020, the tenants won a heat tariff reduction by nearly half - an admission of just how high it had been in the first place. And now, a year and a half from the start of this battle, the tariff has been reduced further, and tenants have had substantial refunds for the overcharging. They have opened lines of communication which were closed to them. And an independent investigation has recommended many further changes to deal with inefficiencies in the system and look into the accuracy of the meters.

The key factor forcing change is the persistence of the tenants, and the time, skill and determination they have invested in pursuing every injustice right to the end, even when the agencies who are paid and trusted to run a service have repeatedly turned their backs. They have refused to be dismissed, refused to be deflected by untruths and mystifications, refused to believe they had no rights.

**The tenant leading this fight, Ms Lewis**, is a mother of four, who also has a full-time job and is a student. Others who have spoken out also have heavy responsibilities including young children, and have been coping with the pandemic and inadequate income. Dealing with the heating crisis has been a big additional burden and source of enormous stress as well as the physical health risks from being cold.

Helpfully, Ms Lewis has some knowledge of how businesses ought to be conducted. A constant barrage of emails, plus appeals to the ombudsman and her MP, the threat of legal action, and the indefensible, dire situation that tenants were in, led Peabody to put pressure on KFH to look into the pricing and provide some answers. An investigative journalist wrote an [article in the local press](#) on the situation, and put tenants in touch with Fuel Poverty Action (FPA). FPA in turn introduced them to the heat networks team at the UK's Department for Business, Energy and Industrial Strategy (BEIS), which is responsible for promoting and supporting heat networks. As more people have come to know what they are suffering, pressure has grown. After over a year of time-consuming, disheartening, but determined struggle, they have managed to improve their situation greatly.

## The battle is far from over

Even when the tariff was cut, tenants could not get a consistent account of what they were to pay. In the course of just two months, February and March 2020, they had or were informed of three very different sets of tariffs and standing charges.

They were repeatedly promised a full refund of what they had overpaid. They were told in January 2020 they could expect to have their money back in roughly 2-3 weeks. Later they were told it would be in their accounts by the end of November 2020, in time for Christmas. It did not come.

In January 2021, just short of a year from when KFH and Peabody agreed that tenants had been overcharged, they finally received a rebate on their meters<sup>5</sup>, but no accounting for how it had been calculated. And people who had spent less than others the previous year,

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<sup>5</sup> There was a previous refund paid 01 April 2020 but this was just to correct for the fact that a new tariff brought in two months earlier had not been implemented until that date. See [Chronology 1](#).



because they had temporarily moved out or simply could not afford to put the heat on, got less refund than others. As a result, they continued to be cold, in the freezing weather of January 2021, at a high point of the pandemic.

In the course of this process an independent heating engineer visited one of the flats on behalf of Peabody and confirmed the tenant's conclusion that the heating systems and controls in the flats are badly designed, wasting heat and money. A single thermostat in the warmest room leads to one room being overheated while others remain cold. The engineer's reports suggested that the solution was simple and this was later confirmed by others. Yet up to the middle of February 2021, nothing was actually done to remedy the poor design. It is only now that some tenants have begun to see action to install better controls over the heat in their flats.

Tenants still have no formal control, contract, complaints system, or voice in relation to their heating. While they are not as cold in March 2021 as they were the previous year, many residents still cannot afford the heating they need. And since they appear to have no legal status or entitlement, they are worried that further hardship may be imposed on them in the future. There is still no transparency, no accountability, and no security, and they are still owed money. Families whose resources were limited to begin with have been pushed into poverty, and left vulnerable to illness because they cannot afford to heat their homes.

## Will heat network legislation solve the problem?

Heat networks are being heavily promoted and subsidised by the government on the grounds that they offer a low-carbon alternative<sup>6</sup>. But frequent scandals reported in the media, and a long series of independent reports<sup>7</sup> confirm FPA's experience that while many provide reliable, low cost heat, others are disastrous for residents. After years of exposés about estates with constant breakdowns, extortionate prices, and scandalous customer service, legislation is finally expected in 2022.

Legislation will not be a panacea. First, It is unlikely to deal with the fundamental reasons for high prices, including the huge infrastructure costs of setting the networks up, now paid for by a small pool of users, compared to the massive consumer base of electricity or gas. And secondly, we are not confident that it will be enforced. Unaccountability has deep roots.<sup>8</sup> Heat network metering and billing are already regulated, yet still unaccountable in practice (the requirement to inform customers of their tariffs and consumption is blatantly flouted at Phoenix Works).<sup>9</sup> Even regulations on safety in buildings are routinely bypassed

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<sup>6</sup> Heat networks are now turning to producing heat from renewable sources or waste, but currently most produce it from burning gas. Although this process can save on emissions by producing electricity at the same time (combined heat and power, or CHP plants) it is not low carbon compared with heat pumps, or compared with high levels of insulation. And where there is a low level of efficiency this not only increases prices for customers, but also means more carbon emissions per unit of heat. See [Heat Networks Pricing](#) for more about heat networks.

<sup>7</sup> By Citizens Advice, the Consumer Association (Which?), the Competition and Markets Authority (CMA), the Department for Business, Energy and Industrial Strategy (BEIS), and others.

<sup>8</sup> For an overview of the "accountability vacuum" in housing, and concrete proposals for how this can be changed, see Stuart Hodgkinson, [Safe as Houses](#), Manchester University Press, 2019.

<sup>9</sup> By law, information on energy prices and a customer's consumption should be provided at least twice a year, or quarterly if requested by the customer. See Schedule 2 of the [Heat Networks Metering and Billing Regulations 2014](#).

in a world where tenants and residents have far less power than landlords, freeholders, and managers of estates. Cold itself is a Category 1 hazard under the Housing Health and Safety Rating System<sup>10</sup>. It violates the requirements of the Decent Homes Standard (updated 2006) and the Homes (Fitness for Human Habitation) Act 2018. And yet, many thousands die from cold. There are many obstacles, in practice, to tenants accessing any law.

The dossier offers no detailed recommendations on heat network (or social housing) policies. It does seek to inform the debate around what the heat network legislation should include. But it also aims to arm tenants and residents, with information about some of the particular ways in which their bills can be inflated, and with the confidence that fights can be won.

## Dossier structure

This is not a sequential report but a collection of material that aims to support people working to improve the situation, whether at Phoenix Works or and in other places where residents are struggling with similar crises.

[PART ONE](#) provides an overview of the tenants' dilemma and hints at the wider context. It specifies the issues the tenants face and details their demands for:

- Affordable and accountable charges for heat
- Efficient, reliable supply and control of heat, and energy efficient homes
- Tenancy agreements that include commitments on heating
- Compensation and a public inquiry

It describes the Phoenix Works development and the various tariffs put forward at different times. It briefly introduces the wider policy issues involved - housing associations, "affordable homes", and heat network pricing. It also identifies the key parties of interest. All of these themes are explored in more detail in Part Four.

[PART TWO](#), the heart of the dossier, consists of a chronological email exchange between the tenants, their social landlord, and the estate management agent KFH. The correspondence, and the "personal statements" that appear throughout the dossier, reflect tenants' initial disbelief and despair, turning to anger and determination that grew as they sought, and found, backing for their battle. It also shows human beings working in the offices of their landlord and heat provider, who have alternately sympathised, expressed their own frustration, and defended the indefensible. It shows how these employees, most of whom clearly have limited understanding of heat networks, have been gatekeepers for a brutal and uncaring system where tenants' needs and even survival come low on the list of priorities.

[PART THREE](#) looks closer at affordable home and heat network policies, the different parties and their roles and relationships, the conclusions of an independent investigator brought in in response to tenants' demands, and some of the arguments put forward by Peabody and KFH in defence of the high prices paid for heat. Additionally, three guest writers contribute their experience. Two are from other estates, one with a low cost,

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<sup>10</sup> Cold can lead to or exacerbate "Respiratory conditions: flu, pneumonia and bronchitis" and "Cardiovascular conditions: heart attacks and strokes."

well-functioning heat network, and one with their own questions about an exorbitant £1.03 daily standing charge. The other contributor, Suzanne Muna, from Social Housing Action Campaign (SHAC), examines what has happened to UK social housing to make the Phoenix Works situation possible.

[PART FOUR](#) is the full list of tenants' demands, attempting to find solutions that work around powerful built-in obstacles.

[PART FIVE](#) Conclusion and appendices. The dossier concludes with the need for transparency, accountability, and fair pricing to ensure that residents' health and financial security are not sacrificed to the needs of a heating provider or of the housing market.

[Appendices](#) give links to the report of an independent heating investigator, an article in the local press, an untrue statement from KFH and ista on how the system was operating, and the only statement of usage and tariffs that a tenant has ever received. A final appendix is a letter from Fuel Poverty Action to Peabody, attempting to unpick the details on which future refunds and pricing will be based.

Unaccountable housing and unaccountable heating are the twin themes running through this dossier. But the third strand is the long battle waged by a small number of tenants. The dossier records how people with full-time jobs, children, and other caring responsibilities can manage to achieve the impossible even in a pandemic. It spells out what they have won, and what they have still to achieve.

## PART ONE

# Untangling the web: an overview of issues, demands, tariff variations, and the context

## Key issues

The key issues that have emerged at Phoenix Works are these:

- 1) **High prices for heat.** The tariff was originally 13.77p/kWh, plus a standing charge of over 38p per day, which had to be paid even if the tenant used no heat. Tenants have won a massive reduction, to less than half what it was - but it is still high compared to a gas boiler, and compared to what it could be, and tenants have no say over what it will be in future.
- 2) **The tenants have no energy contract.** The fact that they were tied to expensive heat was not stated when they were financially assessed to see if they could afford the “affordable homes”, and the relevant clause was left blank in their tenancy agreement with Peabody housing association.
- 3) **There is no named responsible party.** When the tenants complained to their landlord, Peabody, they were told that Peabody had no control over the tariffs as Peabody themselves were merely lessees on the estate. Yet estate managers KFH refused to communicate with the tenants, referring them back to Peabody.
- 4) **Frequent changes in heat charges.** Charges are supposed to only cover the costs of supplying heat. A long succession of different charges within one year has given tenants the impression that they are subject to arbitrary and potentially exploitative prices, or that nobody in charge of the heating knows what they are doing. It has often proved impossible to get an account of what the tariff is, and what it is made up of.
- 5) **Delayed refund payments.** When tenants succeeded in establishing that their tariffs were indefensible, they were promised refunds. But the refunds were repeatedly delayed, leaving them out of pocket to the tune of in some cases hundreds of pounds, for nearly a year, while they continued to go cold. Even when the refunds arrived, there was no accounting to show whether or not they covered the amount overpaid.
- 6) **Poor configuration of radiators, thermostats and controls.** Costs are exacerbated by a poor configuration of their radiators, thermostats and controls which mean that at least some residents are forced to waste heat, energy and money, for example by overheating the lounge just to keep their bedrooms warm.
- 7) **Questionable insulation.** At least some of these newly built flats appear to be badly insulated, a crucial issue which is not part of this dossier but requires investigation.

## Summary of tenants' demands

For a detailed list, see [here](#). The headline demands that tenants are making are:

### **Affordable and accountable charges for heat**

This includes a full account of the basis for tariffs, accountability via liaison between the heat provider and Peabody and between Peabody and tenants, and a contract. Distribution of the value of electricity produced by communal boilers and solar panels. Full refunds for previous overcharging. Heat costs to be benchmarked to affordable rent tenants' expected income.

### **Efficient, reliable supply and control of heat, and energy efficient homes**

This includes adjustment of the radiators, thermostats and controls, adherence to Heat Trust<sup>11</sup> standards, and better insulation and draught proofing where needed.

### **Tenancy agreements that include commitments on heating**

This includes the information that should have been given to tenants when they took the flats, and a commitment to keep these homes affordable, if heating prices soar again.

### **Compensation and a public inquiry**

This includes compensation and apologies for periods of excessively high tariffs, and a public inquiry to uncover what has happened and what structural and legal changes are needed to prevent it happening anywhere again.

***"I have been struggling with the high heating cost since moving here as a young single mother of a 3 year old. I have a history of clinical depression and anxiety. So you can imagine my ordeal when I began struggling financially as a result of this. I am on Universal credit and now a full time student at Uni since September 2020.***

***The last year has been hell for me since moving into these flats. We are still waiting on a full refund and have not received one after being told we will be given one end of November 2020. Which is another lie. The previous small partial refund they gave was given as credit. I paid using my money as a result of their incompetence and yet I was not paid back the same way.***

***When the pandemic first hit I was self isolating with my child in a cold flat for 2 weeks with no heating or hot water. I have had to borrow money to top this meter up. I felt extremely low and suicidal at this point."***

- Ashna Rahman, 23 December 2020

<sup>11</sup> The Heat Trust describes itself as "an independent, non-profit consumer champion for heat networks that holds suppliers to account for the benefit of everyone involved". Membership of the Heat Trust is voluntary for heat suppliers.

## Phoenix Works development



Picture 1: Image taken from Google Maps



Picture 2: Image provided by resident Ms Lewis

The development is referred to under various names by parties involved in the heating dispute: “Makers Dock”, “Broomfield Street” and “Phoenix Works”. In this dossier, we use “Phoenix Works”. The 0.43 hectare residential development in Tower Hamlets was completed in summer 2019. It comprises 143 apartments of one, two, three and four-bedroom layouts across eight apartment blocks. Blocks range from four to twelve storeys. Three blocks house 12 shared-owners and 28 affordable rent tenants whose landlord is Peabody housing association. The rest, like Peabody itself, are leaseholders.<sup>12</sup>

The [planning application](#), granted in July 2016 (after initially being rejected in February 2016), stipulated: 35% “affordable housing”, compliance with Director of Development and Renewal’s “Energy and Sustainability Strategy”, and final energy calculations to show how the scheme has delivered carbon emission reductions. It was decided by the Council that when assessed against National Planning Policy Framework (NPPF) criteria, the proposed scheme amounted to sustainable development.

The developer Fairview New Homes Ltd wrote in their [Phoenix Works brochure](#):

*“To us at Fairview, regeneration means a whole lot more than just demolishing old eyesores and building new ones. [...] It means improving homes and amenities, and adding new places where local people want to live – and can afford to.[...]”*

<sup>12</sup> Leasehold tenancy, known as a form of home ownership, is increasingly seen as more like renting. Leaseholders have little control over their properties, including issues like the heating system, and can be subject to huge levies to cover freeholders’ costs, for instance for new communal boilers, or replacement of cladding.



*We know the priorities for today's high-speed London lifestyles[...] high specification with designer kitchens and stylish bathrooms, AND superb energy efficiency for low fuel bills."*

Ms Lewis comments:

*"For leaseholders yes! For us affordable homes we do not have high spec designer kitchens and stylish bathrooms. Our homes are pretty much basic and our bathtubs are so small the water doesn't even cover your legs. They have ensured the quality of furnishing and finish is very different from the leaseholders homes. They have also made sure there is a class divide with affordable homes tenants not being given access to enter the building from the back of the block even though that is where our bins are. So much so that some affordable homes tenants who have gone out to use our communal garden have been told this area is not for you, it's for the homeowners. Which is not correct! We have heard that the heat cost is high for leaseholders as well, but it's difficult to contact them and talk to them about it."*

It is clear that inequality and division have been built into the system in this housing development. The "affordable homes" are sectioned off from the leaseholders. Their flats have lower quality fixtures and fittings. This sits unhappily with the NPPF core planning principle to "create sustainable, inclusive and mixed communities" cited in the planning permission.

As for the claim of "superb energy efficiency" and "low bills", tenants say that insulation is poor or missing, with hollow, unfilled walls, although this has not been an issue they have had investigated. The heating system's efficiency was rated 45% by a consultant's report (see Appendix A). The consultants expected this to increase the next year, with full occupancy, but not by much: they say the average for heat networks is 45-48%. And the bills are not "low".

***"I live at Phoenix Works with my 5 children. When checking my ista statement I saw they were literally taking £20 every other day. I had to use electric heaters for a while. It was hard because I was pregnant travelling everyday to my brother's and coming back. That's when it came to a point where I couldn't afford it at all so I was staying at my brother's.***

***I stayed there for nearly 2 months. When I finally moved back in it was showing £300 something minus. I phoned ista up and wanted an explanation as to why it has come to this amount when I haven't even used anything. They said that on their system it shows usage. How can that be if I wasn't even staying home.***

***They then said that maybe there's something wrong and someone will come to have a look at it. Since then no one has come. And I had to borrow that money from friends and family to top up and use the heating."***

- Shapla Ali, 12 December 2020

## Overview of tariffs<sup>13</sup>

Below is a summary of what Ms Lewis was told about tariffs and standing charges. We have compared these statements to the actual charges in each period as deduced from a spreadsheet finally sent to FPA and others in January 2021 (see Appendix D).

### 04 October 2019

Ms Lewis moves in, finds her meter taking much more than expected, and phones ista who inform her that the tariff is 13.77p/kWh. She is not informed about the standing charge.

### 14 February 2020

KFH informs Ms Lewis that the standing charge is 35.93p/day. According to a spreadsheet of tariffs and charges received in January 2021, this standing charge was never in effect.

### 21 February 2020

KFH advises Ms Lewis of revised tariff:

- Variable tariff: 6.57p/kWh including VAT
- Standing Charge: 35p/day including VAT for those with prepayment
- Standing Charge: 31p/day including VAT for those without prepayment

According to the spreadsheet received in January 2021, this tariff and standing charge were never in effect.

### 30 March 2020

Peabody inform Ms Lewis that the new, temporary charges KFH have agreed are:

- Variable tariff: 7.4555p/kWh
- Standing charge: 37.35p/day

According to the spreadsheet received in January 2021, this tariff should have been applied from 01 February, with a standing charge of 37.525p/day. However, the change from the

<sup>13</sup> Note: Dates in this section refer to when Ms Lewis was informed of the tariffs by email. Other tenants were generally not informed. The temporary tariff applied from 1 February 2020 was set to be notified to tenants in a substantial document called "Tariff Review and Frequently Asked Questions" but as far as we can ascertain this was never sent out; the only recipient seems to have been Ms Lewis who received it in reply to an email on 9 June 2020.



original 13.77p/day tariff was not made until 01 April 2020. The overcharge since 01 February was then refunded.

## Late November 2020

In the course of a phone call with KFH shortly before 25 November, Ms Lewis is informed of a new tariff and standing charge. The same rates are confirmed in a phone call with ista on 11 January 2021.

- Variable tariff: 5.99p/kWh
- Standing Charge: 37.89p/day.

Calculations based on the spreadsheet received in January 2021 show the tariff of 5.99p/kWh applied from 01 September 2020, with a standing charge of 38.2p/day.

## 25 January 2021

The above-mentioned spreadsheet is provided by ista to Peabody, on Peabody's insistence. It is copied to FPA and BEIS as well as others in ista and KFH, but not to Ms Lewis, who receives it five days later when FPA realises she had been left off the recipients' list.

The spreadsheet is provided for Ms Lewis's flat alone. According to the rates that can be calculated from the figures provided here, residents were charged the following:

- September to 01 February 2020: 13.77p/kWh, standing charge 38.566p/day
- 01 February 2020 to 01 September 2020: 7.455p/kWh, standing charge 37.525p/day
- 01 September 2020 to 01 January 2021: 5.99p/kWh, standing charge 38.20p/day

The spreadsheet is not gospel:

- a) It appears to reflect a higher standing charge in the first period: 38.566p/day. This was due to a frozen meter which resulted in an underpayment, and Ms Lewis then paying an extra 50p/day to make up the difference.
- b) Tenants report that their meters were still taking 13.77p/kWh even in March 2020. On 01 and 02 April they received refunds for the excess taken since 01 February.
- c) The days where a change came in, 01 February 2020 and 01 September 2020 are listed twice, potentially making all calculations subject to slight inaccuracy.

***"I was paying up to £200-250 a month. My personal allowance on UC is around £277 so you can imagine that I had next to nothing for food and bills which meant I fell behind on rent. Then Peabody rent department would send threatening letters. After the problems they caused!"***

***This issue has still not been resolved. Peabody have not taken accountability and tried to rectify this or compensate us in any way. They do not care for us and have scammed us into paying these large amounts. They have not kept us notified and have dealt with us disgracefully.***

*I have repeatedly emailed saying I am struggling with my mental health as a result and was given a £20 voucher from Tower Hamlets Council which gave me 2 days of heating.”*

- Ashna Rahman, 23 December 2020

## Housing associations and affordable homes - the context for Peabody's policies

From small beginnings, housing associations have come to largely take the place of council housing, posing serious problems for tenants in the form of higher rents, less secure tenancies, and lack of accountability to tenants and to the community at large. In fulfilment of government “affordable homes” policies, they often lease housing in predominantly private new developments to sublet at “affordable rents”. We asked **Suzanne Muna of Social Housing Action Campaign** (SHAC), a network of tenants, residents, workers and activists in housing associations and cooperatives, to say what is happening. She lays out how the culture in large housing associations like Peabody has changed, and how the word “affordable” has come to mean its opposite. See [Housing Associations and ‘Affordable Rents’](#). See also SHAC’s closely related new dossier, [Abuse of the Service Charge System by Housing Association Landlords](#).

## Heat networks pricing

Heat networks can provide reliable, inexpensive and relatively low-carbon heat. But they can also be disastrous. They are currently unregulated, unaccountable monopolies, and it is hard to compare prices. The basis for these prices is mystified and many explanations offered are misleading at best.

See [Heat Networks Pricing](#) for an exploration of these questions and for accounts of two other estates: one in Islington, which runs well with low prices and another one, near Phoenix Works, which shares many of Phoenix Works’ problems, with a standing charge of over £1 per day.

*“They say they have reduced the tariff from 4 times the national average to now twice the national average for heating per kwh. And yet the residents have not been involved in any of the discussions nor have we seen any paper work as proof. And I do not believe them as I was told my heating bill should now be on average around £40 a month. Yet this month alone I have topped up £75 and there is still a week left which will total to £100. Previously I was paying up to £200-250 a month.”*

- Ashna Rahman, 23 December 2020

## Guide to key players at Phoenix Works

The nature and relationships of the bodies governing Phoenix Works housing and heating are convoluted. Initially neither tenants nor FPA could discover who the heat provider actually was. The list below is to aid understanding of the Chronologies. Further information about the key players is [here](#).

### **Fairview New Homes Ltd**

Fairview was the developer of the site. In their brochure, they advertised Phoenix works as a superb energy efficient home where residents would enjoy low fuel bills. To manage the site, they set up PBSM.

### **Phoenix Broomfield Street Management Co Ltd (PBSM)**

Responsible for the running of the estate, PBSM purchases gas for the heat network boilers from residents' payments for heat, and must sign off all decisions on tariffs. A “flat management company”, “dormant” for tax purposes, PBSM currently has seven Directors, all leaseholders at Phoenix Works. It employs KFH.

### **Kinleigh Folkard & Hayward (KFH)**

Commonly known as an estate agent buying and selling properties, they here manage the development on behalf of PBSM, including the heat network which serves all residents, including Peabody tenants.

### **Ista Energy Solutions Limited (ista)**

As the metering and billing agent, ista is the party which holds the data on tenants' usage and payments. ista's charges for billing and metering are among the highest in the industry. ista was bought by a Chinese private equity firm in 2017, serves 15-16,000 households in the UK and reported a £1.4 million loss in its latest accounts.

### **Peabody housing association (Peabody)**

Peabody leases 40 flats in Phoenix Works and is the landlord of 28 affordable rent tenants and 12 shared-owners. Founded in the 19th century to provide “safe and affordable housing

*for the working poor*", Peabody is now responsible for 66,000 homes in London and the south east.

**Chirpy Heat**

Chirpy Heat aims to "*improve the performance of heat networks*" on behalf of housing providers. In 2020 at the request of Peabody, Chirpy Heat carried out an independent investigation into the tariffs of the heat network at Phoenix Works. Their report is [here](#), and an analysis of it is [here](#).

**Fuel Poverty Action**

Since 2017 Fuel Poverty Action has been supporting residents on estates and developments with heat networks who are battling for fair prices, reliable heat and accountability. Our many responses to consultations on the issue can be found [here](#).

## PART TWO

### Blow by blow

Note: In these chronologies, we include excerpts of emails, exactly as they were sent, except that most names of employees have been changed, as noted in [names in this dossier](#).

#### Chronology 1: What does the heating cost?

2019

21 September 2019

Mother of four Ms Lewis is invited to view a 4 bedroom property at Phoenix Works and is assessed for ability to afford an Affordable Rent Tenancy as a Peabody housing association tenant. The assessment of her financial capability is detailed, and includes questions about her previous heating bills, but nothing is said about the heating costs at Phoenix Works. She is offered a flat.

27 September 2019

Ms Lewis reads the Tenancy Agreement. "Schedule 3 - Special Conditions of your tenancy", which should specify any "details of any heating/hot water charges and how they may vary", was left blank (see Figure 1). There are also no comments under Schedule 2, "Estate Regulation" or relevant details about any estate management company. Nothing in the Agreement makes her aware of any adverse heating charges or estate management rules or regulations, and she signs it. Neighbours also accept tenancies and move in over a period from 25 September to mid-October 2019.

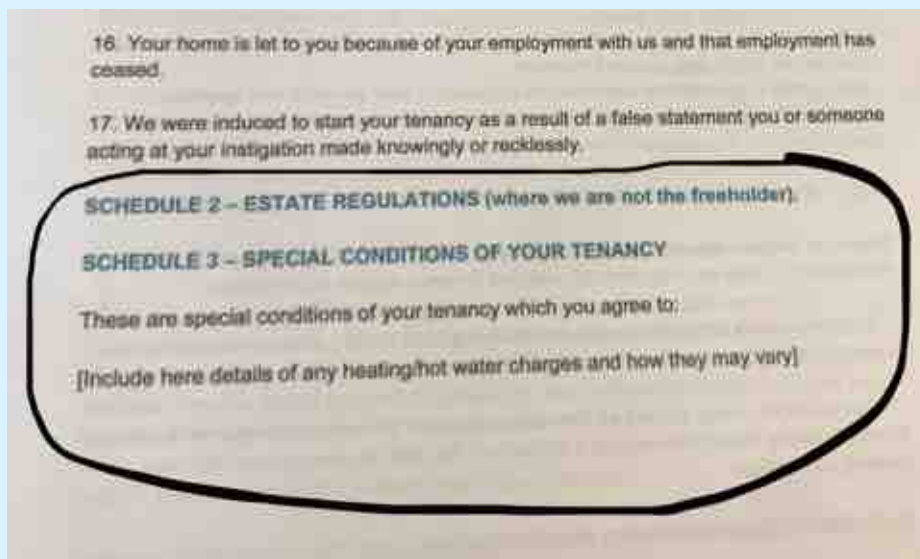


Figure 1: a photograph of Schedule 3 of the tenancy agreement

### 30 September 2019

Ms Lewis complains to Peabody that the Home Manual does not tell her how the heating system is charged for or how it works; she asks for a home tour. She says despite being charged rent from 25 September, in several ways her home is not ready to move into.

### 04 October 2019

Ms Lewis moves in and finally receives the home tour. It is then that she is told she is locked into one heat provider and cannot transfer over her British Gas Account.

### 07 October 2019

Ms Lewis writes to Peabody, complaining about the high cost of her heating:

*"I am writing to enquire and for you to check the amount I am being Charged for my heating and hot water with ISTA. The amount is ridiculously high!! I was previously paying 3.74KWh in my old property which is standard for a majority of households in London give or take a few pence. I have noticed the credit going down very quickly and I have called ISTA and they have just told me that my rate is 13.7 KWh almost 4 times the amount of what I was paying. How is this possible? Also, if the heating system was so high, why was this never mentioned at the sign up of the property? Are tenants able to change our energy provider to a company that suits us? Can you please look into the energy rates for me please as this cannot be correct? My previous annual bill at 3.7kwh rate was average £671 per year, which will mean that this new communal heating this will raise to £2,684 with my average usage which is unacceptable for a mother with 4 children. Why were we never made aware of this Major household expense when signing up for the tenancy?"*

### 05 December 2019

Ms Lewis writes to her MP outlining how she first realised that her prepayment meter was overcharging her:

*"[It] was taking way too much money.[...]My Gas is costing me £230 per month on average and that is with me being at work all day, I am dreading this Christmas period when my children are home all day with me as this will increase averaging over £10 per day (£300 per month) I cannot afford this!! Both myself and my neighbours are living in freezing cold homes with our children who are also getting colds more often than they should as we cannot afford the heating!*

*Us as residents are living in fuel poverty! We are stuck between choosing food for our children or heating our homes during the winter in an affordable rented home which has higher than average rents, this is not right!! [...] some of my neighbours children have been really sick and some are staying in bed during the day under blankets to keep themselves warm because they cannot afford to pay money onto the gas. We work hard for our money and due to these charges cannot keep our homes warm. This is not right."*

30 December 2019

Ms Lewis submits a first complaint to the Housing Ombudsman via web form<sup>14</sup>.

2020

15 January 2020

Peabody reports to tenants that all management parties agree the tariff is too high and a refund and new tariff will be issued. They predict the time-scale of the refund to be “*Roughly 2 - 3 weeks*” as shown in Figure 2.



Figure 2 - an email from Peabody to tenants 15 January 2020

07 February 2020

Ms Lewis again writes to Peabody and to her MP as no progress has been made with regard to her complaint:

*“It does not seem as though this is being treated as an emergency and we are now at the stage where we will need to escalate this to a higher level of Parliament. [...] Nobody has explained how or Why ISTA and KFH have been able to monopolize many Property developments charging its residents extortionate rates for their Gas bills with tenants unable to change supplier!”*

<sup>14</sup> no email copy



*Nobody has explained Why when the services were Procured that these rates were accepted!*

*Nobody has explained Why Peabody did not question these rates with KFH BEFORE signing agreements on behalf of its Tenants!*

*Nobody can explain why in our Tenancy Agreements the section to explain any excessive utility prices is left blank - Not informing us of these extortionate prices. Nobody has explained how these Tariff rates are justifiable OR fair!*

*Nobody is taking this seriously while us tenants still continue to live like this!*

*Nobody is explaining who regulates these companies and why they are legally allowed to charge these prices!"*

## 10 February 2020

Ms Tara Ballast of KFH introduces herself as the property manager dealing with Phoenix Works "on behalf of Phoenix Works directors". She tells Ms Lewis about how KFH and ista will agree on the new tariff and refund payment:

*"[...] have been looking into the heating issue with the directors of the private blocks as they experiencing the same issue and before they go ahead with the new tariff they have questions that wish to be answered by ISTA, we are currently reviewing the new tariff to ensure what happened last year does not happen this year so this is taking a bit of time as they directors do not wish to commit to a new tariff and be charged incorrectly. Peabody also sent their questions which ISTA has already answered.*

*Once the board of directors are happy with the new tariff and feel as though all the issues with the old tariff have been resolved they will give me the instruction of how the refund will be refunded to the residents and a letter will be sent to leaseholders and residents to advise them."*

## 14 February 2020

Ms Ballast of KFH writes to Ms Lewis:

*"ISTA have advised current daily standing charge is 35.93p for all residents.*

*Heat tariff cannot be compared to a gas tariff as ISTA are not a supplier but a billing agent, which cannot be compared to British gas etc.*

*The previous tariff was approved by KFH and based on costs provided to ISTA by Fairview in February 2018. ISTA reviewed the tariff early Feb and found that the tariff was previously set too high. We have received an over charge on the account for the period from 31/10/18 – 31/10/2019. Before any refunds are issued as stated previously the directors need to confirm if the amount ISTA has stated to refund is the correct amount. Therefore the new charge has not yet been agreed by the directors as they are still reviewing the contracts and the charges all the resident have received.*

*Once the new tariff is agreed this will be reflected on all residents accounts both Peabody and the leaseholders."*

Ashna Rahman takes her child to stay at her parents' home for two weeks because she has no more money to pay for heating. She was already forced to do this several times in the previous months, but for shorter periods.



## 21 February 2020

Ms Ballast of KFH notifies Ms Lewis that a new tariff has been agreed as the following:

*"I have discussed the below with directors at the directors meeting yesterday and they have instructed me to go ahead with the new tariff which will mean the below:*

*Heat Unit Rate: 6.57p/kWh including VAT*

*Heat Standing Charge: £0.35/day including VAT for those with prepayment*

*Heat Standing Charge: £0.31/day including VAT for those without prepayment*

*With regards to the refunds on the account, the directors of the management company have instructed me to contact ISTA for confirmation on the refunds due. We can then arrange for the refunds that are due to each resident to be sent back. All resident will receiving a letter confirming the amount and the day they will be receiving their payment."*

## 26 February 2020

Peabody notifies tenants of an annual rent increase, of 2.7%, due in April 2020.

Ms Lewis writes to the Housing Ombudsman:

*"We were never told of the Monopolised Heating system or the high tariffs when we signed our tenancies. Everybody in the Affordable Homes have said if they would have known they would never have signed the tenancies until a suitable tariff was put in place.*

*There is a section in our Tenancy Agreement which is for Peabody to report any adverse Utility charges and this is left blank! This is Failure to inform and Peabody need to take responsibility for this!"*

Ms Lewis writes to Peabody in response to KFH's newly stated tariffs:

*"Can you please tell us why nobody has contacted us even though the consultation meeting to agree prices was last week? KFH are not the people we pay our rent to Peabody are. We should have some kind of explanation as to what exactly we are paying for!*

*Can you please explain why you think that 6.57 KWh is an acceptable heating rate when we were all previously paying 3.4kwh to heat our homes with a British Gas before we moved here? It's still almost double!*

*Can we please have a breakdown of Costs for this tariff please so we know what we are being expected to pay for? Can you also explain how long this Tariff has been put into place for and how long will KFH and ISTA have Monopoly over the development.*

*It is extremely upsetting how much we have all suffered when moving here. Many residents had no choice to move here as it was their only offer and now their families are suffering."*

Fuel Poverty Action writes to CEO of Peabody, Brendan Sarsfield, and to KFH, to ask for the breakdown of charges, details on refunds and compensation, and installation of temperature control via TRVs. The letter says residents are entitled to not only a refund of the overpayment but compensation for:

*"the very real inconvenience which in some cases has included illness, or families being forced out of their homes. . . a home is not affordable if you can't afford to heat it".*

## 27 February 2020

FPA receives a reply from Mr Sarsfield's office:

*"[...]I am working on behalf of Brendan and I will now be looking into this matter and working with the rest of the business to ensure we provide you with a satisfactory response in a timely manner.*

*I am sorry you have had to pursue this with Brendan, please rest assured that I will ensure this issue is resolved."*

## 02 March 2020

Tara Ballast, KFH, emails Ms Lewis providing a limited breakdown of the new tariff costs the directors have agreed to:

### *"Utility Costs*

- *2.949p per kWh of gas*
- *9.55p per day standing charge for gas*

### *Tariff Includes*

- *Recovery of the gas required to deliver heat to the residents.*
- *Billing costs.*

### *Tariff Excludes*

- *Estimate of Banking Fees included.*
- *Allowance for voids.*
- *Provision for bad debt.*
- *Past year under/over recovery (see above)*
- *Recapitulation of initial expenditure*
- *Maintenance*
- *Sink Fund*

### *Assumptions*

- *There are no penalties for not meeting the minimum gas quota*
- *Average property is to use 2,638 kWh per annum for the next 12 months.*

*This produces the following rates including VAT;  
 Heat Unit Rate: 6.57p/kWh including VAT  
 Heat Standing Charge: £0.35/day including VAT for those with prepayment [all the tenants]  
 Heat Standing Charge: £0.31/day including VAT for those without prepayment”.*

They say that assuming an average usage of 2,368 kWh per property (a very low usage):

*“these rates would provide an estimated bill of £300 per annum.”*

The “newly appointed directors” would confirm the amounts to be given back:

*“as they are ultimately responsible for the management of the heating systems”.*

### 03 March 2020

East London Advertiser publishes an article on Phoenix Works: [‘Massive hardship’: Tenants in Poplar charged four times national average for their heating.](#)

FPA writes to KFH regarding the new tariff, querying still exorbitant billing costs and the extra charge for prepayment, and asking for a complete breakdown and an explanation of why ista was chosen as billing agent.

Ms Ballast replies to FPA that KFH have passed FPA’s questions about the new tariff on to ista and further clarification will be passed on to Peabody who will then inform the residents.

### 09 March 2020

Ashna Rahman writes to KFH asking how much longer tenants are going to continue to suffer as the tariff has not been reduced as promised:

*“I topped up £15 two days ago and the meter is on £3 already with one shower. Before that on the 1st I put in £30. Which went in 5 days.”*

Ms Ballast replies that Peabody tenants will have to liaise with Peabody directly as she is no longer leading on this and Peabody is now “in communications with one of the KFH directors”. Ms Lewis similarly is told that Peabody tenants cannot contact KFH for answers.

### 10 March 2020

Ms Lewis writes to Peabody CEO Brendan Sarsfield and others, again asking for a breakdown of heating costs and details on when the tariff will be amended.

Ashna Rahman writes to Peabody CEO Brendan Sarsfield that the tariff has still not been reduced and refunds have not been paid.

*“Although the new tariff has been agreed upon by KFH on the tenants behalf, the tariff has not been lowered to the new proposed rate from 13.7kwh to 6.7kwh.*

*The new tariff is still double the national average and the tenants were not included in a single discussion regarding this matter. None of us are happy with the new tariff as it is still not affordable. [...]*

*Furthermore, we are all due individual refunds from KFH and Peabody which has not been given out yet. A lot of us have been staying with family members as we cannot afford to top the meter up any longer.*

*What good is a home that I am paying rent for, when I cannot physically live there with my three year old due to the cold?!*

*[...] I am a single mother of a three year old who has struggled with on going clinical depression. Something I made aware since October 2019 every single time I contacted Peabody, Ista or KFH. You cannot begin to imagine how much stress this has caused me as I cannot bear to watch my child be cold or be able to bath my daughter.*

*[...] I was promised financial help from Peabody to reduce the pressure as a result of mistakes made by all three companies. And NOTHING has been done."*

Ms Yasmin Kumar replies to FPA's letter to Peabody's CEO. She says Peabody shares their residents' frustrations, but Peabody is not the freeholder or heat provider. She tells FPA that when Peabody first challenged Ista on the situation, Ista "*hid behind contractual obligations*" saying they would only answer queries from KFH. She says Peabody is pursuing the matter and is "*happy to work with [FPA] to get the best deal for [its] residents.*"

FPA replies to Ms Kumar, welcoming this, but says:

*"[...]the speed at which things are moving is totally unacceptable. Can we suggest that until the tariff is resolved and the refund is in place, residents should be told that their rent -- or a substantial proportion of it -- will be stopped. This seems only fair as many of them are not actually able to live in their homes. Not having to pay rent on top of the heating cost would give tenants the security they need, to use their heating. Obviously this is not a long-term solution, but a response to the real urgency of sorting out the situation -- in the meantime, it cannot be the tenants who bear the cost."*

Ms Lewis asks Ms Kumar for her "*OFFICIAL complaint reference number as it seems the complaints procedure is not being applied fully to this issue and the timelines not being met*". She says she has today contacted the Ombudsman again.

## 11 March 2020

Ms Kumar emails Ms Lewis expressing sympathy but maintaining that Peabody has no control over KFH and no official say on the tariff. That is, the labyrinth of housing providers into which council tenants have been shunted means that their immediate landlord has no responsibility or power. She apologises for lack of movement on financial support, or rents:

*"Peabody can't control what KFH is doing. In addition, we are not the heat provider therefore we have no official say on the tariff. We have been told that as well. We are trying to*

*influence and guide them on what a heat tariff can, and cannot legally, and reasonably include, explain to them the negative consequences that their charges are having on our residents and what they can do to mitigate these issues.[...] We have tried to speak to the Managing Group directly and they referred us back to kFH.*

*We are trying different strategies, and contacting different people. We are as equally frustrated with progress on this, and I can't even begin to understand the difficulties that you, and other residents, have had deal with over the past few months.*

*I am sorry that there has been no movement on financial support, or rents. I will chase again."*

In reply to Ms Lewis' request for her complaint references, she gives one reference number, dated 21 February.

## 12 March 2020

Ms Kumar replies to FPA *"The pace at which this is moving is frustrating to us as well"* but *"peabody are in essence a tenant at Broomfield St.[...] This is not stopping us from pushing back and challenging costs.* She says Peabody is pursuing KFH on the subject of a refund, a fair tariff, and a breakdown of costs, and looking for *"opportunities to support residents"*, but she does not respond regarding the rent.

FPA replies:

*"a moratorium -- or substantial reduction -- on rents until it is sorted out seems to be something that is within Peabody's power. Even if you could not recover the money from the agents that have caused the problem, it would be a relatively small sum for a very big organisation, and would enable your tenants to move back into their homes and keep them warm."*

## 17 March 2020

Ms Lewis replies to Ms Kumar of Peabody:

*"Myself and my fellow residents would all like to know what we should be expecting from you this week! Something needs to be done!!! The Financial Inclusion team could not help much to give us immediate finance, but only to refer us to Tower Hamlets who give limited support for 2-3 days and only 1 Application per year! This is NOT HELP[...] and people are still struggling here! Peabody needs to take responsibility and provide the help DIRECTLY! With the Corona Virus situation it is very likely we will be in full self isolation soon and how do you expect people to live in freezing homes 24hours a day?*

*Can you please come back to me with a solution as to help Tenants THIS WEEK!! Whether this will be to top up our ISTA Accounts to get heat and hot water to everyone's homes until this gets sorted out, or to get ISTA to freeze payments and provide us with heat!*

*[...]It is simply not good enough to say you are still waiting! You have a legal obligation to us as tenants and you are obliged to adhere to your Tenancy Agreement obligation which Peabody are not doing!!"*

She also notes that the first formal complaint from October, is missing from their records. She cites three different complaint reference numbers for the same complaint between 06 January and 21 February 2020, with her complaint apparently being started fresh each time as she tried to follow it up. This can prevent a complaint being escalated to the Ombudsman.

## 26 March 2020

David Trelawney, Assistant Director of Asset Management at Peabody sends [a letter to all tenants](#) saying Peabody agrees the tariff is too high and they will pursue the issue with KFH and get an independent consultant to review the tariff. He adds:

*"We were not involved in negotiating the tariff, but recognise that the charges have been too high [...] and are very sorry for any hardship caused.*

*We have challenged the costs with the managing agent [...]*

*we have asked an independent consultant to review the tariff [...]*

*We'll also be sending engineers out, on joint visits with the contractor to check the heating and metering system.[...]*

*We'll be in touch again when we have an update on the new tariff. In the meantime, if you need support or are worried about being able to pay your bills, we have dedicated teams and services that can help."*

Ms Lewis responds to Peabody that there is no support when calling the service number:

*"[...] There is no help from calling the Peabody number!!! Every resident has spoken to the so called Social Inclusion fund and were referred to Tower Hamlets and were given a small one off grant (some as low as £20!) that we can only apply for once per year!!*

*[...] You have still not answered my question that are the same every time but are ignored by Yasmin and everybody else!! What are PEABODY doing to make sure we aware ok? WE HAVE ALL EXHAUSTED YOUR FINANCIAL INCLUSION TEAM THEY DID NOT HELP OTHER THAN TO PROVIDE FINANCIAL ADVICE!!!*

*You have mentioned that you have asked for the charges to be frozen!!! THIS HAS NOT HAPPENED SINCE WE WERE TOLD THIS 2 MONTHS AGO!! WHEN WILL IT HAPPEN!! ITS STILL AT 13.7KWH AND NO REFUNDS HAVE BEEN PAID!! SAYING YOU HAVE ASKED FOR THIS TO BE DONE IS SIMPLY NOT GOOD ENOUGH!!! WHO HAS BEEN CHECKING OVER THE LAST TWO MONTHS TO ENSURE THIS HAS BEEN DONE?? CLEARLY NOBODY AS IT HASNT HAPPENED! [...]"*

Tenant Ashna Rahman responds to Peabody's letter, outlining inhumane conditions, their devastating effects and no material progress for six months and no financial help given.

## 30 March 2020

FPA writes to the Heat Network team at BEIS to ask for support.



Ms Lewis writes to Peabody reminding them of the change of tariff and refund promised on 15 January, with receipt predicted in "roughly 2-3 weeks".

Mr Trellawney of Peabody writes to Ms Lewis with a new tariff, with both unit price and daily standing charge substantially higher than the 6.57p/kWh and 35p/day notified as agreed by KFH and ista on 21 February 2020:

*"We have in in contact with KFH and ISTA (your heating providers) and raised the tariff and the concerns that we share around how high that tariff is.*

*We have appointed a consultant to check thorough the previous billing in detail so that we can challenge the prices see if there is a rebate due.*

*The new, temporary charges we have agreed are:*

*Standing charge: 37.35 /day*

*Variable tariff: 7.4555p per kWh*

*This means you will be paying less than you are currently, based on the typical annual consumption for your heating system. You'll be refunded the difference between your current tariff and the reduced, temporary one of 7.4555p per kWh, backdated to 1<sup>st</sup> February 2020."*

Ms Lewis replies:

*"Why and how has this happened? How could you possibly raise it even higher?" [...]*

*4. How can you justify a rent increase in April when we have been living like this for 6 months and the issue is still not resolved?*

*5. How can you justify and take no responsibility for breaching your obligations as a landlord and breaking your tenancy agreement with us forcing us into debt and fuel poverty?*

*6. Why have you not answered Fuel Poverty Action who suggested freezing rents until this is resolved or topping up our meters until you can resolve this as PEABODY have an obligation to its tenants NOT KFH or ISTA, regardless of what mistakes have been made when Procuring this development for Affordable homes this is not our fault! We should not have to wait until you rectify your mistakes!*

*As mentioned in my last email, both myself and all of my fellow residents will be taking all of the evidence and now we will go to Parliament. I work in The public sector [...], and am fully aware of the obligations and regulations Peabody should abide by!*

*We are now in a Pandemic and you have left us like this in this situation paying extortionate amounts to heat our homes and have hot water to wash ourselves and our young families, having being forced to be at home all day because of the Pandemic.*

*Even in this email you have given no timeline as to when this will be sorted, no significant date. You have taken away our refunds due to us from the day we moved in and now have a made up date of February 1st 2020? Why this date? Do we not deserve ALL of our money back that we have been overcharged? You have increased the apparently 'agreed' new tariff to a higher rate? Why?"*

31 March 2020

Ms Ballast of KFH responds to a query from Ms Lewis that another member of KFH is now dealing with this matter along with Peabody.

01 April 2020

Mr Trellawney of Peabody to Ms Lewis:

*"We are trying to get a reply from KFH as to why the rates are different and are awaiting a reply."*

Ms Lewis asks Mr Trellawney why the refund was only backdated to 01 February 2020, but tenants have been overcharged since the day they moved in.

Mr Trellawney replies:

*"Your contract is with KFH/ISTA for the heating, however we are trying to help as best we can in this.*

*The backdating of the interim rate is to the start of February, hence you will see a small credit. The consultant we have employed will be looking at the rates in their entirety from the start of the billing and once the consultant has feedback we will be able to resolve any refund that may be due."*

Ms Lewis replies to Mr Trellawney that she does *not* have a contract with KFH/ISTA and that Schedule 3 in her tenancy agreement was left blank, making clear the failure of Peabody to even inform them of who is responsible for their heating, a failure to inform under contract law:

*"I do not have and have never signed any contract with KFH Or ISTA? They will not even speak to me directly so I do not understand how you can state I have a contract with them? This is the whole issue in the first place! Tenants never agreed rates with ISTA or KFH and Peabody never informed us of this! Can you please show me where I have signed a contract with KFH or ISTA because I can ensure you I have not! I did not know who KFH were until we escalated this!"*

01 and 02 April 2020

Residents' accounts are credited with money said to reflect the overpayment from 01 February to 31 March 2020. By this time, the worst of the cold weather is over.

22 April 2020

Ms Kumar, for Peabody, promises a response to Ms Lewis' queries *"towards the end of this week."* It does not arrive.

24 April 2020

Apsana Begum, the local MP, writes to Peabody to advocate for Ms Lewis.

29 April 2020

Ms Lewis replies to Ms Kumar of Peabody: "It has now been 7 days and no response"



05 May 2020

Janet Roper, Head of Homeownership at Peabody replies to a query from the MP:

*"Your enquiry was given to me to respond to as I have been liaising with the freeholder's agent (KFH) and the heat metering and billing company (Ista) on this issue.*

***A heat metering agreement should have been signed between Peabody and KFH before any residents moved in.*** *A decision was taken to move tenants in anyway as delaying move-in dates would have been very challenging for our new tenants. **Because the agreement was not signed Ista defaulted our residents on to an 'out of contract' tariff.** This meant that tenants were having to top up on a regular basis and from November 2019 some were contacting us to report that they were struggling to afford the charges."* (our emphasis)

Ms Roper also lays out a damning account of incompetence and unaccountability on the part of ista, who were charging residents a high price for the privilege of being metered and billed by them:

*"We contacted KFH and Ista at this time and were advised that Ista had proposed a new tariff and if this was agreed by KFH then residents would receive credits in January 2020.*

*Regrettably this message was communicated to our residents before the new tariff was agreed. KFH did not agree the new tariff for the following reasons*

- a. Incorrect ISTA Admin fees within the tariff for Pre-Payment Metering*
- b. Incorrect application of VAT resulting in a 15% shortfall in collection on ISTA's admin rates*
- c. Climate Change Levy included incorrectly.*
- d. Incorrect number of units applied to tariff calculations.*

*This meant a further delay as a new tariff had to be negotiated. A new tariff was agreed at the end of February and on 1 and 2 April credits were applied to all accounts for the period 1 February to 31 March 2020.*

*Your constituent may be entitled to a further credit for the period November 2019-February 2020. This is currently being investigated by KFH and Ista and I hope to receive an update on this next week. Our Neighbourhood Team will contact all affected residents. [...]*

*We are sorry for the inconvenience caused to our tenants at this block. We have learned lessons from this and if a similar situation were to occur again we would not allow tenants to move in until a reasonable rate had been agreed and a heat agreement had been signed by us. During the lockdown period £50 of emergency credit [repayable] has been applied to all overdrawn accounts to ensure that nobody is without heating or hot water."*

09 May 2020

Ms Lewis writes to Ms Roper of Peabody disputing Peabody's assertions:

*"I have spoken with a majority of the tenants and this is not a true statement as most of the Tenants including myself were actually rushed into moving into the property! Only given a few days to view and then having to move in immediately regardless of their situation! Under no circumstances would it have been challenging for us to wait for you to get a correct Tarif in place!"*

Why, Ms Lewis asked, did Ms Roper say she “may” be entitled to further credit? And why from November, when she had moved in in September 2019?

## 12 May 2020

Ms Lewis joins a Fuel Poverty Action zoom meeting with district heating users having problems on other estates, including the Southwark leaseholder who had successfully brought a case against unfair charges, and his lawyers.

## 26 May 2020

Pending the now long delayed independent report, Ms Kumar writes to Ms Lewis admitting Peabody’s original fault:

*“In terms of your Peabody contract, it seems that those were not filled in as they should have been. It should have been clearly stated that the heat provider’s representative is kFH, and your heat billing and tariff is set by them.[...]”*

*Peabody did not agreed to this tariff you were being charged. At the time, we were provided a rate with kFH, and the heat agreements that kFH would be signing with tenants on an individual basis, to agree to. It was around that time you contacted us regarding the cost you were being charged. **It was completely different from the one we had seen, and was different from the one our contact at kFH had, at that time.** [...]*

*kFH have agreed an independent review of the tariff. I can only apologise, we have chasing for this report for a few weeks now and will be sharing that information as soon as it is provided. As far as I am aware kFH have agreed to refund the rest of your money from before February 2020. The refunds are to take place in two phases, of which the first phase has been completed.” (our emphasis)*

Ms Kumar concludes with something familiar to many district heating users - an argument that despite appearances to the contrary, their district heating is actually cheaper than what they would pay elsewhere.

Ms Lewis replied that their heating “*is NOT cheaper*” and the figures show how much tenants are spending on heating. She notes:

*“After speaking to one of your shared ownership tenants in the adjacent block the other day, it seems as though they have been invited and taken part in meetings regarding the heating Tariffs but us affordable homes tenants have been left in the dark and it’s complete discrimination!”*

## 28 May 2020

Ms Kumar writes to Ms Lewis:

*“In terms of the refunds, that sits with kFH, they are the Heat Provider. We are awaiting, and chasing for, a copy of the independent review report, that both kFH and ourselves have*

*agreed to its findings. Once that arrives we will be happy to share. In terms of the interim tariff, that was agreed to reduce your costs until the independent review is completed. In terms of blaming kFH, or ISTA. It is not the case. kFH were just as surprised as we were regarding the tariff. [...] We were expecting the independent report a while ago. This has not happened and therefore we have not been able to progress this matter as far as we would have liked by now."*

Ms Lewis replies:

*"sorry we made a mistake" does not compensate for inviting us to sign a tenancy and not disclosing the additional cost we would incur until it was too late and now we are stuck with a monopolised heating system with no say as to what the Tarif will be now or in the future! This is not acceptable! As mentioned this has caused us debt, stress and has made many families ill in the winter!"*

05 June 2020

Ms Lewis writes to Ms Kumar:

*"can you please send me a full breakdown of the agreed Tarif containing exactly what we are paying for? As far as I have been made aware from Fuel Poverty Action, affordable homes tenants Should not be charged for the servicing and maintenance of the heating system, as this should be covered by Peabody so we should have a different Tarif and rate from the leaseholders!"*

09 June 2020

Ms Kumar of Peabody responds to Ms Lewis:

*"Fuel Poverty Action is correct, maintenance and repairs costs should not form part of the heating costs that affordable residents pay. One of the reasons for the numerous iterations of the KfH tariff has been because we have been challenging kFH on what has been included as part of the tariff that has been sent to us. This includes maintenance and repairs costs, and the transparency of each element of the tariff. It is also one of the reasons we are paying for an independent review of the tariff so it is not just Peabody, as one of their tenants is questioning this, but a third party can also identify the concerns and queries we have raised. I have attached the tariff document that was sent to us from kFH for the current tariff"*

**They attached, for the first time, a document from KFH "working in conjunction with ista" introducing the district heating system and giving a breakdown of costs.** It is called *"Tariff Review and Frequently Asked Questions, Effective 1st February 2020"*.

Addressed to residents, it lays out their responsibilities, and what will happen if they cannot afford their costs (with no indication of rights for vulnerable customers or where people could turn for help). After all her requests, Ms Lewis received this document **five months after it allegedly came into effect**. Although it is a substantial document and a PDF, it arrived in this email response and as far as Ms Lewis is aware no other tenant received it except via herself. Along with information on the efficiency of heat networks, explaining that to provide

“100 Kwh of Heat to an individual property between 156 – 238 Kwh of gas is required”, she found this:

*“Heat Supply Agreements:*

*The apartment lease/tenancy entered into by each leaseholder/tenant sets out the obligation to enter into a Customer Supply Agreement (CSA). This CSA is between the Management Company and the leaseholder/tenant. The CSA details the Management Companies obligation to supply heat to each customer. It also lists the customer's obligations to the Management Company[...] **As the CSA is a legal agreement, it is essential that customers fully read and understand the document.**” (our emphasis)*

In the case of Phoenix Works tenants, this legal agreement has never been issued. The document continues:

*“It is intended that both the Standing Charge and the Consumption Charge be reviewed annually by the Management Company on a fixed review date each year. However, the Management Company retains the right to review more frequently if necessary. This would only be an exceptional occurrence and any changes will be communicated to you in writing.”*

In reality, Ms Lewis was informed of four significantly different tariffs and standing charge rates in the course of just over one year, and these were not communicated to tenants collectively in writing, nor even notified to Ms Lewis at the time they were brought in (see Overview of Tariffs).

The document goes on:

*“The Management Company will, before the review date each year, provide a clear and transparent build-up of the standing charge and consumption charge to all customers that explain how the charges are calculated and the basis of the underlying costs used within that calculation.”*

This has never happened so far.

There followed a fairly detailed breakdown of standing charges and unit costs paid by the providers to their energy sources, and of standing charges and unit costs due from residents. This showed:

- Billing administration costs of £4,428 for 40 prepayment meters (incl VAT), which brought each tenant's standing charges to a new figure of 37.34p/day.
- Gas was purchased at 3.096p/kWh, which given the low efficiency of turning this into “heat delivered” was calculated to result in a new tariff of 7.455p/kWh of heat<sup>15</sup>.

## 22 June 2020

Prompted by the Ombudsman, Mr Jeremiah Kingston from Peabody writes to Ms Lewis about escalating her complaint to stage 2.

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<sup>15</sup> All figures include VAT as applicable

## 24 July 2020

Ms Kumar from Peabody writes to Ms Lewis that a process will soon be set in motion for an independent report of the situation, as *“KFH have finally started to speak to us”*. And Jeremiah Kingston adds that they are making progress on this and are waiting for the report; he hopes to be able to provide Ms Lewis with a plan of action *“by this time next week”*. Also on this day, Ms Lewis notifies Peabody that she will that day be meeting her MP about her heating.

## 31 July 2020

Mr Kingston replies to Ms Lewis' repeated pleas for a rent reduction so people can heat their homes, and in recognition of Peabody's failure to sort out this issue before issuing tenancy agreements with the heating costs left blank. He says:

*“If we reduced your rent it would set a precedent which could mean should there be an increase in the external costs of running a home in the future, then we would have to reduce the rent we charge accordingly to all our residents on Affordable tenancies.”*

*“When we offer compensation it is a one-off payment in recognition of the service that we provide. A rent reduction would result in compensation being paid for the duration of your time with Peabody. I realise there has been mistakes and delays by Peabody, but this would not lead to a reduction in your rent.”*

Ms Lewis thanks him and asks for a reference number to pass to the Housing Ombudsman. She adds:

*“I signed a Legal document which failed to inform on vital information which would affect my affordability. A simple sorry from Peabody in this situation is not suitable considering I now have to live a lifetime in a home that is no longer affordable. I will be escalating this further to the Housing Ombudsmen and the Barrister.”*

## 05 August 2020

Mr Kingston of Peabody sends a substantial response to Ms Lewis' complaint. Startlingly, he says that when Peabody took the properties, it *“did not consider the potential heating charges”*:

*“Peabody was clearly wrong in not investigating the heating costs before you moved in and this is something we will take forward so it does not happen again. I realise this will not have a bearing on your complaint. I have been told we took the properties at late notice and we did not consider the potential heating charges. We are reviewing this with the benefit of hindsight and if we knew this could be a potential issue we would have delayed residents moving in.”*

However, like Ms Kumar he also maintains that district heating is actually cheaper than gas, concluding:

*“Although you pay twice as much when comparing to a traditional boiler, your usage should be two-thirds less.”*

Mr Kingston further explains Peabody's decision not to decrease rent. But he offers Ms Lewis £300 for her "time and trouble", in order to "close" the part of her complaint which concerns *"The delay in KFH refunding the heating overcharge"*:

*"When I review your complaint, I also need to focus on your time and trouble in pursuing this. You have taken a lead on this which all residents will eventually see a benefit from. I also acknowledge you have allowed us access so we can continue our investigation. For this, I would like to offer you £300.00 for your time and trouble. This offer compensation is separate to any refund you may be due following the recommendations from Chirpy Heat."*

## 11 August 2020

After a phone conversation with Ms Lewis, Mr Kingston increases the "discretionary compensation" offered to her to £500. Ms Lewis accepts this offer, and thanks him for his help.

## 12 August 2020

Mr Kingston confirms that:

*"for the refund of overpaid monies, they are "working on a date of week commencing 05 October. By that time, if not sooner, Chirpy should have completed their report."*

## 06 October 2020

Mr Kingston writes to Ms Lewis:

*"We received the report from Chirpy and met with KFH and ISTA on Monday so we are following up few of the issues raised and should be able to give you and update by the end of this week."*

## Early October 2020

Ms Lewis has a phone conversation with Mr Kingston, in which he tells her that the refunds of overpayments will be paid by the end of November.

## 30 October 2020

FPA writes to Mr Kingston of Peabody, outlining "ongoing issues" that are "urgent to resolve now":

- The tenants still do not know the basis of what they are being charged
- The tenants do not know exactly who the heat provider is and who is responsible for setting the bills.
- The long overdue refund expected by the end of November.
- We understand that Peabody asked prospective tenants to sign for a property, following an income check to ensure affordability, but without informing the tenants of the heating costs.

## 05 November 2020

Ms Lewis writes to Mr Kingston *"it is getting colder and AGAIN we have to top up our meters even though we have hundreds of pounds owed to us [...] this is now an emergency."*



She says ista claim they've been given no instructions from KFH to start actioning the refunds, and say it is "nothing to do with them".

Her email says:

*"Even though these are affordable homes and we had to have an affordability check completed on us before we were allowed to sign the Tenancy, these affordability checks were completed using our previous heating charges NOT the heating charges you represent in these properties!! Therefore the affordability check was invalid and we were therefore made to sign Tenancy agreements under false pretences and Peabody are responsible for this!"*

25 November 2020

Mr Kingston of Peabody replies in text to Ms Lewis:

*"We received verbal confirmation from KFH they would do this [the refunds] by the end of November so we can't do much until this date. KFH have not come back to us which is a concern, but we have to wait. We do not know how much each resident was overcharged because we do not hold that data as we are not the heat provider[...] If KFH do not provide this by the end of November then we need to consider what action we can take on your behalf and **whether we can withhold paying the service charges invoices they send to us.** (our emphasis) [...]"*

*You have to remember that KFH is your energy supplier, in the same way as any other energy supplier you used prior to moving into this home. The difference being with this heating supplier is that under a communal heating system you can't choose your supplier. Peabody doesn't supply you heating, or decides the rate."*

Ms Lewis also tells Mr Kingston that there is now yet another tariff in operation: when she phoned ista she was informed of a 5.99p tariff. But she wanted written confirmation, and at least an annual statement.

*"You explained that our heating charges have dropped to 7.5Kwh, when I asked you what the daily Standing charge was you said you did not know and would get back to me which you have failed to do! I have also just spoken with Angela at ISTA and she has said that it is in fact 5.99Kwh and a daily Standing Charge of 37.89kwh. - SO PLEASE TELL ME EXACTLY WHAT CHARGES HAVE YOU AGREED ON OUR BEHALF AS US AS RESIDENTS HAVE A RIGHT TO KNOW WHAT WE ARE PAYING FOR AS WELL AS WRITTEN CONFIRMATION OF THIS ! I asked ISTA if I could have a statement, even an annual statement or a letter regarding what we are being charged as after speaking to Fuel Poverty Action and the BEIS , and as far as I am aware, it is a legal requirement that residents are sent an annual energy statement at the very least, especially as we have ZERO documented proof of what we are being charged for for usage and daily rate, but ISTA [...] advised that KFH have sent the details of the Tariff AND the annual Statement to Peabody and Peabody should then communicate it to us? [...] Why even now have Residents not been sent any kind of statement from either yourselves or KFH? Why have we never been given a direct contract for KFH [...] we have a right to an explanation as to how much we are being*

*charged and a suitable contact as ISTA have made it very clear to ALL residents that they will and cannot supply us with any information so exactly who is responsible?*

Mr Kingston of Peabody replies to Ms Lewis:

*"we are checking our records, but we are not aware of receiving annual energy statement and am not sure why they would send them to us."*

In response to her demand for an *"explanation as to why KFH were allowed to charge us 13.7kwh in the first place other than Peabody failed to get adequate contracts in place.[...] What did it cover?"*, he says: *"Peabody is not denying this charge was too high. Its not for us to defend KFH actions in this."*

And to her demand for a breakdown of the heating costs, he replies:

*"We don't hold this information because we do not supply you heating. This is a matter you will need to take up with KFH."*

In response to Ms Lewis' questions:

*"HOW LONG WILL THESE CHARGES REMAIN IN PLACE? CAN THEY JUST INCREASE THEM AT ANYTIME? IF A NEW ESTATE MANAGEMENT COMPANY COME IN....CAN THEY CHANGE THE TARIF PRICES?"*

Mr Kingston says:

*"I think it is worth clarifying Peabody's responsibility[...] If, for example, EON supplied you electricity and you had a concern about the charges, you wouldn't go to your landlord.[...] For tariffs and statement it is something you have to raise with KFH. As a social landlord we have responsibility and we are trying to sort this out. I realise your frustration is with Peabody but it is difficult when we are not involved in setting the rates or the billing process."*

Furious, Ms Lewis replies the same day:

*"Peabody have refused to discuss the heating charges with us so WHERE DOES THIS LEAVE US!!??? Do we just have to put up and shut up with whatever charges KFH decide to throw at us! This is not legal! You have said that you do not see why KFH would send you any heating statements! They are definitely not sending us any statements so this is a breach of the heating regulations I am sure! However you have duty of care as our Landlord to have informed us of the situation we moved into including the heating supplier! We have NO CONTRACT WITH KFH!!! KFH HAVE A CONTRACT WITH YOU JEREMIAH!"*

**07 December 2020**

The BEIS Heat Networks team reply, concerned about the problems at Phoenix Works and inviting FPA to speak with them about it at our monthly meeting with them. With BEIS' agreement, FPA invite Ms Lewis to this part of that forthcoming meeting.



## 10 December 2020

Ms Lewis is copied into an email from Ms Ballast at KFH to another person at Peabody complaining that Peabody tenants have been given contact details for her and others at KFH:

*"I have just receive a call from [Ms Lewis] regarding a heating refund. I have been made aware that my number has been given out in an email alert that was sent from Peabody to all the residents along with my contractors numbers stating they should call for a refund. [Ms Lewis] has advised that I should expect to receive a number of calls from residents today. Please can you ask your colleagues within Peabody to refrain from handing out my number along with our contractors number to residents.  
As per the agreement made in August, Peabody would be responsible for providing their residents with updates and all communication would go from Peabody. Rather than Peabody residents contacting us direct. As you are also aware, I do not manage the heat billing at Phoenix and only look after the property management for the estate and private blocks, so I am not sure why my number is being given out."*

The letter ends with a footer:

*"Please note that we will be closed from 5.00pm on Wednesday 23 December, returning on Monday 4 January 2021."*

There is still no sign of the refund promised for end November, and residents are beginning to give up on the hope of receiving it before Christmas.

## 11 December 2020

Still without the refund promised by end of November, Ms Lewis and FPA meet with BEIS heat networks team. The BEIS team sends FPA and Ms Lewis a list of some of the key points we discussed and actions to take forward". They say that they:

*"met with Peabody earlier this week and have asked to be kept informed of when residents will receive refunds and heat agreements. We're happy to continue engaging to try and speed up the process of these actions being taken."*

The BEIS team also say they are happy to be contacted via email by residents who were promised compensation as a result of using alternative electric heaters, and can raise with Peabody again both compensation and the assessment made by Chirpy Heat. The team will also consider what avenues were available to tenants who will have less compensation because they hadn't had the money to use their heating, but, as FPA has pointed out, had just got cold and sick instead. And they will speak to KFH and get some clarity on:

*"what the new tariff is, reasons and methodologies behind the old and new heat charges, and also hopefully by having spoken to both Peabody and KFH, we'll be able to get some more clarity in terms of who is accountable for what."*

## 12 December 2020

Shapla Ali writes to BEIS that when she first moved in they were taking £20 literally every other day, then charged £300 for when she wasn't even there!

## 14 December 2020

Ms Lewis writes to Ms Ballast of KFH, trying to pin down who she is supposed to relate to:

*"Yasmin has just confirmed to me via the telephone that she has spoken with your superior last week and they were the ones who passed your contact details on to Peabody's customer service Manager[...], to pass on to us residents.*

*Yasmin said that you have made a mistake in telling me last week that you are not responsible for giving us information or being a main point of contact for Peabody residents for our heating and hot water supply, as she says that KFH should be our point of contact.[...]*

*Yasmin has also just confirmed to me that apparently residents are STILL on an interim tariff (since February), however we have been told differently from Jeremiah[...]  
[...]we have not had any contact With KFH whatsoever since our last correspondence with yourself earlier in the year when you told us residents you were no longer in charge of this matter and that we need to liaise with Peabody directly!*

*To be honest, we need some clarity about this as it seems Peabody are telling us one thing and KFH are telling us another! [...]*

*I apologise if it is not you Tara as we had a conversation last week, but after the telephone conversation I have just had with Yasmin, you can imagine my frustration when she has again told me that she has spoken with your superior and in fact KFH should be liaising with us and that we STILL only have an interim tariff in place! [...] I would also like information regarding our refunds and what agreement KFH had with Peabody as we were told these refunds were agreed with KFH, ISTA and Peabody and that we should be paid by the end of November which has now passed and has not happened! [...]*

*Please also see attached your email from February which suggests a completely different tariff was agreed for us at a rate of 6.57kwh and 0.35p standing charge per day, which was never explained or implemented I, how can this be? When was this agreed, and why did this not happen? How can there be such confusion! There needs to be clarity, honesty and transparency about what has been happening over the last year and what is STILL happening."*

In the week of 18 December 2020 Ms Lewis, now on annual leave from her job, uses her time to contact neighbours, to call and email Peabody and KFH in search of the promised refund and to follow up issues of a neighbour's heating not working correctly: their meter consumed £1 in half an hour.<sup>16</sup>

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<sup>16</sup> See Chronology 2: How well do the heating and meters work?

18 December 2020

Ms Lewis writes to Mr Kingston at Peabody:

*"Can you please tell me when we will receive our refunds? We have still had no response from you and still no refunds have been given! It has now been over 14 months since we were overcharged and now 3 weeks since you said we were supposed to receive our refunds from KFH on 30th November and still nothing!"*

*Please get back to me today with a definite answer as to when we will receive this as it has gone far enough and we are being ignored! We are now in the winter months, it is cold and we should not have to top up our meters considering we are owed back hundreds of pounds!*

*My Neighbour [...] is freezing and also needs his refund ASAP so his children do not end up becoming sick again as they did last year!"*

On the same day Mr Trellawney replies for Peabody:

*"I am really sorry this is taking so long to resolve. KfH had undertaken to get the refunds in place by the end of November, but this has not happened."*

*We are still waiting in KFH to come back to us about what is going on and taking so long and we are chasing this daily .*

*I will draft a fuller response to your earlier emails this week as soon as I can get a response from KFH as to when these refunds are due."*

23 December 2020

Ashna Rahman writes to BEIS about the severe mental health effects of "self-isolating with my child in a cold flat for 2 weeks with no heating or hot water". She updates them:

*"I do not believe them as I was told my heating bill should now be on average around £40 a month. Yet this month alone I have topped up £75 and there is still a week left which will total to £100. Previously I was paying upto £200-250 a month. My personal allowance on UC is around £277 so you can imagine that I had next to nothing for food and bills which meant I fell behind on rent. Then Peabody rent department would send threatening letters. After the problems they caused!"*

Good as their word, BEIS repeatedly followed up the issue of the refund over the next 11 days. On 22 December Ms Lewis emailed them:

*"As predicted, still no sign of a refund in sight and no explanation."*

*[...]I fear that now with only 3 days until Christmas, that they will try to push this to the New Year which is not good! Realistically they should also refund us with interest from our money*

*that they have held on to for the past 15 months. But to be honest we would just be grateful to receive our money back."*

BEIS tried again, but failed to secure a refund for the tenants.

## 24 December 2020

Ms Lewis writes to Peabody:

*"It is now Christmas Eve and as expected, no response from you as promised below, and still no refunds! Peabody has let its Tenants down and we will now be entering the Christmas period yet again having to pay extra money for our heating when a substantial amount is owed to us and was promised to be paid back to us before Christmas, by 30th November.*

*I will now be pursuing this at full speed in January, I will be booking annual leave from work to contact as many media companies as possible and to get this case taken up by the Housing Ombudsmen and will obtain Legal support for the Tribunal to get this sorted once and for all. This has gone far enough and the disrespectful way we have been treated by Peabody is disgraceful! Enough is enough! I have tried my very best to be reasonable and have waited to get the money back that was so wrongly taken from me and other tenants, but I am hitting a brick wall. This is theft! This has only happened because Peabody failed to get heating agreements in place and was too busy rushing to get Tenants into these properties to earn rent money that you have failed your Tenants and we are now the ones who have been suffering for over a year because of Peabody's incompetence! [...]*

*I do hope you all have a very merry Christmas as you have ensured that many of your tenants in this development most definitely will not!"*

## 2021

### 05 January 2021

Tenants finally receive a refund credited to their meters. However, it is unclear how ista has calculated the refund at 2.9925p/kWh. An letter from ista says they have calculated it on the basis of *"the initial tariff over collected across the entire development"*, but does not explain how they determined what the "over collection" was.

A resident whose children were ill the previous year because of the cold, receives £97 but is worried that it will disappear very quickly as the heating is working poorly and taking too much money.

### 08 January 2021

In outdoor daytime temperatures hovering around 2 degrees, Ms Lewis and others continue to fight for a full breakdown of the refund.

### 11 January 2021

Ms Ali writes to Peabody CEO Brendan Sarsfield and to David Trellawney:

*"I am a single mother with 5 children. And all my money is going just by putting money in. Peabody and ista don't know anything and keeps on going round and in circles."*

Ms Lewis writes to Peabody, that a staff member at ista has confirmed the 2.9925p/kWh rate for the refund, and:

*"She has also said that our rate is currently 5.99 pence per unit with a daily standing charge of 37.89 pence. [...] This would mean the difference from our original charges of 13.7kwh should have been refunded at a rate of 7.71 pence per unit and KFH have only credited our meters the difference of 2.9925 pence per unit, this means they have under credited us by 4.7175 pence per unit! This is not on!"*

## 13 January 2021

Ms Lewis receives an email from Peabody with a letter to all their residents. Mr Trellawney of Peabody informs tenants that KFH had agreed on 05 October to provide the refunds by the end of November but "unfortunately this did not happen"; some residents had now received refunds but they were "lower than expected". The letter also says that by the end of the month tenants will be advised of a new tariff.

He says Peabody is investigating not only the refunds but "heating design issues" and concludes:

*"We anticipate to update you on our findings, and any developments the week commencing 8<sup>th</sup> February 2021."*<sup>17</sup>

Startlingly, Mr Trellawney includes contact information for both ista and KFH, who had previously refused direct contact with Peabody Tenants.

Most informative of all, the letter to residents attaches the [report from Chirpy Heat](#), which has been in the hands of Peabody since September 2020.

While Chirpy Heat pointed out some basic errors in ista/KFH calculations (always in their own favour) the biggest problem was that the price of gas procured to produce the heat was way above market levels, according to the Chirpy Heat report, to the tune of *"+25-40% compared to other bulk gas supply contracts for similar sized buildings on a heat network."*

We pick up further points from this report in our 03 February letter from FPA to Peabody and KFH and comment extensively on it in our "[Roles, relationships and responsibilities](#)" entry on [Chirpy Heat](#). We want here just to note one important principle that they put on record:

*"Cost recovery  
The heat tariff is set up to recover the operational costs of providing heat and hot water at Phoenix Works. There is **no profit element** included for the management company (as the heat network operator) which is in line with what we would expect to see in the market." (our emphasis)*

<sup>17</sup> As of 2 April March 2021 neither the advice on new tariffs, nor an update on findings and any developments, has been received.

The question is, has that principle been applied? And will it be applied in future?

Later the same day, Ms Lewis writes to Peabody, telling them again that KFH will not respond to her on the tariffs, and begging them to follow up the issue of radiators and controls, for herself and for her neighbour. Then, having spoken to the law centre she writes using her right to make a Subject Access Request to ask for:

*“all reports and minutes from meetings as requested, and everything else held on my file.”<sup>18</sup>*

## 18 January 2021

Mr Kingston of Peabody claims that the £500 Ms Lewis accepted for her trouble and her huge contribution to getting the issues sorted for all tenants was in fact an acceptance of compensation and closed her complaint about the fact that Peabody failed to tell prospective tenants about the heating cost. His wording appears careful:

*“As part of the complaint relating to this and some other issues, we offered compensation which you have accepted.”*

In fact Ms Lewis had never accepted compensation for this part of her complaint (see 05 August 2020).

## 22 January 2021

Ms Lewis writes again to KFH, this time to a new contact - Portfolio Director Mr Elliott-Leigh, again requesting a full breakdown of her own charges and usage, and a direct point of contact, including phone number, for who will manage her account in the future.

Following this, Carmen Osgood from Peabody, writes directly to ista to obtain Ms Lewis’:

*“monthly usage from September 2019 to date. This must also include the tariff prices charged per month from September 2019.*

*As the metering and billing provider for this property I would expect you to have this information like other heat network billing providers and in fact energy suppliers.*

*I have had a conversation with KFH this morning and they have confirmed that ISTA either have not/will not send them the individual usage for Flat[...], instead only the block as a whole. This confuses me greatly as this information shouldn’t be this difficult to obtain. Your client has requested specific information from you to resolve a customers query as you (ISTA) are the only party whom has access to the HIU’s consumption data regardless if credit or prepayment meter. I have also been informed that one of your advisors did in fact promise to send this information directly to Ms Lewis on 14/01/2021 however this has still not been sent?”*

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<sup>18</sup> As of 2 April 2021 these have not been provided.



## 25 January 2021

A letter is sent to Peabody tenants increasing their rent by 1.5%.

A spreadsheet with usage and payment information (Appendix D) is finally sent to Peabody, with Bella Foster from ista, who sends it, adding:

*“As per our telephone conversation, I would like to reiterate that this information has not been refused to be sent by ourselves.”*

The spreadsheet does not show the actual tariffs or standing charge rates for the three different periods shown (Ms Osgood wrote back straight away to pursue this) but these can be calculated from the totals. A calculator yields:

- Four months, up to 1/2/20 at 13.77p/kWh, standing charge 88.566p
- Seven months, 1/2/20 to 1/9/20 at 7.455/kWh, standing charge 37.525/day (although residents were still paying 13.77/kWh until April 2020)
- Four months, 1/9/20 to 1/1/21 at 5.99p/kWh, standing charge 38.20p/day

The spreadsheet is sent to numerous people in Peabody, KFH, BEIS, and to FPA, but Ms Lewis does not receive it until five days later, when FPA notices she is missing from the recipients list and forwards it to her.

## 28 January 2021

Mr Elliott-Leigh of KFH writes to Ms Lewis, confirming:

*“a live request for a month by month usage and cost analysis submitted to ISTA” in relation to her own flat, and also picking up on her query about the price of gas procured for the development, assuring her that “the rates obtained by the brokers” are “well below [...] average UK prices” and “there is no ‘mark-up’ or similar applied on these contracted rates.”*

He also says that the excessive cost issue is not related to the tariff itself but related to two issues:

*“a. The low level of efficiencies of the communal system - something that is currently being actively investigated by the management company via independent audit.*

*b. The individual usage for [her flat] which is way above “the average expected for a property of this size.”*

This analysis is misleading. The gas price Mr Elliott-Leigh refers to, 2.325p/kWh, was applied from 01 September 2020. He takes no account of the high price of gas procured for the previous year: 3.096p/kWh according to KFH's 9 June 2020 letter to residents. This was one third higher than the price he cites.

Mr Elliott-Leigh's statement that *“The independent consultancy engaged by Peabody themselves, found no problem with the tariff rates or how they are calculated.”* is simply untrue.



- The errors in calculation that Chirpy Heat found included wrongly applying an efficiency factor to the cost of electricity for the plant, and applying another small cost (for a data logger) to prepayment customers (tenants) instead of to credit customers (leaseholders).
- Chirpy Heat concluded that even based on the high price of gas procured, the tariff should have been 6.9p/kWh, rather than 7.455p/kWh.

Is Mr Elliott-Leigh attempting to account for Ms Lewis' bills by saying she simply uses too much heat?

## 28 January 2021

Ms Lewis writes to Mr Elliott-Leigh:

*"[...] you are mistaken in thinking that my usage is the issue! [...] You cannot say what is the "expected" usage from a property my size.[...] My neighbors usage is way below mine as they refuse to use the heating as it is not efficient and costs too much, more than they can afford and they are scared because of what happened to us last winter.*

*[...] my issues with KFH, are NOT my usage but the amount of 13.7kwh I was previously charged without any agreement and without me being informed.[...]*

*If you could kindly answer the questions below in relation to my tariff, Previous tariff AND Refund as well as [...] how the new tariff will be consulted and communicated to me going forward.[...]*

*[...] You should have also refunded back interest AND compensation on top of that as you have held on to my money for so long and caused financial hardship to my family. However, you have failed to even refund me the correct money owed."*

She also points out that because the remediation work has not been done in her flat, she is forced to waste energy (see "Chronology 2. How well does the heating work?"). But the amount of heat used does not account for the huge sums that she has been forced to pay.

## 03 February 2021

FPA writes to Peabody CEO, Brendan Sarsfied, and John Elliott-Leigh, Portfolio Director of KFH querying the way the refund offered was calculated, and listing a number of factors that should be taken into account, for this purpose and in considering the new tariff that is expected following an annual review. The letter asks why the refund had not been calculated by subtracting the amount that should have been paid from what tenants had actually forked out. An alternative method had produced a much lower figure for the refund, and FPA wonders if counting had started before the tenants had moved into their homes. As of 2 April 2021, there has been no reply to this letter, which can be seen in Appendix F.

## 04 February 2021

A meeting organised by FPA with local MP Apsana Begum includes residents from Phoenix Works, and two other nearby estates with heat network problems: St Clements and New Festival Quarter. The scope and seriousness of the issue is compared with the cladding scandal. Ms Begum commits

to pursuing the issues raised with the landlords, heat providers, the local authority, the GLA and in Parliament. Other plans are also made.

## 10 February 2021

Ms Lewis follows up her previous queries to Mr Elliott-Leigh, adding: *"I would also like [...] an explanation of why I was charged 13.7kwh in the first place."*

## 18 February 2021

Mr Elliott-Leigh of KFH answers Ms Lewis's questions. He says KFH *"issued a press statement when the matter of initial tariff rate came to light"* And he lays out the basis that KFH believe the initial 13.77p/kWh tariff was based on:

One factor was:

*"The development having 143 one-bedroom flats, with a low annual heat demand"*

(in fact the development comprises one, two and three and a few 4-bedroom flats).

Another was an initial gas purchase price that was higher than normal rates because:

*"during construction it is routine for developers to have initial gas supplies connected to the building sites at 'non-contract' rates, in order to retain the ability to transfer the supply across to the management company at point of build completion and therefore avoid lengthy termination clauses."*

And another:

*"Initial estimates as to communal system efficiency were deemed to be [...] 37.5%."*

On the basis of this low efficiency rate, the total gas required was high in proportion to the amount of heat produced. This would have substantially pushed up the tariff per kWh of heat.

Finally:

*"In addition to the utility charges, the billing agents ISTA charge total administration costs of £12,960 for the billing process, equating to £35.51 per day for the development as a whole."*

He says the tariff was then subject to wholesale review:

*"The review was undertaken on usage data obtained between the 12 months 31/10/18 – 31/10/19, which has indicated the plant efficiency being closer to 45%, rather than the initial estimate of 37.5%."*

This combined with reduced gas purchase costs, to make possible a much lower tariff.

On the question of the refund, Mr Elliott-Leigh explains that KFH had looked at the period “*From initial build to 31<sup>st</sup> January 2020*” to determine the refund due. Initial build, apparently, starting “31/10/18”, as above.

On this basis, KFH had compared the actual costs of gas and ista billing services with the actual amount that residents paid.

It is still not clear why they arrived at a 2.99p/kWh overcharge when the difference between 13.77 and 7.455 is so much greater. It raises the question of whether residents were basically being forced to shoulder some of the costs of developing and securing sales for the site.

On the subject of future charges, Mr Elliott-Leigh said that the current rates were valid until the end of August 2021, when:

*“The new tariff will be calculated and applied onto your pre-payment meter accordingly, with Peabody provided a with a Heat Tariff Calculation explaining the calculation itself.”*

Ms Lewis responded on a number of points, including the fact that:

*“I do not have a 1 bedroom flat I have a [4] bedroom flat so any calculations you get from this information is clearly wrong!”*

## 19 February 2021

Mr Elliott-Leigh defended KFH’s methodology and record. On the number of bedrooms he said:

*“This is an extract from the data taken at point of hand over – I agree there was an error and this was reviewed as part of the initial tariff review in Feb 2020.”*

He defended, too, the use of data based on the construction period to set the tariff for residents once they’d moved in:

*“The annual communal use **MUST** be estimated in advance to allow a tariff to be set. If it is done retrospectively, the Management Company would have to pay the gas bill for the entire development for the year (circa £70,000) and then wait an entire year to recover that money through the ISTA billing. This would result in the Management Company having no funds available to maintain the building. **I’m afraid there is no alternative and this is normal practise when managing these types of systems.**”*  
(our emphasis)

## Chronology 2: How well do the heating and the meters work?

24 February 2020

FPA writes to Ms Lewis giving expert advice from a district heating operator, on how to improve controls by means of Thermostatic Radiator Valves (TRVs) in every room, and a wireless thermostat with a sensor in the coldest room, and on how to access and assess information on the tariff components.

26 February 2020

FPA writes to the CEO of Peabody, Mr Sarsfield, and to KFH, to ask for the breakdown of charges, details on refunds and compensation, and installation of temperature control via TRVs.

03 March 2020

Peabody replies to Ms Lewis regarding the TRVs that:

*“they are good control measures, but we are not required to fit them under current building control regulations.”*

10 March 2020

Ms Kumar from Peabody writes to FPA that they are pursuing KFH:

*“I have also raised the issue of the heating system configuration with the relevant internal departments to investigate, and they will be arranging a visit to site to investigate residents’ concerns. This includes reviewing the opportunity to install TRVs.”*

26 March 2020

Mr Trellawney of Peabody sends a letter to all tenants (Appendix E):

*We’ll also be sending engineers out, on joint visits with the contractor to check the heating and metering system.”*

Ms Lewis responds to Peabody’s letter that same day:

*“Nobody will be coming into my property until you confirm and we can see that the tariff has changed and we have our refunds as a fellow tenant allowed for her meter to be investigated and changed and when the engineer left she was on Minus £200!!! HAVE YOU HELPED HER???NO!!! She has been left to find the £200 herself and I will not allow that to happen to my family in this Pandemic!”*

05 May 2020

Ms Roper of Peabody replies to Apsana Begum MP, who is advocating for Ms Lewis:

*"I should note that **KFH believe that there are faults on some of our meters** as the usage is unusually high in some homes, in one case the readings are 7 times higher than average monthly usage. Peabody have instructed a specialist contractor (Silver) to investigate the meters." (our emphasis)*

## 23 July 2020

Ms Lewis writes to Peabody about the visit they had arranged for an engineer to address the her lack of control over her heating, resulting in one room overheating while others were cold:

*"I have just received an engineer visit from T Brown (I am assuming you arranged this Yasmin to sort out the issues). The engineers name was Jack.[...]*

*After inspecting my property he said that the Thermostat does indeed need to be placed outside the living room (preferably the hallway) to get an accurate reading of the real temperature of the house as at present with it being in the living room it measures the heat of this room Only then switches off with the bedrooms being left cold. (This is the situation I have in winter and then I have to turn the heating up to 30 degrees just so it switches off when the rooms are at 23 degrees otherwise the bedrooms are icy cold). As you know with the high Tarif of heating we are currently paying this only adds to the extra heating bill due to the location of the Thermostat.*

*He also advised that a thermostatic Valve needs to be placed on the living room radiator and he sees no reason why we should have a bypass radiator in the living room which is also creating an issue.*

*Jack also got confirmation from my neighbour if she has the same set up and issues and she confirmed she does, and I know other neighbours have the same issue so although Fairview say that this heating system should be energy efficient it is clearly not and is an issue that needs to be addressed for all tenants."*

## 05 August 2020

Mr Kingston emails that Peabody are still looking at "*The inefficiency of the heating unit*". He explains that as the first independent investigator appointed (Silver) had now pulled out due to a conflict of interest; they will now appoint Chirpy Heat, with a report due on 18 September.

## 14 October 2020

Ms Lewis writes to FPA:

*"I asked him what happens about my thermostat and moving it. He said they need to send an engineer to inspect. I said stop right there! You already sent somebody from T Brown who did a report and agreed the thermostat was need to be moved! You need to move it immediately and with urgency as I am already wasting money and heating! He is yet to come back to me on this. They are just dragging their heels again. It's not right."*

30 October 2020

Fuel Poverty Action writes to Mr Kingston urging him to act now on TRVs.

25 November 2020

Mr Kingston promises to get back to Ms Lewis “*shortly*” on the repositioning of thermostats and installation of TRVs, still pending, wasting both money and energy, although both engineers and Chirpy Heat have completed their reports.

18 December 2020

Ms Lewis writes to BEIS:

*“We had the heating engineers from T Brown and Peabody yesterday, one to check the radiators and one to measure the rooms and the heating efficiency apparently. **I said to them they also need to check the heat loss from the boiler rooms and communal areas. The Peabody engineer said they are unable to access the boiler rooms as they are not controlled by Peabody or T Brown and it is the estate management company (KFH) who has access to them [...].(our emphasis)***

*Anyway he said they will be rectifying the thermostats issue being in the living room as soon as possible but they are waiting back for the T Brown report to see how efficient the system is.*

*The T. Brown engineer said there is definitely an issue with the tariff and my Neighbour . . . who has 3 bedroom’s, their heating is not working correctly. My Neighbour said T Brown put the heating on for 30mins and it took over £1 in money. The radiators seemed to work but the temperature/thermostat was not going over 20degreesC and then dropped lower. I’m not sure if there is an issue with the insulation in this block also but seems they have been very poorly build.”*

05 January 2021

Ms Lewis wrote to Ms Kumar of Peabody:

*“Can you please let me know what is going on with moving the thermostat in my property. It is now freezing and it needs to be done ASAP as I am already wasting money and energy having to turn the heating up way too high just to get the bedrooms to a reasonable heat.*

*[...]I was assured by the Peabody engineer this would be fixed ASAP.*

*[...]You should have all the evidence you need now!*

*Can you also please respond to my Neighbour [...] as it seems that due to the language barrier you do not seem to be responding to his messages. He and his family are really suffering in the cold at the moment. Please at least give him a call or reply to his text message, or even email him I have also ccd him into this email.”*

08 January 2021

Ms Lewis writes to Peabody on the issue of correcting the thermostats' positions and installing radiator valves:

*"I have been ignored by Yasmin in relation to moving my Thermostat after allowing 3 engineers to come into my home to investigate the week before Christmas. I was assured by the engineer they would be back to fix the issue. This has not been done. It is cold and I am using extra energy to heat my bedrooms and again the living room has to be turned up to a higher temperature to heat the freezing bedrooms!"*

She also presses for repairs to heating breakdowns in at least two flats where repeated call-outs have failed to solve the problem, including a leak.

13 January 2021

In a letter to residents (dated 12 January), Peabody agrees that the thermostat locations need to be changed, and say they are investigating the size of the radiators, and will be undertaking further tests on insulation and internal systems. They have also asked KFH for information on the communal plant room *"to see if this is also contributing to the way your system is operating and the costs you are experiencing"*.

Ms Lewis writes to Peabody begging them to move radiators and controls immediately for herself and for her neighbour in a similar flat:

*"the engineer told me it will not take long and is a simple task to do. This is the least that can be done to help keep us warm and if you will not arrange it please give me a full explanation as to why? Saying we need more investigations is not on, you have had OVER A YEAR of investigations. [...] You need to move the radiators while you are investigating insulation this is a separate issue."*

She also asks them to investigate what is needed for neighbours whose flats are laid out differently.

A reply from Peabody expresses sympathy:

*"I am sorry that you are being pushed from one organisation to another and not getting the answers you need"*

but fails to address these questions.

20 January 2021

Ms Lewis writes to Mr Trellawney of Peabody explaining the trouble the misplaced thermostat and radiator controls are causing:



*“Last night I was freezing in my bedroom and the living room was warm. I refused to turn it up because it costs more, I shouldn’t have to live like this, the radiator and the thermostat being moved and putting an adjustable valve on the living room radiator is vital.*

*As you can see David the whole block is suffering. My neighbours [...] would have a higher usage too but they can’t afford it so they live in the cold. My neighbour [...] told me he doesn’t put it on because can’t afford it. It’s a really serious matter hence why the BEIS and FPA are now involved.”*

## 21 February 2021

Mr Trellawney of Peabody writes to Ms Lewis that Peabody will be:

*“sending engineers out, on joint visits with the contractor to check the heating and metering system to make sure it’s working properly and to see if there are improvements we can make.”*

## 22 February 2021

Ms Lewis informs Peabody and FPA that *“the radiator [was] installed and the thermostat moved last week and already I have seen a change in the amount of heat needed to heat my home”*. She thanks Peabody for arranging this fix. She tells FPA she still has concerns about her insulation.

## 02 March 2021

Forid Hussain informs FPA he relies on electric radiators as his faulty pipes prevent the radiators from getting warm. He says he complained to Peabody about this in September 2019, but is yet to receive an adequate fix. To make matters worse, plumbers and engineers tending to a radiator in the hall made holes and left repairs unfinished. This radiator still does not work.

## 06 March 2021

Ashna Rahman attends a meeting with FPA. She talks about issues with her flat’s insulation and heat loss. She describes cold air coming in from the edges of the windows, while other windows are just large and cold. She says she is not using a bedroom because of cold air coming in at the bottom of the window and says the radiators in that room don’t get hot. She talks about a neighbour with empty space below their flat and cold coming up from below as a result. She tells FPA she has sent emails to Peabody about these problems but has had no response.

***“I am a hardworking family man so naturally you can understand the stress I faced being unable to keep my wife and 4 children warm during the cold winter months and throughout this Pandemic.***

***My electricity bill is £80-95 a month whereas it should be £40 roughly. However, due to purchasing electric radiators for each room, my electricity usage is double what it should be.***

***The reason why I had to buy electric radiators is because Peabody placed me in a flat that has faulty pipes which prevents my flat radiators from warming the flat efficiently. Something I have complained about since moving into this property in September 2019. Yet they still charged me on the meter regardless of usage and added daily service charge.***

***However, only recently have Peabody investigated my claims using their own plumbers and engineers. And they have found what I have been saying all this time to be true! They left my flat with holes and unfinished repairs after fixing a new radiator in the hall which does not work. This is as a result of the wrong pipes and materials put in by those who built the flat according to the Peabody engineers themselves.”***

- Forid Hussain, 02 March 2021

## PART THREE

### Housing and heating policies

#### Housing Associations and 'Affordable Rents' - the context for Peabody's policies

From small beginnings, housing associations have come to largely take the place of council housing, posing serious questions for tenants in the form of higher rents, less secure tenancies, and lack of accountability to tenants and to the community at large. In fulfilment of government "affordable homes" policies, they often lease housing in predominantly private new developments to sublet at "affordable rents". **We asked Suzanne Muna of [SHAC](#)**, a network of tenants, residents, workers and activists in housing associations and cooperatives, to say what is happening. Below she lays out how the culture in large housing associations like Peabody has changed, and how the word "affordable" has come to mean its opposite.<sup>19</sup>

*Many people on council housing lists end up as tenants of housing associations, through 'Choice Based Lettings Schemes'. Not all councils have such schemes, but where they exist, they allow people on local authority waiting lists to 'bid' for housing association properties advertised by the council. People bidding for an "affordable home" through this mechanism must first pass a financial assessment to see if they are able to sustain the rent.*

*One myth linked to housing associations is that they primarily provide 'affordable' housing compared to full market rates. In fact, even rents which fall within the government definitions of "affordable" are often not. This category covers rents up to a cap of 80% of market rates, but in many parts of the country, this can represent more than most working people could afford. Government also categorises 'social rents', which is defined as 50% of full market rates. Both categories are problematic as they are relative to prices in the area, not to the salaries of workers. Both fall under the umbrella of 'sub-market rents'. Housing associations also let homes at 100% of market rent, and they enter into leasehold and shared ownership arrangements that can be extremely expensive for residents.*

*Associations are generally perceived as distinct from other forms of private corporate landlord because they are dedicated to supporting the homeless and those in housing need. The expectation is that they will target their resources towards diminishing rather than increasing the housing crisis. This belief is based on the position of associations when they were founded. While there are still many tenants and housing workers in the sector trying to hold*

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<sup>19</sup> See also SHAC's new dossier [Abuse of the Service Charge System by Housing Association Landlords](#).

associations to their original purpose, social benefit is now largely absent from the executive cultures of sector leaders.

*Peabody is a case in point, established to fulfil George Peabody's vision of "providing safe and affordable housing for the working poor". It retains and trades on this image, yet its mission statement is now devoid of any reference to housing the poor, offering a clue that something is wrong.*

*While many small and medium sized housing associations still primarily provide homes at sub-market rents, this is not true for many sector leaders like Peabody. In Peabody's development at Thames Reach for example, of the 66 new homes, only 14 were allocated for social rent. Overall, Peabody developed 1,048 new homes in 2019/20, but just 426 were offered at "social" and "affordable" rents. .*

*Peabody is one of the largest associations in England, and is among an elite group which dominates the housing association sector. There are around 1600 housing associations but around 96% of all housing association properties are owned by just 320 of them. These huge organisations have considerable wealth. The sector enjoys a turnover of more than £23 million, and sits upon a collective pre-tax surplus of over £3.5 billion. Associations are liable to become still more like other commercial housing providers when they actually buy into private developments, leasing homes which they then in essence sub-let to tenants, as at Phoenix Works*

*The increased obsession with market rent and sale development is allied to increasing financial diversification. A review of housing association financial statements presents a bewildering array of financial instruments being deployed, including entirely private subsidiaries, joint venture companies, and special purpose vehicles.*

*On the basis of such evidence, it is clear that housing associations have become highly complex commercial operators. One consequence is that their executives compare themselves to the chief executives of commercial developers, and expect commensurate pay packages. The basic salaries of CEOs for the large housing associations (including Peabody) now exceed £300,000. Places for People offers its CEO almost £600,000.*

*When board members are recruited as vacancies arise, they must necessarily fit the commercial and financial bent of their organisations in order to continue driving it. Peabody has a board membership of 13, which includes just one tenant and one resident. The remaining members boast of their experiences on pension investment funds, financial services and energy sectors, planning and development, global property markets, infrastructure, Private Finance Initiatives (PFI), service commissioning and procurement, insurance, FTSE 100 corporations, and complex real estate transactions.*

*The profile of board members in turn influences the corporate culture of the organisation. Tenants and staff alike complain of bullying senior management, of highly vindictive and oppressive cultures, of performance judged against arbitrary targets instead of the actual quality of service provided, discrimination against those with disabilities in particular, of extortionate rents and service charges on the one hand, low pay and sub-inflation pay rises for the majority of workers on the other.*

*As this dossier clearly demonstrates, the wealth of associations like Peabody creates a deep power imbalance. The executives have access to resources and rights not available to the tenants, residents and workers. Their power and links to the organisations originally designed to regulate their behaviour also place them largely above accountability towards any institution. The answer has to be a fundamental rethink and redesign of the provision of genuinely affordable housing, which must include calculation of all the on-costs of energy bills and service charges. It must also include mechanisms which make housing associations accountable to tenants, residents and workers.*

## Heat Networks Pricing - peering through the fog

Heat networks operate like central heating for a whole building, estate or district, supplying heat in the form of hot water from a central source via insulated pipes. In their homes, customers are likely to have a heat interface unit (HIU) with a meter, and then radiators and a thermostat as with gas central heating. This section of the dossier is not intended to offer a comprehensive overview of such systems. Over the past four years Fuel Poverty Action has been submitting evidence on problems for people on heat networks, and what we think should be done to solve and prevent them. Our evidence to BEIS, the GLA, and the CMA can be found on our website [here](#), and our report Not Fit for Purpose is [here](#). In these, we cover issues not included in this dossier including reliability, compensation, customer service, complaints, overheating, financing heat networks, and treatment of vulnerable customers. Our focus below is on how the costing of this kind of heating has worked out in Phoenix Works, what residents in other heat networks should look out for, and how heat network pricing can be made to fit with the principles of “ability to pay” that are now increasingly accepted in the energy sector.

## Carbon costs and household costs

The most usual central heat source is huge gas boilers, which often produce electricity as well as heat. This “Combined Heat and Power” (CHP) makes the system “greener” than it would be otherwise, because the heat is a byproduct of electricity production. Networks can also use heat pumps to extract heat from the ground or from water sources, or use waste heat for instance from industry, sewers, or London Underground.

Heat networks are being strongly promoted by the government as a way of reducing carbon emissions. There are currently over 14,000 heat networks serving 480,000 consumers in the

UK<sup>20</sup> and the number is growing quickly. Most new-build apartments in London will have a heat network or be connected to one: it is often a planning requirement.

Many residents in estates with a heat network have access to cheaper heat than they would get from a gas boiler, and are warm and happy with the system. This includes residents in older housing estates where heat may be unmetered, or even subsidised by the council. A study by BEIS in 2017 found customer satisfaction levels comparable to those for other forms of heating.<sup>21</sup> A study by the Competition and Markets Authority in 2018 found that the majority of customers on heat networks receive heating and hot water at prices comparable with or lower than other potential sources of supply, such as gas.<sup>22</sup> And arguably, heat prices should be compared not with the cost of gas but with the much greater cost of electricity, which is now widely preferred in high rise buildings.

However, the same studies note that in at least a substantial minority of networks, the heating is extremely expensive, and/or constantly breaking down. Such studies, and a recent [Housing Ombudsman's report](#), confirm FPA's experience that many networks are badly designed, badly installed, badly maintained, badly run, or all of the above. Many are operated for profit, and the industry is unregulated, although legislation is expected in 2022. The energy regulator Ofgem can put limits on the price charged by suppliers of gas or electricity, which provides some protection for people who have their own gas boilers or electric heaters. But Ofgem has no say over the price, reliability or customer services provided by suppliers of *heat*. Badly designed or run heat networks can leave people cold, financially ruined, and desperate - and they do not even achieve the aim of reducing CO<sub>2</sub>.

On moving into a heat network building, residents are joined up to it automatically. They cannot switch. In theory, they may be protected by landlord and tenant law and other housing legislation (see Introduction), or by contract law. In practice, it can prove impossible even to find a solicitor willing to bring a case. By contrast private heat providers, which in some cases are also housing associations, have deep pockets to employ high class lawyers. There has been one recent victory of a leaseholder in a Southwark council block who fought unjust charges at [First Tier Tribunal](#) and won, but such cases are rare. Instead of the law, tenants have taken to twitter or used other means in a battle to reduce their costs or insist on a better service, and have sometimes won. This has happened in [Stretford House, Trafford](#), on Myatts Field North estate, Lambeth, where a prolonged battle against heat provider E.ON led to some substantial improvements following our report, [Not Fit for Purpose](#) in 2017, followed by a further win in 2021<sup>23</sup>, and at Phoenix Works itself.

Despite the problems that residents report to us daily, FPA has never opposed heat networks in principle. Gas boilers are being phased out and we may soon find that they can no longer

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<sup>20</sup> Of which 12,000 are "communal" networks, serving just one block.

<sup>21</sup> [Heat Networks Consumer Survey](#), BEIS, December 2017. Their price comparison did not take account of differences in the cost of heating different types of housing (eg flats vs houses).

<sup>22</sup> [Heat Networks Market Study](#), Competition and Markets Authority, July 2018. Their price comparison was based on including the cost of maintaining and replacing gas boilers, which should not be included for tenants.

<sup>23</sup> While this dossier was being prepared, residents of Myatts Field North got back in touch with FPA. After a period of peace they have been suffering terrible outages, and are using Not Fit for Purpose and commitments made in 2017 to press heat provider E.ON for improvements now. Under pressure, E.ON held a meeting with 80 residents, and withdrew a price increase, but at time of publication of this dossier, progress has stalled. A key issue is fair compensation for outages.

be replaced when they break down.<sup>24</sup> To convert a heat network to run on renewable energy is easier than replacing large numbers of individual gas boilers with an alternative. Other heating options - hydrogen gas, for instance, or individual heat pumps in blocks of flats, have problems of their own. And super insulation, even to passive house standards, generally relies on some back-up system for the coldest days of the year.<sup>25</sup> Heat networks round the world are developing and decarbonising apace, and seemingly have fewer problems than they do in the UK. Even where costs are higher than they would be with a gas boiler, people in housing with a heat network may be better off in the long run.

But if this is to become a technology of the future, it must be affordable here and now, and it cannot lead to disasters like what has happened at Phoenix Works. Pricing must be

- a) fully transparent, and
- b) set at a level that residents can afford.

## A checklist for transparency

Phoenix Works tenants' long battle has raised big questions that are likely to apply on other estates and developments (the last two don't arise at Phoenix Works):

- Are billing and metering costs inflated?
- Are the meters faulty?
- Is fuel for communal boilers badly procured and overly-expensive?
- Could costs be brought down by better controls, in homes and in the whole network, or by other measures to balance and optimise the use of heat?
- Do the people running the network have the necessary expertise?
- What does it mean when an independent investigator claims that the heat tariff covers only operating costs, and there is "no profit element"? How many commercial entities are providing a service to the heat network, and at what cost?
- Is the heat network terribly inefficient?
- Are homes energy efficient (not to be assumed, even with new builds)?
- Do residents benefit financially from the sale of electricity, if their heat is produced by combined heat and power (CHP)? Most do not realise that, as explored below, the heat price is affected by the way that the process also produces electricity.
- Is the system using "back-up boilers" which were never designed for the full job, because biomass boilers were chosen as primary to meet planning obligations?
- Are tenants picking up costs for repair and eventual replacement of plant, pipework, or equipment in their own homes that would normally be a landlord's responsibility?

And below we consider three more questions, which may help to understand what went wrong at Phoenix Works, and what may be happening elsewhere:

- Do heat network customers, as is claimed, consume less energy than they would need with a gas boiler?

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<sup>24</sup> The Committee on Climate Change recommends that this come into force in 2033.

<sup>25</sup> In Europe, where these passive house standards are more common, heat networks are also long established and assumed in many places. The heat network kicks in when the weather gets really cold, and it also provides hot water. While direct electric heating could perhaps meet this need, would there be capacity in the grid?



- What are, and what should be, the obligations of a social landlord?
- Are tenants and homeowners picking up the tab for development costs, through their heat bills?

## Affordable heat

With huge numbers of people now living in the cold because they cannot afford heating, Ofgem is promoting a principle of “Ability to Pay”, in relation to gas and electric bills and repayment of debt. In the heat networks world, this principle has actually been applied by Aberdeen Heat and Power: in setting prices and working out its policies, it takes account of the incomes of its residents, ensuring that the cost of heat and electricity does not exceed 10% of their expected disposable incomes. This 10% figure is the threshold for “affordable warmth” in Aberdeen, as previously in London.<sup>26</sup> Aberdeen Heat & Power’s flat rate heat charges are currently £10.54 per week for council owned flats of one to three bedrooms. Total fuel costs, including also estimated electricity, come to under 6% of the income of a pensioner couple and under 9% of the income of a single person on a state pension<sup>27</sup>. Yet in London, choices are being made to install heat networks in new developments without reference to whether they will, or can, “avoid high energy bills for occupants”. Despite our efforts, this stipulation was deliberately left out of the 2021 London Plan requirements for most of London, which strongly encourage heat networks.

Legislation will undoubtedly strengthen residents’ hands against extra-high prices, unreliable heating, and poor customer service. But it will not solve the basic problems of heat network financing, nor the complications where customers are tenants of a social landlord or where the basic infrastructure is poor. Crucially, legislation is not expected to bring a cap on heat prices, at least initially. It is argued that, much more than the costs of supplying gas or electricity, the costs of building and running a heat network vary from place to place, and that a one-size fits all “cap” would deter investment in the more expensive areas. A cap is also said to be unsuitable “at this early stage”.

We are not convinced. A cap might not sit easily with a commercial market framework, or a growing industry, but might be very healthy for growing children. However, an alternative approach would be for heat charges to be benchmarked to residents’ incomes, as in Aberdeen. Careful estimates should be used at the planning stage for a heat network, to determine how it should be financed, built and managed, and whether it is appropriate for that site at all. Where a heat network cannot be made genuinely affordable - if it adds to fuel poverty instead of preventing it - then another solution must be found for heating homes.<sup>28</sup>

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<sup>26</sup> Fuel poverty definitions in most UK countries [define a household as fuel poor](#) “if they are required to spend more than 10% of their income on fuel, so as to maintain an adequate standard of warmth.” Scotland uses 10% of *disposable* income as the threshold, and this has also been used in [London](#). The fuel poverty definition in England has now changed, to focus more attention on the energy efficiency of buildings. But for pricing purposes, the previous measure is still useful.

<sup>27</sup> See p.13 of [Energy Action Scotland’s Energy Review Spring 2021](#). There is a 66p per week maintenance charge but this is covered by the Council for social housing tenants.

<sup>28</sup> This principle is at work elsewhere. The Netherlands, for instance, is strongly committed to phasing out natural gas, with heat networks part of the alternative. [A report from the Drechtsteden region](#) notes, “To avoid financially burdening residents, we only expand the network when we can guarantee that heating costs for residents will not increase. [...] public funds were recently made available for the expansion of the heat network to an additional 6,000 dwellings, all social housing.”

## The myth of greater efficiency

One problem is that many housing associations, and even local authorities, have no staff members who understand how heat network finance works. The same can apply to management agents like KFH. So members of staff may be ill-equipped to counter a common myth circulated by the heat network industry, according to which efficiency savings make this form of heating a good deal. On 05 August Jeremiah Kingston of Peabody, wrote to Ms Lewis maintaining that:

*"It is not possible to make a fair comparison to the cost per kwh for heating from a district heating system to that of a traditional gas boiler. The reason why is a standard gas boiler will use on average 9000 kwh per year and will cost around 3.5p per kwh. The average usage for someone on a district heating system is 3000 kwh per year. You are charged 7.5p per kwh."*<sup>29</sup>

This argument is commonly promoted by the industry<sup>30</sup> but it is misleading. Homes on heat networks are generally not whole houses but flats, surrounded top, bottom and sides by other warm spaces, and modern flats (where most heat networks are being installed now) are generally better insulated. The apparent huge advantage for heat networks is achieved by comparing apples with grapes.

The claim that heat networks are more efficient than gas boilers may be true, based on theoretical models, but it often falls flat in the face of reality. The losses from transporting heat around a network are substantial. Design is often far from optimal, with oversizing the norm rather than the exception in networks built over the last 5-10 years. Many produce twice as much heat as is needed, and more than that in the summer when the need is only for hot water. The [Chirpy Heat report](#) says *"Heat network efficiency assumptions are usually based on an average boiler efficiency of 75-80% and distribution network efficiency of 60%, leading to an overall figure of 45-48% heat network Efficiency"*. Efficiency under 50% will roughly double the price of heat. We understand that efforts to improve these figures are now beginning to bear fruit, but even on recent, optimised systems efficiency is not great.

Attempts to offer lower prices are further confounded by the huge capital costs of setting up heat networks in the first place. The national gas network pipework was paid off decades ago. But heat networks often require new infrastructure, and it is often a small pool of households who end up paying for it. Developers and network operators have little incentive to keep costs down if they can simply recoup them from end users. And they often do not have, and are unwilling to buy in, the necessary expertise to optimise controls and make minor adjustments that could improve efficiency by several percentage points.

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<sup>29</sup> The same argument had been advanced by Ms Kumar, on 26 May 2020. Meanwhile Ms Ballast wrote on 14 February 2020 that *"Heat tariff cannot be compared to a gas tariff as ISTA are not a supplier but a billing agent, which cannot be compared to British gas etc"*.

<sup>30</sup> Another common argument, not applied at Phoenix Works, is that the cost of heat and the cost of using an individual gas boiler cannot be compared by looking at tariffs per kWh, because people with gas boilers also have the very considerable cost of maintaining, replacing, and often insuring their boilers. This is true for homeowners. However it is not true for tenants, who are not normally responsible for boiler costs. For *tenants*, an individual gas boiler would be cheaper to run than buying heat, unless the heat tariff is very low.

In addition, most networks now are based on combined heat and power (CHP) - gas or other fuel being burnt to produce electricity at the same time as heat. This brings down carbon emissions, but at a cost - it makes the system less efficient at producing heat. This too increases the price paid by heat consumers. The electricity produced is sold - but heat customers may not benefit from the proceeds. While most people are very glad to contribute to any reduction in climate change, the costs and benefits should be distributed fairly.

In the face of all this, there are heat networks which have managed to produce heat at a very good price but they are dependent on knowledgeable, accountable design and management dedicated to this goal.

The efficiency of the heat network at Phoenix Works has been the subject of investigation, with more to come.

The "[Tariff Review and Frequently Asked Questions](#)" states:

*"Combining the expected efficiency of both the Communal Boilers and the distribution pipework, this creates expected system efficiencies of between 42% and 64%."*

*"Therefore to provide 100 Kwh of Heat to an individual property between 156 – 238 Kwh of gas is required, dependent of exact system efficiency."*

These rates are a long way from the superior efficiency that Ms Lewis had been told would keep her home warmer, for less. Yet they seem to be in line with what is expected for heat networks generally..

The pros and cons of heat networks are very much under discussion in a world where modern flats are, or should be, insulated to the point where little heat is required and where decarbonised electricity and/or heat pumps may provide alternatives. We believe there is still a good case for this kind of communal heating in many situations. But the crises being faced by many current heat network users must urgently be resolved.

## When heat networks and convoluted housing structures mix

Particular attention must be focused on how the high costs associated with many heat networks combine with the convoluted and unaccountable structures that have taken over UK "social housing". How will heat networks be controlled in such a situation? An email to FPA from Rachael Mills, Secretariat of The Heat Network (a forum to discuss and share good practice about district and communal heating within social housing, of which Peabody is a member) is informative:

*"For housing associations, the schemes that are managed by third parties / ESCOs<sup>31</sup> are really tricky. It's got a lot of us scratching our heads about the best way to intervene and protect our customers. Often, we only have a small % of the flats across a wider scheme (as s106 partners) and often have to 'get what we're given'. I know that daily standing charges on these private schemes can often be 2 or 3 times what we charge for our own-managed schemes, and it rightly gives rise to lots of complaints." (31 March, 2020)*

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<sup>31</sup> ESCOs = commercial "Energy Supply Companies"

We do not believe that housing associations are really powerless here. We note that Peabody considered withholding service charge payments to KFH, although they did not do so. They could have negotiated a good deal on heating at the outset, and enshrined this in a contract, or not taken the flats at all if the heating was going to leave their tenants in such an impossible position. Having failed to do that, they could have informed prospective tenants of the problem and given them a choice. Having failed to do *that*, they could have protected their residents by reducing, or at least holding down rents. They could still do so. They could have done the research we did in producing this dossier. Housing associations nowadays have very deep pockets (unlike FPA, which is unfunded). They could, and should, have raised a hue and cry. They are, after all, responsible for providing safe, warm homes, and homes that are genuinely affordable.

The Housing Ombudsman in February 2021 produced a report called "[Cold Comfort: Spotlight on complaints about heating, hot water and energy in social housing](#)" which made clear that social landlords are responsible for tenants' heating, where the landlord has a contract with the heat provider. They say

*"The landlords we consulted highlighted the importance of clear and enforceable contractual arrangements. Landlords should ensure that their contracts with providers and maintenance companies are robust and focused on delivering a good service to residents. They should consider including break clauses and penalties in contracts. Landlords should monitor performance and take action to enforce the terms of the contract if necessary."*

In other cases, where tenants have a direct contract with the heat provider, responsibility lies with the heat provider, rather than the landlord. In Phoenix Works, tenants have no such contract, despite Peabody initially asserting that they do. The estate management discusses their tariff calculations and plans with Peabody, not with residents. Yet Peabody, who ironically were prominent among the landlords consulted by the Housing Ombudsman, appear to have no enforceable contractual arrangements with the heat provider. If this is the case, it can only be their own responsibility, and residents should not be expected to pay for their mistake.

On a policy level, we would suggest that where the management of the estate and the heating is a Flat Management Company, as at Phoenix Works, provision should be made for the social landlord to be a Director on the company board, with a weight proportionate to the number of tenancies they represent, and a responsibility to consult with their tenants.

## At the start of a scheme

From the information obtained by one persistent tenant, it seems likely that on Phoenix Works the price of heating when tenants moved in was set at a level designed to cover development costs. Were tenants subsidising bills for heat accrued before they moved in?

- The purchase price for gas was very high, and the heat provider claimed this was normal and unavoidable because gas had to be purchased at a non-contract price until development was finished "*in order to avoid lengthy termination clauses*". Was

no one looking out to sign a gas contract, at a better rate, when development was complete, and then recalculate the cost of heat?

- The price-setting assumed a very low level of efficiency (37.5%) meaning that much money would be spent to produce a small amount of heat, thus pushing the price up. When the price reduction was achieved, the new price was still based on a 45% efficiency rate because efficiency is lower on an estate before all the residents move in. It should have been based on efficiency once full occupation was achieved.
- The size of flats used for the purpose of estimating future heat use was incorrect, which would also push up the price.
- The refunds that were supposed to cover what tenants had been overcharged appear to have been based on figures from “the initial build”, or from 31 October 2018, nearly a year before any Peabody tenants moved in.
- An email from KFH (14 February 2020) says “*The previous tariff was approved by KFH and based on costs provided to ISTA by Fairview in **February 2018**. ISTA reviewed the tariff early Feb and found that the tariff was previously set too high. We have received an over charge on the account for the period from 31/10/18 – 31/10/2019. (Our emphasis)* Tenants moved in in late September/early October 2019 but continued to be charged “the previous tariff”. It’s not clear who KFH received “an overcharge” from, how it was calculated, or how much of it, if any, was reflected in the refunds to tenants.

Explaining why figures from before they moved in had been used to set the price of their heat, Mr Elliott-Leigh wrote on 19 February, “*I’m afraid there is no alternative and this is normal practise when managing these types of systems*”. It may, in fact be common practice, but the alternatives are clear.

Leaseholders who buy a flat expect to be buying a finished product, not continuing to pay development costs. Tenants should not be paying development costs at all. The costs and risks of development should not be outsourced onto the shoulders of low-income residents - least of all by depriving them of heat.

## Similar and different experiences - two other estates

### Quaker Court TMO, Islington, reliable and well priced

It is important to remember that the problem is not district heating in itself. Heat networks are not suitable everywhere, and need careful thought before being installed in new developments where insulation should bring the need for heat near zero. But in existing housing, there are many examples of estates where residents have fought to win a heat network, or to keep one where it is threatened, and many others too where people just enjoy reliable warmth at a reasonable cost. An account of one such was provided by Glyn Robbins, the Tenant Management Organisation (TMO) Estate Manager at Quaker Court TMO in Islington. He is a reliable source who has been actively involved in defending the right to good housing. He writes:

*The district heating/communal boiler here covers 15 homes, all one-bedroom or bedsit flats (including the TMO office where I am). It operates from a small plant-room, maintained by*

*Islington Council, through its contractors. I have worked here since November 2011. Since then, there has only been one occasion when the system seriously failed, leading to compensation to residents. From memory, the system was down for 2 - 3 days. Otherwise, we very rarely have complaints about it, other than sometimes when residents feel the Council has not switched the boiler on early enough in the Autumn. The only other regular problem is confusion on the part of the Council about who is responsible for the communal system, as opposed to the individual boilers on the rest of the estate.*

*The system provides more than ample space and water heating. As I write this, it's the coldest morning of the winter, but [my] flat is very warm and I have had to turn the radiator down (although do bear in mind that these flats are small). I can't immediately find a bill, but whenever I've looked at them in the past, I've been struck by how low they are - no more than £10 a week. This is confirmed by residents.*

*Overall, both as a manager and a user, I'd say the system works very well. There is room [for] improvement and it's frustrating that the Council hasn't installed solar panels on the extensive flat roofs here, or done anything about insulation. That is, perhaps, something the TMO could do more about, given that it has a degree of control over local expenditure.*

## **St Clements, Tower Hamlets, has huge standing charges for heat**

St Clements is another new development in Tower Hamlets less than a mile from Phoenix Works. It has 252 units on a heat network. There too, Peabody leases part of the development (47 homes), and sublets to affordable housing tenants, and there too, ista is the billing agent.

In this case tenants were informed about the heat network when they accepted the tenancy. It is included in their Tenancy Agreement, with Peabody Trust themselves as the heat supplier but a provision included in the agreement stating that this could be changed. Peabody agreed initial heat charges with the heat provider. Both tenants and leaseholders signed a heat agreement.

However, here too there is a lack of transparency about costs. The heat tariff is now higher than at Phoenix Works and the standing charge is particularly high: £1.03 per day for both leaseholders and tenants.

St Clements residents have submitted this account:

*Residents of the St Clements Development in Tower Hamlets have a community Facebook page where they discuss neighbourly issues. On this page again and again tenants and leaseholders were flagging that they had extremely high bills for heating and hot water and they didn't understand why. It transpired that although the district heating system was part of*



*residents lease agreements there was little detailed information provided to residents about the costs.*

*Leaseholders reported being told by estate agents that the district heating system would be a highly competitive addition to flats, whilst affordable homes tenants were given little to no detail at all. The residents came together following a message from a tenant at Phoenix Works, to compare their own challenges and issues with the supply and high costs.*

*So far they have emailed various representatives from involved parties and suppliers but are still none-the-wiser as to the driver of the astronomically high costs of their heating and hot water.*

### **Ardor Biomass**

*Ardor Biomass, a company incorporated in June 2015 by Scottish Equity Partners, (SEP) was chosen to build and operate the energy centre and district heating network at the development of the former St Clements Hospital. They started supplying heat and hot water to residents in November 2016. St Clements was their first project.*

*Press reports when Ardor Biomass was launched in September 2014 state they were to receive government funding for the St Clements project through the Renewable Heat Incentive. They also received £9m from SEP's Environmental Capital Fund.*

*SEP said the network would:*

*"use a dual-fuel biomass pellet and gas boiler system [...] Ardor will generate income from heat sales as well as through the Renewable Heat Incentive (RHI), the Government's environmental programme that provides financial incentives to increase the uptake of renewable heat.[...]"*

*There is a significant market opportunity in helping transition the UK to low carbon heating solutions. SEP's investment in Ardor will facilitate the roll out of a number of low-carbon heat-driven projects across the country.'*

*[...] We believe this project will act as an attractive template for heat and energy provision as a service for multi-tenant housing developments across the UK."*

*In practice, however, the project experienced delays and operational issues in relation to the energy centre and residents billing, the fuel used appears to be mostly gas, and Ardor has been loss making since inception.*



*The directors commenced marketing the company for sale in June 2018. During the course of the marketing period, it became apparent that due to operational issues of the energy centre, lack of operational track record and the losses made, a going concern sale would not be achieved.*

*Ardor Biomass went into administration on 14 January 2019 and the equipment of the energy centre transferred to the developer, Linden Ltd. St Clements Site Management Limited (a nominee company for Linden) paid £1 for the tangible fixed assets.*

### **Standing charges are high**

*Initial charges that Ardor Biomass signed for with Peabody were:*

- *88p daily charge and 8.8p per kWh usage charge for tenants, and*
- *£1.03 daily charge and 7.8p per kWh for leaseholders*

*From the beginning of 2019 when St Clements Site Management Limited took over the energy centre prices for tenants and leaseholders changed to:*

- *£1.03 daily charge and 6.5p kWh usage charge.*

*By comparison, Phoenix Works has a 37p daily charge and 5.99p kWh usage charge.*

### **What does the standing charge cover?**

*Tenants have never received a statement of what the heat charges (tariff and standing charge) pay for. We need this transparency. Customers of gas and electricity companies get detailed breakdowns showing what proportion of their bills covers what.*

*Leaseholders' documents state:*

*"In addition to the Charge, the Customer will pay the Standing Charge to the Supplier.*

***The Standing Charge pays for the maintenance of the network of pipes and other equipment that carries the Heat Supply to the Property."***

*Unlike leaseholders, tenants are not responsible for the cost of maintenance or replacement of household heating equipment, or of the energy centre and pipework, so they should surely be paying less, as they were under Ardor. Yet now their standing charge is exactly the same as for leaseholders. Tenants use pre-pay meters and do not see bills. They say ista are generally easy to contact but any requests for a breakdown of charges are promised but fail to materialise.*

*A Director of St Clements Site Management Limited and Finance Director of Linden) has written to a St Clements resident:*

*"In respect of arrears, clearly there is a cost involved in chasing overdue debts, this cost can only be covered by the overall standing charge."*

*Yet if we are covering the cost of chasing arrears then why are residents reporting that they aren't being chased, even when badly in arrears? In any case, Peabody and Land Trust tenants cannot go into arrears. Their pre-pay meter cuts heat off at minus £5. Should they be paying for the cost of chasing leaseholders for payment?*

*One resident has email evidence from Ardor Energy which states that the daily standing charge was so high because Ardor was recuperating costs from installing the Energy Centre in the first place. If this was the case then this is unacceptable. Residents moved into a completed development and should not have footed the bill of the energy centre installation, which was also supported by government funding.*

*Another possible explanation is the number of businesses involved in running the heat network.*

*St Clements Site Management quoted in an email that the following companies are subcontracted to manage the DHS at St Clements:*

*"We are in contract with Ista for billing and customer support and Pinnacle for maintenance. Gas is contracted with EON and Electricity with British Gas.*

### ***Where is our money going?***

*We should not be having to guess what our money is paying for. We need a transparent account of where it is going, and a right to challenge this.*

*There is a lack of transparency regarding expenditure on the heat networks. Responses when queried have been opaque and generalised. As residents we suspect that the amount of sub-contractors involved in the DHS at St Clements also prevents economies of supply - as every supplier will be adding something to their costs in order to make a profit. We have not seen any tender documents which state how much each contractor receives and what service they are expected to supply.*

*St Clements Site Management Ltd. maintain that they do not make a profit from the daily standing charge - which then means that the over £90,000 per year is going into managing the*

system before any fuel costs are figured at all (£1.03 per day standing charge x 365 x 252 tenants = £9,4739.4)

### Summary

*Given the hapless performance of Ardor Biomass from the outset until their demise (who engaged them?), and the lack of consistent information or responses from St Clements Management Limited, it is not surprising that residents have little trust in the quality of information they receive.*

## Roles, relationships and responsibilities at Phoenix Works

Council tenants have a landlord responsible for tenancies, maintenance, estate management, heating equipment, and in some cases heating supply.<sup>32</sup> In situations like at Phoenix Works, there is a whole array of bodies, more or less commercial, involved in fulfilling these functions. This marketisation and splitting of responsibilities can give birth to many different problems. The exact configuration varies from one estate or development to another. The relationships below, painstakingly researched by tenants and FPA, give only an example of what residents in other places can look out for.

### Peabody housing association

Of the 143 flats in Phoenix Works, Peabody are the leaseholder of 40: 12 shared ownership homes and 28 “affordable rent” homes, spanning three blocks. Peabody is the social landlord of these tenants. This arrangement is now common, with “social landlords” being an intermediary between people needing housing and private freeholders and developers.

A social landlord is responsible for ensuring that affordable rent homes provide a healthy environment for their tenants. They are also responsible for ensuring that homes are allocated to tenants who can afford to live in them.

Peabody have never admitted that their failure to include heat costs or even the existence of a monopoly heat provider in the tenancy agreement made them responsible for what ensued. Nor did they take responsibility for failing to pin down a reasonable heat price, and secure it by contract. Like an innocent first time buyer, they seemed bemused that the prices being charged for heat were far higher than what they had been told in advance.<sup>33</sup>

They say that when they took the properties, they “*did not consider the potential heating charges.*”<sup>34</sup> This is negligence, especially in a social landlord. Heating is not an optional extra in housing. It is an essential, like the roof. And it is part of what Peabody will have had to secure for tenants on their many other estates, as shown by the fact that it features in tenancy agreements – with this part left blank at Phoenix Works. In neighbouring St

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<sup>32</sup> Of course, council housing has its own problems, due partly but not entirely to severe underfunding of local authorities. Some council tenants on heat networks, in Southwark for example, have suffered years of constant outages, losing heat and hot water sometimes for months at a time.

<sup>33</sup> Email from Yasmin Kumar, 26 May 2020.

<sup>34</sup> Email from Mr Kingston, 05 August 2020

Clements estate Peabody agreed, on taking the lease, that at least initially they themselves would be the heat supplier. For a major, long established housing association, there should have been no need for “*hindsight*” (see 05 August 2020) to know that they needed to secure a contract for affordable heat -- or at least alert tenants to the issue at the time of financial assessment. Ms Lewis says, “*We would never have chosen to live this way had we been given the choice*”. But instead of absorbing the costs of the disaster which they had been party to creating, Peabody left their tenants to pick up the tab.

Peabody repeatedly told tenants that they were not responsible for the tariffs and that tenants should not be coming to them with this problem, but should deal directly with KFH, just as they would deal with a gas or electricity supplier themselves. They maintained this position even when KFH refused to communicate with tenants because KFH’s lease was with Peabody, not their tenants. Peabody told tenants that they, the tenants, had a contract with KFH, when this was demonstrably not the case.

They were, as they claimed, proactive on tenants’ behalf. Peabody queried the prices with the estate management company KFH, pointing out glaring errors and the inclusion of elements that never should have been in play. In response to tenants’ persistence (and perhaps to the pressure of outside inquiries from FPA, BEIS, and the media) they stayed on the case, commissioning an independent inquiry, and then a second one when the first investigator pulled out due to a conflict of interest. But they seem to have accepted that ultimately there was little they could do. Their lack of power in relation to their landlord - having failed to secure an adequate contract with them in the first place - trumped their obligations to their tenants.

It is within Peabody’s power to reduce the level of rent they are charging to tenants to alleviate the financial burden they have locked tenants into unwittingly. They were asked to do so by tenants and FPA, but have chosen not to.

Peabody considered withholding service charges from KFH<sup>35</sup> but ultimately did not do this either.

The recommendations of the independent report that they commissioned have generally not been implemented.

For more background information on Peabody please see [Housing Associations and ‘Affordable Rents’](#).

## Kinleigh Folkard & Hayward (KFH)

London estate agent KFH is the managing agent on the estate, contracted by the freeholder to manage the estate on their behalf. It decides the heat network tariff in collaboration with ista Energy Solutions Limited (ista), subject to the approval of their client.<sup>36</sup> Until recently, KFH refused to communicate with tenants, referring them to Peabody. Tenants have no contract or Customer Service Agreement (CSA) with KFH. It has also refused to communicate with Fuel Poverty Action.

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<sup>35</sup> Email from Mr Kingston 25 November 2020.

<sup>36</sup> Or maybe, at the *direction* of their clients, PBSM (below)? On 28 May 2020 Yasmin Kumar wrote to Ms Lewis, “In terms of blaming kFH, or ista. It is not the case. kFH were just as surprised as we were regarding the tariff.”

KFH is a high street estate agent, which appears to be moving into the field of estate management. It is a profitable company, with one major Shareholder, Lee Thomas Watts, who owns over 75% of the company and is its Managing Director. KFH is not supposed to be making a profit on heat, and without detailed accounts there is no evidence that it is doing so.

KFH in collaboration with ista produced the only document tenants have ever received about how their heating system was supposed to work, and what to do about problems. This was the “*Tariff Review and Frequently Asked Questions*” document dated 01 February 2020 and sent to one tenant in June 2020. It says nothing about what to do if you question the tariffs imposed, but does give advice on a related issue that makes clear tenants should approach them only through their social landlord.

## ista Energy Solutions Limited (ista)

ista is the metering and billing agent and has also been referred to as the “heat provider”. ista reported a £1.4 million loss in its latest accounts.

Managing director of ista, [David Lewis, said to the East London Advertiser](#) in spring 2020, that as the billing agent, ista had no responsibility or control over the tariff but only advised on it based on metered data. They appear to have been involved in working out residents’ bills for approval by KFH, despite being incapable of doing so reliably. Peabody produced an extraordinary list of basic errors that ista had committed in calculating what residents must pay (see [05 May 2020](#)). Meanwhile, ista failed to release the metered data to the residents or to their landlord, until they were finally forced to give heat usage figures, for one tenant only, in January 2021.

We now suspect that ista has been retained even after failing the most basic requirements for fair and accurate billing, because the meters they installed can only be operated by them and would cost [£500 each to replace](#). However, we understand that these meters only have an expected six year life, and may well have been functioning very poorly in any case.

The Chirpy Heat report says ista’s prepayment meter customers are paying £90 a year each (before VAT) for the service of metering and billing, and says this is “in line with industry averages”. It is hard to understand why such a service, which is based on automated readings and calculations, cannot be provided for much less.

## Fairview New Homes Limited (Fairview)

Fairview was the developer of the site. In their [brochure](#), they advertised Phoenix works as a superb energy efficient home where residents would enjoy low fuel bills.

## Phoenix Broomfield Street Management Limited (PBSM)

Phoenix Broomfield Street Management Limited (PBSM) was established by Fairview in 2016, under the same office address and with one of the two directors at the time of incorporation also being a Main Board Director of Fairview New Homes. The other director was linked to KFH. There are seven current active directors, and 12 resigned directors, many of whom have current or past directorships of Fairview and links to KFH.

According to [Companies House](#), PBSM buys and sells real estate, manages real estate on a fee or contract basis and lets and operates their own or leased real estate. PBSM submits “dormant” accounts to Companies House, where net assets and reserves held are reported as £0. In reference to this, Mr Elliott-Leigh of KFH told Ms Lewis on 19 February 2021:

*“It’s a quirk of Landlord & Tenant Legislation. The money the private flats and indeed Peabody pay in service charges is held by the Company ‘In Trust’, it is not considered actual income to the company and therefore the company is technically dormant.”*

Companies House website does indeed provide for what looks like a “quirk”. A “flat management company” can be set up and remain “dormant” so residents can jointly run a property, for example a block of flats, without being forced to pay taxes on their collective endeavors. This is on condition that the company does not “make a profit” or “pay dividends” or other payments from profits to shareholders.

Referring to PBSM, a section from the brochure advertising Phoenix Works written by Fairview states:

*“OUR MANAGEMENT COMPANY. A Management Company will be formed for the benefit of all home owners, who will become members upon their legal completion. The Management Company will be responsible for building insurance and for the maintenance and cleaning of common areas, e.g. staircases, bin stores, gardens, access ways etc. Service charges will be payable to the Management Company.”*

The nature of PBSM as a company and its role in Phoenix Works remained obscure to tenants until recently. But tenants learned early on that at least some directors lived on the estate. In the context of the unaccountable and excessive heating bills this led tenants to fear that they were being exploited by their own neighbours. On 19 February 2021, Ms Lewis was informed by KFH that PBSM is a management company with a Board of Directors who are leaseholders at Phoenix Works and that they are the ultimate decision makers on the heat tariff.

There are still a number of questions surrounding PBSM. :

- Is PBSM responsible for agreeing the exorbitant 13.77p/kWh initial tariff?
- Where did the excess money go from the 13.77p/kWh initial tariff? Where was it held for the 15 months before a portion of it was returned, and did it accrue interest? If so, where is that?
- According to Companies House, “dormant” companies do not pay corporation tax. If the monies they collect in service charges and heat charges are “not considered actual income” does that mean that any excess from these charges accruing to the company is “not considered actual profit” and any payments from this excess are “not considered actual dividends”?

For transparency, and in the hope of establishing harmonious relationships, it is vital for these questions to be answered. But the answers will not necessarily show that anything is untoward. A model of heat network governance based on residents’ control - and a principle that it should not distribute dividends - could even have advantages, compared to the usual system where the network is in the hands of a profit-making “ESCO”: an Energy Supply Company. Contracts with ESCOs are usually very prolonged - 25 years for example, and

residents have no route of escape, whereas PBSM directors can, if they choose, get rid of contractors that are failing to adequately manage the system, or failing to procure good prices for gas or from contractors, or failing to respond to residents' complaints.

The problem is that when a proportion of residents are social housing tenants subletting from a housing association, neither they, nor even the housing association has a seat at the table where these decisions are made. "Affordable homes" tenants cannot become members of the company or join the PBSM board or be represented by it. It appears to be for leaseholders only, and we wonder if it is accessible or transparent to all of *them*. Peabody, though a leaseholder, is not represented. There is no residents' association to represent tenants, no meetings are held to inform or consult them, and promises are broken again and again.

## Chirpy Heat

Chirpy Heat is a heat network consultancy that advises housing providers on how to make heat networks financially viable and help them provide affordable, efficient and reliable heat for customers. In August 2020, Peabody called in Chirpy Heat as an independent investigator to assess the problems of the heat network and suggest solutions.

In its [report on Phoenix Works](#), Chirpy Heat:

- analyses the components of tenants' heat charges, and compares these charges with those on other heat networks
- identifies minor elements of the charges that should not be there, but concludes that the major problem is a bad price paid for the gas to run the boilers
- makes recommendations on how to bring the tariff down, and says the historic overcharge should be refunded
- says the heat tariff covers only operating costs, and that, in line with what they "would expect to see in the market", there is "no profit element"
- says the heat network's efficiency is 45-48% but that this is also in line with what they would expect in the market
- notes the absence of any customer heat supply agreement, information, communications, complaints procedure, vulnerable customer support, or customer service standards
- uncovers some extremely strange and unexplained meter readings which they say should lead to a full investigation to determine the real heat consumption in every flat (they offer to do this)
- recommends further investigation of technical performance and efficiency
- recommends a "Residents meeting to present tariff review findings", via video if necessary, to include Chirpy Heat, Peabody, and other stakeholders if possible.

However, as far as we know, Chirpy Heat visited no homes, and did not ask any residents for their experience or comments. So it should not be surprising that Chirpy Heat makes blanket



statements that do not chime with tenants' experience or with the content of their own report. For example, they state that Heat Supply Agreements (or equivalent) were "*provided in [tenants'] welcome pack*" (they were not), and that, in accordance with metering and billing legislation, customers are billed "*fairly, transparently and based on actual consumption where cost effective to do so*". Perplexingly, they say, "*Generally the heat tariff is fair, reasonable and competitive [...] The heat unit charge is around 25% higher than comparable heat networks*". This encouraged KFH later to claim, "*[p]lease note Peabody's own independent audit did not raise concern over the tariff in force from 1 February 2020*".

Notably, in the report, Chirpy Heat

- makes no judgments on the four month period at the start of the tenancies, beyond acknowledging that the tariff was too high and the overpayment should be refunded. In the light of Peabody's stated intention for a consultant to look at the tariffs "*from the start of the billing*" (01 April 2020), it is disappointing that this does not seem to have been part of the investigator's remit.
- does not investigate the arbitrary nature of the original charges, the integrity or competence of those who were taking tenants' money for heat, or the apparently total lack of accountability to tenants, who do not even have a contract.

Both Peabody and KFH committed to abide by Chirpy Heat's findings. So far as tenants can see, nearly six months on from handover of their report, none of their recommendations have yet been implemented. An exception is the refund, which is in dispute.

## Fuel Poverty Action (FPA)

Is a small grassroots group that was started by people from Climate Camp in 2011 to fight for energy that is both affordable for all and sustainable in terms of climate change. Much of FPA's work is devoted to working with residents of housing estates and developments who need better insulation or other home repairs or improvements to keep heat in, and/or need heating systems that are less expensive to run, and more reliable. Soon after the Grenfell fire FPA started the 'Safe Cladding and Insulation Now' campaign, and work continues with tenants on affected estates.

Since 2015 FPA has worked with residents trying to get some accountability from their heat networks. This dossier is part of that ongoing work. For more, see the [consultation responses](#) to BEIS and the GLA in resources page on FPA's website, and the [report on a south London heat network](#) prepared with Dr Stuart Hodgkinson in 2017. FPA has also worked to inform tenants of their rights (the few they have), lobbied on their behalf, and put them in touch with residents on heat networks elsewhere, and with outside sources of help and information.

FPA also campaigns on energy pricing, prepayment meters, renewable energy, and low incomes e.g. for pensioners, disabled people, and unpaid carers. FPA offers advice and referrals to individuals battling debt and cold, and feeds into the work of other organisations and networks around the issues of housing, climate change, and poverty. Its most recent major event was the conference, [Making Green Come True](#). Its latest annual report is [here](#).

FPA is currently unfunded and welcomes donations, other support, and new members.



## PART FOUR

### Tenants' demands

Note: these demands attempt to find solutions in a complex situation. Clearly, in trying to construct an accountable system, no one would start from where tenants find themselves now.

#### **Accountable charging for heat**

1. Full accounting of heat tariffs and standing charges implemented from the dates tenants moved in up to the present to be shared with all tenants.
2. Full accounting of what cost elements go into making up these charges at each stage, including the prices of gas and electricity to run central boilers, amounts used, the costs of billing and metering, and any administration charges.
3. A written contract which ensures that tariffs and standing charges in the future do no more than cover reasonable costs.
4. An assigned representative from Peabody to proactively liaise with residents, keeping us informed on all matters related to heat and services including charges and expenditure, attending leaseholder meetings with the estate management company, and representing us with our views/issues.
5. Peabody must be shown the costs and calculations in advance of tariffs and standing charges being finally determined.
6. Peabody must share this information with tenants and give us a chance to raise issues and get answers.
7. Clear sanctions and remedies for breach of agreements or contracts.
8. Recommendations in the 2020 Chirpy Heat report into Phoenix Works heating to be fulfilled, in consultation with tenants, including those concerning communications, customer service, refund of overpayment, better procurement of gas, and a "full analysis of consumption data of all the flats to identify any irregularities [that] could indicate faulty meters".

#### **Heat charges to be affordable**

9. Peabody to benchmark heat charges against our resources as affordable rent tenants, with an expectation of no more than 10% of disposable income to be spent on heat and power.
10. Peabody to make up the difference if charges are higher, or take responsibility for paying the heating costs billed by KFH, and in turn bill tenants.
11. Fair and accountable distribution of the value of the electricity produced by the combined heat and power (CHP) boilers and by solar panels on roofs. Addition of more solar panels where beneficial to residents.

#### **Efficient, reliable supply and control of heat, and energy efficient homes**

12. Adjustment of the radiators, thermostats and controls in all flats and a thorough review of all aspects of the heat network to achieve optimum heat for minimum cost.
13. The Heat Provider for this development to join the Heat Trust<sup>37</sup> and adhere to the standards set out in the Heat Trust rules, including those concerning outages and treatment of vulnerable customers.
14. Thermal imaging to discover heat loss from walls, window frames, and in some cases floors; assessment of flats' actual energy efficiency and remedy where it is poor.

### **Tenancy agreements that include commitments on heating**

15. Legal tenancy agreements to be reissued by Peabody including an explanation of the heat network, who is responsible for it, tenants' right to a customer service agreement, and what they can do in case of disputes about the tariff, or problems with the heating equipment in their homes.
16. A commitment that if heating costs escalate again to the point where homes are not affordable, Peabody will compensate for this by a reduction in rent, since the homes were bid for and accepted on the basis of being affordable.

### **Compensation and a public inquiry**

17. Full refund of any monies paid in excess of a reasonable tariff and standing charge, that is, what the tariff and standing charge would have been if they had covered the costs without profit or subsidy of development costs, and assuming a level of competency in procurement and management that is commensurate with the task.
18. Compensation for people who have gone cold, become ill, or have been forced to move out of their homes in winter months because they cannot afford to pay for heating.
19. An apology from Peabody, KFH, ista, and Phoenix Broomfield Street Management Company Ltd to all tenants for the distress they have suffered and the damage to their mental and physical health.
20. A public inquiry to uncover what has happened, where the money from overpayments has ended up, how chains of responsibility and finance in this and other developments can become so degraded that residents have no remedy against indefensible prices, and what can be done to prevent this happening in future, at Phoenix Works or elsewhere. Such an Inquiry (or inquiries) could be conducted on a local, London-wide, or national level, by the local authority, the Greater London Authority or the national government.

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<sup>37</sup> The Heat Trust describes itself as "an independent, non-profit consumer champion for heat networks that holds suppliers to account for the benefit of everyone involved. Membership of the Heat Trust is voluntary for heat suppliers."

## PART FIVE

### Conclusion and Appendices

#### Conclusion

Tenants' long battle for warmth has won a great deal but it is far from over. While their tariff now is under half of what it was, they are still locked into a system in which they have no voice and no protections against future price rises, and no protection from other potential problems with their heating, like the unreliability that plagues many district heating estates. Without the transparency and accountability that tenants have called for there can be no guarantee of prices for heat that are either affordable or fair. They also need compensation for the losses and suffering that they and their families have endured.

In addition, Peabody still needs to establish what work is needed to make tenants' heating and controls more efficient, and to ensure that their meters are accurate and their homes are as well insulated and energy efficient as any modern new build should be.

What Phoenix Works tenants have established, however, is that they cannot be palmed off with promises, excuses, or claims that "nothing can be done". That when an immovable object (governance of social housing on a private estate) meets an unstoppable force (the tenants) it is not always the tenants who must give way. That residents' health and financial stability are not luxuries that can simply be sacrificed because a heat provider "must" set tariffs in advance to cover their own or developers' costs and the profits of multiple commercial parties involved in providing heat. That demands for fair heating are part of the movement for good housing, and a home is not affordable if you can't afford to heat it.

Fuel Poverty Action is under no illusion that these principles will be applied everywhere in the UK, or even at Phoenix Works. But they are the touchstone against which policies and frameworks must be weighed - policies and frameworks that govern district heating, heating in general, and housing as well. We are confident that the arguments, methods, sources of help, and persistence that have been illustrated in this dossier will be an inspiration to many others.

## Appendices

Appendix A: Chirpy Heat Report, "[Review of the Heat Network Tariff Arrangements at Phoenix Works, September 2020](#)"

(Please see our comments on this report [here](#))

Appendix B: Press Article: '[Massive hardship](#)': Tenants in Poplar charged four times national average for their heating

Appendix C: KFH (working in conjunction with ista) [Tariff Review and Frequently Asked Questions](#)

Appendix D: Ms Lewis heat usage and payments 24 September 2019 - 01 January 2021

(address is redacted)

Customer Name	Building Name	Property Name	Account Number	Start Meter 1 Read	Start Meter 1 End	Start Meter 1 Consumption	Start Meter 2 Read	Start Meter 2 End	Start Meter 2 Consumption	Year charge	standing charge	total
24/09/19 - 01/01/2020	Enleigh Foldit & Hayward	Phoenix Works Smartpay	[REDACTED]	4590	9324	4734	001.8718	117.1339	£767.01			
01/01/2020 - 01/09/2020			[REDACTED]	9324	14136	4812	058.7586	79.5225	£438.88			
01/09/2020 - 01/01/2021	Enleigh Foldit & Hayward	Phoenix Works Smartpay	[REDACTED]	14136	16720	2584	154.7818	46.6047	£101.58			
										total cost in this period		£1,407.00
										topped up in this period		£1,180.00
										difference		£227.00
										credit applied in march 20		£194.81
										credit applied in apr 21		£,220.48

Consumption Details									
Billing Period	Start Read	End Read	Monthly Usage	Standing Charge (Pence Per day)	Heat Charge (p/kWh)	Total Monthly Cost	Usage for Period	SC for Period	Heat charge for Period
Sept-2019	4590								
Oct-2019									
Nov-2019									
Dec-2019									
Jan-2020		9324					4734	£115.14	£651.87
Feb-2020	9324								
Mar-2020									
Apr-2020									
May-2020									
Jun-2020									
Jul-2020									
Aug-2020		14136					4812	£79.93	£358.76
Sept-2020	14136								
Oct-2020									
Nov-2020									
Dec-2020									
Jan-2021		16720					2584	£46.60	£154.78

## Appendix E: [Peabody letter to all tenants 26 March 2020](#)

## Appendix F: Fuel Poverty Action letter to Peabody CEO, 03 February 2021

(Note: at the time of publication of this dossier, 03 April 2021 no response has been received. Nor have tenants received the explanation of their tariffs and refunds that was promised for end January 2021, or the week beginning 08 February 2021.

In line with our policy on employees' names, the Portfolio Director's name has been redacted in the letter below; this director is the person named in the dossier "John Elliott-Leigh". A more junior employee's name has also been redacted)



*A grassroots campaign taking action against mammoth fuel bills and working towards an affordable, sustainable and democratic energy system*

<b>Email</b>	<a href="mailto:fuelpovertyaction@gmail.com">fuelpovertyaction@gmail.com</a>
<b>Website</b>	<a href="http://fuelpovertyaction.org.uk">fuelpovertyaction.org.uk</a>
<b>Facebook</b>	<a href="https://www.facebook.com/fuelpovertyaction">/fuelpovertyaction</a>
<b>Twitter</b>	<a href="https://twitter.com/fuelpovaction">@fuelpovaction</a>

03 February 2021

Mr Brendan Sarsfield, CEO Peabody housing association  
Mr [REDACTED], Portfolio Director, KFH

Dear Mr Sarsfield and Mr [REDACTED],

We are writing in regard to the refunds received at the start of January by tenants on the Phoenix Works estate. As you may be aware, we have been in touch with Ms Lewis, a Peabody tenant who has been trying hard to get this matter sorted out.

We understand that Peabody is still seeking a full accounting that will reveal how the sums for the recent refunds were calculated, and continuing to contact KFH to provide refunds to residents. In the meantime, we have studied the figures so far provided, and we have a number of questions that we feel may help ensure that what tenants receive is in fact what they are entitled to.

We must note that it is absolutely shocking that the refund of an overpayment is so long delayed. The overcharge even for the first four months of residency was substantial. While the tenants went cold, KFH or Phoenix Broomfield St Management Company Ltd held onto this money for eleven months after promising to refund it. That continued even over Christmas 2020, despite the promise to pay the refunds by the end of November.



It is also unacceptable that those tenants who were most unable to afford to heat their homes, and who therefore put less into their meters, have been refunded very little, and so have no money to pay for heating now. I understand that children in one such family are forced to stay in bed in the daytime to keep warm, even with heavy clothing.

**My purpose in this email, however, is to lay out some questions on the refunds.**

There may be factors we are not aware of, which can be taken into account. But applying a calculator to the figures provided by KFH and ista yields some serious concerns.

**These may also have a bearing on the new tariff.** We understand that Ms Lewis was told that in January 2021 she would be advised of a new revised tariff "in line with changes in the gas price procured".

The documents we have referred to, in addition to the Chirpy Heat report (see below), have been these:

1) When, on 5 January 2021, tenants finally received credits to their accounts, the explanatory letter from ista raised more questions than it answered. They wrote to Ms Lewis,

*"We are glad to confirm that a credit totalling £-270.49 has been applied remotely to your pre-payment meter on 4th of January 2021 following a full review and analysis of the tariff charged prior to February 2020.*

*Your individual credit has been calculated using the following method:*

*Prior to February 2020 the initial tariff over collected across the entire development the total sum of £15,757.93.*

*During the same period the total number of units of energy consumed across the entire development was 526,576.22.*

*This therefore equates to an over collection of 2.9925 pence per unit consumed. In light of this, you have been credited 2.9925 pence too much and it is this figure that has been credited based upon each properties individual consumption levels.*

*Kind Regards Ista Customer Care"*

2) Then on 25 January, following pressure on ista from yourselves, FPA and received a spreadsheet showing Ms Lewis' usage and the tariffs applied in three periods, Sept 2019 - 1 Feb 2020, 1 Feb 2020 to 1 Sept 2020, and Sept 2020 to 1 Jan 2021. (The spreadsheet was sent by ista to KFH, Peabody, Fuel Poverty Action, and BEIS, but Ms Lewis did not receive a copy herself until yesterday when we noticed that she was missing from the recipients list.)

The chart did not show the actual tariffs or standing charge rates for the three different periods shown ( [REDACTED] of Peabody wrote back straight away to pursue this) but these can be calculated from the totals. Unless I am mistaken, a calculator yields:

- Four months, up to 1/2/20 at 13.77p/kWh, standing charge 38.566p/day (plus an additional 50/day overcharge due to a frozen meter, which has now been repaid).
- Seven months, 1/2/20 to 1/9/20 at 7.455p/kWh, standing charge 37.525p/day
- Four months, 1/9/20 to 1/1/21 at 5.99p/kWh, standing charge 38.20p/day

### Our questions then are:

- On what basis did ista arrive at the “initial tariff over collected” across the development?
- What was the basis for the total number of units (kWh) consumed across the development?
- For the purpose of this calculation, were they counting from the date tenants moved in or from the start of construction?
- How did they arrive at an over-collection of 2.99p per unit consumed, when, as Ms Lewis swiftly pointed out, 13.77p minus 7.455p does not equal 2.99p?
- Would it not have been simpler, for the initial September to February period, to subtract the correct tariff from the earlier extortionate 13.77p tariff to see how much had been overcharged per unit of heat used, and multiply that by the number of units consumed in that period in each flat? Why was this method rejected?
- This method, if applied to the last notified tariff of 7.455p would yield an overpayment per kWh of 6.135p (13.77p minus 7.455p), and a refund for the tariff element alone, of £298.95, for Ms Lewis’ usage up to 1 February 2020 (based on ISTA’s spreadsheets received 25 January 2021).
- But we hope that the 7.455p tariff is *not* the basis for the refund calculation. If so, it is incorrect. The conclusion of what the tariff should have been, based on the price KFH paid for gas up to 1 September 2020, was not 7.455 but 6.9p/kWh. This was the conclusion of the September 2020 report from Chirpy Heat, which we understand all parties agreed to abide by. This makes the amount owed per kWh even greater than 6.135p (greater by 0.555p/kWh). And the period for which refunds are due also then extends beyond 1 February 2020; it continues up to the start of the lower tariff which according to the spreadsheet was applied from 1 September 2020 when the price of gas procured for the boilers went down. This too must be taken into account.
- What about the standing charge? A standing charge of 38.566p/day in the initial period should further increase the total refund owed.
- Then there is the fact that even the tariff recommended in the Chirpy Heat report (which tenants finally received on 12 January 2021) is based on a very high price of gas. Chirpy Heat do not say anything about the period before 1 February 2020, despite tenants earlier having been informed by Peabody that *“The consultant we have employed will be looking at the rates in their entirety from the start of the billing”*. But they do make clear that tenants were -- even after the 1 Feb 2020 reduction -- paying for the fact that KFH had procured gas at a poor price: *“+25-40% compared to other bulk gas supply contracts for similar sized buildings on a heat network.”*

The price of gas used to power the boilers which supply heating to the flats

was 67% of the total costs cited, including billing, in the [Tariff and FAQ](#) document issued in February 2020. Chirpy say:

*“The heat unit charge at Phoenix Works is between 24-31% higher than the 4 other comparator organisations. This is a reflection of the higher than average price for gas kWh that is being paid for the site.”*

Even when corrections are made for the other overcharges identified by Chirpy, the price would remain too high if based on a poor procurement. We do not believe tenants should be the ones forced to pay for such poor procuring of raw materials.

We are equally concerned about the long delay in making what should be fairly simple changes to the radiators and thermostats in the flats so that no more of tenants' money - and no more energy - is wasted. The engineers' reports were done in July and again in December 2020. So could you please tell us what the work is waiting on?

We are also keen to know when Ms Lewis will receive a response to her Subject Access Request on 13 January exercising her right to see a *“detailed response for ALL the points raised below, [...] all reports and minutes from meetings as requested, and everything else held on my file.”*?

But we thought that in the meantime it would be useful to share with you our questions in relation to the tariffs and accounts.

Yours sincerely,

Ruth London