

DBDH Members Meeting: UK Focus

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The Matrix: Three Markets & Two Business Models

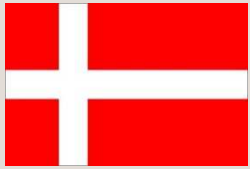
Three Markets & Two Business Models

- > UK – DK Comparison
- > Key Drivers



- > Geographical factors
- > Business Cases

UK & DK: Why so different?



- > Stable Heat Policy Framework
- > Consistent support for DH
- > Highly regulated heat market
- > Strong customer protection
- > Publically-owned DH companies
- > 'Co-operative' culture



- > Fluctuating heat policy
- > Variable support for DH
- > Unregulated heat market
- > Virtually no customer protection
- > Mixed business models
- > Private sector driven culture

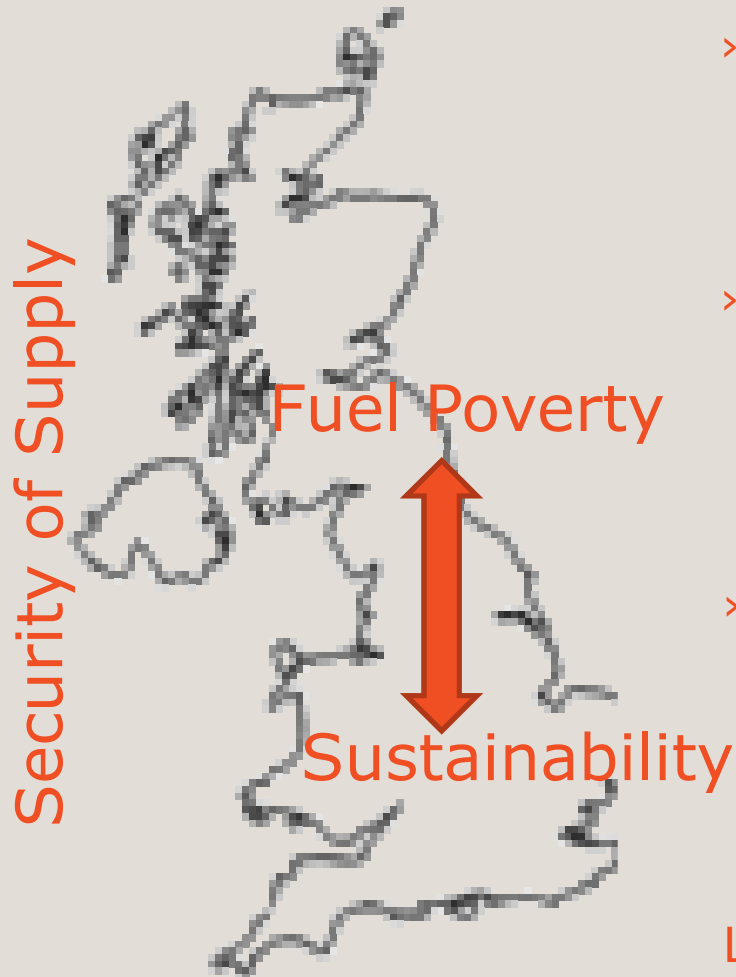


District Heating Development Drivers



- > Energy Independence
 - > Currently very dependent on gas
 - > High-level government driver
- > Sustainability
 - > DH is independent of heat generation type
 - > Use of more renewable fuels
 - > Utilisation of 'waste' heat from industry
- > Fuel Poverty
 - > Key driver in areas with high poverty levels

Geographical Factors: Three Areas



- > Scotland:
 - > Scottish governance for heat policy
 - > Urban areas built on industrial hubs
- > North England:
 - > DECC governance for heat policy
 - > Industrial Areas
 - > High levels of fuel poverty in urban areas
- > South England:
 - > DECC governance for heat policy
 - > Less old industrial areas
 - > Generally more wealthy, small pockets of fuel poverty

London: 32 local authorities with
Greater London Authority

UK District Heating Business Models

Private Ownership

Public Ownership



- > Very low risk for municipalities
- > Typically at least 15-20 years operation contract
- > No municipality control over connections
- > Risk of 'island' schemes
- > Very little customer protection

- > Access to grants and low-cost financing
- > Greater control over business and customer protection
- > Business operation responsibilities
- > May be outside core business objectives

Contract structures and joint ventures can cover everything in between!

What is the Matrix?



Customer Protection

Grants and Incentives

Contract Structure

Local Politics

National Politics

Local Characteristics

Public Sector

Attitude to Risk



Financing

Private Sector

Technical Issues

Experience

