

Heat Networks Regulation
Fair Pricing Protections Consultation
Joint Response from the National Housing Federation,
the Chartered Institute of Housing and The Heat Network
July 2025

The National Housing Federation (NHF), Chartered Institute of Housing (CIH) and The Heat Network (THN) have been working together for the last six months to bring together a unified voice for the social housing sector in heat network regulation development. As part of this, we co-founded the Social Housing Heat Network Regulation Task Group, a forum for solution-driven policy discussions which both Ofgem and DESNZ are invited to attend. This response to the Fair Pricing Consultation is a joint response from all three organisations.

[The National Housing Federation](#) is the voice of England's housing associations, which are not-for-profit social landlords providing affordable housing for people on low incomes. The English Housing Survey shows at least 150,000 housing association homes are supplied with heat and hot water through primarily communal heat networks. Housing associations also provide 75% of the country's rented supported and retirement homes, many of which operate communal heating systems.

[The Chartered Institute of Housing](#) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals and their organisations with the advice, support, and knowledge they need. CIH is a registered charity and not-for-profit organisation. We have a diverse membership of people who work in both the public and private sectors, in twenty countries on five continents across the world.

[The Heat Network](#) is a peer group of social housing providers who meet to discuss and share good practice about district and communal heating. We bring together our own communal heat experiences and share the lessons we've learnt with colleagues across the sector. We have 41 housing association and local authority members who directly manage around over 125,000 homes on over 3,000 networks – around 25% of the UK total – and are responsible for many others on third party heat networks (eg ESCOs and s106 schemes). As well as NHG and CIH, we are also supported by the Local Government Association, the National Housing Maintenance Forum and Community Housing Cymru.

As organisations representing a purpose driven sector whose central mission is the provision of warm, safe, and affordable homes, we strongly welcome and support the need for fair pricing. However, the step-change that will be required to meet the new regulations and shift to the obligations of an energy company is not to be underestimated. It is vital for the new framework to be proportionate and flexible to meet the needs of consumers in different circumstances.

The diversity of the heat network market is mirrored in the complexity of the Regulation proposals. Heat networks are only a small part of what housing providers do: on average they make up 5-10% of a wider housing portfolio. Only a very small number of larger housing providers have dedicated internal resource to manage their heat networks, and at present the sector has multiple additional priorities around decarbonisation, building and fire safety, repairs and maintenance, and the construction of new social homes.

The Fair Pricing Protections will add further risk and complexity to the regulation of the sector, as well as additional demand on its capacity and resources. Importantly, we see several risks that, unaddressed, could result in poor outcomes for customers and heat network suppliers, especially:

- Current poor evidence base, making the principal aim of regulation to protect consumers difficult to achieve. There is an almost complete lack of data and evidence on current heat network pricing. It is essential that this data and evidence is available before pricing principles are developed and enacted: without this evidence, it is unclear if consumers are being unfairly billed. Given the complexity of the market, we call for a minimum of two years' evidence from the majority of heat network providers to be gathered to develop the policy. In the absence of any sector data and evidence it is not possible to use principles - to develop meaningful benchmarks to assess affordability or cost reflectivity.
- The risk of cost increases for consumers: with the introduction of individual metering, new requirements for consumer protection, cost reflectivity and debt management, and the substantial costs for HNTAS combined with the not-for-profit (and in many cases loss-making) nature of heat networks in social housing, consumers are likely to see significant price increases.
- The absence of a definition of 'fair' and 'not disproportionate': while definitions are difficult in a diverse market, there is a risk that they will become de facto defined by Citizens Advice, the Energy and Housing Ombudsmen, and eventually the courts. There needs to be absolute clarity on 'fair to who'. For example, any fines/penalties for the social housing sector will be paid for by others (eg other residents' rent) or have unintended consequences for other areas of activity in the sector, including the construction of new homes and building remediation. Heat networks in the social housing sector do not operate in a vacuum: they are part of a bigger, interdependent system.
- We also still need a definition of 'not for profit' and 'small heat network'. Such definitions are essential for compliance requirements to be fair. It is also clear from this and previous consultations that a lot of compliance requirements hang on these definitions. The sector needs clarity now in order to prepare for January 2026.

- Benchmarking and how prices are communicated to customers are important but complicated. They should also reflect the preferences of residents meaning that an overly prescriptive set of requirements is not appropriate. Heat is not a commodity like the buying and selling of gas or electricity and residents may feel that communication that tries to explain efficiencies, cost allocation, profitability, benchmarking and investment, is not meaningful. Requirements around communications should be outcome focussed and the framework should recognise the diversity of networks as well as residents, including those in supported or retirement housing.
- Affordability should absolutely be a central plank to fair pricing, but what happens when a 'fair and proportionate' price is not affordable for households in or at-risk of fuel poverty, or who have additional health-related needs for heat, such as someone living with a terminal illness or young children in the home? Alongside regulation on price, DESNZ and Ofgem should give consideration to how existing fuel poverty support schemes can better support heat network customers. There is also a real risk that prices will increase in the short term as social housing providers address the under-recovery of costs to date and begin to think more strategically about what can be included in their tariffs. Given how vital heat networks are for our net zero targets, it is crucial that coordinated policy is developed to support customers to access heat and hot water affordably.
- Interaction with existing legal obligations and rights under landlord and tenant legislation and the regulation of social housing. There are a range of regulatory and legal protections that relate to contractual agreements between landlords, tenants and leaseholders including those covering service charges. The regulatory framework for heat networks should not seek to duplicate these. For social housing residents, the [social housing Rent Standard](#) sets out that service charges should be 'reasonable and transparent' and providers should 'endeavour to keep increases ... within the limit on rent changes'. For variable service charges there are a number of legal protections, as set out in the 1985 Landlord and Tenant Act. Charges must be 'reasonable' and the landlord must provide a written summary of verified costs on request. The resident can go to the First Tier Tribunal for a determination that services, works and/or costs are reasonable. The 2024 Leasehold Reform Act strengthens the rights of tenants and leaseholders, including new requirements for transparency around costs, as set out in the [current consultation](#).
- Data is absolutely critical to the success of the fair pricing mechanism. We acknowledge Ofgem wanting to minimise the administrative burden of reporting, but it would be helpful to understand more details on how all the different data – across both consumer protection and the technical standards – can be joined up and information already collected by regulated providers will be used. Housing providers only want to submit data once.

The complexity of the fair pricing principles, the lack of evidence or definition of principles such as 'fair' means it will be very challenging for consumers or consumer advocates to understand heat supply costs. Before these regulations are finalised, we propose the following:

1. Ofgem takes two years to gather data on pricing rather than one to develop an effective baseline to work from, otherwise they are trying to assess 'fair and not disproportionate' without knowing what this is.
2. Further research is carried out to understand the impacts of price reflectivity and investment, given that in the majority of cases schemes are not charging full costs, sinking funds will not cover upgraded technical requirements and to account for the interplay with the Landlord and Tenant Act 1985 and the Leasehold Reform Act 2024.
3. After the above is completed, the next strand of work should consider how to create a more reasonable and effective definition of 'fair' that consumers understand and that social landlords could work towards. This should include:
 - a. Creation of key price bands for example size, age, efficiency, technology)
 - b. Putting in place a simplified segmentation model (profit/non-profit, supported housing/retirement housing/general needs and size of portfolio/size of housing provider)
4. In return in the interim, social housing providers will work to improve transparency on costs and towards the main fair pricing principles whilst the data and definitions of fair and proportionate are developed. The Regulator of Social Housing sets out requirements that landlords must deliver on 'being open with tenants and treating them with fairness and respect so that tenants can access services, raise complaints, influence decision making and hold their landlord to account'. In striving to meet this standard the social housing sector can learn from the Citizens Advice data and caseload alongside complaints to the Energy and Housing Ombudsman services.

This phased approach to the work will allow detailed and meaningful engagement with the social housing sector with the overall objective of improving outcomes for residents with homes on a heat network.

To discuss our consultation response further please contact:

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Consultation Questions

Fair pricing framework

1. Have we identified the right set of fair pricing consumer objective, principles and outcomes and are these properly defined? If you disagree with this proposal, please specify what changes you would like to see and provide a justification.
2. Do you agree with our proposals to develop the fair pricing guidance in relation to the principles? In particular:
 - a) have we identified the right areas to be covered by the guidance implementing the fair pricing principles? If you disagree with this proposal or think other areas should also be included, please specify what changes you would like to see and provide a justification.
 - b) Do you agree with the specific proposals to develop each of these areas in guidance? If you disagree, please specify what changes you would like to see and provide a justification.

We broadly agree with the fair pricing objectives.

However, we see the absence of a definition of 'fair' and 'not disproportionate' as a risk. We acknowledge that definitions are difficult in a diverse market but there is a risk that they will become de facto defined by Citizens Advice, the Energy and Housing Ombudsmen, and eventually the courts. It would be helpful for Ofgem to set out the parameters of a definition which reflect the need for flexibility as well as an understanding of the range of existing legal and contractual agreements that exist between the consumers and landlords.

While we agree with the Fair Pricing Principles, we do see some potential unintended consequences and risks that need recognition and mitigation:

- a) Cost reflective pricing: could lead to sharp increases in costs on some heat networks where costs have previously been unknowingly under-recovered. One of our housing association members explains:

"Being able to recover costs after years of under-recovering means that we can sustain the service for our heating network apparatus for servicing the HIUs and heat meters for residential properties as well as the safety checks on our plant room condensing boilers [but it] is being challenged by our residents that have seen an increase in our tariffs for our HNMB contracted agents. We have to reiterate to the residents why we did this and how we do not profit from this as we are a not-for-profit organisation..."

Cost-reflective pricing, cost efficiency and regulatory control are fine, but they contradict "fair returns" and affordability as us recovering the costs to maintain the service of the heat network. [It] has left residents feeling as if we are putting them in a financial burden which is not the case. We froze the tariff adjustments for a number of years as we were in an

energy and cost of living crisis and as a housing association we wanted to support our residents to the best of their ability."

Another housing association member adds:

"We welcome further guidance... on what district heat networks can pass onto those HA's using [their] heat as it's currently open to unfair charging and profit making for the district [heat network] which should not be the purpose of such schemes."

- b) Cost efficiency: this needs to be clearly linked to HNTAS. More work needs to be done on energy procurement in the social housing sector to ensure best prices are being secured whilst working alongside leaseholder consultation requirements (Section 20 of the Landlord & Tenant Act). Housing providers often only procure their energy for 12 months to avoid the need for consultation (given that energy purchasing decisions often have to be made quickly to get the best price), which means they can pay more for energy than if they secured a longer-term contract. Conversely, some social housing providers were locked into high long-term contracts during the gas price crisis. This should be taken into account when price comparisons take place.
- c) Fair and reasonable returns: the principle that prices can include some level of profit needs to be weighed with obligations under the Landlord & Tenant Act 1985, and clear guidance given to the social housing sector. It is difficult to respond to this question without a clearer definition of 'not for profit' covering both the network and status of the provider.
- d) Affordability: we particularly welcome this principle to help protect customers from fuel poverty. However, what happens when a 'fair and proportionate' price is not affordable for households in or at-risk of fuel poverty, or who have additional health-related needs for heat, such as where someone in the households is terminally ill or there are young children in the home? DESNZ and Ofgem need to give more consideration to how existing fuel poverty support schemes can better support heat network customers. Other funding levers could also be used to make heat networks more efficient – such as the Energy Company Obligation – which in turn would help to reduce prices.

Flexibility on cross-subsidisation would be welcomed, both in terms of 'pooled' tariffs across a heat network portfolio, and where prices are effectively subsidised through general rental incomes.

Guidance is strongly welcomed. Many in the social housing sector are looking for a 'how to' guide to heat network compliance.

- 3. Do you agree with the proposed 'fairness test'? In particular:
 - a) Do you agree with the high-level features of the fairness test (principle based, reasonableness, case-by-case basis, and objectivity)?
 - b) Do you agree with our proposals to implement the fairness test discussed in Appendix 1: Fairness test?

As outlined in Q1, we see the absence of a definition of 'fair' and 'not disproportionate' as a risk, with them becoming de facto defined by Citizens Advice, the Energy and Housing Ombudsmen, and eventually the courts. The 'case-by-case' principle could also result in lots of cases, administration and cost. It would be helpful for the guidance to set out how Ofgem will apply this test in the context of a risk based and outcome focussed framework with resources concentrated on customers most at risk of exploitative pricing.

Without a definition of 'fair', data will be absolutely critical. Given the lack of any meaningful baseline data, we think at least 2 years of data is required before Ofgem can meaningfully make market comparisons. Taking each investigation on a case-by-case basis will be essential: the prices paid by customers are going to hide a multitude of heat network-specific circumstances.

Market segmentation

5. In relation to market segmentation:

- a) Have we identified the right characteristics for market segmentation, and are these correctly defined?
- b) Do you agree with the segmentation approach discussed for each of these characteristics?

'Segmentation' does not best describe the complex matrix of characteristics that any one heat network will identify with, as outlined in the consultation. Heat networks will be multi-segmented: two 50-dwelling communal heat networks both built in 1995 will be segmented the same for size and age, but perhaps differently for metering or tenure. More needs to be done to explain / illustrate these interconnections, perhaps with interactive flow charts or similar user-friendly tools.

Critically, there is no definition of 'not for profit' yet and much of the compliance pathway depends on this, especially give the not-for-profit nature of the social housing sector. For example, does it apply to the heat network operator/supplier or to the heat network? What happens if a for-profit organisation operates a not-for-profit heat network – or vice versa?

It is also important to develop and consult on an appropriate definition of 'small' heat network operator/supplier and what that might mean. For example, does it mean a small organisation or a small heat network portfolio? A housing association with 20,000 homes might only have 2 communal heating schemes, or a housing association with 800 homes could have 20. A small housing association providing retirement housing could have a relatively large number of small networks. Clarity is also required so that organisations can prepare.

In the housing sector, housing associations with fewer than 1000 homes have reporting requirements to the Regulator of Social Housing that are more proportionate to their size. Ofgem should consider this when finalising their definition of 'small'

Data requirements

6. Of the information listed, what do heat networks already regularly collect and can be easily reported?
7. Of the information listed, which items would be more challenging for heat networks to report?
8. Of the cost drivers listed, which items would be more challenging for heat networks to report?
9. Should certain types of heat networks have more limited data reporting requirements? If so, which heat networks should these reduced requirements apply to, and what data should they be exempt from reporting

The costs of collecting data should be minimised for providers as these costs could be passed onto consumers. The frequency and detail of data requirements should be proportionate to the size of network and organisation in line with principle of a risk based and outcome focussed approach. Rather than imposing a complicated set of data return requirements from the start, Ofgem should consider prioritising key data alongside maximising the use of data already collected for other purposes (for example National Register of Social Housing (NROSH) returns for registered providers of social housing).

- Unmetered heat networks – some of which may never be metered (HNTAS consultation pending) – will struggle to provide some of this data (eg annual network demand) and so a reduced data set should be required in those circumstances.
- Some of the cost drivers housing providers won't know – eg network length. Clarity is required as to whether the age of the heat network refers to the original building age or the age of the boiler (or equivalent).
- Some of the data reporting will overlap with HNTAS: a mechanism should be put in place so the data is only reported once.

As a general point on data, in many cases it will not be included in existing KPIs with contractors (metering & billing, repairs & maintenance) so could take time to put in place: these contracts are typically 5-10 years.

Cost Allocation

10. Do you agree with our prescriptive rules that GSOP payments, compensations, fines, penalties and other redress provided to consumers should not be passed through to customers?

We are still waiting to hear the position on GSOP payments for not-for-profit heat networks (expected in the Government response to the Consumer Protection Consultation). While we agree with the intention of not passing these costs through to customers (they shouldn't have to pay for heat network operator/supplier breaches of compliance), we are struggling to understand where these costs would come from in a not-for-profit set up. If they come from other income streams (for example rent) it in effect means the fines are being socialised across an entire

customer base, but it is still customers that will be paying. There will also be unintended consequences on budgets for development programmes, building safety, tackling damp, mould, and condensation, and wider decarbonisation.

11. Do you agree with the draft best practice guidance provided? Should anything be added? Should any of the best practice guidance be strengthened to prescriptive rules?

Many in the housing sector are looking for as much clarity as possible on how tariffs could be structured and what could be in/out. While we agree Ofgem should not limit tariff arrangements in a diverse market, some standard examples would be useful to use as a clear reference point.

12. Do you think the best practice approach to cost allocation should differ for different types of heat networks / suppliers? If so, for which types and how?
13. Does the authorisation condition, 'cost allocation', reflect the policy intent?
14. What other feedback do you have on the proposed approach to cost allocation?

We agree that it is important for cost allocation best practice to reflect different approaches to recovering costs and existing legal and contractual arrangements. It should also reflect the diversity of buildings with networks including specialist supported or older people's housing where costs are apportioned between communal areas and self-contained flats.

Price Comparison and Benchmarking Methods

15. Do you agree with our proposed approach for defining heat network prices in a comparable way? Are there any other ways to define price that we should consider?
16. Do you agree with our proposal to use gas boilers and heat pumps as external reference benchmarks?
17. Do you agree with the proposed method for calculating a heat pump benchmark, including the key input parameters outlined? Are there any additional factors that should be considered to ensure a robust heat pump benchmark?
18. Do you agree with the proposed approach to comparator benchmarking, and our list of potential cost drivers? Are there any relevant cost drivers that we haven't considered?

We know that benchmarking will be an important part of the way that Ofgem regulates the market, given its scope and diversity. Progressing with the three proposed benchmarking methodologies seems sensible. These can be reviewed as Ofgem's data set grows.

19. What is your view on the ease with which data could be reported on the four 'High Importance' cost drivers? What information do heat network operators and suppliers already collect, and what would be challenging to provide?
20. What is your view on the ease with which data could be reported on the remaining 'Medium Importance' cost drivers? What information do heat network operators and suppliers already collect, and what would be challenging to provide?

Most of the high importance cost drivers (technology & fuel type, fuel input price, annual network demand) can be easily provided for metered heat networks: unmetered heat networks will not be able to provide annual network demand, and it is unlikely that information on network pipe length will be available. Data should be provided once and shared with HNTAS.

Of the medium importance cost drivers, annual network generation, utility supplied and metered/unmetered would be easy to provide. Of the others:

- Explanations would be required of what 3rd / 4th / 5th generation heat networks are: this is not commonly known amongst housing providers
- Network age: as above, clarity would be required to confirm what is being assessed (the buildings or different parts of the plant)
- Type of heat network (communal/district): we are aware of arguments being put forward that small district / campus schemes (eg where 2 or 3 adjacent buildings share a plant room and have the same heat network operator/supplier) should be classified as communal. We would support this definition.

21. What is your view on our proposal to publish a high-level methodology for each benchmark (once data is collected and methods have been tested), to provide an accessible overview of the approach?

Visibility of Ofgem's methodologies in an easy-to-understand format is important to engender trust in the benchmarking, especially as it will be so central to the fair pricing test and any subsequent investigations.

Profitability Analysis

23. Do you agree with the proposal for ongoing monitoring of profitability through data collection on EBIT margins for all heat networks?
24. How challenging would it be for heat network operators and suppliers to provide the data outlined for calculating EBIT margins? What barriers, if any, might affect the accuracy and completeness of the data?
25. As data collection improves, do you agree that more in-depth profitability assessments, for example using Return on Capital Employed (ROCE), should be conducted for networks identified as outliers through benchmarking?
26. Do you have any other feedback on the proposed approach to profitability assessment?

As not-for-profit organisations we don't have views on this section of the consultation, other than to query:

- Whether some of the EBIT data might be collected from NFP heat networks anyway, even though the profitability analysis would not be applied.
- If profitability would be measured at the organisation or heat network level (or both): knowing if each of your heat networks are operating at a surplus or a loss would be good internal management practice. As mentioned above, a clear definition of 'not for profit' is urgently needed.

Central Price Transparency

27. What are your views on the three options? Please comment on each option in terms of the price information to be centrally published, how the price information is presented and what prices are compared to.
28. Do you think the options have the right balance between providing a good level of transparency, burden on consumers to interpret the information, risks of misinterpretation by consumers, disclosure of commercially sensitive information, and risk of price convergence?
29. Do you support focusing on one option or a combination of options?
30. Do you support the phasing in of options?

Having attended the Ofgem workshop on Central Price Transparency, we know what a complex area this is. We do not have the expertise to comment on the proposed methodologies but strongly agree that any solution (or solutions combined) need to be as simple and clear for customers to understand as possible. Anything that needs further guidance to interpret at a headline level is likely to fail these tests.

We know that many social housing providers are unknowingly under-recovering their heat network costs: this could skew the data. There will also be considerable differences between prices charge by profit and not-for-profit heat networks which will also need contextualising for consumers.

31. Do you support the adoption of different options for different heat network groups?

Paragraph 6.71 states "For example, a not-for-profit communal heat network might face fewer reporting requirements and a simplified option like market average and price ranges might be appropriate." We support this approach but again, we urgently need a definition of not-for-profit.

32. Do you agree that central price transparency measures are unlikely to put additional administrative burden on heat networks in addition to data reporting for benchmarking? Do you have concerns on the administrative burden from any options?

It appears that most of the information required for central price transparency is already being collected elsewhere and so would serve a dual purpose (and reduce

the administrative burden). HNTAS data should also be used (without providers having to submit everything twice).

33. Do you think it is appropriate to link central price transparency with benchmarking?

We see these as intrinsically linked.

Price Investigations

34. Do you agree with the approach to price investigations set out so far? Please provide reasons and views to support your response.

The high-level approach to price investigations laid out so far seem reasonable. We look forward to further details in due course.