

Consultation

Heat networks regulation: authorisation and regulatory oversight

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We are consulting on our proposals for the authorisation and regulatory oversight of heat networks. This includes proposals for the monitoring, audit, compliance and enforcement of authorised persons. It follows the response to our joint consultation with the Department for Energy Security and Net Zero (DESNZ) on heat networks regulations for consumer protection ([2023 consumer protection consultation](#)), and subsequent response to that consultation ([2024 government response](#)).

The proposals complement the contents of the Heat Networks (Market Framework) Regulations 2024 Statutory Instrument (HNMFRI SI), providing more detail on how this will be implemented. This consultation should also be considered in conjunction with proposed obligations contained in draft authorisation conditions which are appended to the Ofgem-DESNZ joint consultation on implementation of consumer protections ([2024 consumer protection consultation](#)), running in parallel with this consultation. Proposals relating to the technical standards for heat networks, including monitoring and compliance for adherence to the standards, will be covered in separate future consultations.

We would like to hear the views of people with an interest in heat networks and particularly welcome responses from:

- heat network operators
- heat network suppliers
- energy services companies
- housing providers
- consumer groups
- asset owners

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- metering and billing agents
- trade associations

We also welcome responses from other stakeholders with an interest in heat network regulation, and the general public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses.

We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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Executive Summary

The [Energy Act 2023](#) appointed Ofgem as the regulator for heat networks in England, Scotland, and Wales (Great Britain). Our [Forward Work Plan](#) outlines the work we are doing in 2024 and 2025 including how we are developing and will implement a regulatory framework for heat networks which is proportionate and accommodates investment and market growth, in line with our duties to protect consumers and support meeting the Government's net zero targets.

The focus of this consultation is to give further detail of regulatory activities and processes which will underpin Ofgem's heat networks regulatory framework, building on the approaches proposed in the [2023 consumer protection consultation](#) and the [2024 government response](#), and the contents of the Heat Networks (Market Framework) Regulations 2024 Statutory Instrument (HNMFRI SI). This consultation also describes our proposals for implementing the framework. This will allow industry to prepare for the implementation of the regulatory framework from April 2025, and regulatory rules from January 2026. A digital service, currently being developed, will be the primary interface between Ofgem and heat network organisations and will support regulatory activities.

Our proposals cover the following:

Authorisation of regulated activity on heat networks

In this consultation we detail the activities that will require authorisation and the roles and obligations of regulated entities under heat network regulations. We outline the scope of authorisation, how this will be applied in the context of different heat network arrangements, and boundaries between interconnected heat networks.

We detail transitional provisions whereby regulated activity will be automatically authorised during the initial stages of regulation and regulated entities will be required to register this activity with us. Thereafter, authorisation by application will be the required process to seek authorisation for new regulated activity.

We outline the processes of Registration and Authorisation Application in detail, including information and types of evidence that may be required to demonstrate compliance with consumer protection measures and technical standards through the Heat Network Technical Assurance Scheme (HNTAS).

Further proposals cover ongoing interactions between us and authorised entities following Registration or Authorisation Application such as how we will manage and record changes to an authorisation and the related information we hold, how we will facilitate the transfer of an authorisation, and circumstances where an authorisation may be revoked.

Feedback on these proposals will inform drafting of Ofgem regulations for the authorisation application process and associated guidance.

Market monitoring and data requirements

This consultation describes proposals for our approach to market monitoring including the type of data we expect authorised persons to submit on a regular basis and the frequency of data submission. It includes detail of how the ongoing monitoring process will be introduced in line with Registration and Authorisation Application, together with the proposed rules on information provision contained in the HNMFR SI and authorisation conditions being consulted on as part of the [2024 consumer protection consultation](#).

Audit, compliance and enforcement

We are providing further detail on our proposals for using audits as part of our compliance activity, covering how regulated or authorised person are meeting the consumer protection obligations, and interactions with technical audits. We also propose how we will introduce audits in the early stages of regulation to help provide assurance on data provided to Ofgem and ensure policies and processes evidenced at Registration and Authorisation Application are in place.

As part of the range of compliance and enforcement tools, we have indicated that we will consider introducing 'fixed penalties' to help ensure compliance with particular obligations and in areas where a regulated or authorised person is required to interact administratively with Ofgem such as information provision. We are providing further detail on how we expect to implement these.

Authorisation conditions

We propose authorisation conditions will create regulatory obligations and apply to authorised persons undertaking regulated activity on heat networks. Throughout this document, we have referred to draft authorisation conditions which are included as an appendix to the [2024 consumer protection consultation](#). An authorisation condition relating to Registration has also been appended to this consultation. Additional authorisation conditions will be drafted in relation to the obligations on authorised persons proposed in this consultation.

1. Introduction

Section summary

This section sets out what we are consulting on with regards to authorisation, monitoring, audit, compliance and enforcement for heat networks. It signposts the sections that address these topics and associated proposals in detail and provides context of other relevant publications and our wider work on the heat networks regulation framework.

This section explains the consultation process and how you can respond to questions about our proposals. It also outlines our next steps following consultation.

What are we consulting on?

- 1.1 We are inviting stakeholder input on our proposals for the heat network regulation framework and its implementation. The table below summarises each section of the consultation.

Table 1: Summary of document

Section	Heading	Summary
2	Scope of authorisation	This section covers proposals for the scope of authorisation including the regulated activities, single operator proposals, obligations on operators and suppliers, and how network boundaries and arrangements will be understood in regulations. Detail of the Scotland heat networks licensing and consenting regime is provided for information.
3	Implementation and transitional arrangements	Information about how the regulatory regime will be implemented including key dates, detail of transitional arrangements and the digital service that will support regulation.
4	Registration and Authorisation Application	This section outlines the types of information and evidence relating to areas of regulation that we will collect as part of Registration and Authorisation Application. Also included are proposals for the process of Registration and Authorisation Application which will apply to persons undertaking regulated activity in the initial stages of regulation and following the initial stages of regulation respectively.

5	Changes to authorisation and related records	Detail of proposals for regulatory interactions following Registration or Authorisation Application including requirements to keep Ofgem informed about changes, and the processes for transfer and revocation of authorisation.
7	Monitoring	This section outlines the proposals for a monitoring regime, including the level of detail and frequency of the data reported, and different reporting requirements for certain segments of the market.
8	Audit	This section outlines our proposed approach to audit, including how proportionality and regulatory burden are considered in implementation.
9	Compliance and enforcement	This section outlines our proposed range of compliance approaches, including where we expect to focus compliance activity throughout the introduction of the regulatory framework.
10	Guidance	This section outlines the range of guidance Ofgem will create to assist regulated entities in meeting the requirements prescribed in previous sections.
11	Glossary	This section provides a glossary of key terms used in this consultation document.

Context and related publications

The document discusses the following phases in the introduction of regulations which are described in the HNMFR SI:

Initial Period: 1 April 2025 to 26 January 2028

From the beginning of the Initial Period, existing activity will be deemed authorised under regulations and heat networks will be brought into consumer advocacy and redress schemes.

First part of the Initial Period: 1 April 2025 to 26 January 2027

New regulated activity that begins during this period will be deemed authorised under regulations. Regulated entities with deemed authorisation for existing or new activity will be required to register this activity with Ofgem by the end of this period. Registration is expected to be available on the digital service from early 2026.

Launch Date: 27 January 2026

From this date, authorisation conditions on authorised persons will become active and Ofgem will have powers to take action in relation to these conditions. Soon after this

date, the digital service for heat networks regulation and interactions between authorised persons and Ofgem, including Registration, will go live.

This consultation follows the publication of the [2023 consumer protection consultation](#), and the [2024 government response](#) to it (available via the same link).

This consultation should be read in conjunction with the following:

- the joint DESNZ-Ofgem consultation and included draft authorisation conditions, Heat networks regulation: Implementing Consumer Protections Consultation – November 2024 ([2024 consumer protection consultation](#))
- the Heat Networks (Market Framework) Regulations 2024 Statutory Instrument which is scheduled for publication shortly after the release of this consultation
- the draft authorisation condition for Registration, appended to this consultation.

Future relevant consultations and publications will cover the following topics:

- Heat network zoning consultation Government response
- Technical standards for heat networks and the Heat Networks Technical Assurance Scheme (HNTAS)
- Price protections for heat networks
- Guaranteed Standards of Performance for heat networks
- Heat network Step-in policy

Next steps

- 1.2 This consultation closes on Friday 31 January 2025. We will publish a response to feedback in spring 2025.
- 1.3 We will draft and consult on regulations covering the authorisation application process and accompanying guidance.

How to respond

- 1.4 We want to hear from anyone interested in this consultation, particularly heat network operators and suppliers, energy services companies, housing providers, consumer groups, asset owners, metering and billing agents, and trade associations. Please send your response to the team named on this document's front page.
- 1.5 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 1.6 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, data and confidentiality

- 1.7 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why. If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.
- 1.8 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of UK GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to [Ofgem's privacy policy](#).
- 1.9 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

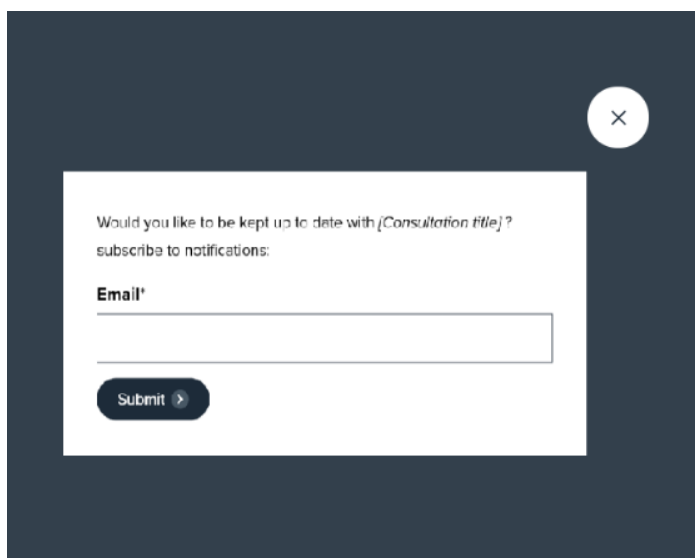
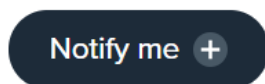
General feedback

- 1.10 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:
1. Do you have any comments about the overall process of this consultation?
 2. Do you have any comments about its tone and content?
 3. Was it easy to read and understand? Or could it have been better written?
 4. Were its conclusions balanced?
 5. Did it make reasoned recommendations for improvement?
 6. Any further comments?

Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

- 1.11 You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. [Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)



- 1.12 Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

- 1.13 **Upcoming** > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

2. Scope of authorisation

Section Summary

In this section we outline proposals for the scope of the authorisation regime for heat networks including the definitions for the regulated activities of operation and supply, options for our single operator approach, regulatory obligations on operators and suppliers, and how network boundaries and arrangements will be understood in regulations. Detail of the Scotland heat networks licensing and consenting regime is provided for information.

Consultation questions

- Q1. Do you agree, partially agree, or disagree with our proposed operator-led approach to heat network authorisation? Please explain your answer.
- Q2. Do you agree, partially agree, or disagree with the need to be able to identify a single party on a relevant heat network to fulfil the role of operator?
- Q3. Do you agree, partially agree, or disagree with each of the proposed options for our single operator approach? Please provide detail for your response to each option.
- Q4. Do you or your organisation operate any networks that may be impacted by our proposals to identify a single operator? If so, how many networks?
- Q5. Do you agree, partially agree, or disagree with our proposals for regulatory obligations to be assigned to the role of operator or supplier? Please explain your answer.

Background

- 2.1 In the 2024 government response, the government confirmed a future regulatory regime will require any person undertaking a 'regulated activity' on a heat network to be authorised by the regulator. The regulated activities are 'operation' and 'supply' and further development of the definitions of these activities is detailed in this section on page 14.
- 2.2 This section considers multiple parties potentially being identified as the operator on a heat network. We present three options for our single operator approach to address this issue and seek stakeholder feedback on these options.
- 2.3 Regulatory obligations on authorised persons have been presented in detail for feedback in the [2024 consumer protection consultation](#). In this section, we outline how these obligations will be associated with either the role of operator or supplier.

- 2.4 We also detail proposals for a streamlined approach to authorisation, an explanation of how heat network boundaries and separation of responsibility will be considered in regulations, and how regulations will have regard to different types of heat networks.
- 2.5 The requirement to be authorised shall apply to any person undertaking a regulated activity, however, regulatory obligations on an authorised person are proposed to be shaped according to heat network characteristics such as the type of consumers the network serves. Government previously confirmed this position in the [2024 government response](#) and proposals for how this will be reflected in the processes of registering regulated activity and seeking authorisation by application are detailed on page 26.
- 2.6 The authorisation regime for heat networks applies to regulated activity being undertaken in relation to heat networks in Great Britain. Heat networks located in Scotland will also be subject to additional regulation for devolved matters via a licensing and consenting regime. The [Heat Networks \(Scotland\) Act 2021](#) (in conjunction with relevant UK legislation) names Ofgem as regulator for this licensing regime and Scottish Ministers or the relevant local authority as regulator of the consenting regime. Further detail about interactions between these regimes and how Ofgem will conduct regulatory activities in its roles as both the authorisation and licensing authority for heat networks in Scotland is provided on page 28.

Regulated activities

- 2.7 In the [2024 government response](#), government confirmed that the definition of a 'relevant heat network', established in the [Energy Act 2023](#) as meaning a communal or district heat network, will remain unchanged in regulations. As such, the HNMFR SI will include regulations requiring that a person undertaking a regulated activity (operation or supply) on a communal or district heat network has been conferred authorisation or is deemed authorised under provisions in the regulations.
- 2.8 In the [2024 government response](#), government committed to refining definitions of the regulated activities (operation and supply). Definitions drafted in the regulations will focus on the party with significant control and influence over aspects of a heat network which are closely related to consumer outcomes such as network efficiency, reliability and pricing.
- 2.9 'Regulated activity' will be defined in the HNMFR SI as:
- a) Operating a relevant heat network;

or

- a) Supplying heating, cooling or hot water to heat network consumers by means of a relevant heat network

2.10 The meaning of 'operating a relevant heat network' will be clarified in the HNMFR SI:

"...a person operates a relevant heat network if the person controls the transfer on that network of thermal energy for the purposes of supplying heating, cooling or hot water."

2.11 The operator will be the heat network asset owner or will have significant control over network infrastructure with the ability to invest and direct repairs and maintenance to support its continued operation. They will have the ability and be accountable to make upgrades to the network, including as obligated to achieve compliance with technical standards under the HNTAS.

2.12 In the [2024 government response](#), we outlined our expectation that a person undertaking supply activity will hold a heat supply contract (or equivalent contract) with heat network customers for the supply of heat and be able to set the terms of that contract. Draft authorisation conditions appended to the [2024 consumer protection consultation](#) introduce the requirement that if an authorised person supplies heating, cooling or hot water to a consumer's premises by means of a relevant heat network, they must do so under an agreed supply contract, a deemed contract, or equivalent.

2.13 As noted in [2024 government response](#), we expect, in the vast majority of cases, the same person or entity will carry out both operation and supply activity on a heat network. The proposed processes of Registration and Authorisation Application include the assumption this is the case, unless we are advised otherwise. In the processes for Registration and Authorisation Application, the entity assuming the role of operator on a network will be required to confirm whether they are also acting as supplier or provide details of another entity that is assuming this role. We are referring to this as our 'operator-led approach'.

Single operator proposals

2.14 For a particular heat network, we think that being able to identify and authorise a single entity that is undertaking operation has clear advantages. These include having a single point of contact and regulatory accountability on a network and being able to address compliance issues in a straightforward and swift manner without arbitrating which party is at fault.

- 2.15 For these reasons, we propose that the Authorisation Application process will include a requirement to have a single entity assume the role of operator on a heat network. This will apply when seeking authorisation for heat networks commissioned after the first part of the Initial Period. Requirements in relation to networks notified to us through Registration will be subject to policy decisions made following this consultation.
- 2.16 We have considered that there are some existing complex infrastructure ownership arrangements, notably in relation to district schemes, which may lead to multiple parties being considered to be undertaking operation on a heat network. The HNMFR SI will include provisions that where more than one person is identified as operating a relevant heat network,
- a) the person who is entitled to make decisions about modifying the network is taken to operate it;
 - b) if different persons are entitled to make decisions about modifying different parts of the network, each is taken to operate it but only in respect of the relevant part.
- 2.17 Below we propose three options to address the potential of multiple operators being identified on a relevant heat network that is registered with us and to advance towards identifying a single operator. We encourage heat network operators to consider their current arrangements and how these might evolve to having a single operator, if this is not already the case.

Option 1 – Mandatory single operator

All heat network operators undertaking activity prior to regulation and those undertaking activity on networks commissioned during the first part of the Initial Period, including those that operate in respect of part of a network, will be deemed authorised under regulations.

Authorisation conditions will require these operators to reach an agreement as to who would be the regulated party by a specified date, no later than the deadline for Registration. That party would make themselves and their role known to us through the registration process at which point the deemed authorisations of the other parties would cease to have effect.

Option 2 – Best endeavours to nominate single operator

All heat network operators undertaking activity prior to regulation and those undertaking activity on networks commissioned during the first part of the Initial Period, including

those that operate in respect of part of a network, will be deemed authorised under regulations.

Authorisation conditions will require these operators to use best endeavours to identify a single operator by a specified date, no later than the deadline for Registration. If agreement is reached, the deemed authorisations of the other parties cease to have effect.

In the event that the parties fail to reach agreement, they will be required to demonstrate that they had used best endeavours. Authorisation for multiple operators will then remain in place.

Option 3 – Nominated single point of contact

All heat network operators undertaking activity prior to regulation and those undertaking activity on networks commissioned during the first part of the Initial Period, including those that operate in respect of part of a network, will be deemed authorised under regulations.

Authorisation conditions will require these operators to identify a single point of contact for Ofgem that is responsible for submitting data, will be the initial point of contact for engagement on compliance and will be responsible for coordinating responses to any request for information (RFI) issued by Ofgem in respect of compliance matters. The deemed authorisations for each operator would continue and they would each be obliged to comply with authorisation conditions in respect of their part of the network.

In the event that the nominated single point of contact identifies one of the other operators as the party at fault in a compliance case, Ofgem would deal directly with this party.

Regulatory obligations

- 2.18 Proposed regulatory obligations for an authorised person undertaking regulated activity on a heat network are set out below. These obligations and associated draft authorisation conditions are detailed further in the [2024 consumer protection consultation](#).
- 2.19 We understand that subcontracting is a common practice in the heat network industry, and it is expected that authorised persons may enter into contracts with other parties to help meet their regulatory obligations. However, unless substantial control is given over to another party such that that party assumes the role of operator or supplier on a heat network, the authorised person will retain regulatory responsibility.

- 2.20 General subcontracting such as operations and maintenance contracting will not result in delegation of regulatory responsibility to the subcontracted party as they are unlikely to be provided substantial control over network assets or supply agreements. Some long-term concession arrangements or variants of the Energy Service Company (ESCo) model may meet the threshold for sufficient handover of control, for example, where an ESCo holds the contract with the heat network customer, they will fulfil the role of supplier. Where substantial control over network assets is not provided to an ESCo, for example the ability and accountability to make investments and upgrades to meet technical standards under the HNTAS, the asset owner will be the authorised party for operation.
- 2.21 Subject to ongoing development, the digital service is currently intended to include a functionality for regulated entities to designate and allow third parties to act on their behalf when engaging with Ofgem. If this functionality is deliverable, this would enable subcontracted parties to complete data entry and reporting for example.

Operator obligations

- 2.22 The heat network operator is the party responsible for meeting regulatory obligations in relation to the regulated activity of operation. They will be the asset owner or will have significant control over network infrastructure with the ability to invest and make upgrades, including where required to achieve compliance with technical standards under the HNTAS.
- 2.23 The heat network operator will have ultimate accountability for the day-to-day operation and maintenance of the network infrastructure including the energy centre, distribution pipework, heat exchangers and Heat Interface Units (HIUs), any secondary generation plant and any other equipment required for the operation of the heat network.
- 2.24 The accountabilities that arise from the operator role include:
- meeting technical requirements under the HNTAS
 - responsibility for the day-to-day operation of the energy centre, plant, pipework, HIUs and other integral equipment on the heat network
 - maintenance of the energy centre, plant, pipework, HIUs and other integral equipment on the heat network
 - ensuring a reliable supply of heat
 - procurement of fuel or thermal energy source

- regulatory liability for Guaranteed Standards of Performance (interruptions, appointments etc)
- notifying Ofgem of any relevant material changes to the network in a timely manner and seeking any required approvals for changes
- meeting network decarbonisation requirements (once introduced)
- to evidence financial resilience
- to liaise with suppliers to resolve customer complaints relating to operation
- having robust arrangements in place with another entity for continued operation of the network in the case of failure or revocation of authorisation
- acting as contractual step-in entity for the supplier if not already assuming the role of supplier on a network

Supplier obligations

- 2.25 The heat network supplier is the party responsible for meeting regulatory obligations in relation to the regulated activity of supply, and for the supply of heating, cooling, or hot water to consumers through a communal or district heat network.
- 2.26 The supplier will have a contractual relationship with heat network consumers through a heat supply contract (or equivalent agreement) or a deemed contract, for the supply of heating, cooling or hot water to that consumer's premises, and have control over the terms of that contract. Where provision of heat is included in a rental agreement between a leaseholder and a tenant for a premises on a heat network, we do not intend that the leaseholder will be considered to be a supplier.
- 2.27 The responsibilities that arise from the supplier role include:
- to have a contractual relationship with consumers for the supply of heating, cooling, or hot water
 - provision of billing information and pricing transparency to consumers
 - communication with consumers including billing calculation, notification of price increases, etc
 - standards of customer service and standards of conduct
 - complaints handling through a defined complaint procedure
 - identifying and supporting vulnerable customers and maintaining a Priority Services Register (PSR)
 - debt support for domestic consumers
 - to evidence financial resilience
 - acting as the single point of contact for consumers on the heat network and liaising with the operator to resolve issues and complaints

- having robust arrangements in place with the operator for continued supply on the network in the case of failure or revocation of authorisation

Single heat network authorisation per authorised person

- 2.28 In the [2024 government response](#), government committed to developing a streamlined approach to authorisation, especially for parties that undertake regulated activity on multiple connected networks such as communal buildings connected to a district network. The HNMFR SI will support this approach through the inclusion of provisions enabling Ofgem to authorise a person to undertake one or more regulated activities in relation to one or more relevant heat networks specified in the authorisation.
- 2.29 An authorised person is proposed to hold a single heat network authorisation, specifying all activities they are authorised to undertake in relation to heat networks specified in that authorisation. The portfolio of heat networks of an authorised person may thereby be described within a single authorisation.
- 2.30 If an authorised person registers or is authorised in respect of additional activities or heat networks, the existing authorisation will be modified to specify the further networks or activities. For information purposes, we have provided a draft heat network authorisation document in an appendix to this consultation.

Boundaries of heat networks and regulatory responsibility

- 2.31 A relevant heat network means a communal heat network (serving a single building that are divided into multiple premises) or a district network (serving two or more buildings). We consider that a relevant heat network generally consists of an energy centre or connection to a thermal energy source such as an upstream network, distribution pipework, heat meters, and consumer HIUs.
- 2.32 For the purposes of authorisation, the boundaries of an individual heat network will be defined as beginning at the energy centre or connection to thermal energy source and extending to a point of sale to an end consumer or an on-seller that is separately authorised in relation to a connected downstream network. It is expected that the point of sale will be at the consumer HIU, or a building connection or plot connection which designates a bulk supply point.
- 2.33 Where all regulated activities on a standalone network or on a number of connected networks is undertaken by a single entity, this will be specified within the same authorisation document. In line with our streamlined approach described previously, where possible, the digital service will avoid unnecessary duplication of information.

- 2.34 Where operation and supply activity are undertaken by different entities on a network, or where separate entities undertake regulated activity on either side of a connection between networks such as between a district and communal network, this will be specified in the separate respective authorisation for each regulated entity. A bulk metering point or point of sale is expected to designate the boundary of responsibility between separate regulated entities with connected networks.
- 2.35 The following paragraphs describe and illustrate different heat network arrangements and how these will be authorised.

Communal network – standalone

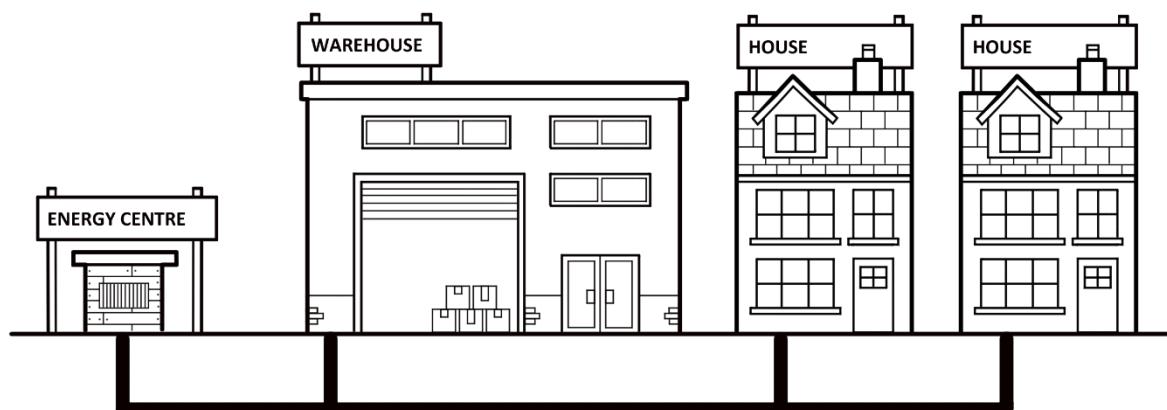
- 2.36 Figure 1: two examples of standalone communal networks



- 2.37 This heat network arrangement consists of a single building divided into separate premises such as residential flats or retail spaces that are served by the network. Network equipment is located in a plant room within or connected to the building.
- 2.38 If operation and supply are undertaken by the same party on the network, both activities will be specified within the schedule of a single authorisation for that authorised person. If operation and supply are undertaken by separate parties on the network, the activity will be specified in a separate authorisation for each authorised person.

District network – standalone

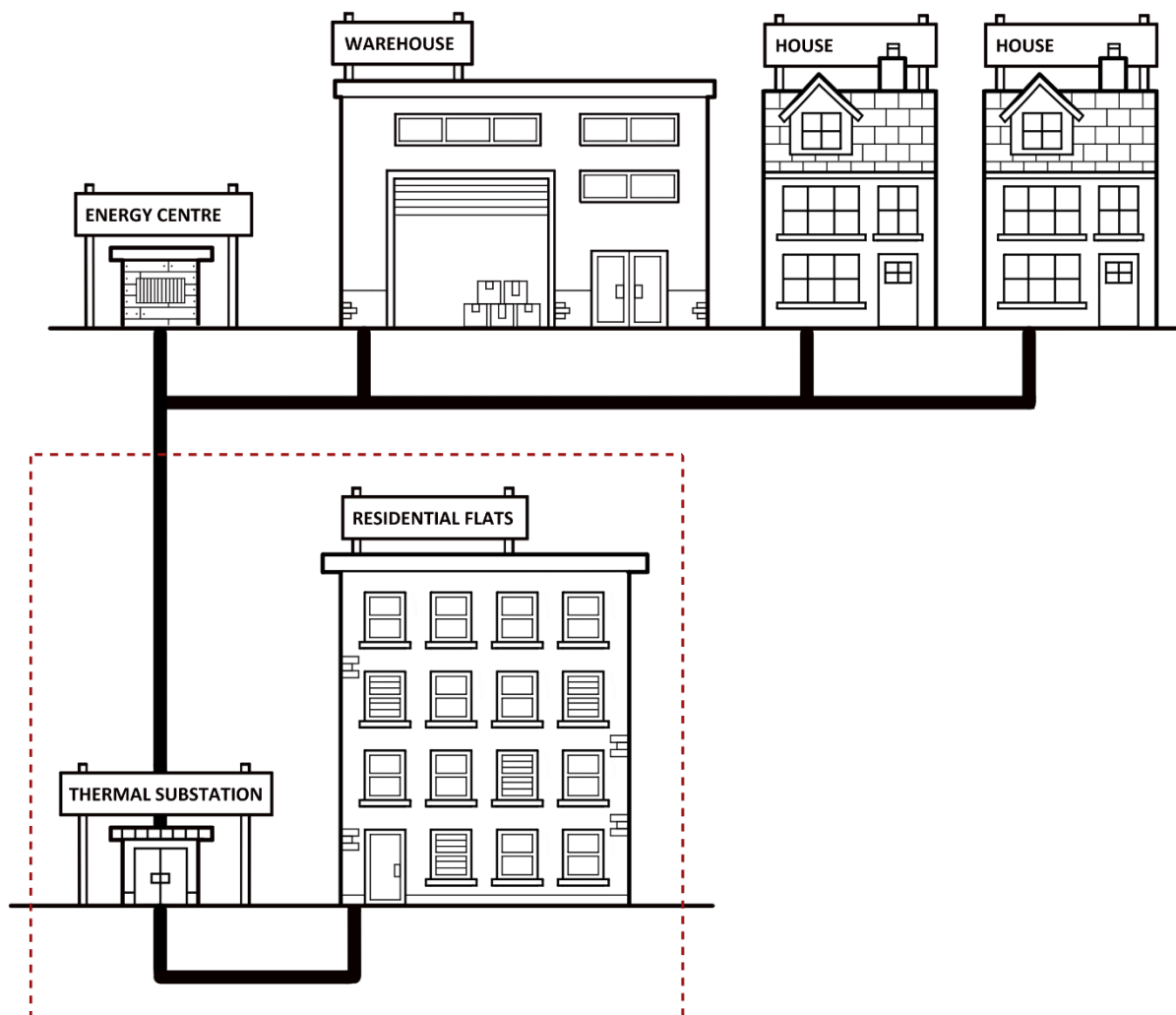
- 2.39 Figure 2: an example district network



- 2.40 This heat network arrangement is serving consumers in multiple buildings. The network does not connect to or act as a thermal energy source for any separate downstream district or communal networks.
- 2.41 If operation and supply are undertaken by the same party on the network, both activities will be specified in the schedule of a single authorisation for that authorised person. If operation and supply are undertaken by separate parties on the network, the activity will be specified in a separate authorisation for each authorised person.

Communal network – upstream district network as thermal energy source

Figure 3: an example communal network (shown in dash-line box) with an upstream district network acting as a thermal energy source

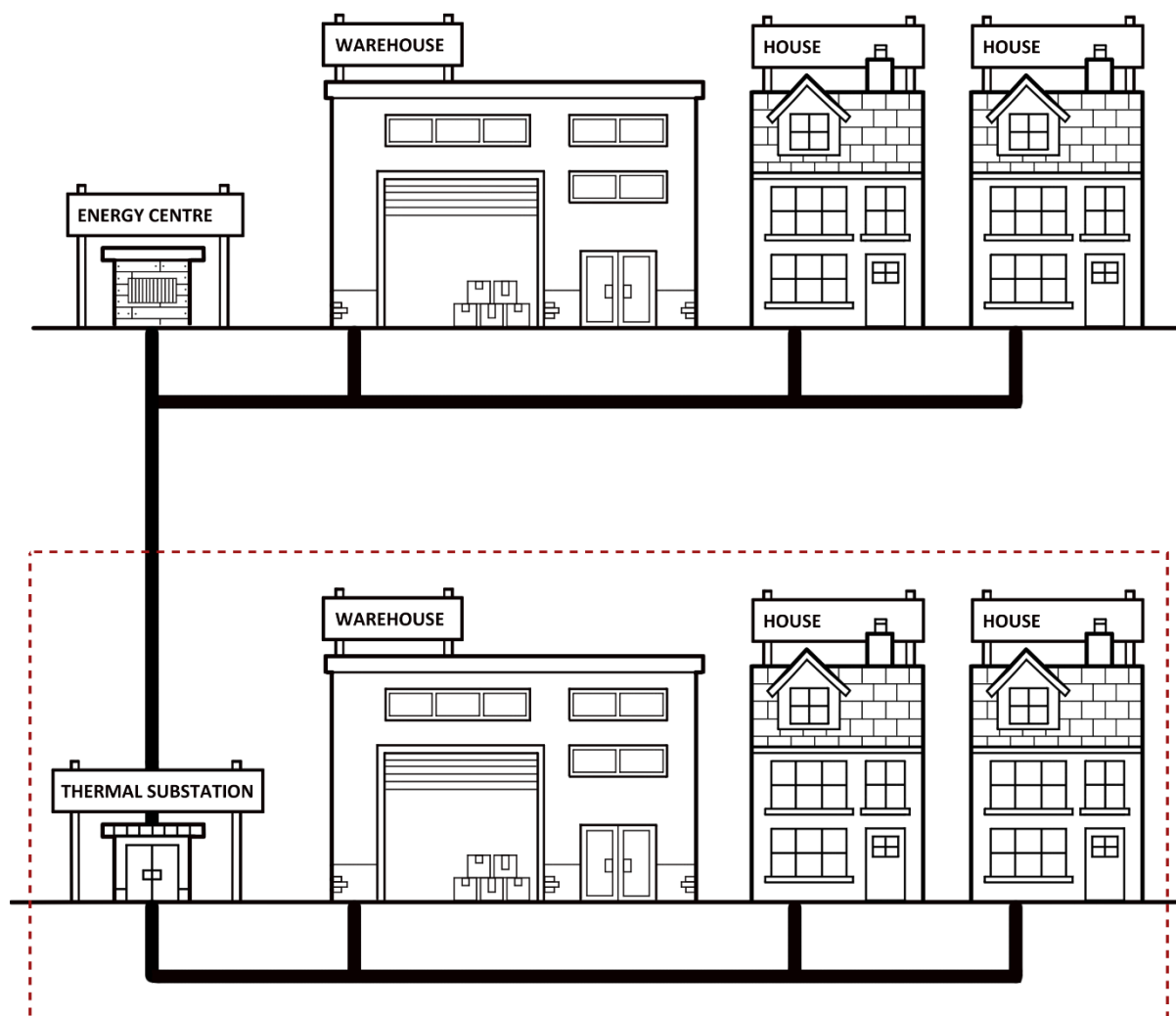


- 2.42 This heat network arrangement consists of a single building divided into separate premises such as residential flats or retail spaces that are served by the network, and is connected to a thermal energy source of an upstream district network.
- 2.43 If operation and supply on the communal network are undertaken by the same party, both activities will be specified in the schedule of a single authorisation document for that authorised person. If operation and supply on the communal network are undertaken by separate parties, the activity will be specified in a separate authorisation for each regulated party. If a common entity is undertaking operation and supply on both the communal network and the upstream district network, this will be specified within a single authorisation which also describes both networks.

2.44 The boundary between the communal network and the upstream district network is designated by a bulk metering point or connection point at the communal building or site boundary.

District network – upstream district network as thermal energy source

Figure 4: example district network (shown in dash-line box) with a separate upstream district network acting as the thermal energy source



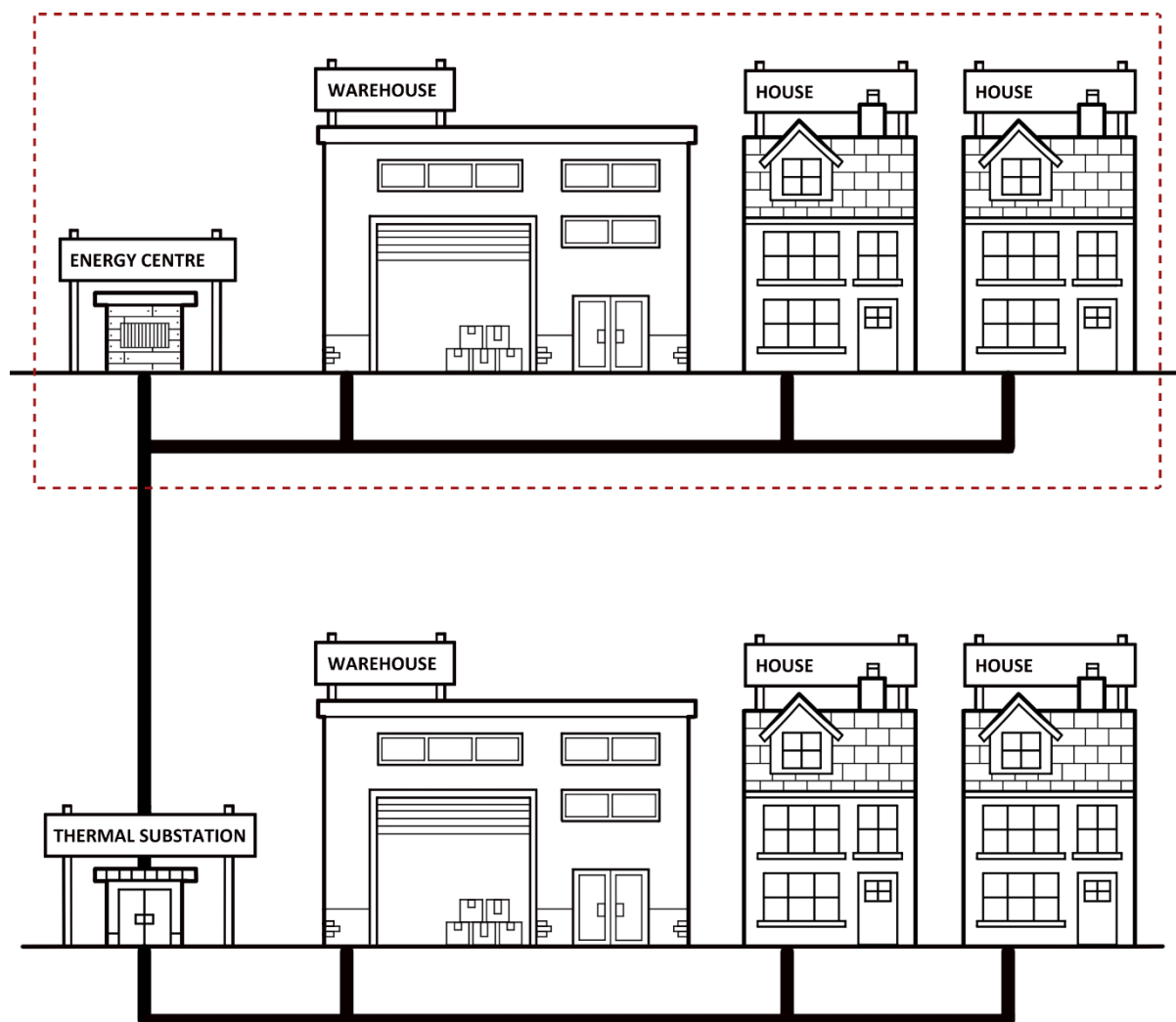
2.45 This heat network arrangement is serving multiple buildings each consisting of a single premises. The thermal energy source for the network is a connection to a separate upstream district network for example via a plot connection and thermal substation.

2.46 If operation and supply on the district network are undertaken by the same party, both activities will be specified in a single authorisation for that regulated party. If operation and supply on the district network are undertaken by separate parties, the activity will be specified in a separate authorisation for each regulated party.

2.47 The upstream district network will be specified in a separate authorisation for the regulated party that undertakes operation and supply on that network. The boundary between the networks and separate authorisations is designated by a bulk metering point or plot connection point.

District network – acting as thermal energy source for other heat networks

Figure 5: example district network (shown in dash-line box) acting as a thermal energy source for other heat networks



2.48 This heat network arrangement is serving multiple buildings and providing thermal energy to separate downstream communal building networks or district networks.

2.49 Operation and supply will be specified within a single authorisation where these activities are undertaken by the same entity within the district network or within any communal networks that receive heat from the district network. This

- includes where a common entity operates and supplies on both the district network and communal networks receiving heat from the district network.
- 2.50 Where operation and supply are undertaken by separate parties within the district network or where different parties undertake activity on the district network and any communal buildings connected to it, this will be specified in a separate authorisation for each regulated party.
- 2.51 The boundary between the district network and any communal or district networks for which it is a heat source is designated by a bulk metering point such as a building or plot connection.

Regard to heat network characteristics in applying regulatory obligations

- 2.52 In the [2024 government response](#), government confirmed that the extent to which consumer protection measures and other measures apply under the regulatory framework will depend on the type of consumers supplied on a heat network.
- 2.53 Draft authorisation conditions appended to the [2024 consumer protection consultation](#) define the following heat network consumer types:
- domestic
 - microbusiness
 - non-domestic
 - industrial
 - self-supply
- 2.54 Definitions for microbusiness, industrial and self-supply are based on definitions previously proposed in the [2023 consumer protection consultation](#) and [2024 government response](#).
- 2.55 The [2024 consumer protection consultation](#) also proposes definitions for small business consumer and small and medium-sized enterprise (SME), which are types of non-domestic consumers. We are consulting on the scope of non-domestic protections for these consumer types and invite feedback via that consultation.
- 2.56 The processes of Registration and Authorisation Application will account for the variation in regulatory obligations that apply in relation to these consumer types, and we may require more or less information is provided to support a submission. For example, the requirement to maintain a PSR only applies to networks with domestic consumers and therefore we will not require information

or evidence about vulnerable consumer policy for networks with no domestic consumers.

- 2.57 Where a network supplies premises of more than one classification, the highest level of regulatory obligations will apply, for example where domestic consumers are part of any network, all consumer protection areas will apply.

Bulk supply

- 2.58 When applying consumer protections, regulations will also have regard to bulk supply activity (where thermal energy is supplied 'in bulk' to an intermediary who is not the final consumer). Following the [2024 government response](#), we have considered how authorisation conditions should be shaped to ensure that consumers on bulk supplied networks are afforded the same protections as other heat network consumers. The [2024 consumer protection consultation](#) proposes a definition for bulk supply in the appended draft authorisation conditions and seeks feedback on specific consumer protection rules which are proposed to apply where authorised persons undertake bulk supply.

Shared ground loop heat networks

- 2.59 Our approach to regulation will have consideration for heat networks using Shared Ground Loop (SGL) technology in combination with individual consumer controlled heat pumps. This includes SGL heat networks which charge consumers a network fee for access to the loop, and those where no fee is charged.
- 2.60 In the [2024 government response](#), while we confirmed that heat networks using SGLs are within the scope of regulation. We also acknowledged that individual consumers in these networks have greater control over their heating and electricity supply as they have access to and control of an individual heat pump, which is likely to be the greatest cost component of accessing thermal energy on this type of network.
- 2.61 Due to the way SGL technology differs to that of traditional heat networks, we intend to apply protections where they are relevant and practical to the characteristics of this network type. For example, the consideration of consumer vulnerability on SGL heat networks may already be subject to adequate regulatory oversight through electricity supplier licensing. It may also be necessary to adapt some consumer protections to suit this network type – for example pricing, where we may seek to ensure that the principle of fairness is applied to loop access charges, but unit pricing rules may not be relevant.

- 2.62 However, because SGL heat networks do hold similarities to other heat network types in that they involve a reliance on common infrastructure (the shared loop) and are monopoly networks, we intend that the principles of consumer protection should apply.
- 2.63 The [2024 consumer protection consultation](#) seeks feedback on whether specific consumer protection rules should apply to heat networks that involve an SGL and individual consumer heat pumps.

Further regulatory requirements for heat networks in Scotland

- 2.64 The authorisation regime for heat networks applies to regulated activity being undertaken in relation to heat networks in Great Britain. Organisations that have heat networks located in Scotland will also be subject to further regulation for devolved matters via licensing and consenting regimes. The [Heat Networks \(Scotland\) Act 2021](#) (in conjunction with relevant UK legislation) names Ofgem as regulator for this licensing regime and Scottish Ministers as regulator of the consenting regime.
- 2.65 The [Heat Networks \(Scotland\) Act 2021](#) includes provisions that require any person who supplies thermal energy by means of a relevant heat network, to hold a heat networks licence. It specifies that a licence will be required at an organisation level (a single licence will be required per heat network organisation). Licensees may also be conferred powers to aid the development of heat networks such as wayleave rights and land acquisition powers.
- 2.66 The Scottish Government will draft regulations that will provide the framework for the licensing regime, any exemptions to the licensing requirement, types of licence conditions that may be drafted, and provisions for giving licensees powers to undertake heat network development in Scotland.
- 2.67 The [Heat Networks \(Scotland\) Act 2021](#) stipulates that a consent is required to build and operate a heat network in Scotland and can be obtained by application to Scottish Ministers or local authorities, where delegated as the consent authority. The Scottish Government will design the consenting process and draft supporting guidance.
- 2.68 Consultation on consenting and licencing will be led by the Scottish Government and will provide further information about these regimes.
- 2.69 As we are responsible for authorisation of heat networks in Great Britain and the licensing authority for Scottish heat networks, we may take actions that assist

us to undertake these dual functions such as sharing of information internally and taking steps to avoid unnecessary duplication of processes.

3. Implementation and transitional arrangements

Section Summary

This section outlines our how the regulatory regime will be implemented and what will occur and be required of authorised persons at different stages. It outlines a phased transition to full regulation with provisions for existing activity and activity beginning during the transition period to be automatically authorised.

Background

3.1 After the commencement of regulation, carrying out the regulated activities of operation and supply on a relevant heat network without authorisation will become a criminal offence. The HNMFR SI will include provisions to automatically authorise persons undertaking activity immediately prior to the commencement of regulation and persons beginning new activity or activity on a new relevant heat network during the first part of the Initial Period. These parties will be required to register their activities and networks with Ofgem (see page 36).

Key dates

3.2 From the commencement of regulation, entities undertaking regulated activity on a relevant heat network will be required to be authorised. However, due to the deemed authorisation provisions, this will not require any immediate action by regulated entities. The date for heat networks regulation taking effect will be confirmed in the HNMFR SI as 1 April 2025.

3.3 A summary of relevant dates includes:

Initial Period: 1 April 2025 to 26 January 2028

From the beginning of this period, existing activity will be deemed authorised under regulations and heat networks will be brought into consumer advocacy and redress schemes.

First part of the Initial Period: 1 April 2025 to 26 January 2027

New regulated activity that begins during this period will be deemed authorised under regulations. Regulated entities with deemed authorisation for existing or new activity will be required to register this activity with Ofgem by the end of this period. Registration is expected to be available on the digital service from early 2026.

Launch Date: 27 January 2026

From this date, authorisation conditions on authorised persons will become active and Ofgem will have powers to take action in relation to these conditions. Soon after this

date, the digital service for heat networks regulation and interactions between authorised persons and Ofgem, including Registration, will go live.

Initial Period

- 3.4 To enable existing activity on heat networks to continue after commencement of regulation and to support the transition to regulation for the heat network sector, the HNMFR SI includes transitional provisions of a period known as the 'Initial Period'. The Initial Period will begin at the commencement of regulation and is intended to provide an appropriate period for industry to further their preparations and readiness for regulation.
- 3.5 Government has made provisions in the HNMFR SI that existing activity that was occurring immediately prior to the commencement of regulation, and new activity that is begun during the first part of the Initial Period, will be deemed authorised under regulations. The rationale for this provision is to enable existing and new activity to occur during the initial stage of regulation without this being illegal under regulations.
- 3.6 Deemed authorisation has effect regardless of whether a regulated party has engaged with us and means they are bound by regulatory obligations based in the general authorisation conditions when carrying on the activity. These conditions take effect from the Launch Date. Draft general authorisation conditions are included in the [2024 consumer protection consultation](#), running in parallel with this consultation.
- 3.7 Further provisions in the HNMFR SI require persons undertaking regulated activity (that has been deemed authorised) to engage with Ofgem before the end of the first part of the Initial Period (26 January 2027) and provide information about their organisation and heat networks. This process is referred to as Registration and is detailed on page 36.

Existing and new activity

- 3.8 Regulated activity that was already occurring prior to regulations coming into force on 1 April 2025 is called 'existing activity'. Regulated activity that begins after this date is called 'new activity'.
- 3.9 In the [2023 consumer protection consultation](#), we outlined our intention that the process of Registration or Authorisation Application would be the prescribed process of engaging with us, depending on whether a person was undertaking existing activity or new activity on a heat network.

- 3.10 Following that consultation, to better support a transition to full regulation, government have determined that Registration will be the process for regulated entities to engage with Ofgem during the first part of the Initial Period, to notify us about both existing and new activity. Government will confirm in the HNMFR SI that the requirement to seek authorisation prior to carrying out new activity on a heat network will become a requirement after the end of first part Initial Period, one year after the Launch Date (from 27 January 2027).

After the first part of the Initial Period

- 3.11 Following the end of the first part of the Initial Period, entities seeking to undertake new activity will require authorisation by application to Ofgem, prior to commencement of the new activity and supply of heat to customers. This requirement will apply to regulated entities seeking to undertake further regulated activities not previously authorised in relation to existing networks, and regulated activities in respect of new networks.
- 3.12 We expect that following the first part of the Initial Period, applicants for authorisation will have an awareness of regulatory requirements and will be able to demonstrate compliance through provision of evidence in the application process.
- 3.13 Timing for implementation of the HNTAS has not been confirmed and may not be aligned with the end of the first part of the Initial Period and the Authorisation Application process. Ofgem may include specific authorisation conditions to progress authorisation applications subject to future achievement of the HNTAS certification by the applicant.
- 3.14 Prior to the end of the first part of the Initial Period, we will draft and publish regulations which will prescribe how parties intending to undertake regulated activity will be required to seek authorisation via Authorisation Application. Proposals for these processes are detailed below and feedback provided through this consultation will inform drafting of regulations and associated guidance.

Digital service

- 3.15 A digital service will be developed by Ofgem to administer regulation of heat networks and enable regulated entities to engage with us. This platform will support the processes of Registration, Authorisation Application and reporting for monitoring.
- 3.16 When a regulated entity first interacts with the digital service, a suitably empowered individual will be required to create an account and assume the role of regulatory contact and be assigned the highest level of permissions for their

account. The regulatory contact will be able to manage other users and assign permissions such the ability to view, edit and submit data to us. They will also be the person we will engage for compliance matters and who will receive notices.

3.17 We anticipate this platform will go live soon after the Launch Date in early 2026.

4. Registration and Authorisation Application

Section Summary

This section describes the processes of Registration and Authorisation Application, and how regulated entities will be required to engage with us throughout Registration and Authorisation Application.

Consultation questions

- Q6. This question is for heat network organisations. Do you already have processes in place similar to the proposed suitability requirements? Please provide detail of processes or policies where possible.
- Q7. Do you agree, partially agree, or disagree with proposals for the process of Registration? Please explain your answer.
- Q8. Do you agree, partially agree, or disagree with proposals for the process of Authorisation Application? Please explain your answer.

Background

- 4.1 We are seeking feedback on the proposals for Registration and Authorisation Application which will be the required processes for engaging with us in relation to activity beginning prior to or during the first part of the Initial Period of regulation and following this period respectively. These proposals are outlined on page 36 page 39.

Provision of information and evidence for Registration and Authorisation Application

- 4.2 Table 2 below outlines the areas of regulation that Ofgem will collect information and evidence for as part of Registration and Authorisation Application and what this is intended to demonstrate. As detailed in the following section, Registration will use declarations from the regulated party to demonstrate compliance with regulations whereas the Authorisation Application process may require more detailed evidence and will be subject to assessment. This approach is being taken to enable Ofgem to capture a minimum amount of information about the high volume of heat networks that are understood to exist and will be registered during the first part of the Initial Period.

Table 2: Summary of Registration and Authorisation Application requirements per regulation area

Regulation area	Description of requirements
Heat network and consumer details	<p>Detail of the heat network such as geographic location and technical details.</p> <p>Detail of the consumers supplied by the network which will shape application of consumer protection measures.</p>
Financial stability and solvency	<p>Ofgem will require that the regulated entity is financially robust and capable of successfully running a heat network organisation in line with the authorisation conditions.</p> <p>Applies to: operators and suppliers</p>
Suitability	<p>To demonstrate suitability, the regulated entity will be required to complete a declaration to confirm whether all persons holding a position of Significant Managerial Responsibility or Influence (SMRI) are fit and proper to occupy the role.</p> <p>The declaration will contain questions around past actions in the energy industry and any history of misconduct.</p> <p>In line with the ongoing fit and proper requirements in the draft authorisation condition appended to the 2024 consumer protection consultation, we expect authorised persons to be able to produce relevant personal information for each person with SMRI, if requested.</p> <p>Applies to: operators and suppliers</p>
Customer Supply Continuity Plan	<p>Demonstration that the applicant has undertaken appropriate steps to safeguard supply of heat and hot water to consumers in the event of organisational failure.</p> <p>Applies to: operators and suppliers</p>
Step-in arrangements declaration	<p>Confirmation that step-in arrangements are in place and details of the step-in organisation.</p> <p>Applies to: operators and suppliers</p>
Pricing and billing information (to consumers)	<p>Confirmation that information provided to consumers contains information that meets transparency and billing information requirements outlined in authorisation conditions.</p> <p>Applies to: suppliers</p>
Pricing methodology	<p>Regulated entities must have a robust pricing methodology in place to calculate pricing and allow for billing information provision for customers.</p> <p>Applies to: suppliers and operators (where required to understand pricing for final consumers such as in cases of split regulatory responsibility or bulk supply)</p>

<p>Complaints management procedure</p>	<p>Demonstration that the regulated entity has a suitable complaints management policy and will cooperate with other authorised parties where this is required to address complaints.</p> <p>Applies to: operators and suppliers</p>
<p>Priority Services Register (PSR) for vulnerable customers</p>	<p>Demonstration that the regulated entity has a PSR in place or an accepted equivalent to meet the requirements for treatment of vulnerable consumers.</p> <p>Applies to: suppliers</p>
<p>Process for identifying vulnerable customers</p>	<p>Regulated entities must have a clear process in place for vulnerable customers to identify themselves and be included in the PSR.</p> <p>Applies to: suppliers</p>
<p>HNTAS compliance</p>	<p>Demonstration that elements of a heat network have achieved certification and have been designed, constructed and commissioned to meet technical standards of the HNTAS.</p> <p>This requirement will be applied in line with transitional arrangements included in the HNTAS to enable networks commissioned prior to implementation of the scheme, including existing networks, to achieve certification over a period of time that is appropriate to the age of the network.</p> <p>Timing for implementation of the HNTAS may require interim use of specific authorisation conditions by Ofgem to authorise new networks with provisional certification or with an agreed path and timeframe for achieving and reporting certification.</p> <p>The use of provisional certification and specific authorisation conditions may also be appropriate for staged network developments.</p> <p>Applies to: operators</p>

Registration

- 4.3 Entities undertaking regulated activity on a relevant heat network will be required to register this activity with us by the end of the first part of the Initial Period. As outlined in the steps below, the Registration process does not result in a decision by Ofgem on whether to confer an authorisation as regulated activity existing prior to or beginning during the first part of the Initial Period will be deemed authorised under regulations. Submissions may be checked for completeness of data but will not undergo an assessment as in Authorisation Application. We intend that processing of Registrations will be largely automated and compliance with regulations will be demonstrated through declarations.

Registration process stages

4.4 The stages of the Registration process are outlined below.

Step 1: Account creation

Prior to beginning their first Registration, the entity will need to complete the account creation process on the digital service. This will include provision of the details of the 'regulatory contact', who will be the primary contact on regulatory matters for the account. For subsequent registrations, this step will not be required but information must be kept up to date.

Step 2: Organisation information

Provision of information about the person or organisation such as company name, organisation type, and contact details.

Step 3: Network information

Provision of information about the network such as:

- a) network name
- b) energy centre location or location of connection to upstream heat source, technology, generation capacity and further technical detail
- c) confirmation of regulatory role as operator and supplier and provision of details of any other parties undertaking regulated activity on the network
- d) information on buildings including location, consumer type, and number of consumers supplied

Step 4: Declarations of compliance

The submitter will be required to make declarations for each relevant consumer protection area to confirm they have appropriate policies and procedures in place to comply with general authorisation conditions. This will include a declaration about the fit and proper status of persons in the organisation who have Significant Managerial Responsibility or Influence.

Step 5: Submission

The Registration will be submitted with confirmation that information provided is correct.

Step 6: Verification

Ofgem will check the submission for completeness and any potential errors. Subject to ongoing development of our digital service, this process will be largely automated to accommodate for the large volume of expected submissions.

Where errors or missing information is identified, Ofgem will request this is addressed before the submission is accepted. Ofgem may request further information.

Step 7: Acknowledgement

As the activities of submitters shall be already authorised under regulations, submissions will not be subject to assessment and Ofgem will not issue a decision.

Complete registrations will be confirmed as accepted by us and general authorisation conditions will be communicated.

Entities undertaking regulated activity on a relevant heat network will be subject to authorisation conditions from the Launch Date, regardless of whether they have completed registration. An incomplete registration will not affect the status of activity that is deemed authorised under regulations until after the first part of Initial Period has passed.

Anticipated timescales

4.5 Our intent is to automate the registration process so that registration acceptance will be immediate once the application has been confirmed as complete.

Completed registrations

4.6 Once an entity has registered their activities and networks with us, they will be subject to regular monitoring returns which will be backdated (see page 47). However, as they have been deemed authorised from the commencement of regulation, they may receive requests for monitoring information or be subject to audit (see page 61) at any time from the Launch Date when these conditions come into effect.

4.7 The entity must keep us informed of changes in respect of the authorised activity, or any heat network relevant to the activity. Further detail of requirements to notify and record changes on a heat network are detailed on page 43.

4.8 Although we will not take the step of determining specific authorisation conditions within the registration process, we may do this at any time during or after completion of registration. In such cases, Ofgem will notify the authorised person of any specific authorisation conditions which will apply to the authorisation and when these will have effect.

4.9 It is the responsibility of the regulated entity to engage with the technical code manager and take steps to meet the technical standards within the required timeframes. More detail about the HNTAS will be provided in an upcoming consultation. Once the technical standards are met, the authorised entity must communicate achievement of certification to us and keep this record up to date.

Authorisation Application

- 4.10 Following the first part of the Initial Period, persons intending to undertake new regulated activity on heat networks will be required to seek authorisation by application to Ofgem prior to beginning the activity and supplying consumers.
- 4.11 As outlined in the steps below, the Authorisation Application process is different from Registration in several ways. Information and evidence submitted by the applicant will be subject to assessment, and a decision will be made by Ofgem to approve or refuse the application. More detailed information may be required to evidence compliance with regulations however declarations may still be acceptable, for example, where documentary evidence is not practical.
- 4.12 The authorisation process will consider network characteristics and consumer type. Evidence and information collected at the point of authorisation will be relevant to the consumer protection rules that apply. We will also make a determination as to whether any specific conditions should be included in the authorisation. We may also create specific conditions after granting an authorisation, subject to appropriate notice being provided to affected parties.
- 4.13 The authorisation process will support establishing a single point of contact for consumers on a heat network, through the supplier.
- 4.14 The authorisation process will have regard to market segments such as non-profit and smaller networks. This may impact the type and detail of information requested at the point of authorisation.

Conferral of authorisation for deemed authorisations

- 4.15 As discussed previously (see page 31), existing activity that was occurring immediately prior to the commencement of regulation, and new activity that is begun during the first part of the Initial Period, will be deemed authorised under regulations. Authorised persons with deemed authorisation will be required to Register this activity before the end of the first part of the Initial Period.
- 4.16 Deemed authorisation in relation to new activity is not enduring so we will also require an application for authorisation for this activity following the end of the first part of the Initial Period. We intend to largely accept information already provided at Registration to simplify this process for affected parties and will provide guidance on this matter in future.
- 4.17 Deemed authorisations for existing activity are enduring and will only be subject to the registration requirement and will not require an application for authorisation.

Authorisation Application process stages

4.18 The stages of the Authorisation Application process are outlined below.

Step 1: Account creation

Prior to beginning the application, the applicant will need to complete the account creation process on the digital service. If this step has already been completed as part of a previous application or registration it does not need to be repeated but information must be kept up to date.

Account creation includes provision of the details of the 'regulatory contact' who will be the primary contact on regulatory matters for the account.

Step 2: Organisation information

Provision of information about the person or organisation such as company name, organisation type, contact details.

Step 3: Network information

Provision of information about the network such as:

- network name
- energy centre location or location of connection to upstream heat source, technology, generation capacity and further technical detail
- confirmation of regulatory role as operator and supplier and provision of details of any other parties undertaking supply activity on the network
- building information including location, consumer type

Step 4: Evidence and declarations

The applicant will be required to provide evidence and declarations (where required) for each relevant consumer protection area to confirm they have appropriate policies and procedures in place to comply with general authorisation conditions.

We will require information confirming the fit and proper status of persons in the organisation who have Significant Managerial Responsibility or Influence. If there is no change to this information, we may not require resubmission of this information for subsequent applications.

Step 5: Verification

Ofgem will check the application for completeness and any potential errors. Where errors or missing information is identified, Ofgem will request this is addressed before the application can progress.

Step 6: Further information

We may request further information where this is required to be satisfied that the applicant meets requirements and is likely to comply with authorisation conditions

Step 7: Assessment

We will assess the evidence provided by the applicant to confirm they are likely to comply with the general authorisation conditions. We may use an automated assessment process for applications which meet certain parameters.

Step 8: Specific conditions

We will make a determination as to whether any specific conditions should form part of the authorisation

Step 9: Decision

We will produce a decision on the outcome of the application to approve the authorisation or notify the applicant we are minded to refuse authorisation. We will specify the timeframes for provision of further information or withdrawal of the application.

We will consider any representations made. Applicants will still be able to withdraw their application during this time if they decide to do so. If no representations have been made within the specified time, or if after considering any representations made, we are still of the view that the application should be refused, the applicant will be notified of the decision to refuse the authorisation.

Step 10: Acknowledgment

We will communicate the application decision to the applicant as well as general and specific authorisation conditions.

Anticipated timescales

4.19 Statutory timeframes for processing applications will be drafted into future Ofgem regulations that will cover this process. We are undertaking work in early 2025 to plan operational readiness. This work and development of our digital service for heat network regulation will inform timescales. We welcome feedback on industry expectations for timescales for processing of an authorisation application.

Completed applications

4.20 Once the authorisation is granted, entities will be subject to Monitoring (page 47) and Audit (page 61). The entity must keep us informed of changes in

respect of the authorised activity, or any heat network relevant to the activity, as per the sections below.

5. Making changes to a heat network authorisation

Section Summary

This section outlines our proposals for ongoing interactions between authorised persons and Ofgem to keep information about heat networks and regulated activities up to date, and to inform us of changes. We also include details of processes for the transfer and revocation of authorisation.

Consultation questions

- Q9. Do you agree, partially agree, or disagree with proposals for management and recording of changes to a heat network? Please explain your answer.
- Q10. Do you agree, partially agree, or disagree with proposals for the transfer of heat network authorisation? Please explain your answer.
- Q11. Do you agree, partially agree, or disagree with proposals for the revocation of heat network authorisation? Please explain your answer.

Background

- 5.1 Ofgem will create a formal record of the activities a supplier or operator is authorised to undertake, the heat networks that authorisation pertains to, and conditions of authorisation. This 'record of authorisation' will initially be based on information provided through the registration process. We have provided an example of the heat network authorisation document for information purposes in an appendix to this consultation.
- 5.2 We are developing a digital service to record and maintain more detailed information and variable data about authorised persons, their activities and heat networks. Authorised persons will have the ability to provide information through the platform to keep this information current and to inform us of changes to their networks or activities.
- 5.3 The HNMFR SI will include provisions enabling the transfer of a heat network authorisation from an authorised person to another. Page 45 outlines the process and conditions under which Ofgem will facilitate or initiate a transfer of authorisation.
- 5.4 On page 45, we lay out powers enabling Ofgem to revoke an authorisation, the circumstances under which this action may be taken, and the proposed process for this action.

Requirement to inform the regulator

- 5.5 Authorised persons will be required to provide us with up-to-date information and inform us of material changes to their networks and their activities where there is a mandatory notification requirement. Mandatory notification of changes will be facilitated through the digital service and will be required to be submitted within a reasonable timeframe of the change being undertaken, to be specified in authorisation conditions.
- 5.6 It is the responsibility of the authorised person to inform us of changes where this is a requirement. Some changes may require the authorised person to obtain prior authorisation such as a network build-out which constitutes an additional relevant heat network or undertaking a new regulated activity on an existing network. We expect other non-material changes to occur with some frequency such as fluctuation in customer number and these will be captured through regular monitoring data submissions.
- 5.7 We propose that the following changes will require mandatory notification:
- addition or removal of an energy centre
 - change to the primary or secondary energy source, for example a change to input fuel
 - change to the primary or secondary energy centre technology, for example, replacing a boiler with a CHP boiler
 - addition or removal of a building connection to a bulk-supplied communal network
 - addition or removal of plot connection to bulk-supplied district network
 - plant replacement that involves a requirement to obtain HNTAS re-certification
 - change to the type of consumers supplied on the network
- 5.8 Following a mandatory notification from the authorised person about a change to a heat network for which they hold authorisation, we may request further information and evidence in relation to the change. For example, where a change to network infrastructure involves a requirement to obtain certification under the HNTAS, we may take steps to verify that this has occurred or communicate with the authorised person the date by which we expect this to be achieved. Where a change involves supply to different consumer types, we may request information and evidence to verify that the authorised person has

appropriate policies and procedures in place to be able to comply with associated authorisation conditions.

- 5.9 From time to time, it may be necessary for us to modify information held in relation to an authorisation or the heat networks it pertains to. For example, we may take this action to rectify errors, as part of data cleansing or on behalf of authorised persons. We will record the reasons for making changes and communicate these to the authorised person.

Transfer of authorisation

- 5.10 Transfer of authorisation has been provided for in the HNMFR SI and enables us to facilitate the transfer of a heat network authorisation from one authorised entity to another, in relation to some or all the networks that the authorisation pertains to.
- 5.11 The process has been proposed to enable continuity of supply during a transfer of ownership or restructure of a regulated entity. The two parties involved in the transfer are referred to as the 'transferring entity' and the 'new entity' (the entity that receives the authorisation).
- 5.12 A transfer of authorisation may be initiated when the new entity applies for authorisation in relation to the networks and activities for which authorisation will be subject to transfer.
- 5.13 Ofgem will ensure that the new entity has complied with any applicable regulations through assessment of the authorisation application, and that the transferring entity has consented to the transfer of the existing authorisation.
- 5.14 If an authorisation is transferred, we will communicate with the transferring and the new entity the extent to which an authorisation is being transferred and when the transfer will take effect.
- 5.15 In facilitating the transfer of authorisation, we will make modifications we consider appropriate to the authorisation held by either entity.

Revocation of authorisation

- 5.16 The [2024 consumer protection consultation](#) includes a draft authorisation condition outlining the circumstances for partial or complete revocation of a heat network authorisation.
- 5.17 The ability to revoke an authorisation will apply to deemed authorisation and authorisation conferred through application.

- 5.18 Partial revocation may apply to the authorised activity for one or more heat networks whilst authorised activity for the regulated entity's other heat networks remains intact.
- 5.19 An authorised heat network operator or supplier may choose to revoke their authorisation voluntarily. In circumstances relating to a change in heat network ownership, the operator may request voluntary revocation as part of the transfer process (see Transfer of authorisation section above). Ofgem will request details of the voluntary revocation including confirmation that the entity is no longer undertaking an activity prohibited without authorisation, and information regarding the continued supply to heat network customers.

6. Monitoring

Section Summary

To ensure heat networks meet their obligations, Ofgem will implement a monitoring regime to ensure we have oversight of the market. This will identify non-compliance and particularly where there is an indication of consumer detriment or actions which undermine trust in the regulatory framework. The monitoring proposals will be in line with the overall approach for monitoring and provision of information laid out in the HNMFR SI. From the data reported to us through our digital service, we can see how customers are being served in key areas such as pricing, billing, vulnerability, and quality of service.

We are considering what level and frequency of reporting will be appropriate and proportionate across all heat networks. As a result, we are proposing some different reporting requirements for certain segments of the market. As this scale of regulation and associated information provision will be new for most of the sector, we will provide further guidance to support this.

Consultation questions

- Q12. Do you agree, partially agree or disagree with the proposed monitoring metrics and the level at which they will be reported?
- Q13. Do you agree, partially agree or disagree with the proposed reporting frequencies outlined? If not, how should they differ for segments of the market?
- Q14. Do you agree, partially agree or disagree with the overall approach for implementing the monitoring framework? Please explain your answer.

Background

- 6.1 In the [2023 consumer protection consultation](#), we consulted on proposals to implement a monitoring framework as part of the approach to the regulation of heat networks. Regular reporting will help us identify non-compliance with obligations particularly where there is risk of harm to consumers or actions which undermine trust in the regulatory system. Most respondents stated we should consider different segments in our approach to general monitoring, compliance and financial monitoring. The most frequently mentioned group being not-for-profit heat networks followed by smaller networks. Common themes included financial limitations to implementing data improvements, low resource due to the type of organisation, and difficulties in collating data due to it being dispersed throughout the organisation.

6.2 Respondents were generally supportive of the proposed key monitoring areas. Larger operators and energy companies were supportive of quarterly or biannual reporting. Smaller heat networks, local authorities, and housing associations tended to highlight a preference for annual reporting due to current data collection capabilities. The [2024 government response](#) confirmed our intention to bring forward proposals on the monitoring metrics as well as the proposed reporting frequencies.

Basis and approach to regular reporting

- 6.3 The monitoring framework and reporting requirements will be dictated by the relevant rules that apply to the particular heat network authorisation.
- 6.4 Reporting requirements will be provided in a Request for Information (RFI). The RFI will request data related to the heat network as described in a regulated person's authorisation.
- 6.5 Ofgem will use its digital service to support this process, starting the monitoring process through the notification of information requirements. The digital service will remain as the interface for the monitoring process on an ongoing basis. The digital service will issue scheduled prompts for data requirements, as well as accept data submissions from regulated entities.
- 6.6 Our guidance will include information on how to use the digital service for the ongoing monitoring process, in addition to what is needed at the registration and authorisation stage. We are keen to work with industry on developing this approach to submission and are welcome to views for preferred methods. Examples of submission could include Application Programming Interface (API) upload, spreadsheet upload, or direct data entry.
- 6.7 We expect that relevant consumer protections will also apply where regulated entities undertake bulk supply. In this case, we may request information on individual monitoring metrics as we will need oversight on the actions of a bulk supplier, especially where they may have resulted in poor outcomes for consumers on downstream networks.
- 6.8 Ofgem will gather regular monitoring data either as a declaration (Yes or No) or as a data point. Data requirements to be regularly reported are expected to be broadly in line with those currently required by the [Heat Trust](#) from its members, as opposed to current obligations with the [Office for Product and Safety Standards](#).

- 6.9 Ofgem’s monitoring framework will run alongside the Heat Networks Technical Standards reporting overseen by the Code Manager. We will avoid collecting regular reporting data where it is expected to be regularly reported into the expected Technical Assurance platform.
- 6.10 We understand that in some circumstances there will be two or more entities within a heat network. These include where two separate entities are undertaking the role of the Supplier and Operator or if there are multiple Operators. We will therefore set out who is the responsible party for providing each data metric.
- 6.11 We also have considered wider evidence to inform our approach to segmentation for monitoring purposes. The [2022 heat network consumer and operator survey](#) (HNCOS) highlighted how heat network systems, the infrastructure and its importance to the overall business can impact the ability to capture and provide data. This suggests significant variation in available resource and expertise across organisation types in the sector.

Reporting frequency

- 6.12 We are proposing to use quarterly reporting as the baseline frequency for the majority of metrics, similar to a range of reporting in the gas and electricity retail market. Collecting on a quarterly basis helps ensure there is adequate data to have effective ongoing oversight of the market. It allows us to track trends and identify potential areas where there is risk of consumer harm sooner in comparison to a less frequent reporting.
- 6.13 Quarterly reporting will also help facilitate engagement between Ofgem and heat networks in a newly regulated area. We consider this especially important given the range of consumer protection rules being introduced and the current lack of centralised data on heat networks.
- 6.14 Annual reporting will be used for financial information and metrics that are not expected to be subject to frequent change.
- 6.15 We have considered biannual reporting as currently used by Heat Trust for its regular reporting. The primary benefit of this would be that the process might be less resource intensive for smaller networks, especially at the start of regulation when rules are first introduced. It would also be familiar to heat networks currently providing data to Heat Trust.
- 6.16 However, we don’t consider that biannual reporting would allow adequate oversight across a number of key consumer protection areas including fair

pricing, vulnerability, or debt. For instance, where seasonal differences are needed for analysis or where there are protections for certain vulnerable groups against disconnection from supply.

- 6.17 It may be proportionate for the reporting frequency of certain metrics to differ from a quarterly baseline, to take account of requirements of certain segments in the market and the need for less oversight in relation to particular metrics.

Reporting during the period following launch

- 6.18 The Initial Period will have a separate approach and will phase in reporting metrics given the time period allowed for registration. Reporting requirements will also be in line with the rules that are in place at the time and subject to the timing of the introduction of the relevant rule.
- 6.19 Following registration, Ofgem will start regular data monitoring with the first data expected to be submitted one month after the quarter in which registration took place. Heat networks will be required to cover the period back to the common start date for reporting following the launch, no matter when registration took place. Heat networks that commission at a date later than the commencement of monitoring will be required to backdate to the start date of their regulated activity.
- 6.20 The regular reporting periods, whether quarterly, biannual, or annual will be fixed calendar dates. Quarterly periods will run from the first day of the first month in a quarter to the last date of the third month in that quarter as shown in Table 3. Annual returns will be required on a fixed basis.

Table 3: Reporting quarters

Fixed Reporting Quarter	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Reporting quarter period	1st April to 30th June	1st July to 30th September	1 st October to 31 st December	1st January to 31st March
Reporting submission deadline	1st July to 31st July	1st October to 31st October	1st January to 31st January	1st April to 30th April

- 6.21 After the end of the first part of the Initial Period, all heat networks will be expected to be reporting monitoring data on an ongoing scheduled basis. At this point, the reporting frequencies in the reporting metrics list would apply, minus any exceptions in relation to proportionate reporting for particular types of heat networks or metrics.

- 6.22 As regulation progresses and data is gathered and analysed, monitoring frequencies may be updated to account for market or operational changes.

Reporting levels

- 6.23 We will collect regular monitoring data at three levels of reporting, which will depend on the metric in question. The authorisation level will be collected from the authorised Supplier or Operator. Heat network level data will be for metrics where oversight is needed of individual district or communal heat networks within an authorisation. Building level data will be needed from district networks where information is needed from individual buildings within the network. In line with the communal heat network definition, data reported by communal heat networks at the level of the aggregate heat network would also be considered building level.
- 6.24 Overall, to help ensure that the amount of data collected is proportionate, we propose to primarily collect data at the level of the heat network as described in their authorisation.
- 6.25 We may need to make exceptions for certain metrics where building level data is required in line with a particular authorisation condition. This will include cases where there is a risk that non-compliance with consumer protection rules will not be picked up at aggregated levels within the district network. The reporting level will be outlined per metric on our reporting metrics list.
- 6.26 Financial monitoring data will primarily need to be provided at the company level for the authorised entity. Entities will also be able to report relevant financial monitoring information at the level of the aggregated heat network, if it differs at this level.

Reporting metrics

- 6.27 Whilst exact means of data provision to the digital are yet to be determined, for some metrics it may be appropriate to have templates to aid in the submission of data. As previously stated, we are keen to work with industry on developing this approach to submission and are welcome to views for preferred methods for particular metrics.
- 6.28 The list below summarises our proposed regular data reporting metrics, and associated frequency, to be provided by heat networks through an enduring information request. This is not an exhaustive list and covers data that we expect to be regularly reported, as other relevant data held by heat networks would be provided on request as necessary. It covers:

- general heat network information
- step-in and financial monitoring
- billing and payment method
- meter installation and changes
- pricing
- vulnerability and debt
- quality of service

General heat network information

Number of customers

Number of customers who are:

- domestic
- non-domestic, Including bulk supply customers if relevant.

Customer data will help inform the relevant requirements for the heat network and allow for comparison with other data to help assess compliance.

- Required from: Supplier. All authorised entities at the aggregate heat network level, including connected communal or non-domestic users to a district network. Exceptions based on authorisation condition coverage or guidance will be partly based on this data.
- Reporting frequency: Annual – reviewed annually and amended if there are any changes to the number of customers.

Metering information

Metering data including:

- total number of heat meters, Heat Cost Allocators and smart heat meters
- are there heat meters at the energy centre and building level

Metering data will be required at registration and will require ongoing monitoring to indicate the type of metering used and to assist oversight for billing and vulnerability.

- Required from: Operator. All authorised entities at the aggregate heat network level. Exceptions based on authorisation condition coverage between new and existing networks in line with the HNTAS requirements.
- Reporting frequency: Annual – reviewed annually and amended if there are any changes to the number of meters.

Step In and financial monitoring

Confirmation of a compliant Operation and Supply Continuity Plan

The [2024 consumer protection consultation](#) proposes that a continuity plan is maintained by suppliers and operators. If the operator and supplier are separate entities, the operator will be required to hold a compliant Operations Continuity Plan and the supplier a Supply Continuity Plan.

- Required from: Supplier and Operator. All authorised entities except local authorities and those captured by social housing regulation. Data provided at the aggregate heat network level.
- Reporting frequency: Annual – however if an issue arises during the reporting we would expect the regulated entity to inform us in line with the open and cooperative authorisation condition.

Confirmation of a Contractual Step In entity

The [2024 consumer protection consultation](#) proposes that networks have a contractual step-in arrangement in place.

- Required from: Supplier and Operator. All authorised entities except local authorities and those captured by social housing regulation.
- Reporting frequency: Annual – however if an issue arises during the reporting we would expect the regulated entity to inform us in line with the open and cooperative authorisation condition.

Financial resilience monitoring

Monitoring of financial information will help indicate whether a Supplier or Operator is at risk of failure. We are aware that the Social Housing Regulators monitor the financial situation of social housing providers. Therefore, we will not require heat networks covered by those providers to submit regular financial monitoring data to us.

- Required from: Supplier and Operator. All authorised entities except local authorities and those captured by social housing regulation.
- Reporting frequency: Annual – however if an issue arose, we would expect all regulated entities to inform Ofgem in line the open and cooperative authorisation condition.

Billing and payment method

Billing frequency

Billing options include:

- monthly
- quarterly
- biannual
- annual

- other

The HNCOS data indicated a difference across the market in how often billing data is provided to customers. Billing frequency information may be used to help inform how frequently we ask for certain vulnerability data regarding payments. We will also require suppliers to indicate and break down where billing has either been estimated or is utilising non-metered billing.

- Required from: Supplier. All authorised entities at the aggregate heat network level.
- Reporting frequency: Annual – to ensure changes to billing frequencies are captured, we would want this validated on a regular basis.

Payment method

Payment method by customer number:

- number of customers on Direct Debit
- number of customers on prepayments

Data on payment methods will help with analysis of the market and comparisons depending on the payment method.

- Required from: Supplier. All authorised entities at the aggregate heat network level.
- Reporting frequency: Annual.

Meter installation and changes

Number of warrants granted

The application for, and use of, warrants in order for the authorised entity to maintain, install or replace meters should be considered only as last resort. A warrant must be granted to the authorised entity or its third party conducting the relevant activity.

Required from: Supplier. All authorised entities at the aggregate heat network level.

Reporting frequency: Quarterly

Reason for warrant:

Number of warrants broken down by:

- number for debt recovery
- number for maintenance of the heating system or meters
- number of other and reason

To confirm whether the warrant granted was for the purpose of recovering debt or maintaining the heating system to meet technical standards.

- Required from: Supplier. All authorised entities at the aggregate heat network level.

- Reporting frequency: Quarterly

Changes made to metering

Number of meters changed including:

- number of heat or credit meters switched to pre-payment
- number of pre-payment meters installed under warrant

The information provides detail on the changes made to the heating system and meters present at the heat network.

- Required from: Supplier. All authorised entities at the aggregate heat network level.
- Reporting frequency: Quarterly

Pricing

Price data: for example unit rates and standing charges and tariff structure.

The [2024 government response](#) considered that a quarterly reporting frequency for applicable networks captures most of the price fluctuations that occur in the market and avoids delays in identifying disproportionate pricing.

- Required from: Supplier. All authorised entities provided at the building level of the heat network. This includes where communal buildings are connected to a district network as part of a bulk supply agreement.
- Reporting frequency: Quarterly

Cost Drivers: including generation costs, connection charges and profit percentage.

- Required from: Supplier and Operator. All authorised entities at the building level of the heat network.
- Reporting frequency: Data requirements to capture cost breakdown may vary quarterly or annually depending on the data.

Vulnerability and debt

Number of domestic customers on the Priority Service Register (PSR)

The HNCOS results indicated that customers on heat networks can require more support than non-heat network customers. The data will provide an indication of the number of vulnerable customers and help indicate compliance with the relevant consumer protection authorisation condition relating to the PSR

- Required from: Supplier. All authorised entities at the aggregate heat network level except where they are only supplying non-domestic customers including end users. Exceptions based on authorisation condition coverage.
- Reporting frequency: Annual – Reviewed and updated in line with vulnerability requirements.

Number of domestic customers in debt

Suppliers will need to report on a regular basis to comply with the Social Obligations reporting authorisation condition as set out in the [2024 consumer protection consultation](#).

- Required from: Supplier. All authorised entities at the aggregate heat network level. Exceptions based on authorisation condition coverage.
- Reporting frequency: Quarterly as the baseline, with some exceptions depending on to the billing frequency previously identified. Authorised entities will be encouraged to review billing more frequently.

Total value of domestic bad debt

Debt that is written off and not considered to be recoverable by the Supplier. This will also be considered as part of the financial monitoring assessment.

- Required from: Supplier. All authorised entities at the aggregate heat network level. Exceptions based on authorisation condition coverage.
- Reporting frequency: Annual

Number of domestic customer self-disconnections

- Required from: Supplier. All authorised entities at the aggregate heat network level. Exceptions based on authorisation condition coverage.
- Reporting frequency: Quarterly as the baseline with some exceptions depending on to the billing frequency previously identified. Authorised entities will be encouraged to review billing more frequently.

Number of domestic customers that have been disconnected for non-payment

- Required from: Supplier. All authorised entities at the aggregate heat network level. Exceptions based on authorisation condition coverage.
- Reporting frequency: Quarterly as the baseline with some exceptions depending on to the billing frequency previously identified.

Number of domestic customers on a repayment plan

- Required from: Supplier. All authorised entities at the aggregate heat network level. Exceptions based on authorisation condition coverage.
- Reporting frequency: Quarterly as the baseline with some exceptions depending on to the billing frequency previously identified.

Number of reconnections due to debt being paid or repayment plan agreed

- Required from: Supplier. All authorised entities at the aggregate heat network level. Exceptions based on authorisation condition coverage.
- Reporting frequency: Quarterly as the baseline with some exceptions depending on to the billing frequency previously identified.

Quality of Service

Number of complaints

Number of complaints including:

- the total number of complaints made
- number of those complaints referred to the Ombudsman

Complaints data will help identify issues of poor customer service and might indicate a failure to meet wider consumer protection obligations. We will also expect networks to provide the cause of the complaint, for instance whether it is related to customer service or pricing. We will provide guidance to further support this amongst the other monitoring requirements.

- Required from: Supplier. All authorised entities at the aggregate heat network level. Exceptions based on authorisation condition coverage.
- Reporting frequency: Quarterly with potentially some exceptions.

Complaint resolution

- number of resolved complaints
- breakdown of complaint resolution time

This data will help identify whether complaints are being dealt with effectively, with issues and poor customer service indicating a failure to meet wider consumer protection obligations. Whilst larger organisations that operate heat networks such as energy companies or local authorities will typically have a complaints procedure in place already, it may be proportionate to allow heat network organisations unfamiliar with operating a complaints procedure additional time to gather and report the data.

- Required from: Supplier. All authorised entities at the aggregate heat network level. Exceptions based on authorisation condition coverage.
- Reporting frequency: Quarterly with potentially some exceptions

Number of unplanned interruptions

The number of unplanned interruptions will be used to validate the quality of service for customers on the heat network. We would also want to ensure that consumer protections obligations are being met especially in the cases where there are vulnerable customers whilst also considering that particular existing networks may be more likely to experience interruptions. For an interruption to be considered planned there is a requirement to give at least 2 days' notice. We will set out more detail in a further statutory Guaranteed Standards of Performance (GSOP) consultation in 2025.

- Required from: Operator. All authorised entities at the aggregate heat network level. Exceptions based on authorisation condition coverage.
- Reporting frequency: Quarterly with potential for some exceptions.

Length of unplanned interruptions

The length of unplanned interruptions will be used to validate the quality of service for customers on the heat network. However, we would also want to ensure that consumer protections obligations are being met especially in the cases in which there are vulnerable customers.

- Required from: Operator. All authorised entities at the aggregate heat network level. Exceptions based on authorisation condition coverage.
- Reporting frequency: Quarterly with potential for some exceptions.

Number of planned interruptions

The number of planned interruptions will be used to validate the quality of service for customers on the heat network. However, we will also want to ensure that consumer protections obligations are being met especially in the cases in which there are vulnerable customers.

- Required from: Operator. All authorised entities at the aggregate heat network level. Exceptions based on authorisation condition coverage.
- Reporting frequency: Quarterly with potential for some exceptions.

Length of planned interruptions

The length of planned interruptions will be used to validate the quality of service for customers on the heat network. There is consideration for the types of heat networks that may be more at risk of reporting interruptions in particular existing networks. However, we would also want to ensure that consumer protections obligations are being met especially in the cases in which there are vulnerable customers.

- Required from: Operator. All authorised entities at the aggregate heat network level unless exclusively supplying non-domestic customers including end user. Exceptions based on authorisation condition coverage.
- Reporting frequency: Quarterly with potential for some exceptions.

Number of GSOP payments

The amount paid to customers in line with the GSOP compensation levels currently being consulted on in the [2024 consumer protection consultation](#). Not-for-profit networks will not be required to report this metric and will instead be required to notify Ofgem if they fail to meet an 'Overall Performance Standard'.

- Required from: Supplier and Operator. All authorised entities at the aggregate heat network level except networks operating a not-for-profit business model. Exceptions based on authorisation condition coverage.
- Reporting frequency: Quarterly with potential for some exceptions.

Process for requesting and reporting information

- 6.29 To commence regular data reporting, authorised persons will receive a request via the digital service from Ofgem. The request will be tailored to the heat networks based on the information provided about the heat network at registration, and when they started operating.
- 6.30 Certain data will be required to be submitted at registration or Authorisation Application. The introduction of the monitoring regime, beginning the process of regular ongoing reporting, will follow.
- 6.31 The data required will be updated as authorisation conditions are introduced over time to reflect the new rules in place.
- 6.32 We will use data and wider monitoring of the market to inform the pricing benchmarking, ensuring we develop our understanding of pricing across the sector. It will also help inform any future potential compliance or enforcement action we might decide to take.

Process and timetable for reporting during the Initial Period

- 6.33 The period following launch will see the monitoring framework phased in for heat networks over the course of the period. Reporting requirements will be tailored as to whether a network commissioned prior to the start of launch.
- 6.34 Existing heat networks are networks that were commissioned prior to the launch date and implementation of the authorisation conditions. The authorised person for the network will begin data reporting during the Initial Period once their registration is complete. Regardless of when heat networks register during this period, we will require existing heat networks to provide the required regular reporting data backdated to a common start date. We propose that heat networks will need to be ready to collect and report data on a regular basis in line with their respective monitoring requirements from 1 April 2026.
- 6.35 Heat networks that commission after the launch, and after the regular monitoring process has started, must also be ready to collect and report data backdated to the start date of their regulated activity. Heat networks that commission during the first part of the Initial Period will still be automatically authorised and will be required to register during the Initial Period. Heat networks that start operating after the conclusion of the Initial Period will need to have met authorisation requirements to begin operation, therefore monitoring requirements would also reflect this.

- 6.36 Data reported during this period will be different to regular reporting after the Initial Period reflecting the phasing in of rules. Reporting requirements and guidance will distinguish between these periods.

7. Audit

Section Summary

We are providing detail on our approach to audit including the introduction, scope, targeting, and selection of third-party auditors, and issuing further guidance on this. We are also considering how our audit approach will sit alongside the Code Manager's audits of technical standards. Our implementation of the audit programme will take into account proportionality and regulatory burden across the range of heat networks. It also covers our approach to testing the declarations made by heat networks at registration and authorisation stage, along with commencing an established programme of audits.

Consultation Questions

- Q15. Do you agree, partially agree or disagree that this is the right approach to the implementation of an audit programme within heat networks? Please explain your answer.
- Q16. Do you agree, partially agree or disagree with both a risk-based as well as a randomised sampling approach? What are the main risks and benefits to implementing this approach? Please explain your answer.
- Q17. Is the approach to audit proportional? Do you agree, partially agree or disagree with the approach to segmentation to help address this? Please explain your answer.

Background

- 7.1 In the [2024 government response](#), we indicated that we will include audits as part of our approach to regulatory oversight. We propose to include requirements in authorisation conditions for heat networks to consent to an audit, including being open and cooperative with Ofgem, and also to undertake audits themselves where required. A draft of these conditions is included in the annex to the [2024 consumer protection consultation](#).
- 7.2 Rules and scope for technical standards audits will be set by the technical code manager.
- 7.3 Ofgem proposes the use of desk audits, undertaken by appointed auditors, as our main approach to auditing all heat networks. Site visits may also be a part of our regulation toolkit for audits but will be generally limited to where an auditor physically needs to see something in situ where they are strictly necessary.

Proposed approach and scope

- 7.4 As part of the approach to regulating heat networks, we have indicated that there will be an Initial Period during which time existing heat networks and those commissioned following the launch date will be required to be registered with Ofgem.
- 7.5 Initially, we expect that audits will be introduced to provide assurance for the Registration and Authorisation Application process where declarations are made in relation to key requirements under the regulations and to confirm compliance with obligations in authorisation conditions.
- 7.6 Auditing will be an assurance process that ensures policies and procedures are in place for data quality, recording and provision to Ofgem.
- 7.7 The scope and coverage of an audit will also be based on information including the heat network type that is provided at the registration stage and on data monitoring requirements.
- 7.8 As previously indicated, we expect to refine the number of audits we intend to implement within the early phase of regulation and then as we move to a business-as-usual operation.
- 7.9 In general, we propose that audits cover the authorised entity rather than being site specific as we expect that certain policies and processes will apply across multiple sites. We may however undertake some that are site specific where there are differences or if there is a potential risk identified at this level.
- 7.10 Where there are the same systems and processes provided by ESCOs for a number of different heat networks, we will consider this in the way we utilise targeted or randomised audits.
- 7.11 We will provide further detail on the approach to identifying which heat networks to audit and the overall process, including timelines in guidance. This will detail the approach to the audit journey and how we will notify heat networks.
- 7.12 We will provide the industry with further information on the audit programme, along with the timing of when we start the process, and what the authorised entity can expect when they are being audited - including during the period after the launch date.
- 7.13 We will include clarity on the documents that will be needed, how long an audit will take and how results will be measured and delivered.
- 7.14 Over time, we expect the audit scope to cover areas such as:

- systems and processes relating to data capture and reporting
 - billing, payments and ability to pay
 - vulnerability
 - prepayment
 - complaints and governance processes
 - assurance and policies for ensuring senior personnel are fit and proper
- 7.15 This will be in line with the rules that authorised entities are expected to meet. This is currently indicative, and we acknowledge that this may be amended.
- 7.16 The scope of audits will also be dependent on a number of factors including:
- when policy is introduced or amended
 - the development of risks and aspects of customer protection that are of particular interest based on an identified risk and poor consumer outcomes
- 7.17 We expect the scope to broadly reflect some of the current Heat Trust audit areas like vulnerability and pricing. It will align with the Ofgem audit programme for different types of heat networks.
- 7.18 We expect the regulatory function to understand and engage with different heat networks and business models.

Market segmentation and sampling

- 7.19 We will consider proportionality and regulatory burden including the type and scope of audit across the market, given the resource requirement to engage by heat networks. This includes the approach we take to implementation.
- 7.20 In line with our wider approach to regulation, we will be proportionate in the way we implement the audit programme. We expect to base audits on sampling covering different heat network types and market segments, as well as audits targeted at networks potentially causing consumer detriment based on monitoring data and other intelligence.
- 7.21 Ofgem will identify which heat networks to audit, and the associated scope for audit, based on criteria which will include the market segment to ensure that our approach is proportionate and reflecting the wider approach to heat network regulation.
- 7.22 We will implement stratified sampling (sample specific proportions from subpopulations within the larger population) in order to be representative of each heat network segment.

Process

- 7.23 Ofgem proposes phasing in audits during the period following the launch date to allow for the consumer protection rules that are in place to be implemented. We will begin phased sampling to check that key policies and systems are in place, ensuring that heat networks are compliant within the early stages of regulation.
- 7.24 Following the launch date, we will test the declarations made by regulated entities to demonstrate compliance with authorisation conditions through the Registration process.
- 7.25 We will also commence an established programme of audits based on the range of consumer protection obligations that are in place at the time. We will look at the customer service metrics from the monitoring data as well as other data received including from the Ombudsman and Citizens Advice to help identify risks. We will use this for targeted audits which aligns with a risk-based approach to regulation.
- 7.26 We will utilise targeted audits to focus primarily on risk-based assessments determined through the data received from these monitoring activities.
- 7.27 We propose using sampling techniques to implement a risk-based approach to auditing. We expect to use both targeted and random sampling:
- targeted – intelligence gathered and utilised to identify risk
 - random (stratified sampling) - sample of heat networks to cover all segments of the market
- 7.28 We will take these factors into consideration and expect that different sample audit methods will be used depending on things like risk and compliance actions to determine audit sample parameters.
- 7.29 The actual number of audits performed will be indicative of a range of influences across the programme and our proposal for a phased approach during the implementation stage reflects this.
- 7.30 The number of risk-based audits will be dependent on the materiality of any potential compliance breaches. After the Initial Period, the number of audits performed will increase in line with increased data submissions and the phased approach following the launch date.
- 7.31 As mentioned in the [2023 consumer protection consultation](#), we will also have the option of conducting further bespoke audits on networks as part of a compliance or enforcement case, which may require funding by the heat network.

Guidance

- 7.32 We will produce guidance on the scope and process for audits to assist heat networks.

Selection of third-party auditors

- 7.33 We have proposed that audits will generally be undertaken by a qualified independent third party appointed and paid for by Ofgem.
- 7.34 There may be situations where we require a heat network to undertake and fund an audit during a compliance action.
- 7.35 We expect to undertake a tender process for auditors in line with our published approach for procurement and will produce documentation for the procurement process. An auditor will be required to pass a conflict of interests check within the tender process. We will manage any potential conflicts of interest from an auditor who has already been appointed as a consultant for a heat network including through declarations and will look to appoint a panel of auditors that Ofgem can select from.

Technical standards

- 7.36 We expect that audits for technical standards will be undertaken by the Code Manager.
- 7.37 Ofgem proposes to work with the Code Manager who will be responsible for conducting business-as-usual audits.
- 7.38 We expect that during the phase of the early Initial Period Ofgem and the HNTAS will conduct audits. Ofgem will lead on customer service elements of the audit process, while the Code Manager will look at the technical standard elements.

8. Compliance and enforcement

We will adopt a range of compliance approaches informed by our market-wide monitoring and wider intelligence. We are consulting on our proposal to introduce an authorisation condition to be open and cooperative, including placing a duty on heat networks to take action to come into compliance.

We are also outlining where we expect to focus our early oversight activity in particular relating to registration. If we see serious cases of consumer detriment, harm to the market, habitual non-compliance or other poor conduct, we will consider routes for enforcement.

We also propose to introduce 'fixed penalties' as part of our approach. We will provide further details in future consultations on enforcement guidelines and penalties policy.

Consultation Questions

- Q18. Do you agree, partially agree or disagree with the approach outlined for compliance and enforcement will help ensure heat networks meet their obligations, including the proposed authorisation condition placing a duty on heat networks to take action to come into compliance?
- Q19. Do you agree, partially agree or disagree with the proposed areas of initial focus for compliance activity?

Background

- 8.1 In the [2024 government response](#) we set out our proposed approach to compliance, enforcement and penalties, including 'fixed penalties'. Respondents to the consultation were generally in agreement that regulation needed to be backed up by these actions and remedies to ensure that heat networks meet their obligations. Some respondents considered that our approach to compliance needed to take into account the different sizes and business models across the market, including the costs for achieving compliance.

Compliance

- 8.2 In the [2024 government response](#), we indicated that we will use a range of compliance approaches for our regulatory oversight including utilising the data reported by industry, audit findings alongside broader market intelligence, to identify non-compliance. Our compliance interactions will take into account the range and different characteristics in the market to help ensure that heat networks understand their obligations, are able to self-report when non-compliance occurs and take steps to make the improvements required. In line

with this approach we are proposing authorisation conditions covering requirements to be open and cooperative with Ofgem and a duty on heat networks to undertake required actions to come into compliance. We note that there is regulation for some social housing and local authorities and may need to consider where there might be overlaps in our oversight.

- 8.3 We are considering implementing a process for account management to help allow for our oversight and engagement with heat networks. Given the number of heat networks we would not expect a dedicated account manager for each heat network across the market, but would consider how some might be grouped, or how we might interact with wider umbrella or trade groups.
- 8.4 Our initial focus will include actions to ensure heat networks register, assessing declarations made at registration for compliance with authorisation conditions and the accurate and timely submission of data. These will be in line with the introduction of our monitoring and audit processes. We will also consider where we might need to focus compliance activity based on risks, including priorities for consumer protection or particular segments and take action, and where we see cases of high consumer detriment.

Enforcement

- 8.5 Where we need to take action beyond compliance engagement, we may take enforcement action to address areas of significant consumer detriment and poor conduct where there are breaches of authorisation conditions or other rules. In the [2024 government response](#), we described how we expect to utilise the range of enforcement powers and tools including orders, investigations and imposing penalties. We have based this on the existing framework in gas and electricity but have also considered the diverse nature of the heat network market, while looking to ensure that poor conduct is addressed and providing a deterrence. These powers are included in the HNMFR SI and we will further consult on the detail in an Enforcement Guidelines and Penalties policy.
- 8.6 We also propose that where outcomes of compliance and enforcement action leads to redress or penalties, that there will usually be the ability for these to be paid into a voluntary redress fund. We expect to provide further details on this in due course.

Using 'fixed penalties'

- 8.7 We stated in the government response that we are considering introducing 'fixed penalties' as part of our approach to ensuring compliance where there are breaches of lower order 'clear cut' regulatory requirements. For example, this

may include administrative interactions such as ensuring that authorised heat networks provide us with timely and accurate data as part of the regular reporting requirements.

- 8.8 We consider that this type of penalty will help ensure that authorised heat networks view their obligations in these areas seriously and take action within their organisations to be compliant with them (including having adequate resource and effective governance to ensure this).
- 8.9 Our powers for imposing penalties, and the associated process, are contained in HNMFR SI and our approach for issuing 'fixed penalties' would be in line with the framework of these provisions.
- 8.10 We will also consider how this type of penalty is introduced, balancing their use to help achieve compliance with ensuring that they are implemented and used in a proportionate way. For example, the period after the launch will help ensure heat networks understand their obligations and have taken steps within their organisations to meet them. We will also provide guidance and support including for the process for authorisations and definitions for data metrics.
- 8.11 We expect the level of any 'fixed penalty' to be proportionate, taking into account the nature or frequency of breaches and the organisations concerned. We may consider a rising scale for this type of penalty where the same or similar breach continues. Where appropriate, for example where this approach does not deter behaviour, the potential for escalation to more significant enforcement action would remain.
- 8.12 Our approach will be further outlined in our penalties policy for heat networks.

9. Guidance

Section Summary

This section provides a summary of the areas where we intend to provide guidance to regulated entities to support their understanding of their obligations, and how to navigate processes for engaging with us.

This section outlines the guidance we intend to provide on how to use the digital service, registration of a heat network, authorisation, account amendments, monitoring metrics, and the reporting and audit process.

Consultation questions

Q20. Are there other areas related to the topics covered by this consultation that you think we should provide guidance for? Please provide detail.

- 9.1 Ofgem will create guidance for a range of topics related to heat networks regulation to assist regulated entities in meeting the requirements prescribed by regulation. Guidance is expected to be extensive due to the unfamiliarity of regulation within the heat network sector and is likely to evolve over time. We welcome views from stakeholders on the intended topics set out below and seek input on other related guidance topics to ensure we can provide the appropriate level of support. We also understand that different parts of the sector may seek guidance on particular issues and we would like to understand how we can draft guidance to support stakeholder groups.
- 9.2 Ofgem guidance on scope and boundaries will be created to support regulated entities to identify their role and understand what they need to do to be authorised and when and how to engage with us. Detail on obligations associated with the regulated activities of operation and supply will be included.
- 9.3 The proposed single-operator approach (see Single operator proposals, page 17) aims to address the potential for multiple operators on a heat network and ensure a single point of contact. Stakeholder responses will shape our approach to this issue and guidance will be provided to support regulated entities in understanding requirements.
- 9.4 Types of relevant heat network and consumer types will also be covered in guidance to enable regulated entities to understand how authorisation requirements and their regulatory obligations may be shaped in relation to these characteristics.

- 9.5 Guidance for the digital service is expected to be extensive and will include how to access and navigate the service, create an account, register a heat network, apply for authorisation, submit monitoring data, and update information in relation to a registered or authorised heat network. Guidance on the registration and authorisation processes will set out the review stages and cover information and evidence provision, decision making and appealing a decision.
- 9.6 Guidance will be provided for the ongoing obligations that each regulated entity will be required to abide by, following the registration or authorisation of a heat network. Ongoing obligations include authorisation conditions, special and specific conditions, reporting requirements, and consumer protections policies and procedures.
- 9.7 During its lifetime, a heat network is likely to undergo various changes both physically and in regard to personnel. Guidance will inform regulated entities which changes Ofgem should be informed of, when to notify Ofgem of a change, how to notify Ofgem of a change, and how to update the application. Information and evidence requested to support the notification of a change may not be covered in guidance and instead be requested as and when needed.
- 9.8 Monitoring and audit guidance will be used to inform regulated entities on the types of monitoring data Ofgem will request, the frequency of submitting monitoring data, how to submit monitoring data, correcting submitted monitoring data, and the audit process.

10. Glossary

Table 4: Glossary of key terms used in this consultation document.

Term/Acronym	Explanation
Building level	Within a district heat network, the individual building that is connected within that network.
Bulk supply	An operating model where heat is supplied from a district network in bulk to a building by one party and a separate party, usually the building owner then holds the responsibility for in-building network operation and contractual supply to end consumers within the building.
Communal Heat Network	Has the meaning given in the Energy Act 2023 : “a heat network by means of which heating, cooling or hot water is supplied only to a single building divided into separate premises or persons in those premises.”
Consent	Granted by the Scottish Government for the building and operation of a heat network in Scotland.
Digital service	An online tool used by operators and suppliers to register a heat network, apply for authorisation, submit monitoring data and update information with Ofgem.
District Heat Network	Has the meaning given in the Energy Act 2023 : “a heat network by means of which heating, cooling or hot water is supplied to two or more buildings or persons in those buildings.”
Existing Heat Network	A heat network that was commissioned and operational before the start date of the heat network regulation Initial Period.
Heat Network	<p>A heat network enables the transfer of thermal energy by distributing a liquid or a gas for the purpose of supplying heating, cooling or hot water to a building or persons in that building.</p> <p>We consider that a relevant heat network generally consists of an energy centre or connection to a thermal energy source such as an upstream network, distribution pipework, heat meters and consumer HIUs</p>
Heat network Operator	The person/organisation who owns the assets or has significant control over network infrastructure. The operator can invest, repair, maintain and operate the heat network.
Heat network Supplier	The person/organisation who holds a heat supply contract (or equivalent) with heat network consumers for the supply of heat.
Heat Network Technical Assurance Scheme (HNTAS)	A scheme being introduced to help heat network operators demonstrate compliance with regulatory technical requirements.
Heat Interface Unit (HIU)	A Heat Interface Unit is a device used in heat networks to facilitate the transfer of heat, cooling, or hot water from the heat network into a customer’s premise.

HNMFR SI	Heat Network (Market Framework) Regulations Statutory Instrument.
Industrial heat network	A heat network where the supply of heat is solely for industrial purposes.
Initial period	A transitional period which allows industry to prepare for regulations and the phasing in of consumer protection requirements.
Licence	A licence is required for those supplying thermal energy on a heat network in Scotland.
Microbusiness	A microbusiness will be defined as a business that meets either of the following two criteria: (1) it consumes less than 247,000 kWh of heat per year; or (2) it has less than 10 full-time employees or an annual turnover of less than £2 million.
New heat network	A heat network that was commissioned and operational on or after the start date of the heat network regulation Initial Period.
Out of scope heat network	Any heat network that does not fall within the definition of a 'relevant' heat network or is exempt from regulation. This includes single houses in multiple occupation (HMOs) where heating is supplied through a shared heating system as well as building conversions where a property is divided to create two new properties within a shared building and heating capacity is below the threshold specified in regulations.
Relevant heat network	A heat network which is deemed to require regulation of operation and supply activities and will seek authorisation from Ofgem following the development of a new heat network. The Energy Act 2023 defines a "relevant heat network" as (a) a district heat network, or (b) a communal heat network.
Self-supply	Heat networks that serve more than one building but supply thermal energy only to a single business/organisation that occupies the building(s) which is also the network operator/supplier.
Shared ground loop	Where two or more properties are heated by individual ground source heat pumps connected to it.
Step-in	Arrangements focussing on ensuring continued supply to consumers in the event of financial failure of a heat network.
Transitional Arrangements	Transitional arrangements will apply to existing relevant heat network operators and suppliers.
Vulnerable consumer(s)	Individuals who are deemed more at risk of detriment due to their personal circumstances or situation.

Appendix 1 Draft Authorisation Conditions

We are seeking views on whether the draft authorisation conditions reflect the policy intent of our policy proposals. In this appendix, we have included the draft authorisation conditions which are most relevant to this document. Other draft authorisation conditions, and the associated definitions, can be found in the 2024 consumer protection consultation.

As these are initial drafts, it is likely we will need to further develop the conditions and engage further on the structure of the authorisation conditions.

The draft authorisation condition in this appendix does not reflect all the obligations that will form part of the regulatory framework. We intend to consult on further authorisation conditions following responses to this consultation, including draft authorisation conditions in respect to our step-in proposals.

The condition in this appendix contains a short summary above the relevant terms, detailing the intended objectives of the condition. The draft condition number is only for reference in this document, the order and numbering of the conditions will be finalised as they are further developed.

Condition Title: Registration

Condition Number: [1]

Introduction to condition

This condition contains registration requirements for authorised persons who are carrying on a regulated activity during the first part of the initial period and are therefore deemed authorised under the Regulations.

Proposed text of condition

Information to be provided to the Regulator in relation to deemed authorisations

- 1.1 Before the end of the first part of the initial period, the authorised person must provide the Authority with information regarding their relevant heat networks, the regulated activities, the persons by whom the regulated activities are carried on and their consumers.
- 1.2 In complying with paragraph 1.1, the authorised person must provide the information in the form and manner specified by the Authority having regard to guidance issued by the Authority, as such guidance may be revised from time-to-time.
- 1.3 The information referred to in paragraph 1.1 will include, but is not limited to, details regarding the type and location of the heat networks and details to demonstrate compliance with the general authorisation conditions.

Appendix 2 Heat network record of authorisation

This document has been included for informational purposes to show how the regulator will record details of authorised activity and the persons and heat networks that authorisation pertains to. The Regulations and other authorisation conditions set out the circumstances under which the Heat Network Authorisation may be modified or revoked.

[•] has been used to indicate information relating to the authorised person that will be added during drafting of a record of authorisation.

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- 1.1 This heat network authorisation relates to [•] (a company registered in [England and Wales][Scotland] under company registration number [•]) ('the authorised person') whose registered office is situated at [•] to carry on the regulated activity or regulated activities specified in Schedule 1 and the relevant heat network(s) specified in Schedule 1.
 - 1.2 This heat network authorisation should be read together with:
 - 1.2.1 the [applicable general authorisation condition] determined and published by the Authority pursuant to regulation 18 of the Regulations; and
 - 1.2.2 any specific authorisation conditions determined and sent to the authorised person pursuant to regulation 19 of the Regulations, as may be modified in accordance with the provisions of the Regulations [and the authorisation conditions].
 - 1.3 This heat network authorisation is subject to transfer or modification in accordance with the provisions of the Regulations.
 - 1.4 This heat network authorisation shall remain in force except to the extent that it is modified or revoked (in whole or in part) or otherwise ceases to have effect in accordance with the provisions of the Regulations and/or the authorisation conditions.

Authorisation Schedule 1 – Specified heat networks and activities

- 1 The Specified Heat Networks are such relevant heat network(s) as set out in column A of the table in paragraph [2] of this Schedule.
- 2 The Specified Activities are such regulated activities as set out in column B of the table in paragraph [2] of this Schedule in relation to the relevant heat network set out in column A in the same row of such table.
- 3 The relevant heat networks and regulated activities referred to in paragraphs [1] and [2] are as follows [this table has been populated for indicative purposes only]:

Column A: relevant heat network	Column B: regulated activity
The communal heat network relating to [Insert address of building]	(a) operating the relevant heat network (b) supplying heating, cooling or hot water to heat network consumers by means of the relevant heat network. [Delete (a) or (b) as appropriate]
The communal heat network relating to [Insert address of building]	(a) operating the relevant heat network (b) supplying heating, cooling or hot water to heat network consumers by means of the relevant heat network. [Delete (a) or (b) as appropriate]
The district heat network located [at/in] [address/geographic description]	(a) operating the relevant heat network (b) supplying heating, cooling or hot water to heat network consumers by means of the relevant heat network. [Delete (a) or (b) as appropriate]