



Department for
Energy Security
& Net Zero

ofgem

Heat networks regulation: implementing consumer protections

Government response



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General Information

This document sets out the government's response to the Heat networks regulation – implementing consumer protection consultation¹, **a joint consultation by the Department of Energy Security and Net Zero (DESNZ) and Ofgem**, which was published on 8 November 2024 and closed on 31 January 2025. It provides a summary of responses to each question in the consultation and a brief overview of our policy proposals in each area of the different consumer protection areas.

We received 153 responses to the consultation. A diverse range of stakeholders provided their views, with respondents consisting of:

- 23 Housing Associations
- 19 Heat Network Operators
- 13 Leaseholders
- 12 Local Authorities
- Seven Social Housing Associations
- Six Consumers
- Five Charities
- Five Social housing membership organisations
- Four Academics
- Four Consumer advocacies
- Four Trade Associations
- Three Energy utility organisations
- Three Metering organisations
- Two Energy consultancies
- Two Energy service companies (ESCos)
- Two Local authority associations
- Two Membership organisations
- Two Not-for-profit organisations
- Two Political organisations
- Two Residents associations
- Two Right to manage networks
- One Advisory service

¹ <https://www.gov.uk/government/consultations/heat-networks-regulation-implementing-consumer-protections>

- One Alms-house
- One Arms Length Management Organisation
- One Asset management
- One Building maintenance organisation
- One Chartered institute
- One Consultancy Group
- One Consumer advisory service
- One Consumer advocacy organisation
- One Data and metering organisation
- One Environmental association
- One Environmental charity
- One Environmental services organisation
- One Estate & Letting agent
- One Estate management
- One Geothermal energy organisation
- One Housing developer
- One Housing membership group
- One Manufacturer
- One Network service provider
- One Non-governmental organisation (NGO)
- One Not-for-profit professional body
- One Non-trade association
- One Ombudsman service
- One Real estate organisation
- One Renewable energy membership organisation
- One Resident management Company
- One Social enterprise
- One Social housing representative organisation

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Introduction

The Competition & Markets Authority (CMA) recommended that we regulate the heat network sector, a recommendation that Government accepted in 2018 and took powers to implement through the Energy Act 2023².

This is the government's response to the third joint DESNZ and Ofgem consultation on consumer protections for heat network consumers. The two previous consultations in 2020³ and 2023⁴ informed the provisions in the Energy Act 2023, and the Heat Networks (Market Framework) (Great Britain) Regulations 2025⁵, which were laid in Parliament in November 2024, and signed into law this year in March.

Included as an appendix to this publication⁶ are the updated draft authorisation conditions, that were also consulted on as part of the consultation publication.

There will be further consultations on the detailed authorisation conditions and policy issues, such as step-in, that require additional policy development ahead of implementation.

Context to this consultation

Heat networks will play a crucial role in decarbonising heat in buildings. Heat networks take heating, cooling or hot water from a central source(s) and deliver it to a variety of premises such as public buildings, shops, offices, hospitals, universities, and homes. They are also an important part of securing the UK's energy independence through local, low carbon heat sources and reducing the cost of living through efficient, affordable heating in densely populated areas. Our analysis shows that heat networks could provide about 20% of total heat by 2050. They currently provide about 3%.

The government therefore expects the sector to grow rapidly in the coming decades, and we are committed to facilitating that growth, whilst ensuring consumer outcomes and standards across the sector improve. We are unlocking private investment by introducing heat network zoning in England and giving developers rights and powers to build and expand low carbon networks quickly and cost effectively. This will provide investors with certainty on the scale of demand and on easier routes to market, which will be key for increasing investment into the sector. We continue to support the sector through two grant funds: the Green Heat Network Fund and the Heat Network Efficiency Scheme. Alongside creating the conditions for increased private investment in large-scale heat networks, we are introducing a regulatory framework to

² <https://www.legislation.gov.uk/ukpga/2023/52>

³ <https://www.gov.uk/government/consultations/heat-networks-building-a-market-framework>

⁴ <https://www.gov.uk/government/consultations/heat-networks-regulation-consumer-protection>

⁵ <https://www.legislation.gov.uk/uksi/2025/269/introduction/made>

⁶ <https://www.gov.uk/government/consultations/heat-networks-regulation-implementing-consumer-protections>

improve consumer outcomes and increase consumer confidence in heat networks as a technology that can provide fairly priced, reliable, and low carbon heating and cooling.

The existing heat network sector is fragmented, and consumers do not always receive a good deal from being connected to them. A combination of poor technical design, variations in customer service and consumer protection, and the large number of individual entities, as well as their diversity makes the introduction of utility-style regulation a unique challenge.

Objectives

The principal objective of regulation is to protect heat network consumers, ensuring they receive a fair price, reliable supply of heat, and transparency of information. To achieve this, we seek to ensure, over time, comparable outcomes when compared to gas and electricity markets. While this will often mean mirroring protections in other regulated markets, the diversity and nature of the heat network market may mean we need to take different approaches to achieve this.

Heat network regulation isn't happening in isolation and where necessary and possible, we will seek to align with changes in related areas, such as housing legislation, consumer protections in gas and electricity markets and the review government is conducting into strengthening Ofgem.

Regulation will be 'outcomes focused' and guidance provided to ensure best practice can be achieved and administrative burden reduced. Such an approach may not be possible without compromising consumer outcomes however, and so while we aim for pragmatism, there will be areas, such as requiring a priority service register and bill transparency, where fair outcomes for consumers outweigh such considerations. In these areas of consumer treatment, we will work with the sector to build capability and expertise and seek to provide guidance.

The sector is largely unregulated to date, so there is scope for considerable improvements for consumers, but it is important to recognise that regulation will take time to embed and will evolve overtime. There will be different outcomes for some consumers at the start of regulation, for example, due to how the proposed protections will need to be phased in, interactions with housing legislation that impact delivery of billing and pricing protections for some customers, and the need to further explore proposals on debt socialisation which mean vulnerability protections will not apply to all customers from the start of regulation. We set out in the next steps section our commitments to continue to work on these important areas.

While we have clear and ambitious goals to grow the heat network market, we recognise that heat is an essential service for human life. Currently, over 477,000 households – representing more than 1.1 million people⁷ - are connected to a heat network. In balancing the need to

⁷ This figure is based on HNMBR statistics that show that registered heat networks supply 477,733 domestic households (<https://www.gov.uk/government/statistics/heat-networks-registered-under-the-heat-network-metering-and-billing-regulations-statistics-december-2022>). The average household has 2.4 people living on a single domestic premises, according to 2021 census data. The exact figure may vary based on the exact premises

protect consumers with the desire to reduce burdens on the market, our priority will be to ensure strong consumer protections. This is particularly important for individuals with protected characteristics under the Equality Act 2010, who may rely on consistent access to heat for health reasons. That said, we are committed to working closely with the market to support adaptation and ensure that heat networks can meet these needs effectively and fairly.

By making heat networks more efficient and operators and suppliers more accountable, this will provide for better consumer outcomes and unlock investor confidence necessary to grow the sector.

Timings

We plan to provide consumers with protections as soon as possible while balancing this with the time needed to do things properly, so protections are effective. We will therefore introduce consumer protections over time.

In April 2025, consumer advocacy, advice, and redress started. Citizens Advice in England & Wales and Consumer Scotland in Scotland are providing the advice and advocacy services, and the Energy Ombudsman is running the consumer redress scheme.

Ofgem will start regulating the sector from January 2026. This is so we can ensure necessary secondary legislation, guidance and authorisation conditions are in place.

Heat networks will be automatically authorised (known as ‘deemed authorisation’) from the outset of regulatory commencement, from April 2025. They will then have until early 2027 to complete registration through Ofgem’s digital service.

Most authorisation conditions will take effect from January 2026, while data provided during registration, and the introduction of regular monitoring, will allow Ofgem to carry out more complex regulatory activities in areas like pricing and standards of performance from January 2027.

This approach to regulatory commencement will also provide time for the sector to prepare for the big changes we are implementing.

The regulatory structure

Implementing the market framework will require close collaboration across government, regulators, consumer advocacy groups, and Ombudsman Services. Roles in regulations are

supplied and living situations of residents

(<https://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/householdandresidentcharacteristicsenglandandwales/census2021#:~:text=Dividing%20the%20over%20all%20number%20of,residents%20per%20household%20in%20Wales>).

defined in the Heat Networks (Market Framework) Regulations 2025. A diagram outlining the proposed regulatory structure follows a summary of the proposed roles and responsibilities:

- **Ofgem** will be responsible for regulating the sector and monitoring networks' compliance with the regulatory framework. This includes managing the authorisation regime, overseeing compliance with consumer protections, and taking enforcement activity where necessary.
- **Consumer Advocacy bodies (Citizens Advice in England and Wales, Consumer Scotland in Scotland)** provide advisory and advocacy services for heat network consumers, ensuring consumer rights are upheld and detriments addressed. Moreover, these bodies work closely with Ofgem and Ombudsman Services, offering insight into issues in the market and input into future heat network policy and regulatory development.
- **Ombudsman Services**, also known as the Energy Ombudsman, provide a crucial check-and-balance function within this regulatory framework. It handles complaints from consumers that have not been satisfactorily resolved through direct interaction with their heat network or via the advice and advocacy bodies. Their role includes investigating complaints, making judgments, requiring redress where necessary, and reporting systemic issues to Ofgem. Where a heat network dispute concerns a tenant or leaseholder of a social landlord, is part of a wider housing issue, and is against the landlord, it continues to be the Housing Ombudsman's responsibility to handle such complaints if not resolved between the tenant / leaseholder and landlord. As is the case for retail gas and electricity, the Energy and Housing Ombudsmen work closely to ensure efficient and accurate cross-referring of cases.
- A **code manager** will be established and will be responsible for delivering a framework of technical standards that will improve the performance and efficiency of heat networks over time and ensuring compliance with that framework. The code manager will also set requirements on assessors who will be responsible for ensuring standards are met across a network's design, operation, and maintenance lifecycle. This could include responsibility for monitoring the accuracy of heat meters installed on heat networks. Ofgem will be responsible for licensing the code manager.

Formal communication mechanisms will be established among these entities to facilitate regular information sharing and intelligence reporting for market monitoring purposes. This will help to avoid any regulatory gaps or overlaps, and ensure a coordinated response is taken to future challenges in the heat network sector.

The Heat Trust is a non-profit consumer body, that runs and maintains a voluntary consumer protections scheme. Currently their scheme protects around 79,000 consumers over 122 heat networks. Recognising the valuable experience and insights accumulated by the **Heat Trust**⁸ over the years, we propose their continued involvement in the initial stages of regulatory commencement. The Heat Trust's established role in setting industry standards provides a strong foundation upon which the new regulation will build, and their continued involvement will

⁸ <https://www.heattrust.org/>

aid transition, ensure continuity, and reduce risk of disruption for the sector and its consumers, particularly as we take a phased approach to introducing regulatory protections.

As the new regulatory structure matures, we will work with the Heat Trust to discuss its ongoing role with the aim of ensuring the most effective and efficient regulatory framework develops.

Figure 1: Proposed regulatory structure

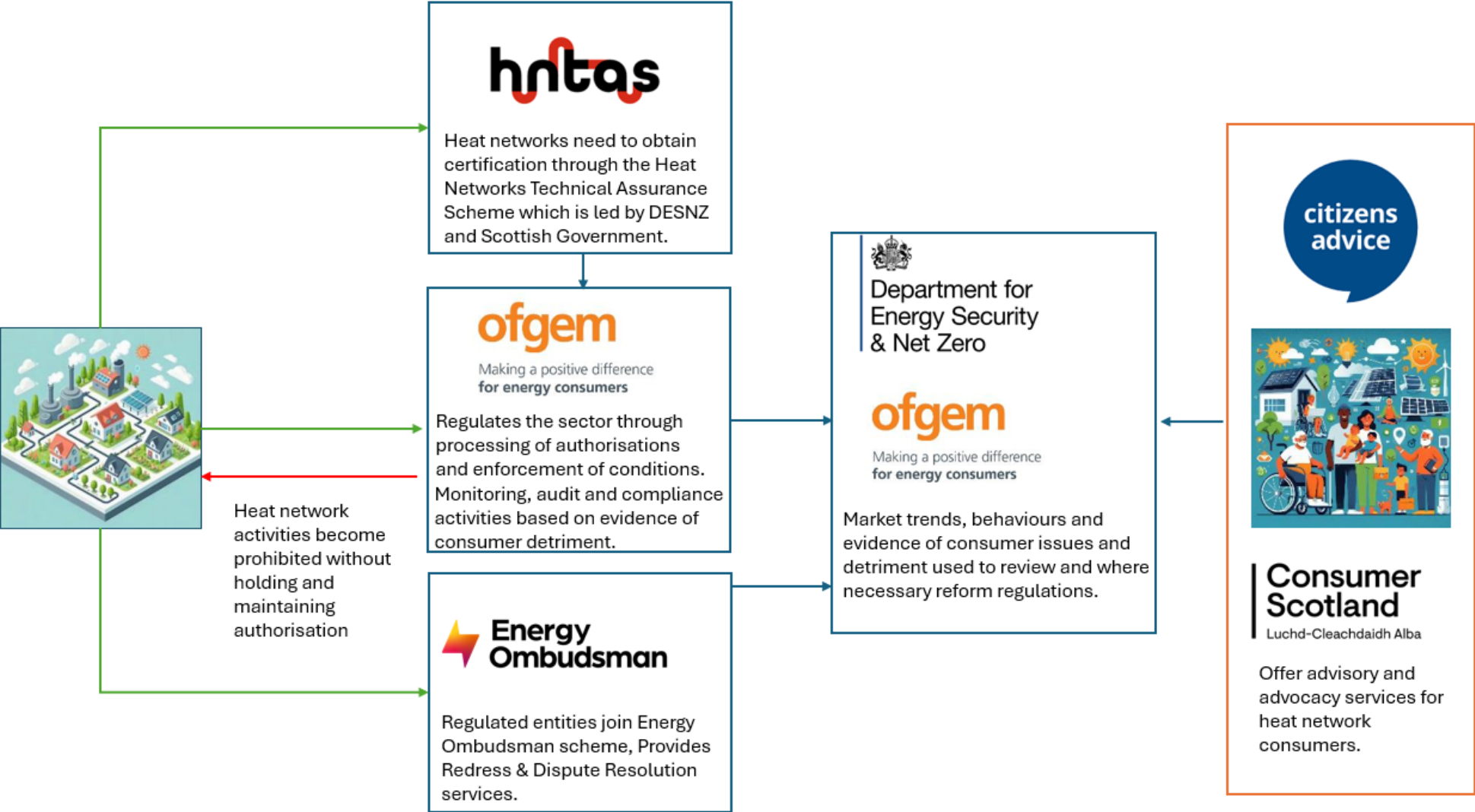


Table 1: Heat networks regulation timeline

Completed Milestones	Milestones This Quarter	Future Milestones
<p>2017: CMA report recommends market regulation to address monopolistic characteristics</p> <p>March 2020: Publication of first HNMF consultation</p> <p>December 2021: First consultation response published</p> <p>November 2022: Work on designing Heat Network Technical Assurance Scheme begins: Industry working groups formed to inform decisions</p> <p>August 2023: Consumer Protection Consultation published</p> <p>October 2023: Energy Act 2023 completes passage through parliament</p> <p>January 2024: Ofgem licence fee cost recovery principles consultation published</p> <p>January 2024: Development of HNTAS Digital Service commences</p>	<p>August 2025: Implementing Consumer Protections government response published</p> <p>August 2025: Ofgem response to Authorisation and Regulatory Oversight</p> <p>August 2025: Ofgem consultation on authorisation conditions and guidance on measures to mitigate the risk and impact of financial failure</p> <p>Summer 2025: HNTAS Pilot Programme commences for existing heat network assurance process</p> <p>Summer 2025: HNTAS draft new build overview technical specifications and assessment procedures published</p> <p>Summer 2025: Ofgem consultation on authorisation conditions for Registration and nominating a single point of contact for heat networks with multiple operators.</p>	<p>Autumn 2025: HNTAS consultation and draft new build Technical Specifications published</p> <p>Autumn 2025: Second Market Framework Regulations laid</p> <p>Autumn 2025: Ofgem Pricing Guidance Consultation & fair pricing protections response</p> <p>Autumn 2025: Ofgem Consumer Protection Guidance Consultation</p> <p>Autumn/Winter 2025: Regulatory Cost Recovery Consultation (covering recovery from heat networks sector)</p> <p>Winter 2025: Heat Network Technical Standard 1 (TS1), existing heat network Technical Specifications and all Assessment Procedures published</p> <p>Winter 2025: Ofgem Authorisation Application Consultation</p>

<p>April 2024: Heat Networks Consumer Protection consultation response published</p> <p>October 2024: HNTAS Pilot Programme commences for new build assurance process</p> <p>November 2024: Heat Networks (Market Framework) (Great Britain) Regulations 2025 laid</p> <p>November 2024: Implementing Consumer Protections consultation published</p> <p>November 2024: Ofgem Authorisation and Regulatory Oversight consultation published</p> <p>Spring 2025: Ofgem Fair Pricing Protections consultation published</p> <p>Spring 2025: Consumer advocacy & Redress schemes commenced</p>	<p>Summer 2025: Ofgem Enforcement Guidance and Penalty Policy Consultation Published</p>	<p>Winter 2025: Ofgem consultation on consolidated set of initial authorisation conditions</p> <p>Winter 2025: Ofgem Monitoring and Audit Guidance Consultation</p> <p>Winter 2025/26: Ofgem Consultation on Authorisation SI followed by Guidance Consultation & Publication</p> <p>January 2026: Heat network regulation commences: Authorised persons have to the end of the initial period to register with Ofgem</p> <p>Spring 2026: HNTAS consultation government response published</p> <p>Spring 2026: HNTAS SI laid</p> <p>Spring 2026: Ofgem GSOPs SI Statutory Consultation</p> <p>Spring 2026: HNTAS Digital Service goes live for new build and existing heat networks</p> <p>Autumn 2026: HNTAS SI comes into force, HNTAS regulatory “go-live”</p>
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		<p>Early 2027: Deadline for authorised persons to register with Ofgem & provide registration data</p> <p>2027 onwards: Ongoing review of market trends and reactions</p>
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Devolution

Introducing heat network regulation is reserved in Wales and devolved in Northern Ireland. Legislating for heat is devolved in Scotland, except for consumer protection regulation which is a reserved matter. This means that these rules will apply to authorised heat network entities in Scotland alongside the regulatory regime established by the Heat Networks (Scotland) Act 2021. We have also agreed and are working with the Scottish Government to introduce GB-wide protections for microbusinesses and small businesses supplied by a heat network. Step-in provisions will also apply in Scotland.

Consumer protection rules will be set and enforced via the GB-wide authorisation regime. Consumer advice and advocacy is devolved in Scotland and Consumer Scotland will take on this role for Scottish consumers, with Citizens Advice performing this role in England and Wales. The Energy Ombudsman will additionally be appointed to provide a statutory consumer redress function across GB.

Pre-contractual transparency is broadly a reserved matter, however Energy Performance Certificates (EPCs) and housing rules – two mechanisms for introducing pre-contractual transparency – are devolved in Scotland. The proposed approach to these measures in Scotland is set out in the pre-contractual transparency section of this consultation.

Summary of responses and government response

The following section outlines the main themes coming out of stakeholders' responses to each of the 55 main questions within the consultation document, and 23 questions regarding the authorisation conditions that were appended alongside the consultation. For questions which asked for a Yes or No answer, a table is provided with a breakdown of the 153 respondents into four categories: Yes, No, Don't Know, Not Answered (no check-box response submitted), and Comments. A similar tabular breakdown is provided for questions that ask for support or opposition, or purely comments.

At the end of each section of the document, we have provided the government's response to the main points made by respondents and highlighted any changes to our policy proposals relative to the consultation stage.

Below each question, we have provided a summary of the main themes to emerge from each question and, where appropriate, the number of respondents making a particular point. In some instances, the numbers presented in the text do not correlate with the numbers in the table. This is because in many instances respondents made more than one point within their answer. This also reflects the fact that some points were made by respondents who only left a comment.

Please note that whilst not every single response we received for individual questions has been outlined in our summaries, we have considered and noted each response during our analysis and response development. We have aimed, where possible and appropriate, to keep summaries succinct, catering to the readability and conciseness of the document. We have also broken-down responses, internally, into stakeholder groups to better understand the context to which respondents have answered specific questions. For example, we have taken specific note of responses that have come from associations representing numerous organisations where opinions may be representative of a collective view. Whilst this breakdown is not included in the summaries below, it has been used in our development of the response.

Finally, we also note that stakeholders in some instances have provided general responses, as opposed to responding directly to individual questions, and may have provided additional evidence/annexes alongside their submissions. Whilst these are not included in the scope of the document below, these have and will continue to be considered as our policies are developed.

Scope of the regulation and authorisation regime

Question analysis

Q1. With reference to the draft authorisation condition 23 on definitions, do you agree or disagree with the definitions for relating to network types (domestic and microbusiness, non-domestic, industrial, self-supply)?

Table 22

Question 1	Response	Percentage ⁹
Strongly agree	2	1%
Agree	69	45%
Neither agree nor disagree	8	5%
Disagree	11	7%
Strongly disagree	6	4%
Don't know	8	5%
Not answered	49	32%
Comments	61	N/A

71 stakeholders who responded to this question expressed support for the definitions outlined in the consultation.

25 stakeholders requested greater clarity on either the content of definitions or their presentation, with some stakeholders noting that 'non-domestic consumer' was not clearly outlined in the relevant draft authorisation condition. Three stakeholders commented that they were unable to provide a response without further explanation of the definitions.

Five stakeholders specifically sought greater clarity for the industrial definition, including calls for a clear explanation of how this will differ from non-domestic and how rules will apply in

⁹ Percentages included within tables throughout this document have been rounded to the nearest integer. Thus, percentages within tables may not always add up to exactly 100%.

networks including mixed consumer types. One stakeholder also requested flexibility in applying the industrial definition to mixed use networks.

Five stakeholders sought greater clarity on the self-supply definition, including three stakeholders who queried whether self-supply could include Shared Ground Loop (SGL) heat networks under a model of shared ownership by network consumers. Two stakeholders emphasised the need for a clear distinction to be made between self-supply, single owner developments and third-party selling.

Four stakeholders called for SGL heat networks to be defined in order to understand how regulations or a specific approach to this market segment will apply to heat networks using this technology. One stakeholder suggested further defining various business models that exist for SGL heat networks such as the ‘utility model’ and ‘non-utility model’.

Two stakeholders found the non-domestic consumer sub-categories of SME and small business used in the consultation confusing, and one stakeholder called for the simplification of these sub-types into two groups, microbusiness and non-domestic. One stakeholder requested clarification for how microbusinesses operating from domestic premises would be considered.

Ten stakeholders highlighted that categorising heat networks by the consumers served on those networks could lead to confusion, and where heat networks serve several different types of consumers, categorisation would not be clear. Three stakeholders however considered that categorisation made it simple to identify a type of network and that this appropriately reflected the variation in consumer types in the market.

Seven stakeholders called for an expansion to the definitions to respond to various issues and proposed that not-for-profit, community-owned networks, and supported housing be defined.

Two stakeholders called for clarity on treatment of campus networks and one stakeholder called for clarity on waste heat but did not consider it necessary to define these terms.

Our proposed approach is outlined on page 26.

Q2. With reference to proposed consumer protection measures in this consultation, are there any measures that in your view are not relevant to heat networks using shared ground loops and individual consumer heat pumps? If so, what measures and why?

Table 33

Question 2	Response	Percentage
Yes	30	20%
No	19	12%

Don't know	44	29%
Not answered	60	39%
Comments	53	N/A

30 of the stakeholders who responded to this question expressed the view that some of the proposed consumer protection measures are not relevant to heat networks using SGLs in combination with individual consumer heat pumps.

Respondents showed support for the regulation of SGL and ambient heat networks, due to their monopolistic nature and centralised shared infrastructure.

In comments, 19 stakeholders called for the application of regulation to SGL heat networks be tailored, particularly for the areas of vulnerability, reporting, self-disconnection, financial resilience, billing and transparency, fair pricing, and Guaranteed Standards of Performance (GSOPs). Many stakeholders held that the regulatory approach should take into account whether access fees are levied to customers on the SGL heat network. Five respondents contended that requiring installation of metering on low or ambient temperature networks would not be feasible or practical, given technical challenges and common practice in the sector of charging a fixed access fee rather than unit pricing.

One stakeholder called for alignment with the Heat Network Technical Assurance Scheme (HNTAS) on whether the consumer connection would be within the scope of regulation. Another stakeholder commented that consumer heat pumps should not be in the scope of regulation, and that technical requirements for these are already addressed through existing product-specific frameworks such as the Microgeneration Certification Scheme (MCS).

Five stakeholders pointed out that the terms SGL and ambient network had been used interchangeably in the consultation, but the specific differences between these network types needed to be acknowledged.

Stakeholders also commented that different ownership models needed to be acknowledged and defined, such as social housing, private ownership or community owned schemes. Two stakeholders proposed that regulation should allow for a de-minimis threshold for small scale projects such as community projects, below which regulation would not apply, to avoid setting barriers to development. Three stakeholders argued regulations should not apply for privately owned networks under the non-utility model.

Our proposed approach is outlined on page 26.

Q3. Are there proposed consumer protection measures that in your view should be tailored to suit shared ground loop technology and if so, how?

Table 44

Question 3	Response	Percentage
Yes	26	17%
No	9	6%
Don't know	51	33%
Not answered	67	44%
Comments	48	N/A

26 stakeholders who responded to this question agreed with the proposal to tailor the application of consumer protection measures to SGL heat networks.

23 stakeholders provided suggestions on how consumer protection measures should be tailored, particularly GSOPs, fair pricing, billing and transparency, metering, vulnerability protections, and complaints.

Four stakeholders proposed consumer protection measures should be proportionate to the respective risks faced by consumers on SGL networks, arguing that this risk is low.

Three stakeholders proposed that application of regulation should be tailored to the operational model of the SGL heat network. Where access charges are levied, four stakeholders noted that fair pricing and billing and transparency protections would need to be tailored to this, in place of requirements for usage charging. Where no access charges are levied, lighter touch regulation was suggested. For example, one stakeholder observed that with no access charges being levied, self-disconnection would occur via a customer's electricity utility rather than their heat utility and it was therefore suggested self-disconnection protections should not apply.

One stakeholder argued that small private SGL heat networks should be exempt from regulations as there is no party acting as operator or supplier that can be regulated. Three stakeholders suggested there should be a de minimis threshold to distinguish small community-owned and managed networks, which do not charge an access fee, as the cost of regulation would disproportionately affect the costs to consumers.

Four stakeholders proposed tailoring the application of regulations based on the technical characteristics of SGL heat network sub-types. This supported two stakeholders' call for the definition of SGL heat network to be limited to closed loop networks that only rely on a shared

ground loop to supply heat, in conjunction with consumer heat pumps. This would distinguish them from heat networks that utilise a shared ground loop but are also reliant on third-party waste heat or electricity for pumping. For other technical reasons, three stakeholders requested for the scope of regulation to not be applied to infrastructure within the consumer envelope such as the consumer heat pump.

One stakeholder pointed out the majority of the cost of heat for an SGL heat network consumer is the electricity cost to run their heat pump. Three stakeholders highlighted that consumers on SGL heat networks receive a level of consumer protection through their electricity supplier (e.g. the Priority Service Register). Two stakeholders believed this level of protection was sufficient, while one stakeholder noted additional protections would be required to cover gaps in fair pricing. One stakeholder explained that limited additional protections may be required for consumers in social housing, as many issues would be covered under the existing legislation for that sector.

Our proposed approach is outlined on page 26.

Q4. In applying consumer protections to a heat network using shared ground loops and individual consumer heat pumps, in your view should there be differentiation between networks which charge a fee to access the loop, networks that do not charge a fee, and networks that utilise other ambient heat sources in addition to boreholes?

Table 55

Question 4	Response	Percentage
Yes	31	20%
No	13	9%
Don't know	48	31%
Not answered	61	40%
Comments	57	N/A

31 respondents to this question agreed there should be a differentiation in the application of regulations for SGL networks that charge access fees based on potential capacity demand, networks that do not charge an access fee, and networks that utilise other ambient heat sources in addition to ground loops.

Twenty stakeholders called for segmentation where it benefitted consumers, to create an equivalent level of protection for consumers across all types of operational and technical arrangements of SGL heat networks. Stakeholders supported tailoring consumer protections where relevant and practical to the technical and operational characteristic of the network type. One stakeholder pointed out that all networks require maintenance activities and that the associated costs would be recovered from network consumers through some form of charging. It was suggested therefore that there should be no differentiation between networks based on charging methodologies.

Three stakeholders requested clear definitions for SGL network technology types, particularly to distinguish SGL heat networks which rely solely on ground loops from ambient SGL heat networks which additionally rely on a secondary heat source or electricity to operate the network.

Discussing the different charging models for SGL heat networks, ten stakeholders noted the utility model necessitated a higher degree of consumer protection than non-utility SGL networks, due to the charging of an access fee, and therefore stakeholder comments particularly focused on fair pricing and billing and transparency consumer protections. Stakeholders recognised that utility SGL networks may not follow the same metrics as conventional heat networks and therefore may need tailored metrics.

Some stakeholders suggested that non-utility SGLs require minimal regulatory intervention, as upfront capital costs are covered by the owners, leaving no ongoing financial relationship with consumers. One stakeholder proposed any regulation of these network types would need to focus on technical standards, particularly at the installation phase. Two stakeholders advocated for exemption from regulation for networks that do not charge an access fee. Stakeholders (one trade association and one SGL operator) also proposed for non-utility networks to be classified as 'self-supply' networks to exempt them from certain aspects of the regulatory framework, whilst still having to comply with some requirements including technical standards.

One stakeholder warned of a risk of a two-tier approach from differentiating consumer protections according to whether an SGL network charges access fees. Another stakeholder recommended that a differentiated approach should not impose undue burden on the utility SGL to avoid penalising this activity.

Five stakeholders supported the regulation of ambient heat networks to be mostly or wholly consistent with the consumer protection framework, due to their additional complexity. Two stakeholders also noted protections should ensure efficiency benefits are passed to consumers, so billing and transparency and fair pricing protections were key. One stakeholder held that for ambient heat sources, there may be perverse incentives to continue with inefficient heat production to ensure a heat supply. One stakeholder requested that reporting requirements for these networks would need adjusting to reflect their cost structure.

Two respondents touched again on the risk of duplication of regulation with existing protections through landlord responsibilities for social housing and electricity supplier licensing conditions.

For the latter, one stakeholder asked for clarity over the boundaries of responsibility between SGLs heat network operators and electricity suppliers.

One respondent referred to their answer for Q2, in which they proposed de minimis thresholds to exclude small SGL networks (including small community owned networks), as the regulatory burden might prove a material barrier to entry.

Our proposed approach is outlined on page 26.

Q5. With reference to the draft authorisation condition 23 on definitions, do you agree or disagree with the definition for bulk supply?

Table 66

Question 5	Response	Percentage
Strongly agree	2	1%
Agree	70	46%
Neither agree nor disagree	11	7%
Disagree	9	6%
Strongly disagree	2	1%
Don't know	11	7%
Not answered	48	31%
Comments	50	N/A

72 stakeholders who answered this question supported the proposed definition for bulk supply activity. We received many suggestions for how the definition should be refined, for example to account for different bulk supply arrangements (housing associations, SGLs, hybrids), and to distinguish bulk supply from other definitions such as the regulated activity of supply. Four respondents requested further clarification on the interactions and responsibilities of the bulk supplier and the intermediary.

Four respondents asked for the definition to take into account how intermediary parties may likely use some of the heat supplied, for example a building owner who may use a proportion of heat for communal areas.

Three stakeholders had concerns that metering and billing or managing agents for buildings would be classified as intermediary parties.

We received two requests for clarity in relation to waste heat generators and intermediary parties.

Our proposed approach is outlined on page 26.

Q6. Do you agree or disagree with our proposals to apply some consumer protection measures to bulk supply activity? Please provide evidence and reasons for your response.

Table 77

Question 6	Response	Percentage
Strongly agree	26	17%
Agree	66	43%
Neither agree nor disagree	9	6%
Disagree	7	5%
Strongly disagree	0	0%
Don't know	5	3%
Not answered	40	26%
Comments	82	N/A

72 of the stakeholders who responded for this question showed support for the application of consumer protection measure to bulk supply.

Stakeholders recognised the significant impact of bulk supply on heat network consumer outcomes, and the need for consumers to have the same protections as those in other heat networks, particularly highlighting concerns about downstream impact to consumers in the

areas of pricing, billing and transparency, step-in mechanisms, vulnerability, efficiency and reliability, and complaint handling.

Six stakeholders highlighted applying consumer protections to bulk supply would mitigate the risk of perverse incentives for vertical separation through a gap in regulation.

Six stakeholders requested for the application of the framework to take into account the nature of the bulk supply network, such as networks which generate for their own homes and on-sell spare heat as bulk supply, SGL based networks, not-for-profits, or networks with local landlords as intermediaries. Stakeholders noted protections should apply only where the relevant party has control of the relevant activity and should not be overly complex to avoid creating barriers in this area of the market. One stakeholder proposed a threshold for bulk supply, so as not to discourage such smaller bulk suppliers from entering the wider network and providing supply continuity.

Four stakeholders called for compensation payments to be equivalent to the responsibility to end consumers.

Four stakeholders requested that bulk suppliers should be required to have a formal heat supply agreement in place rather than relying on planning or lease conditions, or informal arrangements for the supply of heat. Stakeholders argued that this would provide more certainty for roles and responsibilities and be better suited to consumer protection measures.

Three stakeholders requested clearer definitions in order to provide a response.

Our proposed approach is outlined on page 26.

Government response

Scope of the regulation and authorisation regime:

Non-domestic consumer

Ofgem will draft and publish an authorisation condition to formalise the definition of non-domestic consumer. We acknowledge that some stakeholders felt unable to provide complete feedback to this question due to this definition not being included in draft authorisation conditions in the consultation document. We have considered feedback to subsequent consultation questions where the non-domestic consumer definition was provided. The drafting of this definition into an authorisation condition will be reflective of that wording and feedback received.

Our approach to non-domestic, microbusiness and small business consumers is detailed further on page [36].

Industrial heat networks

Stakeholders requested clarity on the industrial heat network definition and whether heat network consumers engaged in industrial activity would be considered non-domestic consumers. Stakeholders also requested clarity on our approach to applying regulation in relation to supply of industrial consumers, particularly for networks supplying multiple consumer types.

In the draft general authorisation conditions published with the consultation, we defined an ‘industrial heat network’ as a heat network where all the heating, cooling or hot water which is supplied by means of that heat network is wholly or mainly supplied for an industrial process. If a heat network meets these criteria and is classified as an industrial heat network, consumer protection measures, metering and decarbonisation rules will not apply.

A person undertaking regulated activity on an industrial heat network will be subject to the requirements of authorisation, monitoring, audit and compliance, to the extent that these are relevant to the limited application of authorisation conditions for this network type. An upcoming consultation on technical standards will ask for views on the application of these standards to industrial heat networks through the HNTAS.

Our regulatory approach to industrial heat networks addresses the distinct characteristics of networks which are purposed for the supply of heat to industry. We do not believe this approach is necessary for industry supplied on networks that do not hold these characteristics and therefore we do not intend to define ‘industrial consumer’ as a separate consumer type. Under regulation, heat network consumers that are engaged in an industrial process will be considered non-domestic consumers.

Where a heat network supplies non-domestic consumers but does not meet the criteria of the industrial heat network definition, the authorised person will be subject to requirements of metering, decarbonisation and consumer protection measures to the extent that specific rules are applicable.

This approach will be set out in guidance to assist stakeholders to understand how authorisation conditions should be interpreted in a given situation.

Application of the regulatory framework to industrial heat networks is illustrated in Table 81, on page 138.

Self-supply

In consultation feedback, stakeholders requested clarity on the ‘self-supply network’ definition and how regulation would be applied in practice for these networks.

In draft authorisation conditions, we defined a ‘self-supply network’ as ‘a district heat network where all the heating, cooling or hot water supplied by means of that district heat network is consumed by the authorised person for that district heat network’.

This definition will enable regulation to be applied to a reduced extent for self-supply. This means that consumer protection rules will not apply to networks where a single entity owns and manages multiple buildings, provides heat to those buildings via a relevant heat network, and is also the sole consumer of that heat. These networks will be subject to requirements of authorisation, technical standards, decarbonisation, and associated regulatory oversight.

We are taking this approach because, while self-supply heat networks do not present a risk of consumer detriment, they make up a significant portion of heat generation and demand capacity in the market. It is therefore necessary to address efficiency through technical standards and that this heat is decarbonised.

The definition of self-supply refers to a district network as, by definition, a communal network serves multiple premises within a single building, which means that generated heat is not consumed solely by the authorised person.

Where the authorised person on a heat network consumes most of the heating, cooling or hot water supplied by means of that network, but also supplies domestic or non-domestic consumers, this will not be included in the self-supply definition.

Stakeholders asked whether the definition for self-supply could also apply to SGL heat networks where no standing charge or metered charges are levied to consumers, also known as the non-utility model. It was suggested that social housing providers supplying heat under this model may be generating and, as an organisation, consuming heat on the network. The self-supply definition would not be applicable to this arrangement as the authorised person is not consuming all the heat on the network. We consider that although charges may not be levied, there is a supplier-customer relationship which should be subject to consumer protection rules.

Similar calls were made by stakeholders in relation to small private SGL heat networks, where consumers on the network share ownership and responsibility for the heat asset. Due to the involvement of multiple parties rather than a single authorised entity, this will not be considered as self-supply. However, we will take a proportionate approach, and the consumer protection framework will largely not apply to small private SGL heat networks. Our approach is outlined on page 33.

Application of the regulatory framework to self-supply heat networks is illustrated in Table 81, on page 138.

Network categorisation and mixed-use networks

In the consultation we discussed categorisation of networks by the type of consumers they serve, to easily identify how consumer protections would be applied. In response, stakeholders have highlighted that this approach has potential to cause confusion, notably where a heat network includes a range of consumer types which may make it difficult to apply a categorisation or clearly understand which rules apply.

We have considered stakeholder feedback on this issue and agree that categorising heat networks by the consumers supplied on those networks has limited usefulness in the context of networks with more than one consumer type. For avoidance of confusion, when discussing application of regulation, we will relate this to the type of consumer being supplied in a given situation.

The presence of a consumer type with associated increased requirements does not extend those increased requirements to other consumer types on that network. For example, for a network including domestic and non-domestic consumers, domestic supply consumer protections will not apply to non-domestic consumers.

We have retained the network classifications of self-supply and industrial network which are based on the characteristics of these networks rather than consumer type. These classifications are useful to describe a particular circumstance where limited regulatory requirements will be applied to these networks.

To better understand how the regulatory framework will be applied, we have provided a table on page 138 which illustrates the application of regulation in relation to consumer types and network classification.

Expansion to defined terms

In response to consultation, stakeholders requested formal definitions for a range of terms including SGL heat network, not-for-profit, community-owned networks, and supported housing.

We agree with stakeholders that SGL heat networks should be formally defined as we are proposing that the regulation is applied in a particular way for these networks. It is important that stakeholders are able to clearly understand in what circumstances this approach will be taken. We have included details of how we will define SGL heat networks in the subsequent section covering our response to consultation questions on this topic.

We consider that other terms we have been asked to define, such as not-for-profit and supported housing, have a particular meaning set out in existing legislation or in general use. Where we use these terms, we will point to established definitions and outline this in guidance.

Stakeholders also requested clarification of the application of the regulation in relation to waste heat and campus networks, but did not request that these be defined.

In the previous consultation response¹⁰ we confirmed that waste heat generators, where they are not undertaking regulated activity, will not be subject to regulation. Waste heat is heat that is produced as a by-product rather than for the purpose of supply by means of a relevant heat network. An entity that harvests or receives waste heat and supplies this by

¹⁰ <https://www.gov.uk/government/consultations/heat-networks-regulation-consumer-protection>

means of a relevant heat network is undertaking regulated activity and will be subject to regulation.

Campus network is a term that is in use in the heat network industry to describe a district heat network that is associated with a single organisation, often within a single site or campus. Campus networks are relevant heat networks and are within the scope of regulation. Our approach to the authorisation of campus networks will be the same as other district heat networks, however it is likely that many campus networks will be self-supply networks.

An upcoming consultation on technical standards will ask for views on the application of these standards to campus networks through the HNTAS.

Shared ground loop heat networks

We are taking forward proposals to tailor the application of regulation for SGL heat networks. Our approach will consider the technology and business model characteristics of these networks and apply requirements in a practical and proportionate manner. This section details how we will implement this approach.

SGL heat network definition

To support our approach to this market segment and enable regulated parties to clearly understand how rules apply, we will define a 'SGL heat network' as a heat network that relies solely on closed ground or water loops for heat generation, in combination with individual consumer heat pumps.

This definition is sufficiently broad to include the different business models that stakeholders have highlighted as existing in the market. To ensure the regulatory framework remains flexible to emerging business models, we do not intend to formally define business models such as the utility, non-utility, and small private model, but our approach will be based on the key characteristics of these models, whether access fees are levied to network customers and the network ownership structure.

The definition of SGL heat network includes small private SGL networks, where multiple individuals own and operate the network for their own heating needs. Our approach is for these networks to be subject to minimal regulatory requirements. Further detail on this approach is provided on pages 32-33.

Some heat networks that utilise ground loops may also rely on other heat sources, or on electricity for pumping. This introduces additional complexity to a network which may affect cost to consumers or the risk of supply interruption. The inclusion of centralised plant is also likely to change the network's cost structure by reducing the proportion of customer heating costs attributed to their electricity consumption or introducing variability in operating costs. This undermines the rationale for fixed access charges in place of metered charges.

The definition of a SGL heat network, along with our segmented approach to consumer protections, does not apply to networks that incorporate additional heat sources or centralised plant, including ambient loop systems. We consider that these networks are more similar to other heat network types, and a particular segmented approach is not required.

Network efficiency and reliability will be primarily driven by technical standards through the HNTAS which will address these technical variations through a network component approach. We have provided further detail on page 33 about how technical standards will be applied to SGL heat networks.

Applying consumer protections to SGL heat networks

We confirmed in our 2024 consultation response¹¹ that SGL heat networks are included within the scope of the regulatory framework. In this section, we set out where our approach to applying consumer protection requirements for SGL heat networks will differ from that taken for other network types. In particular, the application of certain consumer protection measures will depend on whether access charges are levied on customers within the network.

For other consumer protection measures not explicitly addressed in this section, our approach will remain consistent with that applied to other heat network types. Please refer to the relevant sections of this response document for further detail on these requirements.

Prepayment meter (PPM) protection rules will apply to SGL heat networks. .

Self-disconnection rules create obligations on authorised persons to have awareness of and report on customers that are at risk of self-disconnection. Stakeholder feedback has emphasised that electricity supply for customers on SGL heat networks will be the largest cost component of their heat and that they have comparative flexibility to change suppliers. We agree with this view and that self-disconnection is most likely to occur via a customer's electricity utility as this would be their primary option to reduce heating costs. Additionally, where a fixed access fee is charged, customers on SGL heat networks will not be able to avoid this cost by reducing their heat usage. For these reasons, the consumer protection requirements for self-disconnection (see page 67) will not be applicable to SGL heat networks.

The approach we will take to applying the following consumer protection measures will be dependent on whether fixed access charges are levied to customers on a network.

- Fair pricing
- Billing and transparency

¹¹ <https://www.gov.uk/government/consultations/heat-networks-regulation-consumer-protection>

- Back billing
- Customer debt support
- Disconnection for non-payment of energy costs

SGL heat networks that levy access charges (utility model)

On some SGL heat networks, customers are charged a fixed fee to access the network, generally based on their potential capacity demand, by a third-party that owns and operates the network. This is commonly known as the utility model.

Although we acknowledge that the electricity component will likely form the largest portion of a customer's heating cost, under monopoly conditions there is potential for access charges and other charges to be disproportionate or for non-transparent and unfair billing practices.

We will therefore apply fair pricing, billing and transparency, back billing, and customer debt support measures for SGL heat networks where these charges are levied to customers.

Ofgem will be consulting on guidance later in the year on billing and further engaging on the benchmarking proposals set out in the April 2025 fair pricing protections consultation¹². The guidance will provide more detail on expectations of heat networks where charges levied are not based on heat usage.

SGL heat networks that do not levy access charges (non-utility model)

On other SGL heat networks, customers are not charged to access the shared ground loop. This is commonly known as the non-utility model. With no charges being levied to network customers, it is disproportionate to apply fair pricing, billing and transparency, back billing, and customer debt support measures. There will be no requirements for authorised persons in relation to these consumer protection measures for networks where no charges are levied to network customers.

The use of non-utility SGL heat networks in the social housing sector was highlighted by stakeholders in consultation feedback. The application of requirements for SGL heat networks in social housing will be based whether access charges are levied and aligned to our general approach to regulation of heat networks in social housing settings such as working to avoid duplication of existing regulation.

Small private SGL heat networks

Small private SGL heat networks consist of a shared ground loop connected to individual consumer heat pumps, jointly funded and owned by two or more private individuals.

¹² <https://www.ofgem.gov.uk/consultation/heat-networks-regulation-fair-pricing-protections>

These individuals are solely responsible for the network's operation, and they are also the only consumers served by it. These generally exist as small-scale arrangements between property owners, often in rural settings. Due to requirements for property owners to initiate development, the significant upfront costs and necessary land, this model of SGL heat network is less common.

Under this model, no charges are levied to network users who will be responsible for their own consumer heat pump and electricity supply, and jointly responsible for network maintenance. As such, we consider there is a low risk of consumer detriment in relation to this type of SGL heat network. Due to these factors and the ownership structure of these networks, they will be subject to minimal regulation, including none of the consumer protection measures or step-in provisions.

We will set out in guidance that for SGL heat networks to be covered by this approach, they must not involve third parties with responsibility for the network or levying of charges. This approach will not apply to SGL heat networks in communal settings where joint ownership may exist through a property factor or a Residents' Management Company. This is because the operation and maintenance of the network will be the responsibility of a third party in the management company or property factor.

Technical standards requirements and metering

We agree with stakeholder feedback that highlighted technical differences between SGL heat networks and other types of heat networks.

The application of metering and technical standards to SGL heat networks and individual consumer heat pumps in those networks is considered in the consultation for the HNTAS.

Guidance on regulation of SGL heat networks

Ofgem will draft and consult on guidance which will cover the application of regulation to SGL heat networks. Where we provide guidance outlining the processes of engaging with Ofgem to register existing networks or seek authorisation for new networks, we will specifically address these topics in relation to SGL heat networks to support stakeholders to navigate these processes.

Bulk supply activity

In consultation, we outlined the need to ensure that consumers on bulk supplied heat networks receive the same level of protection as those on networks where consumers are directly supplied, such as in a standalone communal network. We identified that the actions of the bulk supplier have the potential to impact consumers on downstream networks, most notably in relation to pricing and reliability of supply. Furthermore, it is clear that an intermediary, receiving a supply of heat and on-selling that to customers in their network, will require the cooperation of the bulk supplier in order to meet their regulatory obligations.

We proposed a definition for bulk supply in the draft definitions authorisation condition and proposed that the consumer protection measures of standards of conduct, fair pricing, guaranteed standards of performance, complaints handling and step-in should be applied to bulk supply activity.

Our proposed definition for bulk supply and proposals to apply consumer protection measures received strong support from stakeholders and we intend to move forward with these proposals. The proposals will be implemented through authorisation conditions which will set out requirements on bulk suppliers in relation to applicable consumer protection measures, and the extent to which they are responsible for end-consumer outcomes in downstream heat networks.

We intend that this approach will ensure that Ofgem has the regulatory capability to drive positive outcomes for end-consumers by being able to target regulation against all parties who have influence on those outcomes.

Approach to non-domestic consumers

Question analysis

Q7. Do you agree or disagree with the proposed protections for non-domestic heat network customers? Please provide evidence to support your views, or evidence of the potential impacts.

Table 88

Question 7	Response	Percentage
Strongly agree	7	5%
Agree	33	22%
Neither agree nor disagree	24	16%
Disagree	9	6%
Strongly disagree	3	2%
Don't know	17	11%
Not answered	60	39%

Comments	67	N/A
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These proposals received majority support from respondents.

Fifteen of the comments were clear in their support for these proposals, particularly given that non-domestic consumers also face the monopolistic nature of heat networks. These comments also referred to the lack of bargaining power held by small and medium-sized businesses, and inability to negotiate fair terms.

Five respondents stated that extending this regulation to the entire non-domestic sector seemed inappropriate, instead insisting that existing negotiation practices were sufficient and tailored to the specific needs of individual non-domestic consumers.

Four comments questioned the route to recovery for cost of energy supply, particularly in cases where large non-domestic consumers are not paying their bills. These comments referred to the use of prepayment meters and disconnection in order to mitigate the potential impact.

Three responses requested clarity on how the levels of GSOP compensation are set and that the current compensation proposals would not be adequate for non-domestic customers whose supply is interrupted.

A further three comments agreed with improving step-in protections for non-domestic consumers in alignment with the retail market but questioned why industrial consumers were being omitted from these protections. These responses expressed concern that this might discourage such consumers from considering heat networks as a source of heat supply.

Some individual responses made calls for the exemption, or additional consideration, of certain network set-ups, including shared ground loops (SGLs), housing associations and the broader social housing sector.

Our proposed approach is outlined on page 36.

Q8. Do you agree or disagree with the proposed definition of an SME for the purposes of heat network regulation?

Table 99

Question 8	Response	Percentage
Strongly agree	4	3%
Agree	31	20%

Neither agree nor disagree	23	15%
Disagree	13	9%
Strongly disagree	1	1%
Don't know	19	12%
Not answered	62	41%
Comments	50	N/A

These proposals received some support from respondents. However, analysis of comments highlighted some confusion regarding this definition.

Seven respondents agreed wholly with our approach and encouraged consistency with Ofgem's approach in the gas and electricity market, calling for uptake of the terms 'micro-business' and 'small-business' under the broader bracket of non-domestic. These comments were also clear that a consistent approach to terminology across other regulated utilities would help avoid any unnecessary complications both for suppliers and consumers.

Six comments asked for further clarity as they were unsure where obligations were being placed based on the drafting of our consultation and authorisation conditions.

A further six comments requested engagement with industry and the broader market, in our approach to finding an equivalent heat value (kWh) to replace gas consumption in finalising this definition.

Five responses called for use of the definition established by the Procurement Act 2023, with the position that our proposed definition would not effectively cover the monopolistic nature of heat networks.

Four responses commented that SMEs should be solely classified by the number of employees and annual turnover, insisting that this accurately reflected their ability to resolve issues with suppliers through legal processes.

Our proposed approach is outlined on page 36.

Government response

Approach to non-domestic heat network consumers

Non-domestic consumer protections

After assessing stakeholder feedback, we have decided to proceed with our proposed position and expand consumer protections in alignment with Ofgem's non-domestic market review¹³. We want all relevant stakeholders, including suppliers, operators and consumers, to be clear of the rules that apply to them. While the scope of authorisation conditions should be clear within them, we have also produced an initial scoping table on page 138 that Ofgem expect to build upon in an upcoming consultation on consumer protection guidance. We have also used responses to this consultation to develop a more targeted approach to engagement with relevant stakeholders in this area. Ultimately, we believe that these proposals will establish a baseline of protections from which non-domestic consumers can negotiate from and reflect stakeholder concerns that these consumers equally face issues due to the monopolistic nature of heat networks.

In addition to extending protection to non-domestic consumers, we acknowledge industry concerns that these consumers can represent a larger financial risk should they miss payments. Some stakeholders questioned the use of prepayment meters and disconnection. While restrictions on the use of these measures apply only to domestic consumers, they should always remain a last resort to cost recovery.

We note that some stakeholders questioned if rates of compensation required under the GSOP proposals would vary for non-domestic consumers, particularly given their increased usage and, likely, higher financial loss because of interruption. We have committed to further policy development and a separate statutory consultation for GSOPs and so will include these queries in our future work. We also intend to explore ways that GSOP requirements can be effectively phased-in to better align with the timelines of commercial contracts in the sector.

We will proceed with including non-domestic consumers, including those on bulk supply arrangements within scope of the step-in framework, and will consult further on whether this should extend to networks with purely industrial consumers in the step-in consultation this summer.

Non-domestic definitions

We had previously explored the use of the term 'SME' in the context of non-domestic heat network consumers. Based on consultation responses and further stakeholder engagement, we are not adopting this term but instead proceeding with our proposal to

¹³ <https://www.ofgem.gov.uk/decision/non-domestic-market-review-decision>

introduce definitions for ‘micro-business’¹⁴ and ‘small business’¹⁵ heat network consumers, based on the precedent set by Ofgem’s non-domestic market review.

We note that some stakeholders encouraged us to consider alternative definitions, such as that set out in the Procurement Act 2023¹⁶. However, stakeholders were also clear in their preference for consistency across regulated utilities, and we consider alignment across Ofgem as an important step in achieving this. As for broader concerns regarding network suppliers’ and operators’ limited access to data and ability to distinguish types of consumers on their network, we believe the proposed definitions will allow adequate flexibility in this scenario. We will also use stakeholder engagement to inform guidance and support the proposed approach and definitions.

Supply to premises: connection, treatment of consumers and recovering connection costs

Question analysis

Q9. Do you agree or disagree with the proposed approach to ‘supply to premises’ conditions?

Table 1010

Question 9	Response	Percentage
Strongly agree	11	7%
Agree	71	46%
Neither agree nor disagree	16	10%
Disagree	4	3%
Strongly disagree	1	1%
Don’t know	7	5%

¹⁴ A Heat Network Micro Business Consumer is defined as one which meets the following criteria: it consumes less than 247,000 kWh of heat per year; or it has less than 10 full-time employees or an annual turnover of less than £2 million.

¹⁵ A Heat Network Small Business Consumer will be defined as one which meets the following criteria: it consumes less than 420,000 kWh of heat per year; or has fewer than 50 employees (or their full-time equivalent) and an annual turnover no greater than £6.5 million or balance sheet total no greater than £5 million.

¹⁶ <https://www.legislation.gov.uk/ukpga/2023/54/contents>

Not answered	43	28%
Comments	85	N/A

Overall, respondents support the proposed approach to supply to premises.

23 respondents provided a neutral response. Of these, 16 selected Neither agree nor disagree and seven selected Don't know. Despite selecting a neutral response, some respondents in these groups added comments expressing both support and concern with elements of the proposals which have been taken into consideration alongside the comments from those opted to agree or disagree overall.

The five respondents who did not support the proposals were a charity, a housing association, a local authority, a political organisation and a social housing organisation.

The 82 respondents who supported the proposals include three consumer advocacy organisations, three industry trade associations, six social housing organisations, seven local authorities, 11 operators, 13 housing associations and 14 heat network consumers.

Responses showed overall support for the proposal that heat networks will not be obliged to offer to connect a premises to their network and instead be obliged to offer a supply contract and to supply heat to premises where the connection is already in place. However, five responses highlighted the potential for consumers, particularly vulnerable or costly-to serve consumers, to experience discrimination due to heat networks not being obliged to offer a connection.

Six respondents suggested that they would like the option to attach conditions to the offer of a supply contract, such as reviewing a consumer's credit history and not being obliged to offer a supply contract in the event their debt history is poor.

Five respondents queried the relationship between a heat supply agreement and a tenancy or leasehold agreement; specifically, whether a supply contract can be included within tenancy or lease agreement documentation or whether it must be a standalone document.

Our proposed approach is outlined on page 39.

Government response

Supply to premises

Noting the overall support from respondents, we intend to take these proposals forward.

Our intention is to ensure that all consumers are protected by supply contracts. There will be no exemption to the obligation to offer a supply contract to a consumer occupying premises with an existing connection.

To address the point of clarification as to whether a supply contract can be included within tenancy or lease agreement documentation or whether it must be a standalone document, please note that draft authorisation condition 9.2.1 states that a supply contract includes ‘a lease, tenancy agreement, service charge agreement or other agreement between the authorised person and the Relevant Consumer in relation to premises under which terms and conditions relating to the supply of heating, cooling or hot water by means of the Specified Heat Network are contained’.

Fifteen responses raised concerns over a consumer’s ability to terminate a supply contract, highlighting possible impacts such as detriment to the efficiency of the heat network, damage to the fabric of a building due to inadequate heating and compliance with lease agreements where heat supply via heat network is included as a condition of lease. The proposed approach does not comment on contract termination while a consumer remains in residence, reflecting the diversity of existing supply contracts and existing arrangements in the market. It is left to the market to determine if specifying how to terminate a contract in residence is necessary or appropriate for their heat networks.

Standards of Conduct

Question analysis

Q10. Do you agree or disagree with our proposed approach to the Standards of Conduct?

Table 1111

Question 10	Response	Percentage
Strongly agree	11	7%
Agree	90	59%
Neither agree nor disagree	5	3%
Disagree	12	8%
Strongly disagree	2	1%

Don't know	5	3%
Not answered	28	18%
Comments	79	N/A

Respondents were largely in support of the Standards of Conduct, with 66% of respondents agreeing or strongly agreeing with the proposals, while 9% of respondents disagreed with the proposals.

13 of the respondents commented that they have concerns over the capacity of smaller networks to comply with the Standards of Conduct. Some indicated that, to reduce further financial strain or the risk of insolvency, service costs may need to be passed onto consumers. These respondents suggested that the introduction of a minimum or baseline set of standards could help ensure compliance.

11 of the comments called for guidance materials to help regulated suppliers and operators meet the proposed expectations. Of these responses, representatives of small networks and social housing networks were particularly keen for good practice examples of consumer engagement processes. These respondents also suggested that providing templates could help embed best practice and drive a standardised quality of service across the market. Those calling for guidance were also clear that this should be informed by stakeholder engagement, especially when it related to improving services for vulnerable consumers.

Eight respondents called for a segmented approach for authorised persons that are also housing providers to avoid overlap with existing regulations. Examples highlighted included scrutiny of housing services charges by Housing Benefit and Local Authority Commissioners, and potential overlap of escalation routes as tenants currently raise complaints to the Housing Ombudsman.

Some stakeholders called for exemption or alternative approaches to right to manage companies and properties that receive heat from shared ground loops. Alternative approaches were recommended due to their unique business model and existing obligations under housing legislation.

Seven stakeholders highlighted the need for an adequate transition period to ensure the sector has time to build capabilities and to adopt the processes and systems required to comply with the Standards of Conduct.

A small number of responses asked for further information. Three respondents requested a clear definition of the "fair treatment of consumers". Ofgem were asked to provide more detail on which circumstances would constitute consumers being "placed at a disadvantage in any

commercial arrangement”. Another comment requested clarity on how service providers can identify whether authorised persons are meeting the standards.

Our proposed approach is outlined on page 44.

Q11. Do you currently engage with your consumers on a regular basis?

Table 1212

Question 11	Response	Percentage
Yes	76	50%
No	25	16%
Not answered	52	34%

The summary of this response has been combined with question 12 below.

Q12. If yes, could you provide examples of how you currently engage your consumers, both on the maintenance of the network and more broadly?

Table 1313

Question 12	Response	Percentage
Comments	88	N/A

The most frequent method of consumer engagement reported by stakeholders was regular meetings with consumers, including local energy forums and annual sessions on service charges.

A common engagement method used by respondents includes digital correspondence, such as website, email, and social media communication, and monitoring online service review websites.

Other key methods of engagement reported include targeted customer surveys, phone advisor services, letter correspondence, and both on-site and off-site internal teams.

Our proposed approach is outlined on page 44.

Q13. Do you agree or disagree with our approach to a principle on the security of supply?**Table 1414**

Question 13	Response	Percentage
Strongly agree	12	8%
Agree	72	47%
Neither agree nor disagree	18	12%
Disagree	7	5%
Strongly disagree	1	1%
Don't know	6	4%
Not answered	37	24%
Comments	72	N/A

Respondents were largely in support of the proposed security of supply principle.

Seventeen of the comments questioned the level of detail contained within the proposals and the relevant authorisation condition. These comments were concerned that the relevant drafting doesn't provide enough information, with some respondents calling for clear metrics and specific KPIs in order to support compliance.

Eleven respondents made calls for the proposals to better recognise the technical difficulties facing heat networks. Some noted the difficulty in monitoring and determining fault when it is the result of a problem with an individual boiler, as this does not always result in a direct outage or interruption in supply of heat to consumers. These respondents also noted the role of the Renewable Heat Incentive in requiring an annual servicing of boilers, which in itself requires boilers to be switched off for up to 12 hours. These comments called for the proposed approach to acknowledge that there are some instances where interruptions to supply may be unavoidable. Another of these comments called for significant improvements to network infrastructure before the implementation of strict maintenance standards.

A further 11 respondents raised the overlap with HNTAS, and some specifically showed concern that the relevant authorisation condition made no reference to the broader technical standards.

Ten of the responses called for further acknowledgement of the challenges in maintaining legacy networks, particularly the additional investment required to meet more technical requirements like the proposed principle. These comments suggested that without additional funding, costs required to be compliant with these expectations may have to be passed onto consumers.

Nine comments were clear they did not believe that these proposals should be subject to segmentation, consumers should have the assurance contained within the security of supply principle.

A further five responses built on this by calling for consumer characteristics, especially vulnerability, to be considered as part of these proposals. These comments also noted that the security of supply principle should be accompanied by prescriptive requirements covering the supply for vulnerable consumers.

Two comments were in relation to the applicability of this principle to shared ground loops (SGLs), noting that systems differ significantly in design and operation. These responses argued that these systems are both less vulnerable to supply failures, but also because of their decentralised nature, consumers are more likely to notice a change in their heating performance rather than a complete loss of supply.

Our proposed approach is outlined on page 44.

Government response

Standards of Conduct

After assessing stakeholder feedback, we have decided to proceed with our proposed approach to Standards of Conduct. The proposals received majority support from two thirds (66%) of the responses. The Standards of Conduct are a key consumer protection mechanism in the Gas and Electricity market. Requiring authorised persons within the heat networks market to follow Standards of Conduct will ensure standards and outcomes are improved for consumers.

Transition period

While Ofgem recognises stakeholder calls for phasing-in these proposals and the concern that appropriate processes need time to be effectively put in place, the Standards of Conduct will be in place from January 2026. This is because the Standards of Conduct are a key mechanism for ensuring the fair treatment of consumers. Ofgem expects heat network suppliers and operators to work to improve their services and consumer relations in advance of the Standards of Conduct coming into effect in January

2026. Ofgem will continue to engage with the market and provide guidance to help support the transition into regulation.

Crossover with housing

Responses to this consultation indicated multiple areas of the proposed framework which overlap with existing housing legislation and regulation, noting concern this could be overly complex or costly to both authorised persons and consumers. In designing the Standards of Conduct, we have aligned with existing processes where appropriate, including expectations set out by the Regulator for Social Housing (England)¹⁷, the Housing Regulation Team (Wales)¹⁸, and Scottish Housing Regulator¹⁹. However, Ofgem are not proposing an exemption to those networks also captured under existing regulations, as this could lead to a two-tiered consumer protection approach, posing the risk that some suppliers and operators do not treat consumers fairly. Instead, Ofgem will continue to engage with industry stakeholders and other regulatory organisations to mitigate concerns of disproportionality. Additional concerns with other areas of the proposals will be addressed in the respective sections of this response.

We note that some stakeholders called for a clear definition of the ‘fair treatment of consumers’, and reiterate our proposal to align the heat networks ‘Consumer Objective’ with Ofgem’s overarching ‘Customer Objective’ that:

“each [type of] Customer, including each Domestic Customer in a Vulnerable Situation, is treated Fairly.”²⁰

This objective aims to ensure that fairness is at the core of all decisions made by an authorised person towards their consumers. Ofgem also intend on supporting the Consumer Objective with some specific examples of bad practice in our upcoming guidance consultation. This is likely to include some details regarding Ofgem’s assessment of fairness in light of any relevant market segmentation.

Capacity of smaller networks to comply

Stakeholders demonstrated a clear concern over the capacity of smaller networks to comply with the Standards of Conduct. Some called for a segmented approach and/or exemptions, expressing concerns that compliance would lead to network insolvency. We are not proposing that suppliers or operators providing heat through SGL systems are exempt from the Standards of Conduct. However, Ofgem would not expect the Standards of Conduct to be implemented in the same way across the heat networks market and acknowledge that processes will differ based on many of the characteristics we have considered in segmentation, including resource availability. Any segmentation will be covered in guidance published, rather than prescriptive exclusions and exemptions.

¹⁷ <https://www.gov.uk/government/collections/regulatory-standards-for-landlords>

¹⁸ <https://www.gov.wales/housing-associations-registered-wales-regulatory-framework>

¹⁹ <https://www.housingregulator.gov.scot/for-landlords/regulatory-framework/>

²⁰ https://www.ofgem.gov.uk/sites/default/files/docs/2019/02/licence_guide_standards_of_conduct_0.pdf

Guidance will take into account smaller heat networks to help alleviate some of the administrative burden.

We also recognise calls to ensure the Standards of Conduct offer the same level of consumer protection as offered by the FCA's Consumer Duty. Ofgem are exploring the strengths of this model and its applicability to the heat network market, while working closely with colleagues across Ofgem to ensure appropriate alignment with ongoing work on the 'Consumer Confidence' Programme²¹.

We welcomed stakeholder feedback on areas where further guidance will be needed to best enable compliance and embed best practice. Ofgem expect the guidance to include lessons learned and examples to demonstrate how the Standards of Conduct can be applied to and understood within the context of the heat networks market.

Consumer engagement

We also acknowledge stakeholder feedback that we should strengthen the additional standard based on consumer engagement. In particular, respondents encouraged us to draw on existing practices within the housing sector, such as feedback mechanisms and tenant engagement groups. Ofgem intend on using these responses and example processes to finalise the relevant authorisation conditions and to develop supporting guidance. Guidance on Standards of Conduct will be published in Ofgem's upcoming consultation and will include examples to support and enable operators and suppliers to comply with and embed regulations.

Security of Supply

Following analysis of stakeholder feedback, we have decided to proceed with our proposed introduction of the Security of Supply principle. The proposals received support from over half (55%) of respondents and a significant amount of these responses made clear that this principle represents a basic function of regulated heat providers. Other stakeholders reiterated that the proposals would hold providers to account while encouraging a more proactive approach to network maintenance. We expect to implement the Security of Supply authorisation condition 20 from January 2026.

We recognise stakeholder calls for further detail in this area, including some which indicated that the proposals should take a more prescriptive approach, opting for the use of metrics and key performance indicators. Other consultation responses, and our work on market segmentation, highlighted the variation in stock quality across the heat network market and the difficulties that arise from operating particular technologies.

This feedback has contributed significantly to our decision in progressing with the Security of Supply as a principle-based regulation. Under this authorisation condition, our

²¹ <https://www.ofgem.gov.uk/publications/consumer-confidence-step-standards#:~:text=The%20Consumer%20Confidence%20work%20programme,Ofgem%20has%20the%20right%20powers.>

expectations of authorised persons to maintain their network infrastructure will apply similarly to our expectations under the Standards of Conduct, e.g., for an authorised person to establish and maintain appropriate customer service processes. We acknowledge the complexity and diversity present within the sector and we are keen to continue engagement with industry, consumer groups and other relevant stakeholders in the implementation of the Security of Supply. However, for that same reason it would not be practical to include specific levels of maintenance or determine a frequency of servicing within this authorisation condition. We will continue to work with relevant stakeholders to build on this requirement, providing supplementary guidance where possible. In response to stakeholder comments regarding the interaction with similarly technical-based standards, such as HNTAS and the Guaranteed Standards of Performance, we are clear that this authorisation condition is not an alternative to either but is intended to encourage reinforce our expectations of a heat network's performance.

Introducing the Security of Supply principle is an important step in driving the reliability of networks across the sector and ensuring that suppliers and operators recognise the supply of heat as a regulated service and implement effective processes to reduce interruptions.

Fair pricing

Question analysis

Q14. Do you have any views on the high-level fair pricing framework discussed in the Fair Pricing section and in Annex 3 of this document?

Table 1515

Question 14	Response	Percentage
Comments	112	N/A

This question received 112 responses with 60% of them explicitly supportive of the high-level fair pricing framework. Of those who supported, there was a split between those who were generally supportive and those who were supportive with caveats and concerns.

The prevailing caveat amongst this group was the need for more detail on how aspects of the framework would work in practice, as well as clarity on key definitions such as Affordability and Cost-efficiency.

Eleven respondents highlighted the need for regulation to take network characteristics into account such as geographical location, cost structure and technology type. One respondent

raised the point that older networks might find it uneconomical to make efficiency improvements, and that the framework should take this into account.

Four respondents questioned the use of gas boilers as counterfactuals for heat networks. The view was that a low-carbon equivalent source of heating should be used when assessing fair pricing of heat networks with one respondent arguing that the heat price will undoubtedly be higher for networks that use electricity to generate heat, due to unbalanced levies between gas and electricity. One of the four respondents thought that there should be separate counterfactuals based on the age of the network. They argued that for heat networks connected to supply heat/hot water in new properties, a low carbon counterfactual could be used for benchmarking and for existing households subject to a mandated connection, the fairest counterfactual would be their existing heating cost.

Ten respondents voiced concerns that ‘cost avoidance’ pricing has not been recognised in this consultation and sought clarity on how the proposed fair pricing framework will apply to heat networks that price according to a ‘price promise’ or ‘cost avoidance’ methodology, where prices are set with reference to a counterfactual.

Two respondents raised the absence of discussion around standing charges, questioning whether, and how, standing charges and unit costs will be defined within the framework. One respondent also asked whether there will be a difference in regulation between prepayment and credit meters, mirroring the retail market.

Six respondents raised concerns of regulatory conflict/overlap between Ofgem’s framework and the proposed role of Zone Coordinators (ZCs)²². Potential “double regulation” was raised by one respondent with other responses highlighting conflict between Ofgem and ZCs. Amongst the six respondents, there was a general argument that a single body should oversee fair pricing, and that they would like more detail on how this potential conflict will be resolved.

Ten respondents referred to the lack of a price cap in the heat networks framework and emphasised the negative effect this could have on consumers compared to gas and electricity. Two of these responses acknowledged that, given the differences between heat networks and gas and electricity, an equivalent price cap would be problematic. Another stakeholder raised the idea of a profit cap although they also recognised that it could be challenging to implement.

Another common theme raised by respondents was the need for support with fuel procurement. Five responses mentioned that HNs should receive some form of direct protection, such as a cap, to the price they pay for fuel. One stakeholder argued that due to transmission losses and technological structures of networks, fuel needs to be procured at a cheaper rate than domestic priced gas in order to match the price of a domestic gas boiler. Other points raised were that smaller networks may not possess the resources or expertise to procure fuel efficiently and that action should be taken to ensure that broker premiums on fuel procurement are minimised.

²² <https://www.gov.uk/government/consultations/proposals-for-heat-network-zoning-2023>

Our proposed approach is outlined on page 49.

Q15. Do you agree or disagree with our proposal to extend the scope of fair pricing to all non-domestic consumers?

Table 1616

Question 15	Response	Percentage
Strongly agree	14	9%
Agree	48	31%
Neither agree nor disagree	17	11%
Disagree	7	5%
Strongly disagree	3	2%
Don't know	12	8%
Not answered	52	34%
Comments	59	N/A

When asked about extending the scope of the fair pricing framework to non-domestic consumers, most respondents either strongly agreed or agreed with the proposal.

The primary reasoning from stakeholders was that micro and small businesses operate in the same way as domestic consumers in the heat network market and therefore should be given the same treatment of fair pricing. One particular response raised the point of transparent and predictable pricing as being critical for non-domestic consumers to manage operational budgets effectively. They argued that extending the framework to this group of consumers would greatly improve trust and confidence in heat networks and encourage uptake.

Six respondents, whilst generally supportive of the scope extension, thought that larger non-domestic consumers should be excluded from the pricing framework. They argued that these large consumers can have tailored or bespoke contracts with heat networks and subjecting them to the same framework as domestic consumers could limit flexibility of such contracts.

Our proposed approach is outlined on page 49.

Government response

Fair pricing

Framework detail and principles definitions

Most respondents expressed the need for more detail on the fair pricing framework and principles before taking a definitive stance on the framework. The fair pricing protections consultation²³ (Spring 2025) aimed to seek further views on the development of the fair-pricing framework, including: its high-level structure, objective, principles and outcomes, and the outline of a ‘fairness test’ to support its implementation. The consultation also provided more detail on how the principles could be further developed in guidance (the fair pricing guidance), providing definitions and identifying specific areas that could be covered by guidance.

Guidance on the proposed fair pricing protections will set minimum expectations, best practice and overall processes.

However, there are areas that require further development, and we are keen to engage more and gather additional input to refine the framework. For some aspects, such as the set of principles and outcomes, Ofgem were able to consult on specific proposals. For other areas, such as the detailed guidance developing the principles, the regulator sought input from industry to help further refine the guidance proposals. Ofgem will consult on the fair pricing guidance later in the year.

Heat network characteristics

Respondents asked for the framework to account for different characteristics of heat networks such as cost structure, geographical location and technology type. We are aware that costs and prices will vary depending on a range of different characteristics and that the pricing framework needs to take this into consideration. This is reflected in different elements of the framework which Ofgem consulted on, for example market segmentation involves considering whether and how rules and requirements may need to be adapted so that regulation is applied proportionately to different types of heat networks.

In the fair pricing consultation, Ofgem discuss a comparator benchmarking approach where heat networks’ prices are compared to the prices of other networks with similar characteristics. In relation to this, Ofgem has conducted initial modelling to identify key cost drivers and used this to define archetypes within which to group heat networks.

Ofgem also propose an external benchmark that compares a network’s price to a gas or heat-pump counterfactual, depending on the characteristics of the network (further detail is given in our counterfactual response below). In the Price Transparency chapter, Ofgem

²³ <https://www.ofgem.gov.uk/consultation/heat-networks-regulation-fair-pricing-protections>

discuss the option of Grouped Comparison where prices are compared within groups of heat networks, allocated as such based-on characteristics such as size of network, age of network and technology.

Counterfactuals

Respondents questioned the use of gas boilers as a counterfactual to heat networks. Ofgem expanded on the use of counterfactuals under external benchmarking in the pricing consultation. A gas boiler benchmark is proposed to be used as an informative starting point, given that this is the most common form of heating technology in most homes and gas is the most common fuel source in existing heat networks.

However, we recognise that, to enhance transparency and facilitate meaningful cost comparisons, it is essential to establish a robust heat pump benchmark as a low-carbon counterfactual given that gas will become less relevant as decarbonisation takes effect. For specific cases where an alternative fuel source is used (e.g. biomass), we will take this into consideration when analysing prices. It is important to note that the use of counterfactuals and external benchmarking will only form part of the assessment – Ofgem’s intention is to use more than one benchmarking approach (such as own past price benchmarking and comparator benchmarking) and to consider other relevant information when identifying cases of potential disproportionate pricing.

Pricing methodologies

Some respondents sought clarity around the way heat networks running ‘price promise’ or ‘cost avoidance’ methodologies would fit into the fair pricing framework. Our view is that the proposed ongoing monitoring approaches including the benchmarking profitability assessment and price investigations can and should apply to all heat networks including those on different pricing methodologies. As proposed in the pricing consultation, the fairness test will explore the extent to which prices are ‘fair’ according to the principles outlined. For example, the comparator benchmark will compare if prices are comparable to other technically similar networks. This comparison can be made regardless of pricing methodology.

Standing charges

The balance of standing charges versus variable charges has been under discussion more widely in the energy retail market. As part of Ofgem’s published position on the topic of standing charges in retail, Ofgem committed to consulting on ensuring consumers have a zero standing charge option within the gas and electricity price cap, alongside the existing tariffs. The question of balancing standing and variable charges is complex, and Ofgem will consider whether any changes made in the wider retail market are appropriate for heat networks while factoring in the unique characteristics of the sector.

Interaction with Zoning proposals

Respondents raised concerns around the potential regulatory conflict of Ofgem’s framework and the role of Zone Coordinators. The approach to pricing protections within zones are still under development and further details will be provided in the government response to the 2023 Zoning Consultation. We are keen to ensure that roles and responsibilities are clear, and the frameworks work in parallel with each other.

Direct price regulation

Some respondents highlighted the lack of a price cap in the framework although only one explicitly advocated for one to be introduced. The Energy Act 2023 provides for powers to introduce direct price regulation, such as a price cap or profit regulation. Any such intervention needs careful evaluation and understanding of wider impacts. We will continue to consider all options for how to protect consumers effectively in a way that is sustainable for the sector.

Framework scope extension

Most respondents agreed that the fair pricing framework should be extended to include non-domestic consumers. Ofgem took the feedback into consideration for the pricing consultation and at this stage, have not identified a need to differentiate pricing policy based on whether a heat network serves domestic or non-domestic consumers. However, Ofgem is seeking stakeholder views on this, particularly in relation to larger non-domestic consumers, as part of their fair pricing protections consultation published in April 2025.

Vulnerability: defining vulnerability and protections for vulnerable consumers

Question analysis

Q16. Do you agree or disagree with our proposed overall approach to vulnerability, adopting the existing Ofgem definition for gas and electricity consumers but combining this with targeted protections for heat network consumers, where needed, through the authorisation conditions?

Table 1717

Question 16	Response	Percentage
Strongly agree	9	6%
Agree	79	52%

Neither agree nor disagree	17	11%
Disagree	4	3%
Strongly disagree	10	7%
Don't know	3	2%
Not answered	31	20%
Comments	88	N/A

Definition

Respondents mostly supported the proposal to align with Ofgem's existing vulnerability definition and the future introduction of Priority Services Register (PSR) data sharing (universal PSR²⁴). Forty-eight respondents agreed that a broad definition is crucial to capture the many ways people experience vulnerability. A majority of respondents supported aligning the definition with the gas and electricity markets with four respondents explicitly supporting the future sharing of PSR details between heat networks and electricity suppliers.

Four respondents raised uncertainties over the crossover with the social housing vulnerability definition, and three requested guidance on vulnerability assessments, roles, and responsibilities.

Priority Services Register

Fourteen respondents see the PSR as a necessary protection for consumers on heat networks. Two respondents would like to have a template for the PSR, so all networks can monitor this in the same way and don't have to write their own forms. A consumer group argued that providers should be proactive in identifying eligible consumers. Over-reliance on self-identification should be avoided, as many consumers are not aware of the PSR.

Debt

Two trade associations mentioned that there needs to be a clear distinction between consumers who are vulnerable and cannot be disconnected and consumers who are on the PSR and have additional needs but can be disconnected. Trade associations and local authorities worried that without this distinction they may acquire unrecoverable debt.

²⁴ A shared Priority Services Register across all utilities

Twenty-six respondents – in particular trade associations and operators – raised concerns about the levels of unrecoverable debt due to the high percentage of heat network consumers who are vulnerable and/or have additional needs on a heat network. Two respondents argued that heat networks which are operated on a “not-for-profit” basis should be able to continue to use eviction as a backstop for nonpayment, as they are unable to absorb the risk of bad debt.

Trade associations and operators shared the view that heat network suppliers should have access to the Fuel Direct scheme to recover debt.

One respondent commented that the Consumer Vulnerability Strategy (CVS) should apply to all areas of Ofgem’s activity. Debt and affordability should be at the core of this strategy, and not be limited to gas and electricity.

Two respondents commented that while costs of living are rising, wages and benefits are stagnating. This leads to more consumers acquiring debt. However, under no circumstance should this lead to eviction. One of the ways to solve this issue the respondent suggests is to introduce social tariffs for heat network consumers.

Four operators argued that they should have the same powers as utilities such as gas, electricity and water to enter premises and disconnect when debt management is no longer a viable option for consumers.

A recurring theme across respondents was the recommendation that consideration needs to be given to the unique characteristics of certain heat networks, for example, of SGLs and rural networks.

Our proposed approach is outlined on page 54.

Government response

Vulnerability

Vulnerability Definition

We proposed to adopt the existing Ofgem definition of vulnerability, and combine this with specific, targeted support to address heat network market characteristics through the authorisation conditions. There was significant support from stakeholders to align with the approach in gas and electricity.

We will proceed with alignment to that definition and will, through guidance provide stakeholders with further clarification on interactions with existing definitions that apply in the housing sector. This approach aims to ensure heat network consumers are adequately protected and supported in a comparable way to gas and electricity consumers, and allow for a consistent approach across gas, electricity and heat networks. Most heat network consumers are also electricity consumers, and so adopting

Ofgem’s existing definition provides consistency, avoids confusion and may benefit future Priority Services Register (PSR) sharing.

We will define vulnerability as when a consumer’s personal circumstances and characteristics combine with aspects of the market to create situations where a person is:

Significantly less able than a typical domestic consumer to protect or represent his or her interests; and/or

Significantly more likely than a typical domestic consumer to suffer detriment or that detriment is likely to be more substantial.

Ofgem published its updated Vulnerability Strategy²⁵ in April 2025. The definition of Vulnerability was not updated, and it was decided that the definition should remain intentionally broad, to ensure the energy sector focuses on all aspects of vulnerability. Any definitions focussed on financial vulnerability will be considered as part of the debt and affordability work in particular when considering eligibility for targeted support. We will follow any developments in the gas and electricity and review if they are appropriate for heat network customers.

As set out in the proposed obligations, we will introduce via the authorisation conditions a Vulnerability Principle within the Standards of Conduct. We will also introduce the requirement for suppliers to operate a Priority Services Register (PSR) and provide specific services for consumers who need them. Furthermore, we will introduce protections to ensure consumers who struggle to pay their bills are adequately supported and stay on supply, and a Social Obligations Reporting condition.

We confirm all authorised heat network suppliers will be required to meet the obligations to protect and support domestic vulnerable consumers. These protections are not relevant to non-domestic consumers.

Disconnection for non-payment of energy costs

Question analysis

Q17. Do you agree or disagree with our proposed protections from disconnection? Please give reasons or supporting evidence for your answer and clearly outline any alternative proposal.

Table 1818

Question 17	Response	Percentage
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²⁵ <https://www.ofgem.gov.uk/sites/default/files/2025-04/Final%20CVS%2015042025-20250414111309.pdf>

Strongly agree	4	3%
Agree	73	48%
Neither agree nor disagree	15	10%
Disagree	14	9%
Strongly disagree	1	1%
Don't know	7	5%
Not answered	39	25%
Comments	92	N/A

Respondents mostly agreed with the proposed protections from disconnection. There is recognition of poorer health and mortality outcomes for consumers that face heat and hot water disconnection. There is support for flexible repayment plans & automated notifications for vulnerable consumers. A significant number of social housing providers commented that they do not disconnect consumers.

Two respondents suggested that suppliers should be required to proactively identify and support vulnerable consumers to prevent them from acquiring debt. Such support could include introducing social tariffs for vulnerable consumers. The cost of those tariffs should be shared more widely than on a single heat network, for example through authorisation fees.

One local council suggested there should be a requirement for suppliers to assess a household's circumstances before proceeding with disconnection. It was also suggested that to strengthen protections, suppliers should be required to collaborate with local authorities and housing associations to identify and support vulnerable consumers.

Consumer advocacy bodies called for a ban on disconnections for non-payment of energy costs, and that installation of a prepayment meter, not disconnection, should always be the last resort for domestic consumers in instances of payment difficulty or debt accrual.

Five respondents suggested further consideration should be given to the impact of moving vulnerable groups currently deemed 'disconnectable' outside of winter – namely, a person who is under the age of 2 or is over the age of 75, disabled, terminally ill or chronically sick – into the group that is not able to be disconnected from supply 'at any time'.

A consumer advocacy body argued that disconnection rules should apply to non-domestic consumers. Equivalent disconnection protections should be introduced for domestic customers

on non-domestic contracts, such as those who live in dual-use properties like flats above a shop. Additionally, disconnection might impact the ability of small and micro-business owners to run their business and, subsequently, their ability to repay the debt.

Two respondents commented that it would help to clarify the debt management hierarchy so that it is clear that heat suppliers are expected to use pre-payment arrangements in preference to disconnection. Currently, it might be easier to disconnect a consumer rather than switch them to a pre-payment meter. A respondent suggested introducing the same “debt guarantee” measures for heat network consumers as for gas and electricity consumers.

Debt

Thirteen respondents raised concerns over unrecoverable debt, with some highlighting this issue specifically for small and not-for-profit operators, and that this could lead to the debt being borne by other consumers and in some circumstances, this could lead to insolvency. Furthermore, a number of respondents also raised further concerns that many heat network consumers will identify as vulnerable, which will also lead to large amounts of unrecoverable debt.

Seven respondents commented that there needs to be a balance between consumer protection and financial sustainability of heat networks. Particularly smaller operators might struggle with absorbing debt. Ensuring the balance between consumer protection and financial sustainability of a heat network would include distributing uncoverable debt across the market, more flexible payment plans and emergency credit.

Seven respondents raised concern that smaller and community-led networks may face resource constraints in implementing disconnection protections. They suggested tailored guidance and support for these operators would help maintain consumer protections, without overburdening smaller networks.

A local authority claimed that, to manage bad debt, they currently act under tenancy agreements and leases. Such legal action results in introducing payment plans rather than disconnection. Unbundling would limit this legal route of debt recovery, rather than through the levers offered by a tenancy agreement or lease.

Our proposed approach is outlined on page 67.

Q18. Do you agree or disagree with our proposal to align with gas and electricity pre-payment meter protection rules?

Table 1919

Question 18	Response	Percentage
Strongly agree	5	3%

Agree	60	39%
Neither agree nor disagree	22	14%
Disagree	18	12%
Strongly disagree	3	2%
Don't know	7	5%
Not answered	38	25%
Comments	87	N/A

Respondents mostly welcomed the proposed protections for PPM. Five respondents commented that alignment with existing rules helps with consumer and industry understanding and that switching consumers to a PPM is more in line with consumers' interests than disconnection.

Some trade organisations did not understand why there are more categories of consumers protected from installing PPMs than of consumers protected from disconnection.

Two respondents were worried that this regulation could conflict with the expected HNTAS' requirement to install smart PPMs. A metering organisation argued that smart meters allow consumers to switch between credit and PAYG, offering protections such as friendly credit, emergency credit, and tailored disconnection safeguards. Data gathered via smart meters can also help identify vulnerable consumers who may be rationing or self-disconnecting.

Twenty respondents raised that pay-as-you-go (PAYG) meters are used in a different way in the heat network sector to how PPMs are used in the gas and electricity sector. They also commented that there is also a difference between how for-profit energy companies utilise pay-as-you-go meters and how housing associations operate PPMs. Another respondent suggested that there is a need for more guidance on how this regulation will apply to buildings already equipped with PPMs.

Nine respondents also argued that pay-as-you-go meters can be an effective way to control costs and avoid acquiring debt. This option should be available to all consumers, if they find it more suitable for themselves. Another commented that social housing is sometimes installing PPMs as part of their strategic portfolio management. Consumers in those situations can be supported by emergency credit and welfare advice.

Forty-five respondents raised that aligning with gas and electricity PPM protection rules might impact financial sustainability of heat network suppliers, particularly small organisations.

Housing associations were concerned about the cost of vulnerability assessments. They are already abiding by a regime that mandates the identification and support for vulnerable residents, so additional vulnerability assessments might not be needed. Others argued that such assessments are a good way to prevent too many consumers from self-identifying as vulnerable and, as a result, acquiring unsustainable levels of debt. There is also a lack of understanding if such vulnerability assessments would be required in case of remote switching of smart meter from credit to pay-as-you-go billing.

Our proposed approach is outlined on page 67.

Q19. Do you think it is appropriate to go further than gas and electricity PPM protections? If you have an alternative approach, please set this out, including how this would impact on debt management and the recovery of costs.

Table 2020

Question 19	Response	Percentage
Yes	17	11%
No	66	43%
Don't know	27	18%
Not answered	43	28%
Comments	71	N/A

Most respondents did not support going further than the gas and electricity PPM protections. Those who commented raised concerns that unrecoverable debt could raise the wider cost for other consumers and going further may exacerbate this without mitigation.

One respondent argued that consumers on heat networks cannot switch suppliers and price increases are not limited through competition. This means that consumers on heat networks need stronger protection than in gas and electricity.

A consumer body suggested that the “do not install” category should be extended to include children under the age of 5, rather than under the age of 2 as currently proposed. This is in line with NHS clinicians’ advice, as living in a cold and damp home has a particularly negative impact on health of children under 5. They also recommended replicating the gas and

electricity precautionary principle, so suppliers must assume that anyone faced with involuntary PPM for debt is likely to be in a financially vulnerable situation and therefore more likely to self-disconnect.

Five respondents raised concerns that some suppliers might struggle to carry out vulnerability assessments in an effective and timely way. As a higher proportion of heat network consumers are on PPMs Ofgem will need to take a cautious/risk averse approach, set out clear and strong guidance around PPMs, as well as proactive monitoring.

Five respondents called for establishing a dedicated heat network debt relief fund to assist consumers struggling to manage arrears. This fund could be supported through government grants or a small levy on larger heat network operators.

Two respondents suggested that costs associated with additional protections can be distributed fairly across the network's consumer base, ensuring affordability without compromising the financial viability of operators. Support from government programmes or regional funding initiatives could mitigate the burden on smaller operators, particularly community-led networks.

One respondent recommended a mandatory social tariff should be introduced to enable vulnerable consumers to avoid a build-up of a significant debt and reduce the need for cost recovery measures.

Another respondent raised that in the cases where heat charges are included in service charge, debt management is governed by the Housing Act. Housing association argued that through this legislation, debt recovery is strictly regulated, especially with regards to protection of vulnerable consumers. Changing those regulations introduces unnecessary complexity.

Our proposed approach is outlined on page 67.

Q20. Do you agree or disagree with our proposal to explore options to mitigate the impact of unrecoverable debt arising from prohibitions on disconnecting consumers, or installing pre-payment meters, for protected consumers? If yes, please provide any views you may have on approaches for doing so.

Table 2121

Question 20	Response	Percentage
Strongly agree	6	4%
Agree	50	33%
Neither agree nor disagree	31	20%

Disagree	14	9%
Strongly disagree	6	4%
Don't know	9	6%
Not answered	37	24%
Comments	90	N/A

Respondents mostly agreed that the government should explore options to mitigate the impact of unrecoverable debt arising from prohibitions on disconnecting consumers, or installing pre-payment meters, for protected consumers.

Social housing organisations were supportive of the proposal but were concerned that the entire heat network market is still relatively small and has limits to how much debt it can absorb. Some argued that debt recovery should not be confined to the heat network sector and that debt could be socialised across other energy sectors.

Forty-six respondents argued that mitigating the impact of unrecoverable debt must not be used as an excuse to weaken consumer protections against disconnection or unfair pricing, and socialising debt will not create a perverse incentive to avoid proper debt management.

A consumer body argued that debt prevention should be the primary focus of regulation. They suggested the best way to reduce debt is to prevent it in the first place through fair pricing, standing charge caps, affordability safeguards, including regulating bulk supply prices and introducing a social tariff.

Nineteen respondents commented that where heat networks cover low-income areas, most households might be defined as vulnerable, and levels of bad debt might be higher, leading to higher costs for remaining customers. They recommended exploring how debt could be socialised across the heat network sector to even out the impact of these socio-economic differences.

One respondent argued if there were to be any charges for socialisation of debt, shared ground loops (SGLs) should be exempt because they operate on a standing charge model and do not utilise meters of any kind, including PPMs.

Eight respondents suggested that government financing is an appropriate way to support debt mitigation. Some of the respondents within this group believed that government subsidies should be combined with cross-subsidisation by other heat network consumers. Others argued that government subsidies are the only appropriate solution, and that cross-

subsidisation should not be introduced. Nine respondents were worried that socialising costs could deter much needed investments in the sector.

Respondents made a number of suggestions to mitigate bad debt and these included:

- Establish a national or regional fund, supported by contributions from government budgets or a small levy on larger heat network operators.
- Allow operators to recover unrecoverable debt through marginal price adjustments spread across their entire consumer base. The introduction of caps to prevent disproportionate cost increases for non-protected consumers.
- Create government-backed low-interest loans for operators to manage short-term debt recovery challenges arising from protected consumer prohibitions. This would ensure liquidity while maintaining consumer protections.
- Increase grants or subsidies to improve energy efficiency in vulnerable households. Lowering energy consumption reduces the likelihood of arrears while helping achieve net zero targets.

Our proposed approach is outlined on page 67.

Q21. Do you agree or disagree with our self-disconnection proposals?

Table 2222

Question 21	Response	Percentage
Strongly agree	3	2%
Agree	62	41%
Neither agree nor disagree	22	14%
Disagree	19	12%
Strongly disagree	2	1%
Don't know	6	4%
Not answered	39	25%
Comments	84	N/A

Respondents mostly agreed with the proposed protections from self-disconnection. There was recognition that where a consumer has a PPM but can't afford their energy they may look to ration or simply not use their energy (self-disconnection).

Twenty-one respondents were worried that if many consumers self-report as self-disconnecting or self-rationing, it might have a negative impact on the financial viability of a heat network. The ongoing administrative burden of monitoring self-disconnection was raised, and that it will likely create additional costs for consumers. However, a consumer advocacy body argued that regulation should avoid over-relying on self-reporting as many consumers might not be willing to report that they are struggling.

Four respondents recommended that heat network operators must be required to track usage data and proactively intervene when self-disconnection is detected. This should include offering debt support, alternative payment plans, and emergency financial assistance.

One respondent thought that the current proposals on self-disconnection did not go far enough to protect consumers. They proposed putting a cap on standing charges, providing access to emergency credit, and ensuring that social landlords do not pass increase costs of bulk supply on to tenants.

Another respondent argued that self-disconnection protections should be introduced for business customers to protect 'hidden' domestic customers, such as those who live in dual-use properties like flats above a shop.

One respondent argued that smart pay-as-you-go meters are a convenient way to monitor household energy use. Seven respondents argued that pre-payment meters are a good way to manage debt. Those respondents believed that Ofgem should not treat pre-payment meters and smart pay-as-you-go meters solely as last resort debt recovery measures.

Our proposed approach is outlined on page 67.

Q22. Can you provide any evidence of the impacts these proposals could have on suppliers, particularly smaller suppliers?

Table 2323

Question 22	Response	Percentage
Comments	68	N/A

One respondent set out that levels of high debt amongst heat network consumers are disproportionately caused by the high costs associated with these systems. They argued that the failure to regulate heat networks has allowed operators to simply pass on all costs to consumers and the fair pricing protections will likely allow them to continue to do so. They

recommend that regulation should focus on improving efficiency and reducing costs of heat networks to prevent acquiring debt, and suggested introducing a price cap.

One respondent commented that smaller suppliers often operate with limited financial reserves, making it difficult to absorb the costs of unrecoverable debt arising from disconnection prohibitions or self-disconnection protections. Another raised that the increased administrative burdens may divert resources from network maintenance or expansion, affecting service reliability and future growth.

A respondent argued that heat network regulations designed to align with gas and electricity markets often impose fixed compliance costs that are less scalable for smaller networks. Community-led and local networks may find it difficult to spread these costs across a small customer base.

Another respondent raised that smaller operators often have limited capacity for proactive consumer engagement, education, and outreach. In rural areas, with dispersed populations, this challenge is compounded by logistical difficulties. One respondent also raised that smaller suppliers may face challenges in funding emergency credit for prepayment meter users, particularly during high-demand winter periods.

Respondents also suggested proposals to mitigate the impacts of the protections this included:

- Introduce government-backed grants or low-interest loans to help smaller suppliers manage the costs of implementing protections, particularly during the initial period.
- Encourage partnerships between smaller suppliers and local authorities to share resources and expertise in consumer engagement and vulnerability identification.
- Develop specific guidance and exemptions for small-scale operators, ensuring that protections are proportionate and do not threaten their financial viability.
- Costs that cannot be recovered from profits should be spread to the much wider base of energy customers or funded by the government.

Our proposed approach is outlined on page 67.

Q23. Do you agree or disagree with the proposed protections that will be included in the Statutory Instrument that provides for Powers of Entry?

Table 2424

Question 23	Response	Percentage
Strongly agree	8	5%
Agree	59	39%

Neither agree nor disagree	25	16%
Disagree	9	6%
Strongly disagree	2	1%
Don't know	11	7%
Not answered	39	25%

Most respondents were supportive of the proposals to include protections in legislation that will restrict the use of the powers of entry for debt management purposes. Some respondents suggested that the protections should go further.

Many consumer advocacy organisations oppose granting providers the powers of entry for debt management purposes or believe that those powers should be heavily regulated and used only in the most extreme circumstances, and there should be a strong dependency on quality of vulnerability assessments. They only support powers of entry for essential maintenance & safety, with some calling for this being the only acceptable use case.

One respondent argued that the proposed protections for powers of entry outlined in the Statutory Instrument are not relevant to shared ground loops (SGLs) and that imposing additional obligations, such as reporting the use of powers of entry to Ofgem, would be irrelevant and administratively burdensome for SGL operators.

Another respondent argued that every use of powers of entry must be reported to Ofgem or an independent authority to prevent supplier misuse. If entry is granted, an independent observer (such as a local authority representative) should be present to ensure fair treatment of the resident.

Six respondents raised that some heat network suppliers will already have these powers in some cases, so these protections could interfere with existing rights of entry for landlords and housing providers.

Our proposed approach is outlined on page 67.

Q24. Please provide evidence of any impacts or supporting rationale in your response, these can be marked as confidential if appropriate.

Table 2525

Question 24	Response	Percentage
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Comments	77	N/A
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A small number of respondents argued that in many instances disconnection of a heat network consumer cannot be made without entry to the property. This is because isolation valves are inside the property. For that reason, heat networks operators were worried that this proposal might limit their ability to recover debt as they will not be able to install a pre-payment meter or disconnect non-paying consumers.

One respondent argued that powers of entry are targeted at debt recovery and do not consider maintenance requirements for the heat network operator's assets in domestic properties. For maintenance activities/reactive repairs during emergencies such as leaks, we would require immediate access for the health of the whole building supply. 'All other efforts' needs to be clearly defined, as this can currently have a very broad range of activities.

Another respondent argued that the powers of entry must never be used to force the installation of prepayment meters or collect debts where pricing has been unfair. According to them, the only valid reasons for entry are urgent safety concerns, essential maintenance affecting multiple properties and investigating fraudulent use of the heat network.

One respondent argued that £200 debt is too low to justify right of entry. During winter many people are in hundreds of pounds worth of debt. Additionally, 56 days is not a long time for someone to be in debt, especially if it has been very cold or if they have had a sudden change of income.

Another respondent argued that Ofgem should also have clear processes in place for accepting referrals from statutory consumer bodies to support its compliance and enforcement work. Ofgem's enforcement should include the ability to stop further force-fitting by suppliers where it has observed a breach until they're able to demonstrate compliance.

One respondent stressed that suppliers must not request entry where a consumer has been identified as financially vulnerable. Vulnerable consumers must be offered debt support and payment assistance before any legal action is taken.

Similarly, another respondent argued that extra protections should be in place to ensure that consumers are fully aware of what the provider is gaining entry to their home to do. If for instance the network is operated by a housing association, it may be that the tenant allows them inside not knowing what is going to be installed. While in non-heat network situations the suppliers do have Power of Entry it is common for the consumer to know what the company are trying to gain entry for on the day they visit, and they will often share vulnerability information with the company and successfully request they do not enter the property. Consumers should be aware they should take the same self-protection steps when their heat network operator attempts to gain entry to their property.

A consumer advocacy body agreed that an individual warrant should be required where a vulnerable consumer lives in the premises. However, this protection will only work to prevent unsafe installations if suppliers' vulnerability assessments are effective. Many heat network suppliers are inexperienced in conducting the robust assessments of vulnerability, needed to make sure PPMs aren't installed for people in the 'do not install' category. Furthermore, heat network consumers are disproportionately likely to be in vulnerable circumstances. So, this is a significant risk, needing careful management.

One respondent argued that although useful in limiting the need for forced entry, remote switching practices have been a cause for concern amongst consumer advocacy and advice bodies. Remote switching to PPM should follow the same safeguarding processes and requirement for customer engagement as standard PPM protocols – including sufficient notice being provided of the switch taking place.

Our proposed approach is outlined on page 67.

Government response

Disconnections

Most respondents supported the proposed protections. Some advocated for stronger protections and suggested that we should clarify that the installation of pre-payment meters should be considered first before disconnecting a consumer. Some respondents, although supportive of the proposals overall, raised concern about the potential impact of unrecoverable debt, including the risk of insolvency; we discuss this below.

We will proceed with the proposals set out in the consultation. The authorisation conditions will require that the authorised person must not disconnect:

- In Winter, a domestic premises at which the domestic consumer has not paid charges for the supply of heating, cooling or hot water by means of the specified heat network, if it knows or has reason to believe that the occupants of the premises include a person who is under the age of 2, or is over the age of 75, disabled, terminally ill or chronically sick.
- At any time, a domestic premises at which the domestic consumer has not paid charges for the supply of heating, cooling or hot water by means of the specified heat network if it knows or has reason to believe that the occupants of the premises include a person who has a medical condition which means that, for medical reasons, they need to receive or may need to receive a supply of heating or hot water throughout the year.

We will clarify that we expect the debt hierarchy to be followed, and that installation of pre-payment meters must be explored before disconnection.

Involuntary Prepayment Meter Installation

Most respondents supported the proposals to protect certain groups of vulnerable consumers from involuntary prepayment meter installation. Respondents raised the importance of clear guidance, the interaction with HNTAS, and the need to understand the current approach to the installation of metering. Respondents raised concern regarding the burden for some heat networks of vulnerability assessments. They also raised concern over our proposals on disconnections and regarding managing the cost of unrecoverable debt.

Obligations on the use of prepayment meters will be set out in the authorisation conditions, and we will publish further guidance to support stakeholders. We will proceed with the protections proposed in the consultation, that an authorised person must not involuntarily install a prepayment meter:

In a domestic premises, where a consumer has not paid for heat, cooling, or hot water charges supplied by their heat network. If it knows or has reason to believe that the occupants of the premises include a person who is under the age of 2, over the age of 75, disabled, terminally ill or chronically sick.

Unless a vulnerability assessment has been carried out to verify that doing so would not have a significant impact on those groups of people's wellbeing, in a domestic premises, where a consumer has not paid for heat, cooling, or hot water charges supplied by their heat network if it knows or has reason to believe that the occupants include a person who has a medical condition, which means that for medical reasons, they need to receive or may need to receive a supply of heating or hot water throughout the year, a serious mental or developmental disability, has children under the age of 5, or is in a temporary situation (such as pregnancy).

We acknowledge that some heat suppliers, particularly small networks and networks with a higher proportion of protected consumers, may struggle to sustainably manage the cost of unrecoverable debt as a result of restrictions on the use of disconnection or prepayment meter installation for debt recovery for protected consumers. We understand the cost of unrecoverable debt is typically absorbed by the heat network or spread across its consumer base through increased heat charges. Small networks are likely to have more limited finances and therefore, be less able to sustainably absorb these costs, while a smaller consumer base means fewer consumers to share the cost between and therefore, risks a greater impact to consumer bills than for networks with more consumers. This is reflected in our Impact Assessment published alongside the consultation.

We will therefore provide interim mitigation measures for small networks. There is no standard definition for what constitutes a small network, but as the policy intent is to strike the right balance between exempting smaller networks and protecting the majority of consumers, we propose that this exemption only applies to heat networks with less than 11 premises. We judge networks with fewer than 11 premises to be a reasonable threshold for this temporary exemption as we expect that 97% of heat network

consumers will still receive proposed protections, with the exemption applying to about a quarter of networks. This will take the form of a temporary exemption for the period from regulatory commencement until the launch of an enduring solution to mitigate the cost of unrecoverable debt (more on this below).

We recognise that while the exemption for small networks will be well received by many impacted heat networks, others in the sector are likely to be concerned about the impact to the minority of consumers who will be temporarily without protections. We remain committed to introducing prepayment protections to all consumers across all sizes of heat network. This exemption will be a temporary measure until an enduring solution is in place to spread the cost of unrecoverable debt across a wider base. We will keep this temporary exemption under close review alongside close monitoring of practices regarding self-disconnection and the identification of vulnerable consumers to ensure that exempted networks continue to treat their consumers fairly and offer necessary support.

Further Protections

Most respondents did not support extending prepayment meter protections beyond the precedent set by gas and electricity regulations. There was strong concern over the resultant unrecoverable debt. Respondents that were supportive of further protections highlighted the uniqueness of the sector, especially worse consumer outcomes, and lack of consumer choice. Physical and mental health, and mortality outcomes for consumers are worse when supply is cut off (whether through rationing, self-disconnection or disconnection). However, there needs to be consideration to the organisational capacity and impacts of unrecoverable debt, particularly for not-for-profit operators. We will keep the possibility of further protections under review and will consider if any of these would require mitigation of debt impacts.

Mitigation of the impact of unrecoverable debt arising from prohibitions on disconnection consumers, or installing prepayment meters, for protected consumers

Most respondents agreed that options to mitigate the impact of unrecoverable debt should be explored. Government will progress work to explore options to mitigate the impact of unrecoverable debt, including a thorough assessment of options to socialise the potential cost to operators from the implementation of measures to protect vulnerable consumers. These options will need careful consideration and may need further consultation.

Self-disconnection

The consultation responses demonstrated significant support for self-disconnection protections, and many suggested the protections could go further. However, there needs to be balance with the impacts of introducing regulation, and the concerns regarding unrecoverable debt. Respondents proposed mitigations, some of these were focussed on the initial period and others more enduring.

We will broadly mirror the requirements from gas and electricity to identify consumers who are, or at risk of, self-disconnection and whether they are vulnerable. Suppliers will be required to report on this quarterly; offer additional support credit, unless this is not feasible; and where a consumer can pay for consumption but not debt, they must consider alternative repayment methods.

Where meters do not have the technical ability to proactively identify consumers who are, or are at risk of, self-disconnection, there must be a pathway to allow consumers to self-report this. Over time we expect this to be phased out as metering continues.

Powers of Entry

The consultation responses demonstrated strong support for restrictions on powers of entry but also recognition that it may be necessary as a last resort. Some respondents called for the powers to only be used for maintenance and safety rather than for prepayment meter installation.

We acknowledge concerns about the challenges that would be faced in awarding uniform powers of entry to such a diverse and nascent market. We also acknowledge concerns about whether small networks would have the resources needed to meet the safeguards proposed in consultation. Following feedback provided from respondents to the consultation, and further discussions with key stakeholder groups, we have decided to defer our decision to introduce powers of entry at the commencement of regulations.

This is also intended to provide balance to limits set on protection for vulnerable consumers in smaller networks: while PPM installation and disconnection will be possible, it cannot be affected through forced entry. This will protect those vulnerable consumers from the impacts of powers of entry on their daily lives, also acknowledging that the use of powers can have disproportionately negative impacts on their mental and physical wellbeing.

This means that heat networks will have to utilise the debt pathway provisions and secure consumer consent in the event that physical PPM installation or disconnection is required as a last resort. The protections for vulnerable consumers will have to be considered alongside the debt pathway and where remote mode switching or disconnection are possible, heat networks must demonstrate that vulnerabilities have been adequately assessed in all circumstances.

Forcing entry to a premises to involuntarily install a PPM without a relevant power to enter premises is a criminal offence, and any instance of this should be reported to the police.

We will be seeking to re-examine our approach to these powers, with the goal of striking the right balance between consumer protections and the need of networks in managing sustainable revenue flows. This may involve monitoring the impact of these powers being withheld on debt management practices.

This moratorium on provision of powers of entry is not limited to powers for technical maintenance, the terms of which will be subject to consultation in due course.

Quality of service: Complaints and GSOPs

Question analysis

Q25. Do you agree or disagree with our proposed approach to complaint handling?

Table 2626

Question 25	Response	Percentage
Strongly agree	10	7%
Agree	73	48%
Neither agree nor disagree	12	8%
Disagree	12	8%
Strongly disagree	9	6%
Don't know	7	5%
Not answered	30	20%
Comments	99	N/A

Respondents were largely in support of the proposed approach to complaint handling.

Forty-three of the comments made were in relation to the existing complaint handling rules in the housing sector, and how providers should adapt their existing processes to comply with Ofgem's incoming expectations.

Sixteen respondents made calls for the proposals to be more reflective of heat network differences across the market. This included the comparison on available resources between small community owned networks and larger commercial heat network operations. These respondents also commented on the need for these proposals to reflect geographical restrictions, such as rurality and subsequently limited phone or internet signal.

Twelve respondents made reference to the activation of the Energy Ombudsman’s role in handling heat network consumer complaints, and potential redress. These comments ranged from the overlapping roles of the Energy and Housing Ombudsmen in this sector, to cost passthrough for fees associated with alternative dispute resolution, to the length of the deadlock period.

Seven respondents mentioned our approach to GSOPs in their responses to this section, some of which appeared to conflate the proposed exemption for not-for-profit organisations from making automatic compensation payments, with the requirements for complaint handling. outlined in the GSOP section of the consultation. This included making calls for all compensation payments to be mandated across the market, and for further guidance regarding our definition of not-for-profit. Some of these responses, however, suggested the introduction of guaranteed standards based on our complaint handling proposals, including compensation for a failure to respond within a specified timeframe.

Six comments called for further guidance on the process-orientated details of the complaint handling authorisation condition and noted that a template could help standardise these processes across the market.

Some comments were unique to individual responses. For example, one stakeholder questioned how to approach complaints which cannot be resolved due to long-term problems such as technical inefficiencies. Another stakeholder called for a stronger general obligation on suppliers to implement the findings of individual complaints or Ombudsman decisions.

Our proposed approach is outlined on page 77.

Q26. Do you agree or disagree with our proposed compensation levels that broadly align with existing practice in the sector (Heat Trust levels)?

Table 2727

Question 26	Response	Percentage
Strongly agree	3	2%
Agree	43	28%
Neither agree nor disagree	21	14%
Disagree	28	18%
Strongly disagree	10	7%

Don't know	9	6%
Not answered	39	25%
Comments	100	N/A

There were slightly more respondents in favour of this proposal than in opposition, however, with some significant caveats in both cases.

Twenty-five of the responses commented on the ability of not-for-profit networks to meet the proposed levels of compensation. Another set of responses insisted that if these networks are not exempt from providing compensation, the level of payment would need to be lowered. Many of these comments also made calls for further clarity on the distinction between not-for-profit networks, versus not-for-profit organisations, and which of these thresholds was being used for our proposals. These stakeholders also made calls for the scope of any not-for-profit exemption on GSOP compensation to be expanded to include local authorities. Some of these comments also pointed to the discretionary approach taken by regulated providers of social housing in providing compensation for aspects of service failure.

Eleven comments made calls for various caps on the compensation required under these proposals, however, this was predominantly for planned outages. Some of the respondents raised concern that the proposals provided no reference to an overall cap on liability for compensation payments. Furthermore, these respondents noted that the lack of a liability cap could impact commercial supply contracts and stifle investment in the sector.

Nine responses presented opposition to the call for caps on compensation payments, instead calling for increased protections under the GSOPs framework, specifically for the proposed levels of compensation to be increased. Some of these comments made calls for compensation to reflect the hardship that can result from extended disconnection, particularly where the affected consumer is vulnerable. Other respondents noted that our levels of GSOP compensation payments should be iteratively indexed by a suitable rate of inflation.

Eight comments made reference for further clarity across a range of definitions and terminology used throughout these proposals. Some of these respondents were concerned with the scope of a not-for-profit organisation, particularly where organisations may be for-profit while their heat networks are not. Others related specifically to the standards themselves, including when an appointment is not made properly, and what is meant by an incorrect notice of interruptions. These respondents were also concerned with the definitions of 'interruption' or 'outage' to supply, calling for these to mirror the expectations of the incoming technical standards.

Our proposed approach is outlined on page 77.

Q27. We welcome feedback from those that place Guaranteed Standards on external contractors through contract, on the requirement to take best endeavours to update existing contracts to align with our standards and compensation levels or provide feedback on what would be an appropriate transitional period to update contracts.

Table 2828

Question 27	Response	Percentage
Comments	51	N/A

Thirteen of the responses to this question called for an adequate implementation period to reflect commercial contracts and ensure that any new long-term contracts can be amended to account for compensation levels. Some responses were specific and indicated that, to avoid unnecessary additional costs, both suppliers and contractors may need between 12-18 months to implement. Other responses made calls that any amendments required due to these rules aligned with contract expiry dates.

Five respondents made note that the technical variability in the heat network sector makes a one-size-fits-all approach for GSOPs difficult to implement and agree in commercial contracts. These respondents suggested that we should consider a segmented application, particularly based on energy sources and network type (communal/district).

Four respondents noted that as an operator of a small heat network, they have very little negotiation power with contractors as they do not represent a significant part of their business. These respondents provided evidence that due to the size of the maintenance companies used by networks, it is unlikely they would be able to resolve issues within the proposed GSOP timeframe.

Three respondents requested further clarity on the timelines and additional requirements associated with the Heat Network Technical Assurance scheme. To mitigate the impact on commercial arrangements, respondents made calls for a significant transitional period in the implementation of GSOPs.

Our proposed approach is outlined on page 77.

Q28. Do you (a) agree or disagree that we should extend certain Guaranteed Standards to protect non-domestic consumers? (b) Would the proposed standards be a reduction in protection, and would they reduce a non-domestic consumers ability to negotiate their own standards? We welcome feedback on our proposal to introduce the standards as a minimum for non-domestic consumers, providing the opportunity to go beyond.

Table 2929

Question 28(a)	Response	Percentage
Strongly agree	6	4%
Agree	31	20%
Neither agree nor disagree	20	13%
Disagree	12	8%
Strongly disagree	1	1%
Don't know	25	16%
Not answered	58	38%
Comments	48	N/A

Table 3030

Question 28(b)	Response	Percentage
Yes	2	1%
No	12	8%
Don't know	51	33%
Not answered	88	58%
Comments	14	N/A

Fourteen comments were in agreement with the proposals to extend certain GSOPs as these levels would serve as a minimum standard which could then be negotiated upwards.

Ten stakeholders held the view that, while these proposals were appropriate for microbusinesses, they were not relevant for all other non-domestic consumers as

compensation payments are often negotiated to reflect the risk and the level of charges being made.

One stakeholder raised concerns that the proposed levels of compensation and GSOPs were designed for domestic consumers and should instead be reflective of the possible size and impact of loss of supply. This was particularly in cases where the end consumer could face significant commercial consequences from a loss of heat.

Our proposed approach is outlined on page 77.

Q29. Do you agree or disagree with our proposed approach to apply Overall Standards of Performance to heat networks operating on a not-for-profit business model?

Table 3131

Question 29	Response	Percentage
Strongly agree	6	4%
Agree	38	25%
Neither agree nor disagree	16	10%
Disagree	29	19%
Strongly disagree	15	10%
Don't know	7	5%
Not answered	42	27%
Comments	103	N/A

While those expressing agreement and disagreement were equal in response to this question, a majority of comments called into question the suitability of the proposals.

Sixty comments made reference to the unequitable consumer outcomes that would arise from exempting not-for-profit networks from making compensation payments. A number of these comments raised concern that this approach would create a two-tier system within heat networks, meaning consumers on not-for-profit networks receive fewer protections than other consumers. These respondents also noted the higher rates of vulnerable consumers often on

networks which would fall into the scope of this exemption. Some comments also noted that this exemption removes the financial incentive for networks within this scope to improve their services.

Twenty-six respondents asked for further information on HNTAS to better understand its potential overlap with the GSOP proposals. Some of these comments made technical suggestions to aid the implementation of GSOPs, such as modelling reasonable efficiency improvements over time as a basis for raising compensation amounts. These comments showed an understanding that by improving network efficiency, they would both reduce running costs and their likelihood of making compensation payments.

Fifteen comments challenged the proposal to introduce an improvement plan, coupled with Overall Performance Standards. These comments called into question the impact of producing these plans, and the required investment in new systems and processes to be considered compliant. Some representatives of not-for-profit social housing providers claimed these adjustments could strain budgets and would require careful financial planning.

Twelve comments showed specific support for the proposal to introduce an improvement plan, noting that they presented an opportunity for improved accountability and could lead to improved satisfaction for consumers. Respondents also stated that these proposals would align with best practices in the sector.

Ten comments raised concern that it is not appropriate to take a one-size-fits-all to GSOPs for heat networks. These comments noted that the guaranteed standards of performance should be tailored to individual networks. Other comments made calls for a distinction between GSOPs that are related to a technical fault, and GSOPs which relate to the quality of customer service delivered by networks. Further to this, some of these respondents commented that all technical GSOPs should align with HNTAS to mitigate complications and unnecessary burdens for network providers.

Some comments were unique to individual responses. For example, one stakeholder showed preference that providers should be able to socialise quality of service costs across all of their consumer portfolio. Another stakeholder made a call for additional government financial support to help networks improve their quality of service and meet the proposals. One stakeholder also called for an exemption for Right-To-Manage groups from making compensation payments.

Our proposed approach is outlined on page 77.

Government response

Complaints

After assessing stakeholder feedback, we have decided to proceed with our proposed approach to complaint handling. The proposals received a majority support from over half of the responses, reflecting stakeholder interest in achieving a quality of customer service

similar to the gas and electricity market, and as such aligns with our ambition to improve the overall standard of service across heat networks. We expect to implement the complaint handling authorisation condition from January 2026.

Responses received and stakeholder engagement as part of the consultation indicated a clear concern for the overlapping jurisdictions and potential conflict between our authorisation conditions and rules in the housing sector. This includes responses which questioned the dual oversight of the Housing Ombudsman and the Energy Ombudsman which we address further below. In designing our complaint handling standards, we have remained aware of existing practices in the housing sector and do not intend on requiring the duplication of processes. However, we will not be providing an exemption to housing providers who operate a heat network, as this could risk some consumers receiving an inadequate quality of service. Instead, to support heat networks within scope of both our authorisation conditions and other existing regulatory frameworks, we intend on engaging with industry to inform and publish guidance in this area.

We recognise concerns that the complaint handling standards may not be applicable in the same way across the heat network market. We welcome further engagement with smaller networks to ensure our approach to complaint handling is proportionate, and to ensure we can establish best practice examples in guidance. We expect this guidance to broadly suggest which types of networks should have particular processes in place, such as having a website. Similarly, some responses noted difficulty in providing internet or phone-based services for consumers on rural networks. In these instances, we would not expect networks to provide a service they are incapable of operating but instead provide a method of communication with their consumers that is suitable based on their individual situation.

Further to this, we are aware of the calls that some of the proposed monitoring measures may be burdensome to certain networks. While we believe the proposals to record and report certain complaint metrics are a key aspect of consumer protection, we also appreciate that retaining that data for five years may not be feasible for certain networks. Therefore, we will continue to explore the impact of these requirements on various networks and look to address specific concerns through the planned guidance.

We consider it important that heat network consumers have an appropriate route to redress and access to an alternative dispute service. We also recognise the concerns raised, particularly from representatives of the housing sector, regarding the operation of multiple ombudsmen in the heat network market. We received responses which advocated and dismissed both ombudsmen's role in this sector, as well as calls to enable default referrals to one organisation. We believe that attempting to streamline the complaint escalation process in legislation would risk creating a gap, whereby some heat network consumers lose access to either ombudsman. Instead, we are assured that the appropriate ombudsmen are establishing effective routes of referral and administrative process to help determine the most appropriate outcome for heat network consumer complaints. Advice and advocacy services launched on 1 April 2025. We are working

closely with these organisations to gain market insight prior to Ofgem's go-live and identify key areas where our policy efforts should be directed.

It is our intent that authorisation conditions will mark an important step in bringing consumer services across the heat network sector up to a more appropriate standard. As Ofgem's role in considering individual consumer complaints is limited, we are continuing to engage with the relevant ombudsmen, industry representatives and consumer groups in developing the implementation of the complaint handling rules for heat networks. This includes on the development of our supporting guidance in this area, which we intend to provide further clarity on areas such as group complaints, segmentation and data reporting.

GSOPs

Following an analysis of consultation responses, and subsequent stakeholder engagement, we are deferring any further policy decision on this area to a later consultation. We remain of the position that GSOPs for heat networks will not be part of the initial requirements for authorised persons and instead are likely be phased in from January 2027. In developing these proposals, we will take note of stakeholder suggestions, which included a tiered approach to compensation payments, and the further phasing-in of GSOPs to give authorised persons more time to adjust their network infrastructure.

Stakeholders also asked for clarity where a heat provider currently provides some form of compensation to consumers when at fault. While our approach to GSOPs and the subsequent compensation range is yet to be finalised, we are clear that heat providers of any nature should not reduce existing compensation policies. We expect relevant networks to maintain their current approach and improve it, when necessary, under Ofgem's incoming authorisation conditions.

Our objective with introducing GSOPs to the heat network sector has and continues to be to reduce service outages and drive improvements in consumer protection when these occur. While we will continue to explore the most effective and proportionate method of implementing GSOPs to the sector, this will be in pursuit of consistent compensation payments for all heat network consumers.

Ofgem will work to finalise these proposals through further stakeholder engagement and a separate statutory instrument. This forthcoming instrument will be subject to its own public consultation, ensuring that stakeholders have another opportunity to provide formal and detailed feedback on any finalised positions. It is likely that this future consultation will be accompanied by an impact assessment to inform final proposals on compensation amounts.

Billing and Transparency: Updated proposals

Question analysis

Q30. Do you agree or disagree with the proposals for including additional information on consumer bills? If you agree, what timescales could you reasonably implement these changes?

Table 3232

Question 30	Response	Percentage
Strongly agree	18	12%
Agree	60	39%
Neither agree nor disagree	8	5%
Disagree	20	13%
Strongly disagree	6	4%
Don't know	2	1%
Not answered	39	25%
Comments	104	N/A

The majority of respondents agreed with the proposals for additional information on consumer bills, recognising the need for heat network consumers to have access to transparent and clear information to improve their experience living on a heat network. The majority of respondents also supported having guidance and templates to support best practice for billing.

Across all respondents there was a strong desire for guidance on best practice for billing, including templates and specific guidance for unmetered networks.

A common theme raised by 20 respondents across answers was using central websites to host some of the environmental information and information on heat networks. Respondents called for being able to host this on either their own website or using a central government website, that they could signpost to consumers. This is because this information is unlikely to change over time and could cause confusion for some consumers if included on every bill. A key

theme from this was the need to streamline bills to ensure all consumers are able to fully understand what they are being charged for their heat.

16 consumers strongly agreed or agreed with the billing information proposals, with comments raising concerns around lack of transparency with the bills they currently receive.

While 11 housing associations agreed with the proposals, eight disagreed, or strongly disagreed, raising concerns around how these proposals will interact in scenarios where heat is paid for through service charges, given the ties to existing housing legislation.

A common theme across respondents was clarity around timings for implementing these proposals, including a transition period and support for networks.

Our proposed approach is outlined on page 87.

Q31. Do you agree or disagree that we should further explore the proposal on unbundling heat from other service charges, noting this may require legislative change to be implemented?

Table 3333

Question 31	Response	Percentage
Strongly agree	20	13%
Agree	66	43%
Neither agree nor disagree	10	7%
Disagree	14	9%
Strongly disagree	5	3%
Don't know	5	3%
Not answered	33	22%

The majority of respondents agreed with the proposals to further explore the issue of unbundling heat. Across the comments, eight respondents expressed support for option 1 (no change), 43 respondents expressed support for option 2 (unbundling the individual consumption of heat charge from other charges), and 35 respondents expressed support for option 3 (evidencing on bills a breakdown of heat costs, but keeping payments tied together).

11 leaseholders, and six consumers strongly agreed/agreed with our proposal to further explore unbundling the individual consumption of heat from other service charges. Three consumer advocacy groups strongly agreed/agreed with the proposals.

11 housing associations, four social housing organisations, and five local authorities agreed with proposals to further explore unbundling.

Across housing responses, a common theme was the complex interactions with existing housing legislation, particularly existing tenancy arrangements, the Landlord and Tenant Act, and the leasehold sector.

Our proposed approach is outlined on page 87.

Q32. Do you have any views on options 1, 2 and 3?

Table 3434

Question 32	Response	Percentage
Comments	96	N/A

The majority of support was for options 2 and 3, with option 3 being raised as a transitional option that could be implemented earlier to help facilitate the transition towards unbundling as in option 2.

Options 2 and 3 were supported by most respondents, particularly consumers and consumer advocacy groups, for consumer protection reasons. These respondents commented that unbundling would ensure greater transparency for consumers, protect them from the threat of eviction, and secure stronger consumer protections in conjunction with the back billing rules.

Most of the comments raised concerns around existing housing legislation and the proposals for unbundling. Respondents raised concerns around the dependencies with current obligations, for instance the Commonhold and Leasehold Reform Act 2002 and the Landlord and Tenant Act 1985, and dependencies with other housing arrangements such as existing leasehold or tenancy agreements.

Respondents also raised some points around the challenges of achieving unbundling, particularly around housing benefit or universal credit applicability, and practicalities around changing service charges systems.

The majority of respondents also raised comments around the scope of metering requirements and HNTAS, and wanted clarity on whether they would be required to install meters, and if so, when. Leaseholders particularly, raised concerns around the classification of metering as an improvement or maintenance, and whether any HNTAS requirements would be recoverable via service charge.

Our proposed approach is outlined on page 87.

Q33. If we were able to unbundle the heat charge for individual properties, do you agree or disagree with our proposals on limiting back-billing to 12 months?

Table 3535

Question 33	Response	Percentage
Strongly agree	19	12%
Agree	58	38%
Neither agree nor disagree	12	8%
Disagree	14	9%
Strongly disagree	3	2%
Don't know	9	6%
Not answered	38	25%

The majority of respondents supported the proposals to limit back-billing at 12 months.

15 heat network consumers (five general consumers and ten leaseholders) strongly agreed/agreed with the proposals to limit back-billing to 12 months. These respondents raised concerns around current unfair back billing practices which can leave consumers more vulnerable to payment difficulty. Many respondents recognised that 12 month back billing is the current gas and electricity standard practice, and many heat networks subscribed to the Heat Trust's voluntary rules to limit back billing at 12 months.

Across the respondents who disagreed, many raised concerns around increased costs associated with changing existing systems. For instance, concerns around increased resource or administrative costs being passed on to consumers. Some respondents raised that existing systems operate on the existing 18 month cycle, and expressed concerns around potential losses if unable to bill beyond 12 months.

Our proposed approach is outlined on page 87.

Q34. Can you provide evidence of any potential impacts of limiting back-billing to 12 months for individual properties? Do you have any concerns regarding communal areas?

Table 3636

Question 34	Response	Percentage
Comments	79	N/A

Overall, respondents supported the 12 month back billing but did raise some concerns around communal areas. Some comments were confused by the proposal in the question, thinking that we were proposing to unbundle communal areas.

The main concerns centred on practical challenges with unbundling individual heat consumption and keeping communal charges within the service charge. Respondents raised concerns that there is potential for some consumers to get confused by changes to their billing. There were concerns around that communal heat charges remaining bundled with the service charge could confuse some residents if they are recipients of housing benefit or universal credit. Respondents said that it would need to be very clear on bills that communal charges would still be covered by benefits payments.

As above, there were some general concerns about existing housing legislation, with some respondents saying it would take a long time to achieve back billing limits at 12 months.

Our proposed approach is outlined on page 87.

Q35. Do you agree or disagree that we should seek to align with HNTAS technical standards/metering rules to give networks adequate time to meet regulatory requirements?

Table 3737

Question 35	Response	Percentage
Strongly agree	3	2%
Agree	51	33%
Neither agree nor disagree	8	5%
Disagree	12	8%

Strongly disagree	5	3%
Don't know	21	14%
Not answered	53	35%
Comments	56	N/A

Most respondents agreed with our proposals to align with HNTAS citing it would ease the process of changing existing systems by aligning metering rules and technical standards. Some consumers and consumer advocacy respondents disagreed with the proposals, stating that aligning with HNTAS was too long a time, and would mean that some consumer protections are not implemented soon enough.

Many respondents answered don't know or did not answer. Of those who did respond, they raised concerns that they were not able to read the HNTAS consultation prior to the heat network consultation, and therefore could not make an informed judgement on the scope and timings of HNTAS to comment on this consultation.

Respondents generally felt that aligning with HNTAS made sense in terms of practical arrangements and challenges. The majority of respondents wanted further clarity on the scope and timings of HNTAS.

Some housing association and local authority respondents raised concerns that it would take longer than HNTAS requirements to unbundle or achieve 12 months back billing given the complexities around existing legislation.

Our proposed approach is outlined on page 87.

Q36. Do you foresee any potential challenges of creating new contracts or amending existing ones to ensure the information proposed is included?

Table 3838

Question 36	Response	Percentage
Yes	62	41%
No	16	10%
Don't know	26	17%

Not answered	49	32%
Comments	82	N/A

The majority of respondents across different type of heat networks said that there were likely to be challenges to creating new contracts or amending existing ones.

Respondents raised concerns around the likelihood of resource costs, including legal and administration resources, associated with changing existing contracts.

The majority of respondents called for clear guidance to help them develop supply agreements.

Housing respondents raised some concerns around sub-letting scenarios, saying it would be unclear where the responsibility to sign the contract would lie in sub-let and sub-tenant situations. We will be developing guidance to provide further detail on this.

11 housing association respondents also raised some concerns around the complexities of amending tenancy agreements.

Some respondents raised the point of deemed contracts, calling for a similar approach to gas and electricity.

Our proposed approach is outlined on page 87.

Q37. What timeframe should we allow heat networks to implement this?

Table 3939

Question 37	Response	Percentage
Comments	93	N/A

The majority of respondents suggested timeframes of 12-24 months was a workable timeframe to allow networks to implement contract updates.

Some respondents suggested aligning with HNTAS to make contract changes.

Some respondents suggested a phased approach, with larger, better resourced networks being required to update contracts first, with smaller, non-profit networks given more time to meet regulatory requirements. They suggested the following timeframe:

- First 6-12 months: networks assess current contracts and consult on making changes to contracts
- 12-18 months: larger operators finalise implementation of contract changes. Smaller operators and community led networks begin to adapt contracts.
- 18-24 months: smaller operators finalise contract updates.
- 24 months: full compliance across all networks.

We are developing our approach to heat supply contracts, and will be developing guidance to provide further clarity on this.

Our proposed approach is outlined on page 87.

Government response

Billing and Transparency

Billing information

The responses to this consultation question strongly supported our proposals for billing information.

We will be going ahead with the proposals on billing information, using guidance to set out detail on unmetered networks, and to set out billing templates and best practice. We will also use guidance to set out where networks can use their websites to provide regional energy advice signposting, and additional information on heat networks. We will also use guidance to set out how networks can calculate and present fuel type/fuel source for the network and the environmental impacts of heat generation. This will be applicable to networks who are able to source and present this information.

Ofgem and DESNZ are working to determine whether we could use a central website to host key heat network information. This could be used by the market to signpost to key information applicable to all consumers.

Unbundling charges

The responses to this consultation support Ofgem and DESNZ exploring the unbundling of the individual heat charge from rent or service charges.

We recognise that responses from consumers and consumer advocacy groups raised serious concerns around consumer detriment in this area. It can be difficult for consumers to know who their supplier is when the heat charge is included in rent or service charges and in the worst-case scenarios, they can be threatened with eviction or forfeiture of lease for non-payment of debt. We want all heat network consumers to be treated fairly, and have comparable consumer protection outcomes as consumers in gas and electricity. As such, we will be continuing to explore unbundling individual consumption of heat from service charges.

We recognise the concerns raised by some respondents, largely on the interactions with existing housing legislation. Given this, we are working closely with the Ministry of Housing Communities and Local Government. We are also working with Welsh and Scottish Governments.

We will also be engaging with stakeholders further on this as policy develops.

We will be going ahead with the authorisation condition on unbundling heat charges in January 2026, but this condition will only apply to certain networks. The authorisation condition will initially not apply to heat networks where heat charges are bundled with other charges (rent or service charges) and this is allowed under the Landlord and Tenant Act 1985. Due to existing legislation and the changes required to enable unbundling, networks covered by the Landlord and Tenant Act 1985 will not be required to unbundle heat charges. This position will be kept under review as discussions within government continue. We recognise that this means that important protections (including around billing and pricing protections) will not initially apply to customers on these types of networks. As set out above, we will continue to work to address this.

We will use guidance to make clear where the authorisation condition for unbundling does or does not apply. We will use guidance to provide detail where this interacts with the Scottish and Welsh housing sector.

We will be using guidance to make clear our expectations for billing practices, with the aim that heat network customers have similar outcomes when it comes to accurate and regular bills.

Back billing

The responses to this consultation question broadly supported our proposals on 12 month back billing limits.

We recognise that responses from consumers and consumer advocacy groups raised concerns around poor consumer outcomes on back billing. We want heat network consumers to be treated fairly, and to have comparable outcomes as consumers in gas and electricity.

We also recognise that responses raised some concerns around the practical or implementation challenges with back billing. These largely were from housing associations and local authorities, citing concerns around existing housing legislation keeping back billing at 18 months, and potential losses if unable to back bill beyond the 12 month period. Some of these respondents also raised concerns around practical challenges of changing current billing practices. We recognise these concerns and will be working closely with MHCLG on back billing arrangements for networks covered by the Landlord and Tenant Act 1985. We will use guidance to provide detail where this interacts with Scottish and Welsh housing sector.

We will be developing guidance to make clear our expectations for billing practices, so that consumers receive regular and accurate bills to avoid scenarios of back billing.

We recognise that this means that the 12 months back billing limit will not initially apply to some customers, and they are still at risk of longer back billing. As set out above, we will continue to work to address this. We will use guidance to set out our expectations for heat networks to get billing right, with timely and accurate billing to avoid back billing.

Heat supply contracts

We recognise that the majority of respondents expressed concerns around practical challenges with amending existing or creating new heat supply contracts. The majority of respondents also supported a 12–24-month timeframe for meeting regulatory requirements on heat supply contracts.

We understand that networks will need time to implement changes, to support networks on this we will developing guidance on this area. The guidance will cover the role of deemed contracts and where equivalent contracts will apply.

We will be developing guidance to develop messaging and clear language to help consumers understand their rights and obligations within the heat supply agreement.

Step-in: measures to mitigate the risk and impact of heat network failure

Question analysis

Q38. Do you agree or disagree that the risks associated with failure in social housing and local authority operated heat networks can be managed within existing regulatory arrangements? If you disagree, please explain why.

Table 4040

Question 38	Response	Percentage
Strongly agree	8	5%
Agree	55	36%
Neither agree nor disagree	5	3%
Disagree	9	6%

Strongly disagree	12	8%
Don't know	12	8%
Not answered	52	34%
Comments	55	N/A

The majority of stakeholders (63) who responded agreed that risks associated with financial failure in social housing and local authority operated heat networks can be managed within existing regulatory arrangements. Some respondents welcomed that this approach avoids regulatory duplication and reduces confusion. Some respondents also highlighted their agreement with the ambition to ensure customers do not experience interruptions to supply in the event of a heat network failure.

Many of those who disagreed with the proposals discussed the failure of social housing providers to meet other expectations around the quality of housing. These respondents raised concerns about “failure” in terms of general provision and standards across social and local authority housing rather than financial failure or viability.

Other respondents who disagreed focussed on the ability of registered social landlords and local councils to invest in maintenance or improvements and felt the sector lacked this expertise. One respondent went further and suggested Ofgem should have a financial oversight of these networks to ensure they are sustainable in terms of repairs and maintenance rather than just the financial resilience and security of the organisation as a whole.

Some respondents argued that the current regulatory framework including rules around gas and electricity provision, housing law and social housing regulations were not designed for heat networks. One umbrella energy body felt we should not be seeking to replicate gas and electricity protections, whilst others felt that we should not be relying on social housing regulators as their regulations were not heat network specific.

A number of respondents queried how the regulations will apply to complicated business and organisational structures such as Special Purpose Vehicles, subcontracting to ESCOs, and non-social housing provided by registered social housing providers, and stressed that these structures should not be used to evade regulatory responsibility. Interactions with leasehold legislation were also highlighted.

One consumer advice provider felt there was a need for information sharing between social landlords and Ofgem. They also highlighted they felt there is a need for protecting customers' money, data and Priority Service Register details in the event of insolvency.

Some respondents operating in Scotland pointed to provisions in the Heat Networks (Scotland) Act 2021 which provides for a transfer scheme and suggested there is no need for a duplicate Ofgem scheme.

Our proposed approach is outlined on page 105.

Q39. Are there additional sectors, other than social housing, where you consider the risks are managed due to factors not identified here? If yes, please provide details.

Table 4141

Question 39	Response	Percentage
Yes	20	13%
No	8	5%
Don't know	51	33%
Not answered	74	48%
Comments	40	N/A

A majority of those who responded said there were additional sectors where they considered risks are managed. 40 respondents provided additional comments on this question.

A number of membership organisations and some local councils felt that some sectors were already able to manage or mitigate the risk of heat network failure. This was via a mix of requirements, for example:

- Legislative such as the Landlord and Tenant Act 1985 in the private rented sector;
- Governance and democratic accountability such as in co-op housing models;
- Reinvestment such as in not-for-profit networks where it was felt that networks were unlikely to fail due to reinvestment in the network;
- Professional management such as in build-to-rent schemes;
- Voluntary codes such as student accommodation;
- Maintenance commitments such as with hospitals;
- Other forms of non-regulatory or legislative frameworks such as contractual management.

Some flagged the ability to raise failures with the First Tier Tribunal.

Multiple respondents (11) flagged the need to consider very small heat network operators or those managing only one scheme but did not go into greater detail on the challenges faced by these operators, or how risks could be managed in this sector.

Some respondents flagged that supported housing sits largely within social housing, but crosses a number of regulators including local councils, social housing regulators and the Care Quality Commission and that as such this is a highly regulated sector.

An energy umbrella body raised that shared ground loops may have a small number of properties connected, therefore there is no risk of failure associated with these systems.

One local council proposed that only suppliers with over 5,000 customers should require step-in regimes and felt the proposed regulation is disproportionate.

Our proposed approach is outlined on page 105.

Q40. Do you agree or disagree with the proposals for authorisation conditions on financial responsibility and control over assets? If you disagree, please provide rationale or suggestions for other ways to address the risks.

Table 4242

Question 40	Response	Percentage
Strongly agree	1	1%
Agree	38	25%
Neither agree nor disagree	10	7%
Disagree	9	6%
Strongly disagree	5	3%
Don't know	26	17%
Not answered	64	41%
Comments	49	N/A

The majority of stakeholders that responded supported the proposals for authorisation conditions on financial responsibility and control over assets. Support came from across the

sector with the most represented organisations being housing associations and operators. Five network operators shared the most concern of those respondents who disagreed with the proposals, in particular the financial responsibility principle.

There were 15 comments from those that neither agreed or disagreed, didn't know or hadn't answered. These primarily included entities who would be carved out from having step-in arrangements in place and highlighted this. One comment recommended that ESCOs managed and operated by social housing providers should not be exempt from the arrangements to mitigate risks associated with failure.

The consultation included a description but not a draft of these conditions, and a number of respondents asked for clarification on certain aspects of each condition. This included where issues may arise where the heat network operator and supplier were different entities. Separately there was some uncertainty over capacity to have arrangements capable of legally transferring assets to a successor, including where different parts of the heat network are owned by different entities

Disagreement to the proposal highlighted the potential administrative and resourcing burden that may arise from meeting the condition. This included whether a one-size fits all approach was suitable given the diversity and scale of the different business models in the sector. To address potential administrative burden some stakeholders recommended that audited accounts should be provided instead to evidence financial responsibility.

One operator that did agree with the financial responsibility proposal and its principle-based approach did highlight the need for guidance on how networks should comply.

Our proposed approach is outlined on page 105.

Q41. Do you agree or disagree with the proposed financial monitoring requirements, including the metrics and the frequency? If you disagree, please provide further details and/or alternative suggestions.

Table 4343

Question 41	Response	Percentage
Strongly agree	1	1%
Agree	37	23%
Neither agree nor disagree	14	10%
Disagree	12	8%

Strongly disagree	5	3%
Don't know	22	14%
Not answered	62	40%
Comments	52	N/A

Of those respondents that agreed or disagreed over two-thirds were in favour of the financial monitoring proposals. Of those that agreed, respondents were from across industry including those that would be carved out of the requirements. Of those that disagreed, most were operators who argued for simpler reporting requirements. Three of those who disagreed however, were from organisations who would be carved out but answered under the assumption they would still be required to meet the full set of financial monitoring requirements.

Eight respondents, primarily network operators, asked Ofgem to consider potential burden and the administrative cost of regulation. Two of these responses also highlighted the small or community led project segments in particular.

Nine respondents also mentioned taking smaller networks into account with regard to the scale of requirements. However, these respondents were split in regard to whether they agreed or disagreed with the proposals. One of these respondents highlighted that the cost of implementing measures could be passed onto customers.

On specific metrics hedging was mentioned most often, as respondents said, themselves or other parties they knew of, would not have a hedging strategy or were not able to hedge. Blockers to hedging strategies included legislative barriers, or it not being a necessary function of running certain types of heat network. Others who agreed on the use of hedging highlighted that it and other financial information needs to be considered in the context of the wider business plan of the organisation.

On the financial monitoring metrics overall, two operators that disagreed specifically, suggested using audited accounts as an alternative.

Our proposed approach is outlined on page 105.

Q42. Do you agree or disagree with the structure and contents of the proposed Operations/Supply Continuity Plan? If you disagree, please provide feedback such as additional material you consider should be required or other suggested changes.

Table 4444

Question 42	Response	Percentage
Strongly agree	1	1%
Agree	39	25%
Neither agree nor disagree	14	9%
Disagree	14	9%
Strongly disagree	7	5%
Don't know	21	14%
Not answered	57	37%
Comments	58	N/A

Of the respondents that answered, agreement with the proposal was the most popular response. From those in agreement, comments mentioned the need for guidance and clarification on the level of detail required. Those who disagreed, predominantly stated that the proposal was too burdensome or disproportionate to the sector.

Nine respondents who primarily agreed addressed the contents included in the plan and recommended additional metrics to be included in the plan. Others flagged that most of these data points would already be tracked by well-run organisations.

A number of respondents mentioned that administrative costs and requirements may be disproportionate for smaller networks. These tended to be in disagreement with the proposals, citing the burden this would have on the organisation. Another argument questioned whether there were enough examples of insolvency for this to be a proportionate requirement for heat networks.

Six respondents highlighted existing plans such as Business Continuity Plans (BCP) or Disaster Recovery Plans (DRP). Respondents who mentioned DRPs cited the duplications in the plan and that continuity plans should focus on when a network struggles to provide heat as opposed to insolvency that would lead to step-in arrangements.

A separate issue highlighted by a respondent regarded information such as customer data which can become out of date within days or weeks of updates. This focused on the concern

over the potential burden resulting from constantly keeping any continuity plan up to date when data would change so frequently.

Our proposed approach is outlined on page 105.

Q43. Are you aware of examples of, or do you already have in place, this type of contractual step-in arrangement, to enable a replacement entity to continue to operate a heat network?

Table 4545

Question 43	Response	Percentage
Yes	17	11%
No	27	18%
Don't know	37	24%
Not answered	72	47%
Comments	41	N/A

Of the 81 respondents who answered this question, the majority were either unaware of, or unsure about, the existence of contractual step-in arrangements for heat network operation.

Of those respondents who answered this question, around one fifth indicated knowledge or awareness of contractual step-in arrangements currently in place in the heat network market. These respondents typically described contractual step-in arrangements where a funder or developer had appointed an energy service company (ESCo) to install and operate a heat network, and secured step-in rights in the event that the ESCo failed.

Significant concerns were expressed by many respondents about the prospect of requiring all heat networks to obtain contractual step-in arrangements. These centred around the lack of commercial expertise and industry contacts of some (particularly smaller) heat network operators, together with a perceived difficulty in attracting a step-in entity for heat networks which due to factors including their size, age, design and location, may be less commercially attractive.

The administrative burden and cost of sourcing and maintaining a contractual step-in arrangement was also cited by many respondents as a prohibiting factor against the potential mandating of contractual step-in arrangements.

Respondents from the Ground Source Heat Pump sector shared the view that continuity risks were significantly lower for this type of heat network, given that passive operation would likely continue post the failure of an operator and supplier, giving time for another entity to come forward.

Our proposed approach is outlined on page 105.

Q44. Do you have any feedback on what support could facilitate the implementation of a contractual step-in requirement for an existing heat network? Are there any arrangements that you think would support its introduction?

Table 4646

Question 44	Response	Percentage
Comments	49	N/A

Around a third of consultation respondents provided an answer to this question. Even where respondents were aware of contractual step-in arrangements currently in place in the market, no respondents were in favour of requiring all heat networks to have a contractual step-in arrangement, although some respondents thought this might be reasonable provided appropriate support and assistance was made available to heat networks to incentivise and support them to find a step-in entity and agree a contractual step-in arrangement.

Some respondents thought there was a need for regulator oversight, assistance or active involvement in finding potential step-in entities. Ideas put forward included the establishment and maintenance of a register of potential step-in entities, the provision of templates, standard clauses and associated guidance to assist in concluding contractual step-in arrangements, and the regulator to have the ability to find and appoint step-in entities on a case-by-case basis.

A number of responses questioned the need for contractual step-in, believing that the risk of failure in the sector was sufficiently low that other mechanisms to demonstrate commercial assurance and guard against failure should be considered.

Our proposed approach is outlined on page 105.

Q45. Where a heat network has a separate supplier and operator, do you agree or disagree that the supplier's contractual arrangement should be with the heat network operator?

Table 4747

Question 45	Response	Percentage
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Strongly agree	5	3%
Agree	51	33%
Neither agree nor disagree	8	5%
Disagree	10	7%
Strongly disagree	1	1%
Don't know	22	14%
Not answered	56	37%
Comments	47	N/A

The proposal within this question achieved strong support from respondents, with around three quarters of those who answered it agreeing that where a heat network has a separate operator and supplier, the supplier should have a contractual step-in arrangement with the operator.

In agreeing, respondents believed that in many cases the operator would be best placed to fulfil this role due to their knowledge of the relevant heat network. These respondents felt that agreeing a contractual step-in arrangement would be easiest in circumstances where the operator and supplier are already involved, and familiar, with the heat network. Some respondents said that such an arrangement was likely to offer the best solution for customers if a heat network supplier was to exit the market.

Amongst respondents who did not agree with the proposal, some felt that although an operator of the same heat network as a supplier exiting the market might often be best placed to fulfil the role of step-in entity, this may not always be the case. These respondents thought some such heat network operators may lack experience of the supplier role and associated activities, and suggested a more flexible approach, allowing for suppliers to seek alternative step-in entities where appropriate.

Some respondents who disagreed thought that requiring a supplier to have contractual step-in arrangements with an operator of the same heat network could stifle innovative solutions.

Our proposed approach is outlined on page 105.

Q46. Do you envisage any additional risks associated with the proposed Last Resort Direction process? If so, what do you consider are the most appropriate mitigations to these risks?

Table 4848

Question 46	Response	Percentage
Comments	56	N/A

Respondents agreed with risks identified in the consultation around the length of time that would be required to arrange and conclude a Last Resort Direction process, which would necessarily involve negotiation and due diligence between the entity exiting the market, and the entity taking over operation.

Similarly, respondents' concerns echoed those outlined in the consultation around the commercial attractiveness of some networks and the associated difficulties in finding an entity willing to take over the regulated activity. Some respondents went on to express concern about the impact on consumers while a Last Resort Direction was being put in place.

The need to support a heat network financially during the Last Resort Direction process was also raised as a concern by respondents.

Stakeholders in the leasehold sector believed that heat networks in that sector should be excluded from any Last Resort Direction process, since tenants already had recourse to the First Tier Tribunal (Property Chamber).

Respondents representing the Ground Source Heat Pump sector thought such heat networks should be excluded from any Last Resort Direction process, citing the likely continued passive operation of such heat networks in the event of operator failure, giving time for another operator to come forward.

Our proposed approach is outlined on page 105.

Q47. If you support the introduction of such a scheme, what would be the benefits of such an arrangement, and why do you think it is necessary? What impact do you think it would have on the likelihood of commercial solutions being found?

Table 4949

Question 47	Response	Percentage
Comments	42	N/A

Those respondents who supported the introduction of a Last Resort Direction process indicated that they would value the establishment of a 'backstop' arrangement to protect consumers in the event that industry-led safeguards were insufficient to stop a heat network operator failing.

Two respondents agreed that a Last Resort Direction could impact commercial solutions being found. Some respondents thought it important that a backstop such as Last Resort Direction was in place to provide a mechanism to ensure a replacement operator could be found in circumstances where a commercial solution was not possible. It was accepted by these respondents that an entity appointed through a Last Resort Direction may require funding to support continued operation.

Some respondents suggested variations of an alternative model scheme run by Ofgem, allowing the mobilisation of pre-approved contractors to support a heat network in difficulty, on either a temporary or permanent basis. These suggestions accepted that such an arrangement would require a funding source.

Our proposed approach is outlined on page 105.

Q48. Do you agree or disagree with the proposal to introduce a Special Administration Regime, modelled on existing SARs and using bespoke provisions, where appropriate, to ensure it functions in the heat network sector?

Table 5050

Question 48	Response	Percentage
Strongly agree	4	3%
Agree	41	27%
Neither agree nor disagree	10	7%
Disagree	3	2%
Strongly disagree	2	1%
Don't know	29	19%
Not answered	64	41%

Comments	48	N/A
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Of the respondents who answered this question, the majority either strongly agreed or agreed with the introduction of a Special Administration Regime (SAR). For questions where stakeholders were asked to provide more detail, there was a widespread acknowledgement of the importance and benefit for consumers of a guaranteed continuity of supply, particularly for those who are vulnerable. Respondents expressed the view that a SAR would provide the legal clarity needed in the sector, as well as a practical solution to maintaining supply while new operators are found.

Some respondents expressed support for the proposal, but caveated this with concerns around the proposed exemption of local authority and social housing operators from the SAR. These respondents expressed concerns around how local authorities will allocate funding to heat networks to ensure consumers are not left without supply in the event of failure.

Those who disagreed with the proposal were concerned that an approach designed with larger suppliers in mind would be unsuitable for smaller suppliers. One respondent stated that a simpler regime should be introduced at first, while a SAR should be considered in the future as knowledge and data on the sector improves.

Several respondents questioned how a SAR Regime would be funded and requested further detail on this.

Our proposed approach is outlined on page 105.

Q49. Do you agree or disagree with the proposal for the introduction of transfer schemes?

Table 5151

Question 49	Response	Percentage
Strongly agree	4	3%
Agree	39	25%
Neither agree nor disagree	8	5%
Disagree	4	3%
Strongly disagree	2	1%

Don't know	30	20%
Not answered	66	43%
Comments	39	N/A

The majority of respondents agreed with proposals to introduce a transfer scheme. Of those who agreed, respondents stated such a scheme is necessary, but sought further assurances on the scheme design. This included questions around how a transfer scheme will work in practice, given the diversity of the sector, and requested that the scheme design is proportionate. Suggested modifications to the scheme included a tiered system, where different rules would apply depending on the size and ownership model of the network, with a simplified process for transferring assets for smaller networks, and a register of pre-approved networks. Some respondents also suggested the government should carefully consider the scope of the scheme, questioning whether a transfer of shares, as opposed to assets, would be an appropriate solution to manage the complexity of the sector, instead of a 'one size fits all' solution. Other respondents stated that transfers should be voluntary and so should include assets, contracts and liabilities, so that the continued supply of heating and hot water can more easily be maintained.

As with the responses to Special Administration Regime proposals, there were calls for the use of a deemed supply scheme as a backstop so that customers are deemed to be under a contract with the new supplier to ensure that all customer contracts are transferred if any issues arose during this process. Respondents also asked for further details on how costs will be met, including criteria for the costs of transfer to be covered by the wider sector if necessary.

Respondents who disagreed with the proposals argued that it would introduce unnecessary complexity disproportionate to the potential benefits to consumers, particularly in the case of small or community-owned heat networks. It was also noted that community-owned heat networks operate under co-operative or Community Interest Company models, which have existing mechanisms for asset transfers in case of insolvency or restructuring, and so could be subject to regulatory duplication.

Our proposed approach is outlined on page 105.

Q50. Do you agree or disagree with the proposal that heat networks should put in place a funding mechanism to support the regulatory interventions outlined?

Table 5252

Question 50	Response	Percentage
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Strongly agree	3	2%
Agree	27	18%
Neither agree nor disagree	9	6%
Disagree	19	12%
Strongly disagree	9	6%
Don't know	25	16%
Not answered	61	40%
Comments	54	N/A

Respondents' comments generally favoured proposals to introduce a funding mechanism to support the regulatory interventions outlined in the consultation. Of those who agreed, most stated the importance of designing the mechanism in such a way as to support the diverse heat network models in the sector and thus avoid disproportionately impacting upon smaller networks. Some respondents proposed a centralised funding mechanism supported by operator and government as a viable solution to this.

Both respondents who agreed and who disagreed with the proposals suggested that the regulatory interventions proposed should be funded, at least in part, by a levy on the wider gas and electricity market, so that heat network consumers do not bear the costs of recovery. There were also suggestions that government should support or cover the cost of managing the Special Administration Regime and transfer scheme.

The key reason given for disagreement to this proposal was a concern that there would be a resultant increase in costs for consumers. Several respondents argued that the purpose of ensuring network financial resilience is to avoid consumer detriment, and that a likely increase in consumer bills in order to facilitate a funding mechanism would be counterproductive to this goal. Some respondents argued that supplier failure is rare in the heat networks sector, and that these proposals are not proportionate to what they believe to be a negligible risk.

Respondents who answered "neither agree nor disagree or don't know" were largely unopposed to a funding scheme in principle but stated they could not comment further without understanding more detailed proposals.

Our proposed approach is outlined on page 105.

Q51. Are you aware of any of the proposed funding mechanisms currently being used to mitigate failure risks for existing heat networks?**Table 5353**

Question 51	Response	Percentage
Yes	12	8%
No	36	24%
Don't know	35	23%
Not answered	70	46%
Comments	30	N/A

Some respondents reported having their own funding reserve to cover emergent issues; a few of these respondents argued that additional funding measures would place an unnecessary burden on them and could even be considered punitive against networks that are employing good governance. Two responses mentioned Heat Network Efficiency Scheme grants as indirectly mitigating failure risks by making networks more efficient and reliable.

Our proposed approach is outlined on page 105.

Q52. Do you have any comments on the feasibility of the proposed funding mechanisms?**Table 5454**

Question 52	Response	Percentage
Comments	61	N/A

Many respondents felt that more information on the practicalities of each option would be needed before they could make a judgement on their relative feasibility. Some questioned the logic of deciding on how such systems should operate until Ofgem has a better understanding of the heat networks market, (i.e. after regulatory commencement) and an associated awareness of the potential costs of establishing a robust funding mechanism. Some respondents also expressed concern at the cost of compliance with the new regulatory regime

as a whole and felt that the additional cost of supporting less-viable networks would be too burdensome.

Others argued that there is too much diversity in the heat networks sector to make one approach suitable for all networks. It was suggested that funding contributions should be proportionate to network size, and that significant care should be taken to ensure that this would not result in costs being passed onto consumers. Most of the respondents who rejected all funding options did so due to a belief that they would inevitably cause detriment to heat network consumers.

Several respondents remarked upon the difficulty for heat networks to secure insurance, particularly smaller or less financially stable networks, the latter of which would be more likely to require funding for step-in arrangements.

Some respondents stated that a central insurance scheme, mandated escrow or ringfenced funds, or requiring networks to make individual insurance arrangements would all require significant regulatory oversight.

Our proposed approach is outlined on page 105.

Government response

Step-in

Scope and approach to segmentation

There was support for our assessment that risks associated with financial failure in social housing and local authority operated heat networks can be managed within existing regulatory arrangements, and for our approach to carve out such heat networks from the proposed step-in and financial monitoring provisions. We recognise the need to clarify that this approach will apply only to regulations in relation to step-in and financial monitoring and not to other provisions within the proposed heat networks regulatory framework.

We also need to ensure clarity around the scope of this provision. We recognise that there are established arrangements within registered social landlords to manage financial failure, and we do not wish to duplicate these arrangements, and create regulatory complexity. Therefore, we propose only local authorities and those named authorised persons subject to regulation by a social housing regulator in England, Scotland or Wales will be carved out of this provision.

We will further explore whether this carve out should extend to arrangements where registered social housing providers or local councils have established arms-length organisations including Special Purpose Vehicles.

Whilst there are potential mitigations against the risks of financial failure in other market segments, for the most part these do not appear to be statutory and instead are subject to individual choice by each network. We think it is prudent to introduce the obligations and associated monitoring outlined below to promote financial responsibility and resilience across the sector where they are not already required to adhere to similar arrangements or subject to constraints in entering insolvency.

Financial Responsibility Authorisation Conditions

There was broad support for the proposals to introduce authorisation conditions on Financial Responsibility and control over material assets. We consider these are important requirements to ensure heat networks are managing their finances responsibly, recognising the essential service they are providing to consumers. Ofgem will consult on draft conditions and will provide guidance to the sector on our expectations.

Financial reporting and monitoring

The proposals on annual submissions of financial data and declarations of financial health were also broadly supported and we intend to proceed with refining these requirements and further testing with users. We will consider the scale and type of organisation when assessing any financial information, which will be treated sensitively and in line with the legal requirements on how we treat confidential information. We recognise there are some overlaps with financial data that the pricing framework requires, and we will ensure we streamline where we can. We will gather data on hedging strategies, and we expect that this will be considered in networks' risk management strategies. We will explore what guidance we can provide in this area, and we clarify that we are not proposing any mandatory requirements on networks' approach to hedging.

Operations and Supply Continuity Plans

We intend to proceed with requirements for authorised persons to have Operations and/or Supply Continuity Plans in place that would support the orderly transfer of activity if needed. These will be confirmed by annual declaration but only provided as part of compliance/audit checks.

We recognise there is existing good practice in the sector in the form of Business Continuity Plans and Disaster Recovery Plans which will support the implementation of this requirement. We expect the plans to be living documents which can draw on existing documents, including linking to live sources of information.

Contractual step-in

While there is existing practice in some parts of the sector akin to contractual step-in, there was limited support for mandated contractual step-in across the sector. We consider it is essential that heat network operators have plans in place to avoid disorderly exit, and ensure that customers continue to be supplied. We will proceed with drafting

and consulting on authorisation conditions to drive this practice, but we do not intend to proceed with a universal requirement on contractual step-in.

We want to build on existing practice, where stakeholders with an interest and incentive to “step-in” and support the continued operation of networks, do so, and explore alternative approaches in the section below. We intend to proceed with proposals that where networks have a separate operator and supplier and the supplier fails, the operator has arrangements in place to ensure customers receive uninterrupted supply, until enduring arrangements are put in place.

Last Resort Direction

We agree with respondents that there are a number of significant challenges with the Last Resort Direction proposal, including the time the process would take to complete, the need for financial support to facilitate the process, and risks that some networks would be unattractive to incoming entities. We do not intend to further develop this framework. We expect authorised persons to have sufficient incentive to secure commercial outcomes and will develop our knowledge of this practice through monitoring and engagement and seek to understand any barriers as this sector matures.

Special Administration Regime and Transfer Scheme

We agree with the majority of respondents that a Special Administration Regime should be introduced. We consider it is necessary to have a regulatory backstop to ensure that heat network customers will continue to be supplied in the event of operator insolvency where market-led measures are insufficient to achieve this.

This is an established backstop in other sectors, including gas and electricity, postal services, water, and finance and we will seek to replicate provisions with alterations and/or additions only made to ensure that issues specific to heat networks are covered.

Consultation respondents asked for further detail on when a Special Administration Regime would be used. As is consistent with other regimes, it would only be used in cases of insolvency where market-led solutions have failed, and where the Secretary of State determines that it is necessary. We will not use the regime in instances of technical failure, although it is possible that some technical failures will lead to insolvency and a consequent triggering of the regime.

There was also strong support for introducing transfer scheme powers which could be used to facilitate an exit from a Special Administration Regime. We intend to take forward both of these provisions in upcoming secondary legislation. We will investigate possible regulatory duplication with regards to heat networks run by Community Interest Companies and cooperatives, and will take a decision on the necessity of exempting such heat networks from a transfer scheme.

Funding arrangements

A Special Administration Regime would be funded initially by HMG where needed, and following the outcome of this process, HMG may wish to recover any shortfall in funding from the heat networks sector. We propose to put in place powers to support recovery from heat networks on a reactive basis if required, with the possibility to socialise costs with the gas and electricity sector, depending on the maturity of the sector, and the ability to absorb any such costs at such a time as the regime may be triggered.

Alternative options

Some respondents suggested that alternative mechanisms for ensuring continuity of supply may be appropriate for small networks. Some respondents also advocated a central service, ranging from a database of alternative operators, to a “special measures” type arrangement where heat networks in distress could be supported through a central service to address issues, with a view to avoiding a disorderly exit. We will consult further on these alternatives, including whether they could be supported by a levy on all entities, or a targeted levy at those without contractual arrangements in place. We will also engage with the sector to explore how this should be delivered, with a preference for an industry led scheme in the first instance.

Market segmentation

Question analysis

Q53. Do you agree or disagree with the proposed approach to Market Segmentation, including the characteristics we have identified to inform our proposals?

Table 5555

Question 53	Response	Percentage
Strongly agree	4	3%
Agree	54	35%
Neither agree nor disagree	11	7%
Disagree	13	9%
Strongly disagree	3	2%
Don't know	18	12%

Not answered	50	33%
Comments	79	N/A

Respondents were largely in support of the proposed approach to market segmentation.

45 of the comments questioned the level of detail contained within the proposals. Most of these comments called for definitions of the segments mentioned in the consultation, including what size splits a large or small network, and whether that would be based on individual consumers or the number of households. The request for clarity was particularly prevalent in response to approaches to not-for-profit networks, with stakeholders questioning if a local authority landlord would be considered within this scope.

Ten respondents agreed with the proposals on the basis that it would enable a targeted and proportionate approach to regulation which recognised, and balanced, the varying operational quality in the market and the need for sector growth. These responses noted the importance of flexibility in the application of market segmentation and continued stakeholder engagement.

A further ten responses outlined that more work should be done to ensure that a segmented approach would not dilute consumer outcomes.

Seven responses commented the importance that segmentation does not result in generalisations or simplifications being made about heat networks or their consumers, particularly if this would lead to poor consumer outcomes. These comments called for further subcategories, or flexibility within the framework, to acknowledge the complexities of heat networks.

Six respondents made calls to recognise networks operated by social housing providers in their own segment. This was on the basis that size-based segmentation already occurs in the sector (providers with less than 1000 homes are usually classified as small) and as a result, are subject to different regulatory arrangements. These comments came alongside calls for further refinement of our not-for-profit definition to acknowledge housing associations and mixed tenure networks.

A number of individual stakeholders made calls for additional segments to be considered as part of our approach. This included matching current exemptions for legacy networks under the Heat Network (Metering and Billing) Regulations²⁶, considering networks by their emissions and reducing requirements for not-for-profit community energy networks.

Our proposed approach is outlined on page 111.

²⁶ <https://www.gov.uk/guidance/heat-networks>

Q54. Do you agree or disagree with the proposal to develop and implement a minimum standard for regulated providers across some services over time?

Table 5656

Question 54	Response	Percentage
Strongly agree	18	12%
Agree	66	43%
Neither agree nor disagree	11	7%
Disagree	3	2%
Strongly disagree	1	1%
Don't know	5	3%
Not answered	49	32%
Comments	57	N/A

The summary of this response has been combined with question 55 below.

Q55. Which services would you find appropriate to be regulated by a minimum standard?

Table 5757

Question 55	Response	Percentage
Comments	72	N/A

While our broad approach to segmentation received widespread support, there were 20 comments which caveated this with various statements. Some of these responses made calls for further information and guidance to support implementing these standards. Other stakeholders stated their support would be removed if these standards reduced the protection and/or experience of individual consumers.

Some responses highlighted each of the areas of regulation that stakeholders were particularly keen that we consider minimum standards for. 15 of these were in favour of considering efficiency and reliability, including setting minimum efficiency requirements for heat networks to reduce heat loss and energy consumption, and requiring operators to regularly audit their network performance.

A further 15 comments mentioned the applicability of minimum standards to complaint handling, particularly with the aim of standardising complaint handling processes across the market. Some of these comments suggested that we consider penalties for providers that fail to meet our complaint handling expectations.

13 comments further reinforced their agreement with this proposal. Some stated this would enable best practice to be shared and encourage a more transparent approach to customer services across the sector. These comments also noted this would establish clear benchmarks and any additional proposals should reinforce the need to homogenise heat network consumer experiences.

Two stakeholders called out the need for these proposals to be phased-in, and for them to be appropriately tailored to reflect the diversity of the sector. These comments suggested that we publish a timeline for implementation, with clear milestones and interim goals, so to allow providers to make necessary adjustments without compromising their quality of service.

Our proposed approach is outlined on page 111.

Government response

Market Segmentation

Following analysis of stakeholder feedback, we will continue to explore where instances of segmentation can be used in our implementation of consumer protections across the heat network sector. While the proposals received more support (38%) than not (11%), comments made clear the areas of stakeholder concern and interest.

While segmentation is being used across the framework, it is our intention to maintain consistency in this approach and make clear where rules do and do not apply to authorised persons. We intend on using upcoming consultations on guidance to strengthen our implementation of segmentation and enable a clearer understanding for stakeholders.

We recognise the calls from stakeholders for clear definitions of market segments to ensure transparency and consistency across the sector. This was made particularly apparent in our distinction of ‘not-for-profit’, and in relation to any size-based classifications. Since the close of this consultation, we have committed to ongoing stakeholder engagement to build on our understanding and evidence base in drafting the authorisation conditions and relevant definitions. We will continue this engagement with

industry, consumer groups, and other stakeholders during our planned consultation on consumer protection guidance for heat networks.

An additional area of complexity raised by stakeholders is the potential overlap of Ofgem's regulatory framework with that of the housing sector. Instances of this overlap have been discussed throughout this response, including regarding complaint handling and billing practices. We recognise the challenges that come in overlapping regulatory requirements, as well as the existing challenges facing housing providers (both profit and not-for-profit). We want to avoid applying undue burden in these situations, while also ensuring that consumers in this category do not receive an alternative tier of protection. We will continue to work closely across government, and with other relevant regulators, to determine the most effective route forward to ensure that all heat network consumers experience a fair level of treatment.

Building on this, stakeholders were clear that segmentation should not prevent the regulatory framework from achieving equal and effective consumer protections across the sector. We are clear that segmentation is a tool to enable heat network suppliers and operators to implement equal levels of consumer protection in ways that are suitable for their given circumstance. To that end, we are also clear that wherever segmentation is applied, it should be done in the context of the core principles of consumer protection, such as the Standards of Conduct 'Customer Objective'²⁷. We remain confident that segmentation and the broader framework will be subject to iterative development, evolving as the market reacts to regulation and our intelligence base increases. As data becomes more readily available, it will enable the framework to be updated where appropriate, for example in making policy captured by market segmentation more reflective of the standards of the sector, and to address any emerging risks or opportunities.

Minimum standards

Following analysis of stakeholder feedback, we will continue to develop a framework of minimum standards, with the view that it will be introduced when there is sufficient understanding of the heat network sector. The proposals received support from over half (55%) of respondents and a significant amount of these responses made clear that these should be established across all networks to guide supplier and operator behaviour and cause an overall uplift of the quality of service.

We recognise that while some stakeholders asked for further detail on this area, respondents also gave clear outlines of areas they believed should be captured in scope of any future minimum standards. We intend on using these responses to inform the ongoing development of guidance for consumer protection measures, and endeavour to address some concerns in an upcoming consultation. Our intent for the minimum

²⁷ The objective of this condition is for the authorised person and any Representative to ensure that each Consumer, including (where applicable) each Domestic Consumer in a Vulnerable Situation, is treated Fairly.

standards, should they be introduced, is to be a product developed over time as both the market reacts to regulation and as we gain a more comprehensive understanding of compliance across the sector.

Authorisation Conditions

Question analysis

1. A.1. Does the authorisation condition, 'Interpretation', reflect the policy intent?

Table 5858

Question A.1.	Response	Percentage
Yes	21	14%
No	5	3%
Don't know	37	24%
Not answered	90	59%
Comments	15	N/A

One respondent noted that they do not agree with the policy intent itself, and thus by extension the authorisation conditions.

One respondent agreed with the drafting of the conditions, however noted that this condition does not include reference to the scope of the authorisation condition, in terms of how they apply specifically to diverse groups of consumers.

One respondent raised concerns over the regulatory burden this would place on heat network operators and suppliers, with a particular concern on the impact this will have on the leasehold sector.

One respondent noted that the condition does not account for co-operative and community-led networks and lacked a full definition for not-for-profit networks. They suggested additional sections to make reference to these, whilst recognising the existing protections in place.

Our proposed approach is outlined on page 136.

A.2. Does the authorisation condition, ‘Supplier Standards of Conduct’, reflect the policy intent?**Table 5959**

Question A.2.	Response	Percentage
Yes	25	16%
No	9	6%
Don't know	30	20%
Not answered	89	58%
Comments	17	N/A

One respondent suggested that this condition would be very onerous, introducing complicated processes and additional costs. The time needed to implement such changes could have an impact on whether the policy intent is achieved.

One respondent noted that this condition should not apply to SGLs as the assumed relationship between the authorised person and the consumer is not a traditional supplier-consumer relationship.

One respondent noted that this condition does not account for community-led and not-for-profit networks.

One respondent suggested the removal of paragraph 2.3.5, citing it as unnecessary. Another respondent suggested the addition of ‘and timely’ after the word ‘regular’ in this condition, to reflect that whilst updates may be regular, they may not be frequent enough to give notice of potential problems.

Whilst agreeing with the condition meeting policy intent, one respondent flagged the need for greater clarification of paragraphs 2.3.2.b and 2.3.2.e.

Three respondents proposed that paragraph 2.3.6 be removed because consumers do not contribute to the costs of improving network infrastructure

Information and clarification of how to comply with paragraph 2.3.6b was requested by three respondents.

In response to stakeholder feedback and to more accurately reflect policy intent, we have made the following amendments to the drafting of this authorisation condition:

- The authorisation condition has been amended to require suppliers to communicate proactively with consumers, providing them with regular and timely updates about any maintenance work or other events, or changes in service, which may cause an outage or disruption to the supply of heating, cooling or hot water.
- The requirement to effectively co-operate and share information with other authorised persons has been amended to additionally require that resources and processes are in place to allow for this.
- The reference to the “second authorised person” has also been removed to better reflect the policy intent; effective co-operation and information sharing is also required in cases where there is more than one operator.
- The condition has been amended to highlight that the authorisation condition applies to ‘all activities’ of the bulk supplier which are likely to have an impact on the supply by another authorised person of heating, cooling or hot water to consumers by means of a relevant heat network.
- The reference to deemed contracts has been removed. This authorisation condition has been amended to cover a scenario where there may be conflict or inconsistency between this general authorisation condition and another general authorisation condition (including general authorisation condition [4], Fair Pricing) which deals with a specific aspect of the fair treatment of consumers. If such a conflict occurs, the latter will take priority.
- With reference to vulnerability, ‘Domestic Consumer’ has been amended to ‘an occupant of a Domestic Premises’ to more accurately reflect the policy intent.

Our proposed approach is outlined on page 136.

A.3. Does the authorisation condition, ‘Operator Standards of Conduct’, reflect the policy intent?

Table 6060

Question A.3.	Response	Percentage
Yes	28	18%
No	5	3%

Don't know	32	21%
Not answered	88	58%
Comments	11	N/A

One respondent noted that this condition should not apply to SGLs as the assumed relationship between the authorised person and the consumer is not a traditional operator-consumer relationship.

One respondent, whilst agreeing with the general drafting of the condition, noted that the section on the security of supply within the consultation was seeking to introduce a principle-based authorisation condition to encourage a proactive approach to maintenance. However, they suggest that this expectation is not captured in this condition.

One respondent, whilst highlighting that the drafting is consistent with what is expected, note that there is currently no detailed regulation covering key interactions between suppliers and operators on larger-scale district heat networks.

In response to stakeholder feedback and to more accurately reflect policy intent, we have made the following amendments to the drafting of this authorisation condition:

- The requirement to effectively co-operate and share information with other authorised persons has been amended to additionally require that resources and processes are in place to allow for this.
- The reference to the “second authorised person” has also been removed to better reflect the policy intent: effective cooperation and information sharing is also required in cases where there is more than one operator.

Our proposed approach is outlined on page 136.

A.4. Does the authorisation condition, ‘Fair Pricing’, reflect the policy intent?

Table 6161

Question A.4.	Response	Percentage
Yes	29	19%
No	6	4%

Don't know	30	20%
Not answered	88	58%
Comments	17	N/A

One respondent suggested that heat network operators should make their tariffs publicly available for all to see.

One respondent noted that this condition allows for different authorised persons to be covered, but that the definition of charges in paragraph 2.3 only covers charges that a supplier could levy on retail consumers. There should be work done to align these.

One respondent noted that the definition for 'fair' is not included in this condition, and paragraph 4.6 does not refer to the incorporation of feedback being considered when revised guidelines are issued. The second point was flagged by another two respondents.

One respondent noted that this condition is heavily reliant on future guidance and does not provide sufficient clarity or enforcement mechanisms in the current text.

One respondent noted that a tariff-based heat supply model does not apply to SGLs, which this condition refers to.

One respondent, whilst agreeing with the principle, wanted greater clarification around paragraph 4.4.2, and whether this would include unmetered properties, and for unmetered communal areas.

One respondent flagged the lack of connection costs recovery in the condition as a potential problem.

One respondent noted that the condition did not reflect the policy intent, as it risks imposing rigid pricing structures that could stifle innovation and fail to accommodate community-led networks.

Our proposed approach is outlined on page 136.

A.5. Does the authorisation condition, 'Ongoing Fit and Proper Requirement', reflect the policy intent?

Table 6262

Question A.5.	Response	Percentage
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Yes	26	17%
No	5	3%
Don't know	34	22%
Not answered	88	58%
Comments	11	N/A

One respondent, whilst agreeing with the condition reflecting the policy intent, suggested we change the references to 'current or former authorised person', in sub-paragraphs 5.3.5 and 5.3.6, to 'current or former authorised heat network'.

One respondent noted this condition as being superfluous, with a narrow scope that does not allow blocks of flats to meet the legislative requirements.

One respondent noted that this condition does not differentiate between larger networks and smaller community-led networks.

One respondent noted that the 'fit and proper person' test would pertain to an ongoing assessment that would require a more explicit reference to the associated costs.

Our proposed approach is outlined on page 136.

A.6. Does the authorisation condition, 'Provision of information and reasoned comments to the Authority', reflect the policy intent?

Table 6363

Question A.6.	Response	Percentage
Yes	22	14%
No	7	5%
Don't know	33	22%
Not answered	91	59%

Comments	13	N/A
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One respondent noted that there is no opportunity to appeal the request for information from the Authority in terms of accuracy or detail requested – which they flag as unreasonable.

One respondent suggests that the condition details are too vague and should only be applicable to information that can reasonably and lawfully be requested by the Authority and its remit. They also suggest that further detail should be provided on the type of information that may be requested.

One respondent, referring to Ofgem’s authorisation and regulatory oversight consultation, raised concerns around alignment in approach and wording – in particular reference to the clear rationale behind the provision of information and reasoned comments to the Authority.

One respondent expressed concerns over the lack of detail in relation to specific requirements.

One respondent requested additional information on the Requests for Information process before being able to comment on whether this condition meets the policy intent. This point was also supported generally by another respondent.

One respondent noted that this approach may burden small co-operative networks.

In line with our final policy position, we have made the following amendments to the drafting of this authorisation condition:

- The updated drafting includes a reference to requests for information, including enduring requests.
- The updated drafting regarding how information is provided by the authorised person now includes a reference that it must also be in accordance with applicable guidance issued by the Authority and referred to in a request.

Our proposed approach is outlined on page 136.

A.7. Does the authorisation condition, ‘Open and Co-operative’, reflect the policy intent?

Table 6464

Question A.7.	Response	Percentage
Yes	26	17%
No	5	3%

Don't know	31	20%
Not answered	91	59%
Comments	12	N/A

One respondent felt that paragraph 7.4.1 is unclear, as it suggests networks would need to provide the necessary resources to provide the information that has been requested by the Authority. This could significantly impact smaller networks and be detrimental to their commercial viability.

One respondent suggested that this condition should be implemented over time, to allow authorised parties to establish the necessary resource to comply.

One respondent, whilst agreeing generally, raised concerns over the drafting of 'conduct principles'. In particular, they do not consider the provision around 'establishing and operating appropriate systems and processes' under paragraph 7.4.3 to be a principle of compliance, but a standard to be met.

One respondent requested additional detail on this condition before being able to comment. This was supported by another respondent.

One respondent requested flexibility for smaller networks.

Our proposed approach is outlined on page 136.

A.8. Does the authorisation condition, 'Independent Audits', reflect the policy intent?

Table 6565

Question A.8.	Response	Percentage
Yes	24	16%
No	7	5%
Don't know	31	20%
Not answered	91	59%
Comments	14	N/A

One respondent noted that paragraph 8.1.1 would incur costs for the network operator, which would be unjust. Another two respondents flagged a similar point around the burden this would have on smaller networks.

One respondent noted that the requirements outlined in paragraph 8.5.1 could be unrealistic to expect within four weeks.

One respondent raised concerns over the general lack of definitions, particularly around independence. Similarly, one respondent flagged a potential conflict of interest if these are not carried out by independent auditing organisations.

One respondent noted inconsistencies between the drafting of this condition, and Ofgem's authorisation and regulatory oversight consultation.

One respondent requested additional detail on how this condition would work in practice. Another respondent echoed this and flagged that currently it would not reflect the policy intent.

Our proposed approach is outlined on page 136.

A.9. Does the authorisation condition, 'Heat Supply Contracts', reflect the policy intent?

Table 6666

Question A.9.	Response	Percentage
Yes	25	16%
No	8	5%
Don't know	30	20%
Not answered	90	59%
Comments	18	N/A

One respondent raised concerns over this condition being overly administrative, with another raising concerns over the associated costs. Another respondent suggested that this condition would not be relevant with regards to SGL arrangements.

One respondent questioned what would constitute 'a reasonable period of time' in paragraph 9.3.

Another respondent suggested starting paragraph 9.3 with ‘promptly’ or ‘at the earliest reasonable opportunity’ instead of ‘within a reasonable period of time’. They, alongside another respondent, noted that paragraph 9.4 implies contract terms under paragraph 9.3 can only be fully accepted or rejected, not negotiated. They recommend paragraph 9.5 be consistent with all conditions. For paragraph 9.11.7, they suggested notifying consumers of network operators’ and suppliers’ names and responsibilities. Lastly, they found paragraphs 9.11.12, 9.13.12 e & f excessive.

One respondent suggested explicitly referencing deemed contacts in paragraph 9.1. They were concerned that paragraph 9.9.3 might not allow referencing other documents without changing and reissuing contracts. They recommended amending 9.11.3 to include the organisation’s contact details instead of the authorised person.

They proposed separating paragraphs 9.11.4 and 9.11.5 into distinct policies and noted that network efficiency metrics in 9.11.8 should be variable. They requested more detail on paragraphs 9.11.14 and 9.14, particularly regarding a 12-month period. They found paragraph 9.13 irrelevant for deemed contracts and raised concerns about 9.20.2 requiring different contract types within one scheme.

One respondent noted paragraph 9.4.1 as potentially raising GDPR issues.

One respondent flagged concerns regarding whether paragraph 9.11.8 would be feasible, due to the inability to calculate some metrics on systems without metering.

One respondent, whilst agreeing with the general drafting of the condition, mentioned that there are missing provisions for key heat network policies. They suggest adding pre-contractual transparency requirements and a high-level authorisation condition for guaranteed standards of performance. Concerns were raised about specific timescales in paragraphs 9.3, 9.7.3, and 9.13, recommending clearer timelines and conditions. They also noted that paragraph 9.23.1 might need updates based on final policy positions.

One respondent raised concerns, noting that the current drafting would adopt an overly prescriptive approach to the provision or retrospective application of heat supply contracts.

Overall, there are only minor changes for this authorisation condition. We recognise stakeholders’ comments on this authorisation condition, and Ofgem will use guidance to add detail where needed.

In response to stakeholder feedback, we have made the following amendments to the drafting of this authorisation condition:

- The updated authorisation condition sets out the role of deemed contracts.
- The updated authorisation condition sets out how heat supply contracts will operate where existing tenancy or leasehold arrangements are in place.

Our proposed approach is outlined on page 136.

A.10. Does the authorisation condition, ‘Contract Changes Information (Notifications of Price Information and Disadvantages Unilateral Variations)’, reflect the policy intent?**Table 6767**

Question A.10.	Response	Percentage
Yes	21	14%
No	7	5%
Don't know	35	23%
Not answered	90	59%
Comments	15	N/A

One respondent suggested that paragraph 10.2 should include an emergency provision to allow suppliers to vary charges to maintain financial viability during unforeseen events, such as boiler breakdowns. They also suggested that paragraph 10.3.1.a should ensure deemed contracts can only be terminated if the resident moves out.

One respondent questioned the feasibility of, in paragraph 10.1.b, providing 31 days' notice for heating charge increases due to the variable heat output of woodchip making it impossible to estimate. They also note that paragraph 10.2 would face the same problem.

However, one respondent suggested that this would be a reasonable timeframe.

One respondent, whilst agreeing, suggested Ofgem should revisit the wording of paragraphs 10.3.1.c to f, as the start of the sentences do not follow on from 10.3.1. In regard to 10.3.1, another respondent raised concerns over how consumers can elect to end their supply contract, given the likely lack of other options.

There are no material changes to this authorisation condition.

Our proposed approach is outlined on page 136.

A.11. Does the authorisation condition, ‘Complaints’, reflect the policy intent?**Table 6868**

Question A.11.	Response	Percentage
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Yes	27	18%
No	5	3%
Don't know	31	20%
Not answered	90	59%
Comments	16	N/A

One respondent, whilst agreeing with the general drafting, raised several points. For paragraph 11.16, they were concerned about the volume of detail and whether information should be recorded separately or combined. They suggested varying business hours in paragraph 11.19 to match actual operating hours and recommended tracking SLA only for in-hours and from 5pm vs. actual opening hours in paragraph 11.9.b.

They questioned if Ofgem will provide examples of 'expressions of dissatisfaction' for paragraph 11.4. For paragraphs 11.10 and 11.15, they queried if the complaints handling procedure must be updated on the website or if customers must be informed directly, suggesting inclusion in regular communications.

They also questioned if customers need to be made aware of different remedies in paragraph 11.10.h, noting visibility of compensation might lead to expectations. They suggested the initial response time in paragraph 11.14 should match 48-hour email responses and proposed tracking complaints resolved within 1 working day and changing the first response time to 2 working days in paragraph 11.29. They found paragraphs 11.16 and 11.17 laborious and considered paragraph 11.35 excessive.

Another respondent found paragraphs 11.16 and 11.17 exceptionally onerous and administratively burdensome for small heat network operators, with no impact on customer outcomes. They also consider paragraph 11.19 unreasonable due to the lack of administrative support and other primary functions taking precedence. Paragraph 11.32's requirement for electronic records of all complaints may be unfeasible, and paragraph 11.35's requirement to publish a complaint report is seen as an unreasonable administrative burden that would increase costs for customers.

One respondent raised concerns about paragraph 11.9.c, suggesting it may be difficult for a senior staff member to remain the single point of contact for complaints and recommending specifying a single point of contact instead. They also questioned the fairness of paragraph 11.28.e, which makes redress scheme outcomes binding for the authorised person but not for Relevant Consumers, potentially preventing appeals or accountability for incorrect, misinformed, or malicious complaints.

Another respondent noted that the current definition of ‘Complaint’ in authorisation conditions 11 and 23 differs from the Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 and suggested including the phrase about responses provided at the point of contact. They emphasised that not requiring this for heat networks would hinder Ofgem’s ability to compare complaints with the gas and electricity sectors. They also pointed out that the draft wording for the point of contact for consumer complaints contradicts the intention of having the heat supplier as the single point of contact, particularly in paragraph 11.9.

One respondent suggested revisiting paragraph 11.2 to split its elements for clarity. They also recommend amending paragraph 11.24 to either remove or clarify the bold text regarding arrangements for third-party referrals of complaints.

In response to stakeholder feedback, we have made the following amendments to the drafting of this authorisation condition:

- References to the need for a website have been changed to enable a suitable alternative, where a website is not appropriate.
- Where a complaint is being referred to another organisation, we have included separate requirements for the Energy Ombudsman, the Housing Ombudsman, and the First-Tier Tribunal.
- We have removed the requirement for an authorised person to provide an annual complaints report.

Our proposed approach is outlined on page 136.

A.12. Does the authorisation condition, ‘Assistance and Advice Information’, reflect the policy intent?

Table 6969

Question A.12.	Response	Percentage
Yes	25	16%
No	8	5%
Don’t know	31	20%
Not answered	89	58%
Comments	15	N/A

One respondent questioned if Trustpilot or Google reviews would qualify under paragraph 12.8. For paragraph 12.9, they suggest a generic link to a government page for consumers to find the latest versions, rather than requiring constant monitoring, and question the benefit of the 28-day rule, suggesting it might be better suited for Ofgem to maintain.

One respondent flagged paragraphs 12.5.c and 12.8 as being onerous for smaller networks, whilst questioning what networks without websites would be able to do to comply with paragraph 12.9.

One respondent requested further clarification on the drafting of the condition, and whether the 'authorised entity' would apply to both suppliers and operators where these are separate entities.

One respondent expressed concerns over paragraphs 12.4 and 12.8, and the opportunity for stakeholders to provide specific feedback regarding them. Another respondent expressed similar concerns regarding the full condition.

One respondent noted that aspects of this condition go beyond proposals shared in the consultation.

In response to stakeholder feedback, we have made the following amendments to the drafting of this authorisation condition:

- References to publishing Citizens Advice star rating have now been replaced by a requirement to signpost reviews relating to the authorised person's services.

Our proposed approach is outlined on page 136.

A.13. Does the authorisation condition, 'Provision of Billing and Price Transparency Information', reflect the policy intent?

Table 7070

Question A.13.	Response	Percentage
Yes	24	16%
No	8	5%
Don't know	32	21%
Not answered	89	58%
Comments	18	N/A

One respondent raised concerns over paragraphs 13.12.e to f, suggesting their removal.

One respondent requested greater guidance over paragraphs 12.12.c and 13.22.b, and how non-ESCo heat networks could comply. They requested clarity over paragraph 13.12.d, and what ‘terms of supply’ refers to. They expressed concerns over paragraphs 13.12.e, 13.12.k and 13.22.c, and their associated costs. Finally, they flagged that paragraph 12.12.f and g should be applicable via a link to another location (website).

One respondent flagged paragraph 13.10 as potentially being costly for small networks.

One respondent, noting paragraph 13.12, suggested this would overcomplicate billing and be inaccessible to some customers. They, alongside another respondent, also noted that they would like to see further consultation on paragraph 13.13.

One respondent disagreed with the drafting of the entire condition, expressing concerns at the level of information suppliers would be required to provide. This was supported by another respondent who believed the current drafting went beyond the policy intent.

Overall, there are only minor changes to be made for this authorisation condition. We recognise stakeholders’ comments on this authorisation condition, and Ofgem will use guidance to add detail where needed.

In response to stakeholder feedback, we have made the following amendments to the drafting of this authorisation condition:

- The updated authorisation condition more clearly sets out the billing requirements for metered and unmetered heat networks, and how billing will operate where existing tenancy or leasehold arrangements are in place.
- the updated authorisation condition provides more information on the expectations for billing information, setting out a comprehensive list of what is expected to be included as part of billing information.

Our proposed approach is outlined on page 136.

A.14. Does the authorisation condition, ‘Back-billing’, reflect the policy intent?

Table 7171

Question A.14.	Response	Percentage
Yes	25	16%
No	4	3%

Don't know	33	22%
Not answered	91	59%
Comments	13	N/A

Three respondents highlighted their agreement with the drafting, noting that it falls in line with their understanding of the policy intent.

Two respondents expressed concerns regarding the 12-month back billing limit, with one expressing the need for the authorisation condition to accommodate different contractual structures.

There are some changes to this authorisation condition. The condition was initially drafted to capture both scenarios if unbundling was or could not take place. Changes have been made to align with the final policy position.

In response to stakeholder feedback, we have made the following amendments to the drafting of this authorisation condition:

- The updated drafting now reflects that we will not be able to achieve the 12 month back billing limit for networks covered by the Landlord and Tenant Act by January 2026.

Our proposed approach is outlined on page 136.

A.15. Does the authorisation condition, 'Priority Services Register', reflect the policy intent?

Table 7272

Question A.15.	Response	Percentage
Yes	28	18%
No	2	1%
Don't know	32	21%
Not answered	91	59%
Comments	12	N/A

One respondent noted that paragraph 15.5 is shorter than expected given prior consultations. They also request additional clarity on the support suppliers would specifically have to provide to vulnerable consumers.

This request was supported by another respondent, who was content with the drafting of the condition.

Our proposed approach is outlined on page 136.

A.16. Does the authorisation condition, ‘Security Deposits, Payment Difficulties, Disconnections, Direct Debits and Final Bills’, reflect the policy intent?

Table 7373

Question A.16.	Response	Percentage
Yes	24	16%
No	6	4%
Don't know	34	22%
Not answered	89	58%
Comments	15	N/A

One respondent noted several concerns. Firstly, they highlighted paragraph 16.5 would be an issue if a customer fails to make two consecutive payments. Paragraph 16.6.1 would require more guidance on how taking payments directly from benefits would be possible. Paragraph 16.9.5.b would need to be aligned with PAYG debt recovery best practice, whilst paragraph 16.13 should consider similar credit rating impacts caused by non-payment, similar to council tax and water bills. Finally, paragraph 16.16 is not aligned with the consultation document, which only mentions one option.

One respondent flagged paragraph 16.6.2 as being difficult for consumers, whilst paragraph 16.24 including a timeframe that is too small.

One respondent, whilst agreeing with the general drafting of the condition, suggested that paragraph 16.19.1 should include the following text: “16.19. The authorised person must: 16.19.1. prepare a statement that sets out, in plain and intelligible language, how it will meet its obligations under paragraphs [16.3] to [16.16].”

One respondent, whilst agreeing with the drafting of paragraph 16.6.1, suggested that it should be subject to further consultation. This was also noted by another respondent.

Our proposed approach is outlined on page 136.

A.17. Does the authorisation condition, ‘Prepayment Meters’, reflect the policy intent?

Table 7474

Question A.17.	Response	Percentage
Yes	24	16%
No	7	5%
Don't know	32	21%
Not answered	90	59%
Comments	14	N/A

One respondent noted that paragraphs 17.3 and 17.16 would not be practical for heat suppliers, and the onus should be on the consumer. They also queried, with regards to paragraphs 17.7.4 and 17.9.4, if a phone or video call would allow a network to be compliant.

One respondent highlighted that this authorisation condition would not be relevant for SGLs.

One respondent suggested that paragraph 17.6.4 should specify "to any person who is a relevant consumer or legitimately acting on behalf of a relevant consumer".

One respondent, whilst agreeing to the general drafting of the condition, suggested paragraphs 17.10 to 15.15 should specifically incorporate provisions related to the ability of heat network suppliers to exercise their powers of entry via the use of a warrant. They also suggest that paragraph 17.6.1 should include the following drafting: "17.6. The authorised person must: 17.6.1. prepare a statement that sets out, in plain and intelligible language, how it will meet its obligations under this general authorisation condition [17]".

In response to stakeholder feedback and further consideration of the impacts of introducing protections to the heat networks sector, we have made the following amendments to the drafting of this authorisation condition:

- This authorisation condition now has temporary exemptions for heat networks with fewer than 11 connected premises, namely:

- 17.9 which refers to the installation of involuntary prepayment meters (including remote switching) in winter
- This exemption will apply until such time as an enduring solution to debt socialisation is developed
- Physical installation of meters requires explicit written consent from the consumer, as powers of entry for the purposes of involuntary prepayment meter installation & debt recovery have not been granted. We recognise that the requirement for written consent differs from the approach in gas and electricity, where verbal consent may be obtained. However, we believe that this is the most appropriate approach for the heat network sector.

Our proposed approach is outlined on page 136.

A.18. Does the authorisation condition, ‘Self-disconnection’, reflect the policy intent?

Table 7575

Question A.18.	Response	Percentage
Yes	25	16%
No	5	3%
Don't know	35	23%
Not answered	88	58%
Comments	16	N/A

One respondent highlighted that this authorisation condition would not be relevant for SGLs.

One respondent expressed concerns regarding whether paragraph 18.6 would require a heat supplier to provide credit beyond emergency or friendly-hours credit. They also expressed concerns with paragraphs 18.5, 18.9 and 18.11.

One respondent raised concerns regarding the applicability of this condition for unmetered properties.

One respondent, whilst agreeing to the drafting of the condition, requested additional information regarding best practice for contacting a consumer at risk of self-disconnection, and what the expectations would be around the additional support they would have to provide.

Our proposed approach is outlined on page 136.

A.19. Does the authorisation condition, ‘Social Obligations Reporting’, reflect the policy intent?

Table 7676

Question A.19.	Response	Percentage
Yes	21	14%
No	5	3%
Don't know	37	24%
Not answered	90	59%
Comments	13	N/A

One respondent requested additional guidance over what Citizens Advice would do with the information provided under paragraphs 19.2.1 and 19.2.2.

One respondent suggested that paragraph 19.1 would be considerably onerous for smaller networks. This was supported by another respondent.

One respondent requested clarity on how this condition would be covered by GDPR.

Our proposed approach is outlined on page 136.

A.20. Does the authorisation condition, ‘Security of Supply’, reflect the policy intent?

Table 7777

Question A.20.	Response	Percentage
Yes	25	16%
No	5	3%
Don't know	33	22%

Not answered	90	59%
Comments	16	N/A

Two respondents flagged discrepancies between the drafting of the condition and text within the consultation document.

One respondent noted that this condition could not be applied to SGLs.

One respondent requested greater guidance on what industry best practice would be for this condition.

One respondent suggested the condition should consider future and current infrastructure limitations.

One respondent flagged concerns that this condition would not be feasible under existing legislation, such as the Landlord and Tenant Act 1985.

In response to stakeholder feedback, we have made the following amendments to the drafting of this authorisation condition:

- This authorisation condition now only applies to the authorised persons who carry on the regulated activity of operating a relevant heat network.
- References to a heat network being fit for purpose have now been replaced with a requirement to ensure the reliability of the heat network in accordance with good industry practice.
- References to improving network infrastructure have been removed, replaced with a focus on the reliability of the relevant heat network.

Our proposed approach is outlined on page 136.

A.21. Does the authorisation condition, ‘Revocation’, reflect the policy intent?

Table 7878

Question A.21.	Response	Percentage
Yes	22	14%
No	5	3%
Don't know	34	22%

Not answered	92	60%
Comments	13	N/A

Two respondents raised concerns about paragraph 21.1.b, and what is referenced as ‘payable’, thus requesting additional information.

One respondent suggested changing from 1 to 2 years in paragraph 21.1.d. They also suggested that the 24-hours’ notice in paragraph 21.1.2 is too short, requesting additional guidance from Ofgem on this condition. They also requested additional guidance for paragraph 21.1.3.

One respondent noted no mention of ‘£750’ in paragraph 21.1.2.a.

One respondent flagged that the current drafting of the condition is more stringent in regard to standard payment terms.

One respondent suggested that the condition would benefit from greater clarity in drafting, whilst generally agreeing that it reflects the intended policy intent.

One respondent requested further information and consultation before being able to provide thoughts.

Our proposed approach is outlined on page 136.

A.22. Does the authorisation condition, ‘Application of General Authorisation Conditions’, reflect the policy intent?

Table 7979

Question A.22.	Response	Percentage
Yes	21	14%
No	4	3%
Don’t know	37	24%
Not answered	91	59%
Comments	10	N/A

Two respondents suggested that the reporting requirements should be documented in a similar fashion to the existing Regulatory Information Guidance (RIGs) in electricity.

One respondent, whilst agreeing with the drafting, suggested it could be more specific in ensuring that each section is tailored to different organisation and consumer types. This was supported by another respondent.

Our proposed approach is outlined on page 136.

A.23. Does the authorisation condition, ‘Definitions’, reflect the policy intent?

Table 8080

Question A.23.	Response	Percentage
Yes	20	13%
No	6	4%
Don't know	35	23%
Not answered	92	60%
Comments	17	N/A

One respondent suggested that the relevant consumer definition should be widened to include the communal decision-making party representing all consumers of a heat network, allowing for bulk switching to be introduced.

One respondent noted that the condition includes a reference to debt trigger at paragraph 19.4 which doesn't exist. In addition, the historic consumption data is not defined in paragraph 9.11.14. Two other respondents flagged instances of incorrect numbering.

One respondent notes that this condition does not make reference to the characteristics of SGLs and ambient heat networks.

One respondent flagged areas in various definitions. Firstly, the domestic consumer definition is referenced as being in the Heat Networks (Market Framework) (Great Britain) Regulations 2025 (HNMFGBR) but could not be located. The definition for microbusiness consumer is incomplete, whilst the definition for non-domestic consumer is missing. The definition for vulnerable situation aligns with gas and electricity but lacks additional wording from Ofgem's

Consumer Vulnerability Strategy. The definition of complaint differs from gas and electricity and is missing key wording regarding responses to complaints. The relevant dispute resolution body definition conflicts with the HNMFGBR. This is also the case for the definition of relevant consumer advice body.

The missing definitions was also flagged by another two respondents.

Our proposed approach is outlined on page 136.

Government response

Authorisation Conditions

The updated authorisation conditions have been appended to this government response, which can be found here: <https://www.gov.uk/government/consultations/heat-networks-regulation-implementing-consumer-protections>

Some of the authorisation conditions have been updated to reflect feedback we received from stakeholders on the drafting to better reflect the policy intent. Others have been refined to reflect our final policy position as set out in the relevant section of this document.

A full set of authorisation conditions will be published for consultation later in the year, and will include the relevant definitions. We will also be publishing guidance in relevant policy areas to support the authorisation conditions.

Next steps

The feedback received as part of this consultation process, both via the responses detailed above and the additional evidence that was submitted, is being used in the development of additional secondary legislation that will ultimately form part of the heat network market framework. Ofgem will be consulting on further detail in a range of areas, including authorisation conditions and draft guidance on financial resilience and registration. Ofgem will also consult on draft guidance on consumer protection and fair pricing. This response includes updated authorisation conditions that were the subject of the Implementing Consumer Protections consultation, and Ofgem intends to issue a consultation on the consolidated list of authorisation conditions later this year.

We will continue our ongoing engagement with stakeholders as we advance our proposals and where issues emerge.

There are a number of areas where government will be taking forward work to develop policy, including debt socialisation, unbundling, and powers of entry. DESNZ will work with Ofgem and other key partners where relevant, including MHCLG, to ensure that policy proposals in these areas are designed effectively using thorough analysis and stakeholder engagement to make certain there is adequate consideration for both consumers and suppliers.

Annex 1: Scope of consumer protections

Table 8181: Scope of consumer protections

Scope of consumer protections ²⁸							
Protections	Network Responsibility		Consumer Network/Classification				
	Supplier	Operator	Domestic	Micro-business	Small business	Self-supply	Industrial
Supply to premises	X	N/A	X	X	X	N/A	N/A
Standards of Conduct	X	X	X	X	X	N/A	N/A
Fair pricing	X	X	X	X	X	N/A	N/A
Vulnerability	X	N/A	X	N/A	N/A	N/A	N/A

²⁸ Key:

X = applies in full

△ = applies in part

* = subject to further consultation

N/A = not applicable

Heat networks regulation – Government response

Disconnection	X	N/A	X	N/A	N/A	N/A	N/A
Complaints	X	X	X	X	X	N/A	N/A
GSOPs	X*	X*	X*	Δ^*	Δ^*	*	*
Billing and Transparency	X	N/A	X	Δ	Δ	N/A	N/A
Step-in	X*	X*	X*	X*	X*	N/A	*

Glossary

Table 82

Term/Acronym	Explanation
AC	Authorisation Condition
BCP	Business Continuity Plans
CMA	Competition and Markets Authority
CVS	Consumer Vulnerability Strategy
DESNZ	Department for Energy Security and Net Zero
DRP	Disaster Recovery Plan
EPC	Energy Performance Certificate
ESCo	Energy Service Company
FCA	Financial Conduct Authority
G&E	Gas and electricity
GB	Great Britain
GSOP	Guaranteed Standards of Performance
HMG	His Majesty's Government
HN	Heat network - A network that, by distributing a liquid or a gas, enables the transfer of thermal energy for the purpose of supplying heating, cooling or hot water to a building or persons in that building (and includes any appliance the main purpose of which is to heat or cool the liquid or gas).

HNMBR	Heat Network (Metering and Billing) Regulations 2014, which came into force initially in 2014, is to drive energy efficiency and reduce carbon emissions from heating. The energy efficiency is achieved through the installation of metering devices and billing based on consumption.
HNMFGBR	Heat Networks (Market Framework) (Great Britain) Regulations 2025
Heat Network Operator	An organisation that is responsible for the day-to-day operation and maintenance of a heat network and its infrastructure.
Heat Network Supplier	An organisation that is responsible for the supply of heating, cooling or hot water through a heat network often via contractual terms to end consumers.
HNTAS	Heat Network Technical Assurance Scheme. This will introduce technical requirements for existing heat networks, which will be a legal obligation for the heat network operator.
Heat Trust	An independent, not-for-profit consumer advocacy organisation for heat networks in Great Britain.
KPI	Key Performance Indicator
LTA	Landlord and Tenant Act 1985
MCS	Microgeneration Certification Scheme
MHCLG	Ministry of Housing, Communities and Local Government
Micro Business Consumer	A Heat Network Micro Business Consumer is defined as one which meets the following criteria: it consumes less than 247,000 kWh of heat per year; or it has less than 10 full-time employees or an annual turnover of less than £2 million.
NGO	Non-governmental Organisation

NHS	National Health Service
Ofgem	Office of Gas and Electricity Markets. Independent regulator governed by the Gas and Electricity Markets Authority (GEMA).
PAYG meters	Pay-as-you-go Meter
PPM	Pre-Payment Meter
PSR	Priority Services Register, which is a free support service that makes sure extra help is available to energy customer in vulnerable situations.
SAR	Special Administration Regime
SGL	Shared Ground Loop. Where 2 or more properties are heated by individual ground source heat pumps connected to it.
Small Business Consumer	A Heat Network Small Business Consumer will be defined as one which meets the following criteria: it consumes less than 420,000 kWh of heat per year; or has fewer than 50 employees (or their full-time equivalent) and an annual turnover no greater than £6.5 million or balance sheet total no greater than £5 million.
SME	Small-to-Medium Enterprise: Any organisation larger than a microbusiness that has fewer than 250 employees and a turnover of less than €50 million.
Step-In	Arrangements for the eventuality of heat network failure, with a focus on ensuring continued supply to consumers.
ZC	Zone coordinator
kWh	Kilowatt hour(s)

This publication is available from: <https://www.gov.uk/government/consultations/heat-networks-regulation-implementing-consumer-protections>

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