



Recovering the Cost of Regulation Consultation Response from The Heat Network, February 2022

The Heat Network is a peer group of social housing providers who meet to discuss and share good practice about district and communal heating. We bring together our own communal heat experiences and share the lessons we've learnt with colleagues across the sector through our [website](#).

We currently have 24 housing association and 4 local authority members, as well as representation from the National Housing Federation. Collectively, we represent over 104,000 homes on nearly 2,900 networks, 21% of all heat networks as defined by BEIS and 22% of all customers.

We are in broad agreement with the four questions in the consultation: the proposals provide for a sensible and proportionate approach to regulation. We are pleased to see that - even if a de minimis threshold is introduced for the collection of fees, all heat network suppliers will still be required to meet the regulatory requirements: this is essential to ensure wide consumer protection.

1. Do you agree with the approach of introducing a cost recovery regime which ensures that Ofgem and Citizens Advice's total ongoing costs of regulating the heat networks, gas and electricity markets are spread evenly across heat network, gas, and electricity consumers (Option C)?

[Yes, we agree with this approach](#)

2. Having considered our estimates in the Analytical Annex below, do you agree that our approach would ensure that the costs of regulation are affordable for heat network consumers and businesses?

[Yes, we agree with this approach](#)

3. Do you agree that the regulatory fee which a heat network regulated entity paid should be based on the number of heat network consumers it supplies? Do you agree that this should be calculated and collected at the entity level?

[Yes, we agree that the regulatory fee should be based on the number of heat network consumers it supplies, and that it should be calculated and collected at the entity level.](#)

4. Do you think we should introduce a de minimis threshold to reduce the administrative complexity of Ofgem collecting fees from heat networks, with the cost per consumer remaining affordable for entities which do have to pay?

[The table on p18 of the consultation is very enlightening with regards to the volume of heat network suppliers with fewer than 10 customers. We agree that collecting small amounts of money from large numbers of heat network suppliers would be an administrative burden. This in turn could then increase the cost of regulation for other customers. We therefore agree with a de minimis threshold being introduced for the collection of fees **as long as** all heat network customers are protected under the regulations and all heat network suppliers are obligated to comply. We also think a 'registration fee' for those heat network suppliers who fall under the threshold is a sensible approach.](#)