



Making a positive difference
for energy consumers

Heat Networks Market Study
Competition and Markets Authority
7th floor Victoria House
37 Southampton Row
London
WC1B 4AD

Letter by Email: heatnetworks@cma.gov.uk

Date: 31 May 2018

Dear Sir/Madam

Re: Ofgem Response to CMA Heat Networks Market Study update paper

Introduction

Ofgem is the GB energy regulator and a non-ministerial government department. Our principal aim is to protect the interests of current and future energy consumers. As such we welcome the CMA's Market Study on heat networks and look forward to continuing to work with the government to address the current and future challenges in decarbonising heat.

Regulating heat networks

Heat networks supply around half a million UK homes through about 17,000 networks and they can also be more environmentally friendly than some other sources of heat, delivering lower carbon emissions and resulting in cost benefits to households. Whilst heat networks may have these wider benefits, the sector is not currently subject to the same regulation as other forms of energy supply such as mains gas and electricity and is not licensed or regulated other than through the general law and certain voluntary arrangements within the industry.

Ofgem's primary duty is to protect the interests of existing and future consumers including those in vulnerable situations in the electricity and gas markets in Great Britain. This does not currently extend to direct responsibility for customers on heat networks. Drawing on available evidence, it seems likely that a significant expansion of heat networks will be part of the solution to energy decarbonisation whilst meeting consumer heating needs. As such, protecting consumers of heat networks is important to ensure that consumers experience positive outcomes in terms of affordable rates and high quality customer service.

We welcome the CMA recommendations on the need for regulation of heat networks and, in terms of developing the framework, we would be pleased to use our skills and knowledge from both consumer and network regulation to work with government and devolved governments to identify the best ways of achieving this.

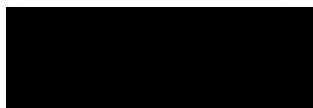
It is important that the interests of consumers are championed by ensuring that any regulation appropriately shares risk between heat network developers and consumers and that it includes appropriate consumer protection measures. Consumers on heat networks will expect similar levels of consumer protection and customer service as those who receive their energy through other networks.

The Office of Gas and Electricity Markets

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In conclusion, Ofgem looks forward to working with the UK and devolved governments to address current and future issues related to heat networks and to further discussing the conclusions of this market study with the CMA.

Yours sincerely



Dermot Nolan
Chief Executive