



Department for
Energy Security
& Net Zero

Energy Bill Policy Statement

Heat Network Zoning Framework

March 2023



© Crown copyright 2022

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at: energybill2021@beis.gov.uk

Contents

Summary _____	4
Regulations for establishing the Heat Network Zones Authority and Zone Coordinators _____	5
Regulations relating to the zoning methodology _____	7
Requirements applying in heat network zones _____	9
Enforcement and penalties _____	11
Monitoring and reporting _____	12

Summary

The Energy Security Bill was introduced into Parliament on 6 July 2022. This Bill will deliver a cleaner, more affordable and more secure energy system for the long term. It builds on the ambitious commitments in the British Energy Security Strategy to invest in homegrown energy and maintain the diversity and resilience of the UK's energy supply.

The Energy Security Bill makes provisions to introduce heat network zoning in England, delivering on our Energy White Paper commitment to “support Local Authorities to designate new heat network zones, no later than 2025”¹. In 2021 this commitment was reiterated in the Heat and Buildings Strategy and the Net Zero Strategy².

Under this policy central and local government, industry and local stakeholders will work together to identify areas where heat networks are the lowest cost solution for decarbonising heat. Designating these areas as heat network zones and developing heat networks within them will help move us towards the potential levels of heat network deployment indicated by the Climate Change Committee³.

Following consultation in 2021⁴, the Bill includes powers to make regulations that would deliver the heat network zoning framework, including:

- The development of a nationwide methodology for identifying and designating areas as heat network zones;
- The establishment of a new zone coordinator role with responsibility for designating areas as heat network zones;
- Requirements for heat networks developed in zones to meet a low carbon requirement and for certain buildings and heat sources within zones to connect to a heat network.

Chapter 2 of Part 7 of the Bill provides powers to introduce ‘zones regulations’ with clauses in this Part providing detail regarding the content of these regulations, as discussed in more detail below. We intend to consult on proposals to inform the regulations in 2023.

The following sections briefly outline some preliminary thoughts on how the Secretary of State's new powers may be used. All the information presented below is provisional in nature and may change prior to the laying of regulations.

¹ <https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future>

² See: <https://www.gov.uk/government/publications/heat-and-buildings-strategy>

³ The Climate Change Committee has estimated that around 18% of UK heat could come from heat networks by 2050 to support cost-effective delivery of our carbon targets, up from around 2% currently.

⁴ See: <https://www.gov.uk/government/consultations/proposals-for-heat-network-zoning>

Regulations for establishing the Heat Network Zones Authority and Zone Coordinators

The Government considers that new functions will be needed to deliver heat network zoning. Some we propose should be carried out by a central national body ('the Authority'), to ensure standardisation and because some tasks are most efficiently carried out at this level. This position was supported by over 80% of respondents to the recent consultation⁵.

We envisage that the Secretary of State will be well placed to carry out most of these central functions and the powers allow for the Secretary of State to be designated as the Authority. For example, as noted in the consultation, we consider that the Secretary of State is best placed to carry out the initial mapping exercise for identifying areas as potential heat network zones.

However, to provide flexibility the powers also allow for another body to be designated as the Authority and, whether the Authority role is fulfilled by the Secretary of State or another party, for the Authority to delegate functions to persons specified in the regulations.

We consider that some zoning functions are better fulfilled wholly or in part by local government due to their pre-existing responsibilities in the local area, democratic accountability, their strategic long-term vision or their contacts with relevant stakeholders. The powers provide for a 'zone coordinator' role to be established to carry out specified local functions.

In particular, zone coordinators will lead on the local stage of the zone identification process and enforce zone requirements where necessary. We also propose that zone coordinators will engage and share information with the Authority and national heat networks regulator when required.

We recognise that there are different levels of engagement, capacity and expertise at the local government level. The powers therefore provide flexibility for local government to decide the most appropriate approach in their areas. For example, in the regulations we do not intend to specify at which level of local government the zone coordinator will operate and will allow for a zone coordinator to be established which works across local authority boundaries. Regulations will set out how zone coordinators will be funded and their governance arrangements.

In recognition of the risk that a substantial heat network zone is identified but not developed, there may be instances where the Authority intervenes and takes the following actions:

- Direct local government to designate a person as a zone coordinator;

⁵ See: <https://www.gov.uk/government/consultations/proposals-for-heat-network-zoning>. The Government response to the consultation set out the potential functions of both the Authority and zone coordinators, at Annex A (page 79).

- Direct a zone coordinator to perform any of its functions;
- Fulfil the functions of a zone coordinator;
- Designate a person as a zone coordinator where local government fails to do so.

The ability to intervene in these ways was supported by nearly three-quarters of respondents to the recent consultation⁶. Regulations will specify the circumstances in which the Authority may intervene, and the procedure to be followed, in each case. We expect the procedure would include requirements for the Authority to consult with the relevant local government entity (i.e. local authority/ies or zone coordinators) and agree any intervention with the Secretary of State for Levelling Up, Housing and Communities.

⁶ Seventy-two per cent of respondents to the consultation agreed that in specific circumstances the Secretary of State should be able to fulfil the functions of the zone coordinator. Seventy-four per cent of respondents agreed that the Secretary of State should be able to require local authorities to designate a zone or designate it on their behalf.

Regulations relating to the zoning methodology

The development of a standardised national methodology will be key to ensuring that the identification of heat network zones is done on a consistent basis across England. The majority of respondents to the recent consultation agreed that a standardised zoning methodology would help to:

- Enable a transparent approach for identifying and designating areas as heat network zones (82% agreement);
- Increase overall efficiency (71% agreement);
- Drive consistency (78% agreement); and
- Improve understanding for stakeholders (72% agreement).

One of the primary functions of the Authority will be to develop the zoning methodology, and regulations will set out how heat network zones are to be identified, designated and reviewed in accordance with this methodology. This will include requirements as to consultation and the publication of decisions, and the process by which decisions taken may be varied or revoked.

We envisage that the overarching requirements of the zoning methodology would be included within regulations, with supplementary guidance sitting outside the regulations providing details of how the requirements of the methodology may be achieved.

Successful deployment of the zoning methodology will require information and data to be provided to the Authority and/or zone coordinators from a range of parties based within or near to prospective heat network zones. Eighty-seven per cent of respondents to the consultation agreed that a legislative requirement for third parties to provide relevant information would be necessary to help ensure the successful designation of heat network zones.

Regulations will set out the types of information that may be requested and the parties that it may be requested from. While each of these points will be subject to further consultation, we anticipate that parties in scope of the requirement may include owners of buildings and heat sources in a potential heat network zone; owners and operators of existing or planned heat networks; and other landowners. We expect that the information that may be sought could include information on heat demand, heat sources and information about existing heating system assets.

Regulations will also allow the Authority or zone coordinators to issue penalties for non-compliance with requests for information.

To help support a streamlined process, regulations will also allow the zone coordinator to delegate its information-gathering powers in specific circumstances. To ensure that parties whose data is being sought are not unduly burdened, and to avoid anti-competitive practices,

zone coordinators would be required to take on oversight of the powers and have appropriate safeguards on data collection in place where these powers are delegated.

Requirements applying in heat network zones

Knowing that certain types of building within a heat network zone will connect to a district heat network and use the heat provided gives project sponsors and investors greater assurance which helps support delivery of viable, large-scale heat networks. Nearly three-quarters (72%) of respondents to the recent consultation agreed with the proposal that within a zone all new buildings, large public sector buildings, large non-domestic buildings and large residential buildings which already have communal heating, or are undergoing major refurbishment, should be required to connect to a heat network.

Regulations will also introduce an exemption process to prevent suboptimal outcomes – for example, where connection to the heat network might result in unaffordable heat or higher carbon emissions than would otherwise be the case. Eighty-two per cent of respondents to the consultation agreed that an exemption process would be needed.

Regulations will define the types of buildings that are in scope of the requirement to connect, when the requirement applies and the circumstances and process by which building owners (or other relevant parties, for example property developers) may seek an exemption from the requirement to connect. The regulations will set out the criteria to be used in assessing the viability of requiring a particular building to connect to the heat network. Regulations will also specify appeal routes where an exemption request is refused.

Another key factor in determining the viability of a heat network zone is the availability of sufficient sources of low carbon heat to provide the supply for the heat network/s within the zone. Heat networks are uniquely able to unlock otherwise inaccessible larger scale renewable and recovered heat sources such as waste heat from industrial processes and heat from rivers and mines.

Regulations will include provision for potential heat sources to provide information to the zone coordinator, in order to help support the assessment of the technical and economic case for connecting these heat sources to a heat network. As with the more general information gathering powers discussed above, zone coordinators may delegate this information gathering power in circumstances to be specified in the regulations.

Regulations will also introduce a requirement on heat sources to connect and provide heat to a heat network, setting out the type of heat source and wider circumstances in which this requirement may or must be applied. Regulations will also specify the terms on which heat is supplied to a heat network (including in relation to the amount that the heat source may charge), and how the owner or operator of a heat source may appeal against any requirement to connect.

As discussed in the heat network market framework policy statement, authorisation conditions will introduce emission limits which apply to heat networks. This will apply to new heat

networks in heat network zones, as well as existing heat networks which expand following designation of the area as a heat network zone.

We recognise that in some circumstances a local area may wish to introduce a more stringent local emission limit than applies nationally, for example to support delivery of local net zero objectives. The regulations will set out the circumstances and process by which a zone coordinator may introduce a local emission limit in respect of a heat network zone.

To ensure that these limits are feasible and set at an appropriate level, any request for a local emission limit will be subject to the consent of the Authority. The regulations will include provisions around grace periods that may apply prior to an emission limit applying, and the grounds for parties appealing any decision to refuse a grace period.

Enforcement and penalties

The zoning regulations will include provisions enabling zone coordinators to take enforcement action to ensure certain heat network zone requirements are met. This includes requirements for buildings and heat sources to connect, local emission limits, and in relation to requirements around zone delivery.

Enforcement provisions in the regulations will include powers allowing zone coordinators to:

Issue enforcement notices to parties requiring them to:

- demonstrate compliance with specified requirements; and
- take steps to ensure compliance in cases of non-compliance.

Impose penalties on parties for contravention of requirements (including those contained in an enforcement notice).

The regulations will include further provision in relation to penalties, including those relating to the requirement to provide information. This includes the maximum amount that may be imposed and grounds for appeal. Regulations may also allow the Authority to issue guidance relating to the imposition of penalties and the amount that may be charged.

Monitoring and reporting

Various types of data will be essential for the identification and designation of heat network zones, and the deployment of heat networks within them. Heat network zoning will therefore require effective monitoring and reporting between different entities involved in the zoning process. Eighty-six per cent of respondents to the recent consultation agreed that a monitoring and reporting framework is necessary, and requirements in this area will be included in regulations.

This includes requirements for zone coordinators to collect information relevant to the identification and designation of areas as heat network zones; and to maintain records of this information as well as information received from heat sources and other information received that is relevant to the zone coordinator role. This latter could include, for example, details of exemption requests from buildings which are subject to the requirement to connect. Regulations will include similar provisions requiring the Authority to maintain records of the information it holds.

Regulations will also include provisions regarding zone coordinators and the Authority sharing information with one another and the Regulator, and for zone coordinators to share information with other zone coordinators.

This publication is available from: www.gov.uk/government/organisations/department-for-energy-security-and-net-zero

If you need a version of this document in a more accessible format, please email alt.formats@beis.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.