

Vital Energi



Vital Energi's head office, located in Blackburn



Group Sales and Strategy Director Nick Gosling

Heat networks are recognised by both government and the energy sector as a commercially viable and sustainable way of decarbonising heat, and Vital Energi is at the forefront of delivering these networks. Over 30 years ago, Vital Energi's senior management team began delivering some of the UK's first and largest district heating schemes in Nottingham, Sheffield and London. It has since grown to be UK market leaders not just in heat networks, but in integrated energy generation, energy distribution and energy management solutions. Group Sales and Strategy Director Nick Gosling tells *The Parliamentary Review* more.

Government support has been instrumental in the selection of heat networks as a preferred technology, and with confirmed backing the market will continue to grow. Our team has grown each year to meet this demand, and we now have more than 460 employees, who create and support the design, construction, operation and maintenance of our energy solutions.

With the largest heat network design team in the UK, now comprising over 70 individuals, we provide complete energy solutions that are bespoke to the requirements of each project, producing financially and environmentally viable schemes to benefit our clients and the end user.

Making our mark

We uniquely operate in a wide range of markets, such as towns and cities; further education; healthcare; retrofit, new build and mixed-use residential; commercial

FACTS ABOUT VITAL ENERGI

- » Managing Directors: Gary Fielding and Ian Whitelock
- » Group Sales and Strategy Director: Nick Gosling
- » Founded in 2000
- » Located in Blackburn and London, with offices in Scotland and Ireland
- » Services: Design, installation and service delivery of energy generation, distribution and reduction management
- » No. of employees: 460+
- » Named in the Sunday Times' 2018 Top Track "Ones to Watch" list for companies with sustained growth
- » www.vitalenergi.co.uk

“Developing and delivering solutions that use technologies that can reduce carbon emissions is critical to tackling climate change”

and industrial; as well as power generation.

Some of our key achievements include:

- » Connecting over 78,000 properties to district heating networks
- » Installing 97 combined heat and power engines
- » Providing 130 energy centres
- » Managing over 30,000 residential heat meters
- » Installing 140,000 metres of district heating pipe in the last three years alone

Developing and delivering solutions using technologies that can reduce carbon emissions is critical to tackling climate change. We continue to adapt our solutions through assessing the viability and sustainability of renewable technologies to maximise the use of recovered heat, and we increasingly look to utilise electricity to generate heat. An example of this is the water source heat pump project at the £250 million regeneration of Queens Quay in Clydebank, a first of its kind in Scotland.

A sector that is benefiting greatly from energy efficiency and renewal of inefficient energy generation assets is healthcare. We have worked with 24 hospitals to improve energy generation and measure, manage and reduce consumption, both of which generate energy cost savings and

reduce carbon emissions. Our energy performance contracts for the health sector guarantee to save the NHS £300 million in energy costs over the course of the agreements.

Positive steps for heat networks

The district heating sector is in a period of change. There are positive factors, which we are confident will support sector growth; however, there are aspects that have the potential to stifle this growth.

The government’s recognition that heat networks play an important role in decarbonising heat and tackling climate change is clear. The Department for Business, Energy and Industrial Strategy is encouraging the adoption of heat networks through both its Heat Networks Development Unit, which provides funding and support for feasibility studies, and the Heat Networks Investment Project, which offers support by way of grants or low-interest loans to catalyse projects that would not be commercially viable without some financial support. This has helped otherwise unviable projects to break ground.

The Competition and Markets Authority published findings of a study into the district heating sector in July 2018, which showed that many heat networks offer prices that are the same as or lower than those paid by traditional energy customers with comparable levels of service. Some customers on privately operated networks, however, were found to be receiving poorer deals in terms of price and service quality. This is why we welcome the recommendations of the 2018 Industry Task Force report, which suggest introducing regulation to ensure protection for heat network customers, while also providing policies to ensure sustained growth of the sector.

The University of Northampton’s energy centre



BEIS's response to the Competition and Markets Authority and Task Force reports provides useful insight into the direction of travel for heat networks regulation. We believe this is a positive step, although it is important that the duty of regulation is fairly balanced with policies that are designed to continue to help the sector to grow.

In many parts of the country, gas boilers have been the heating technology of choice for residential property developers, primarily because they are cheaper to install than a heat network. In order to increase the use of low carbon district heating, we agree with the Committee on Climate Change's recommendations that gas boilers should not be installed in new build residential properties from 2025 in favour of low carbon technologies.

Opportunities for improvement

Planning policy could do more to support heat networks on a national basis. Misalignment between policies in different parts of government means that planning policies encourage district heating in some parts of the country, but not in others. More consistency in policies, to encourage both new-build and existing properties to connect to heat networks in areas that are most suited to district heating, would be welcomed.

Business rates is another area of challenge. Although district heating systems are being encouraged by BEIS, business rates being levied on district heating schemes can be significantly higher than rates that would apply for conventional utilities. This can hinder the economic viability of heat networks.

Building regulations are expected to be modified imminently, which could inadvertently make district heating a less attractive technology to property developers



Helping to reduce public and private sector energy costs and carbon emissions

A final challenge is the uncertainty of existing and future low-carbon incentives. The Renewables Obligation and the Renewable Heat Incentive have been instrumental in encouraging growth of renewable low-carbon generation for a number of years. With the former already ceased and the latter set to finish in 2021, developing complex district heating projects will become increasingly difficult without long-term visibility of similar incentives.

Looking forward

As the grid continues to decarbonise due to the growth in renewable electricity generation, the selection of technology to supply heat networks will be impacted, along with the alternative technologies against which district heating is compared. It is important for technology to continue to adapt and develop so that it can generate further carbon savings to sustain and increase heat network viability.

A push for sector regulation and consistent policies will assist the future of the market and make positive steps towards increasing the standards and good practice of heat networks.

The heat network market has made great progress over the years, and we are optimistic that with a continued positive policy framework, the sector will continue to grow.

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