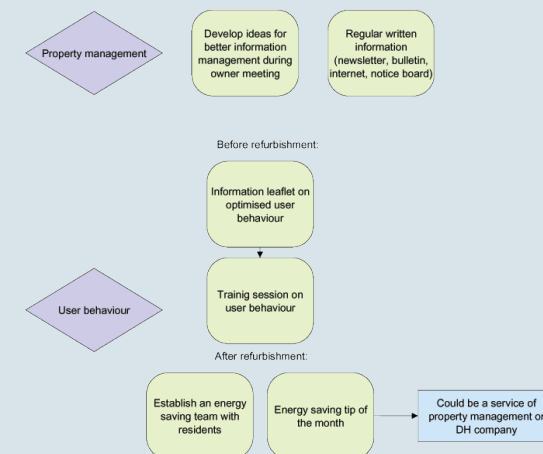


IMPROVING THE SOCIAL
DIALOGUE FOR ENERGY
EFFICIENT SOCIAL HOUSING



Source: ISEES Country specific guidelines for social dialogue, IFZ, 2007

Imprint:

This guideline has been prepared in the course of the ISEES project, partly funded by the European Commission

Author:

Andreas Karner,
KWI Consultants GmbH
August 2007

www.isees.info

Pictures photographs: www.pixelio.de

Summary of the key recommendations to become a modern and efficient provider of energy services:

1. Communicate the advantages of district heating
2. Develop an action plan for technical improvements
3. Improve the tariffs & billing schemes offered to customers
4. Introduce heat metering and control devices
5. Build successful customer relations
6. Co-operate with the municipality and local boroughs



Intelligent Energy  Europe

Advantages:

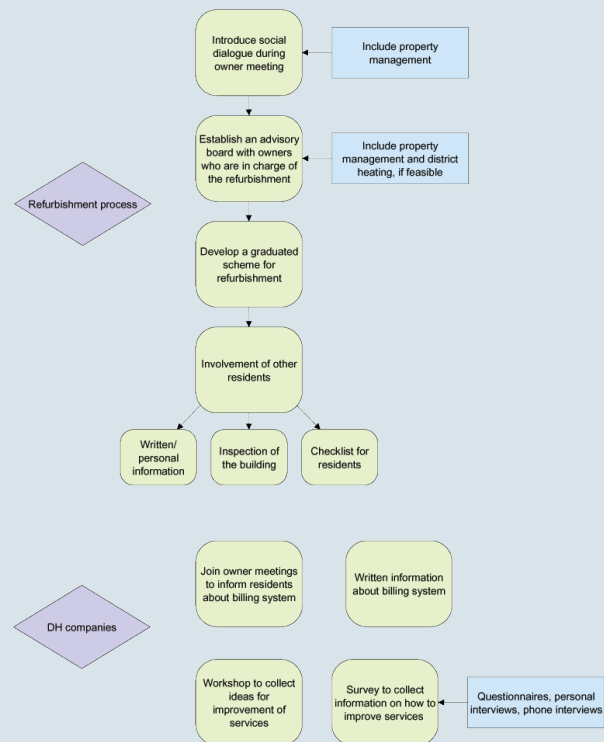
- Small group makes a discussion more fruitful
- Provides good possibilities for reflection

• Contest of ideas

A contest of ideas might lead to unorthodox solutions and ideas regarding the improvement of DH services. The residents are asked to develop themselves ideas which can be collected within a letterbox located in their building. Everyone who participates will take part in a drawing for environmentally-related prizes like e.g., energy saving bulbs, free energy audit, etc.

Advantages:

- Attracts attention
- Positive image building for energy utility

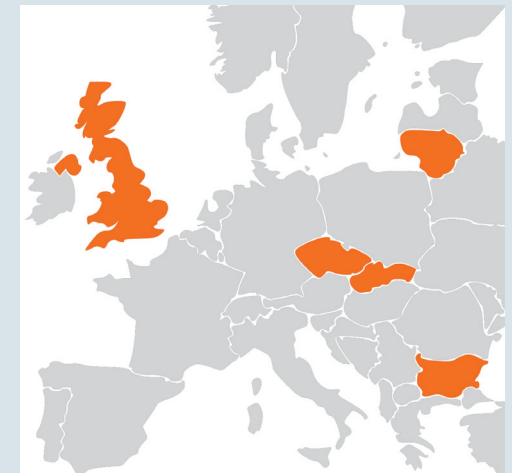


About ISEES

“ISEES – Improving the Social Dialogue for Energy Efficient Social Housing” is a project funded under the “Intelligent Energy for Europe Programme” sponsored by the European Commission. It runs from January 2006 until December 2007 and aims to increase the rate of energy related refurbishment of social housing by applying innovative approaches of a social dialogue, and merging technical solutions with socio-economic tools.

The dialogue is targeted at involving all stakeholders – tenants/owners of dwellings, housing associations, municipalities and energy service providers – into the refurbishment process, develop efficient and feasible models of user participation and implement exemplary participation processes in a renovation project.

Model buildings have been identified in the 5 participating countries, namely Bulgaria, Czech Republic, Lithuania, Slovak Republic and the United Kingdom. During the heating season 2006/07, energy behaviour of tenants has been continuously measured. Based on the results of the measurements, a model refurbishment process is being initiated in the selected buildings, with specific focus on involving all stakeholders in the process and thus achieving a high rate of acceptance of the campaign results.



Additionally, interviews with tenants/occupants and district heating companies and housing management companies have been performed to receive qualitative feedback regarding the quality of living and quality of energy services provided to residents living in social housing.

The results of these surveys are being taken into consideration to prepare

- a guideline for tenants providing concrete advice on optimising energy user behaviour;
- this guideline for district heating operators

Why this guideline?

The renovation and improvement of existing buildings and apartments plays a major role in all European countries. However, experience has shown that renovation processes without the continuous involvement of residents, house owners and energy suppliers are not feasible, and often lead to failures when projects are being implemented. A systematic integration of all these groups helps to avoid problems during the planning and implementation stages. A real social dialogue can therefore only happen when all parties have the opportunity to get into a dialogue!

Furthermore, according to interviews conducted within the ISEES project, the level of satisfaction of residents in flats is not only influenced by the building standard and energetic quality they are living in, but also related to the quality of services and management provided by energy suppliers.

With this guide we aim at providing a contribution to stimulate the level of communication between residents and energy suppliers, namely district heating companies and other utilities providing heat and electrical energy to social housing and show possible aspects of improving the utilities' services to customers.

The scope of social dialogue

An integration of residents at an early stage ensures that they support and accept decisions made during the preparation phase of a renovation. Disagreements and critical aspects can usually be solved beforehand, but only when there is a possibility for them to communicate and express opinions. Experiences



rum on their websites to discuss future services with their customers. But be aware that only a few customers have access to internet! You should therefore also provide equivalent information for the others.

Advantages

- Autonomy from time and venue
- Cost-effective

- Survey with questionnaires, personal interviews, phone interviews
Ideas for innovative services can be collected via surveys or in personal or phone interviews.

Guidelines for questions should:

- be short and comprehensible
- no double negation
- provide suitable categories of answers
- avoid controversial concepts
- avoid multidimensional questions
- avoid indirect questions
- avoid leading questions

Advantages

- Possibility to reach many residents
- Structured instrument
- Good data basis

- Focus group with residents
A focus group offers the opportunity to discuss the issues in more detail. Usually six to twelve persons participate in a focus group. The focus group should be moderated by a person designated by the group. The different perspectives of residents regarding the services of energy service providers can be focused and discussed in a short meeting that can be held at night. The participants interact during the discussion process, which makes it possible to gain new perspectives and ideas. Result of a focus group is a pattern of opinions.



Making Social Dialogue happen

Making social dialogue happen is about starting a process of communication, feedback and stakeholder involvement between different actors of a renovation project. Energy providers do have a crucial role in setting the right framework conditions that will allow residents to vote in favour of refurbishment projects for their long-term benefit. We therefore encourage you to take action and become actively involved in the process!



An example of the proposed scope of activities being part of the social dialogue process in residential buildings is being summarised in a chart at the end of this section.

Workshop series with residents and district heating companies

A first starting point for a social dialogue between energy providers and residents could be a workshop/meeting to discuss possibilities for improvement and to gather the key issues from the residents' perspective. These issues should be discussed in follow-up meetings, where improvements should be presented. Together with interested residents possible strategies and activities for trust-building and improvement of the services can be developed.

Advantages

- Direct contact
- Generation of new ideas
- Immediate feedback possible

Innovation management activities

Part of a social dialogue could be to involve residents to detect the potentials for improvement of services and to gather ideas for future developments. To gain this information different instruments and methods can be applied:

- Contact by internet
New media have become more and more important instruments for information and communication. Utilities have the chance to install an interactive fo-

implemented by ISEES show that the building occupants' satisfaction with a finished renovation is higher when residents have been involved in the process.

In this regard, the most important reasons for a social dialogue are:

- Legitimation
A broad process of opinion-forming guarantees that the interests of occupants are taken into consideration and decisions are democratically authorised.
- Efficiency
The integration of occupants' concerns leads to adequate planning. Changes during implementation are avoided; compliance with the planning schedule is therefore easier to achieve..
- Identification
If occupants are informed at an early stage, it is more likely that they accept the proposed measures, and are able to identify themselves with found solutions.

Social dialogue in the context of maintaining or improving the satisfaction level with district heating



District heating systems dominate the heat supply market in many European countries. In Lithuania, about 60% of residential building blocks are connected to DH systems over the country and about 80% in larger cities. In Slovakia, Czech Republic and Bulgaria the average rate is between 40% and 50%.

According to the survey results the satisfaction level with district heating varies substantially between the surveyed countries. District heating companies are very often regarded as inefficient, unreliable and as providing a low quality of services.

Although this opinion expressed by tenants and energy users is in some cases exaggerated, it is clear that it reflects some truth. It is also obvious that from an operational point of view utilities and operators in CEEC have (had) to undergo major and rapid restructuring processes (e.g. privatisation, liberalisation of en-

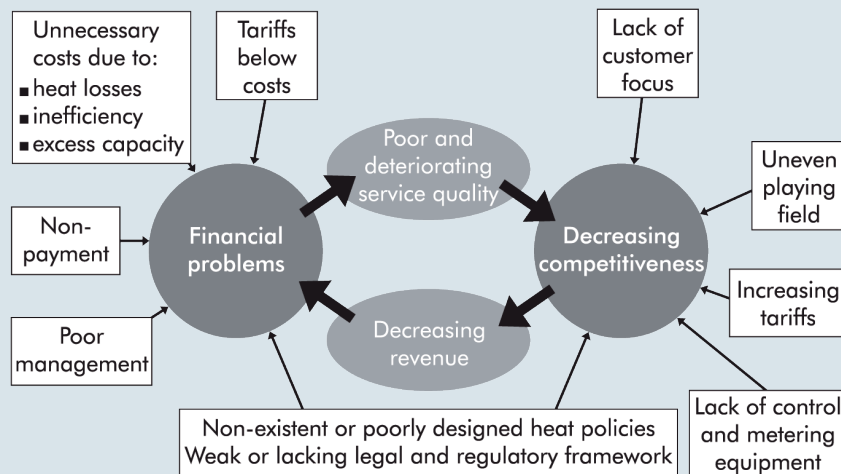
ergy markets), following the economic transformations and change to a market oriented economy; they had to face unexpected challenges and cope with situations inherited from the past.

Key challenges of District Heating Systems in Transition Economies

The future success of local energy supply systems is closely linked to issues such as:

- improved management and organisation
- security of supply
- provision of affordable services to customers
- optimisation of the total costs of energy supply
- reduction of external costs on the environment (e.g. CO₂ emissions) and social systems (e.g. level of financial support for the poor)
- improved market orientation and marketing strategy to survive in a more and more competitive energy market

A summary of the challenges that district heating system operators are facing can be found below.



Source: Coming in from the Cold, OECD/IEA 2004

Public relations and public information campaigns

- Recruitment of a PR manager
- Press work (regular information in local/regional newspapers, TV, contacts with local journalists)
- Strengthen alliance with environmental NGOs
- Intensify contacts with local and regional authorities
- Improve company web site and available information material
- Educational brochures about technology or simple demand-side measures for reducing heat consumption
- Open days

Strengthen the existing customer support system

- Setup a Customer Service Center (including a telephone hotline)
- Inform customers on necessary maintenance and service works
- Regular customer interviews to identify satisfactory level
- Rethink billing procedures (billing intervals and payment mechanisms)
- Compile overview of price fluctuations of alternative energy sources compared to district heating
- Provide energy auditing services for new customers' buildings
- Provide technical personnel advisory service for customers on better Demand Side Management, building internal installations, etc.

Tariff & billing schemes

- Develop incentive schemes to attract additional customers – see above
- Simplify billing

Co-operation with the municipality and local boroughs

As mentioned in the first paragraphs of this guideline, social dialogue is very much related to building co-operation between stakeholders. One of the main stakeholders are your customers. On the other hand, local authorities also are an important stakeholder, playing the role of a policy-maker, owner and administrator (e.g. public housing management), or investor.

A vital partnership with local authorities shall be therefore sought. In the long term this should also benefit the DH system operator, as working together enables the full potential for district heating to be achieved: e.g. in the case social housing is managed and maintained on a sustainable level, this will benefit the operator, too, as the customers are more satisfied.

Furthermore, as a company providing proper services to your customers you have the right to charge something like service fees to cover your costs, however keep in mind to be transparent about it and let your customers know what they are paying it for.

Introduce heat metering and control devices

Traditionally, heat metering did not play any major role in existing DH systems, mainly because they were generation driven as explained above. In a competitive market, however, customers must have the possibility to know their real consumption and be charged what they have actually consumed.



Where already applied, installation of heat meters and control devices in buildings and apartments in most cases has consequently led to a reduction in consumption, as customers tend to pay more attention to what they consume because they can witness it.

Heat metering is also an important first step to motivate customers in investing into energy efficiency measures that would lead to a real cash flow and return on their energy efficiency investment. In the long term, you as a heat provider will also benefit from more satisfied customers!

Building successful customer relations

What customers are looking for is an inexpensive, reliable and simple product. However, the interviews performed with customers within ISEES show that utilities have a reputation for long response times (especially in cases of failures or system breakdowns), and insufficient information flows against their customers.

Improving the customer relations is closely related to the implementation of a marketing strategy. This strategy should be based on the following aspects and measures (examples):

District heating systems benefits

- Increased security of supply
- Less dependence on fuel supplier
- Higher energy efficiency
- Use of locally available resources
- Use of environmentally advantageous fuels
- Avoidance of small uncontrollable emissions
- Provides a basis for efficient combined production of electricity and heat
- Heat recovery from industrial processes
- Wider use of renewable energy resources

In most cases, modern district heating management has to overcome most challenges by focussing not only on technical improvements and maintenance, but also keeping socio-economic and environmental sound management aspects in mind.

This guide primarily focuses on the aspects of improved management and services for an (energy) efficient provision of affordable heat to customers, since technical and supply issues are generally well explored in many studies.

Steps towards a modern and efficient district heating system

Communicate the advantages of district heating!

Although district heating operators in many cities across Central & Eastern Europe have to cope with old and sometimes outdated technologies and systems, a DH system has the main advantage of being the most effective way of producing heat!

However, these positive aspects are often not well enough presented to the public. Customers tend to think that it is cheaper to operate an individual heating system fired with cheap fuel (e.g. coal, wood), instead of being connected to an (in their view) “expensive” central heating system, where they cannot influence time and costs of operation. This is of course a delusion, but is often kept in people’s minds and leads consequently to dissatisfaction.

Develop an action plan for technical improvements

The total efficiency of your DH system depends not only on a highly efficient heat source and well-insulated DH network, but also on effective control and ra-

tional heat use in the customers' installations. For this reason the ISEES project has also developed and presented a guideline for residents to use energy effectively. It is recommended to utilities to provide advice and information to your customers (e.g. through the installation of an "Energy Advice Team"), as an effective use of energy will also benefit your technical system.

Any modernisation plan developed should reflect a long-term view because of the usually high investment costs and long investment pay back periods. Long-term planning should be based on an evaluation of local conditions and potentials – e.g. available production and distribution capacities, local development planning and expected heat demand, available (renewable) sources of fuels, legislative and tariff structures.

The main objectives of the technical improvements of the DH system are:

- increase of DH system reliability
- reduction of heat production and supply costs (incl. tariff reform)
- increased energy efficiency in production and distribution and lower environmental pollution
- reduction of excessive heat consumption at the level of the customers
- implementation of a DH monitoring system

Remember to inform your customers of any major developments and renovation works!

Tariffs & billing scheme – scope for improvement

One of the concerns expressed frequently by customers is the lack of transparency in the tariff structure. They often complain about inflexible payment schemes and incomprehensible bills.

Reform in this area is needed to improve the DH company's finances and put the whole business back on a competitive route again. However, a change of tariff

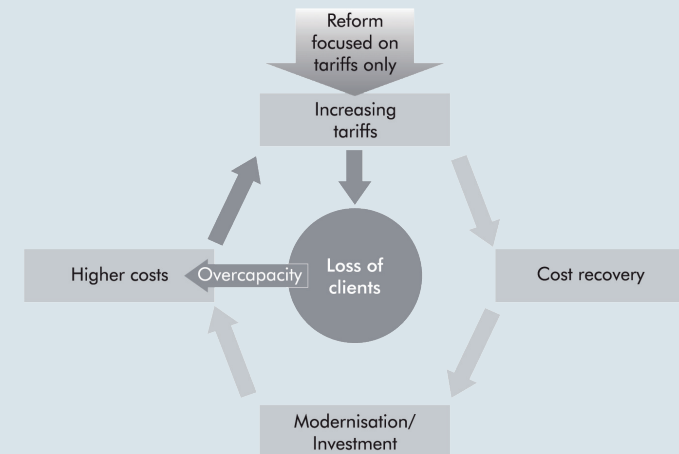
From a „supply driven“ to a “demand driven” service mode

Under a supply driven mode, the amount of heat generated and delivered to the network is the critical factor. It usually leads to an imbalance between supply and demand. Customers compensate the imbalance by opening windows (excess heat) or wearing extra clothes or using complementary heating sources (low heat).

Whereas under a demand driven mode, the heat supply is adjusted continuously to the customers' needs – through automatic control devices and metering equipment in substations and flats – and therefore resulting in a higher efficiency on the demand side.

system and/or billing schemes needs to be very carefully planned and monitored, in order to not deteriorate the existing situation for customers, and lead to a loss of clients due to unsustainable tariff design, as the figure below shows.

Unsustainable tariff increase



Source: Coming in from the Cold, OECD/IEA 2004

Therefore, DH companies need to keep in mind that a well-designed tariff reform should be closely linked to an immediate improvement in service quality! Otherwise, the danger to lose clients is high, which does not only harm the overall income for your company, but can further increase the heat costs, driving away even more customers.

Measures to improve the billing scheme should be linked to issues such as:

- simplifying bills so that customers can understand all the items printed on them
- rethinking terms of payment and billing intervals
- billing according to actual consumption
- offering seasonal tariffs (summer/winter, peak/off-peak)
- thinking of promotional offers for new customers, support for demand-side measures (e.g. rebate for installation of heat meters, heat regulators)
- subsidising reconstruction works via financial assistance schemes for customers
- implementation of an award system for refurbished buildings (e.g. graded tariff for refurbished flats)