

Heat Networks Regulation
Authorisation conditions and guidance on measures to mitigate the risk
and impact of financial failure

Joint Response from the National Housing Federation,
the Chartered Institute of Housing and The Heat Network

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The National Housing Federation (NHF), Chartered Institute of Housing (CIH) and The Heat Network (THN) have been working together for the last nine 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 'Mitigating risk and impact of financial failure' 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.

To discuss our consultation response further please contact:

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Our Response

We welcome Ofgem's recognition of the existing regulatory obligations on both housing associations and local authorities with regard to financial failure, and that adding additional requirements through the heat network regulations would be unnecessarily burdensome.

Given therefore that Private Registered Providers and local authorities are largely excluded from the Authorisation Conditions in this consultation, we have only have a response to question 4:

Q4. Do you agree that our financial resilience provisions should apply where registered providers are using separate entities to carry out regulated heat network activity? This can include subsidiaries that are not regulated by a social housing regulator, like energy supply companies or special purpose vehicles.

We agree that where this scenario is in place (where the HA/LA is the operator but another party is the supplier), registered providers should 'step in' to ensure a continuity of supply to their customers, either themselves or by appointing another third party. It is our understanding that this would just be dealt with 'in the moment' and that no other preparation would be required (eg continuity plans). HAs/LAs already have obligations under the housing regulation, as well as landlord and tenant legislation, to guarantee the provision of heat and hot water for which there will already be risk assessments and contingency plans, and so these heat network regulation requirements would align with that.

We do have some concerns about the cost of having to 'step in', especially when registered providers are not-for-profit. We know there's not a pot of money for this to be claimed against and that Ofgem would expect this to be resolved through commercial arrangements. However, rather than pushing customers into fuel poverty should costs be high, it is quite likely that registered providers would feel the need to absorb some of the costs from other budgets.

There could also be a scenario where the registered provider has no other heat network supplier experience, meaning they would have to meet all heat network supplier obligations from scratch which would take time. We concede that in this situation, it is more likely they'd appoint another 3rd party rather than step in themselves, but they'd need considerable support from Ofgem if they were to take on the role themselves.

It should also be noted that where the heat network is operated or supplied by a subsidiary within the Registered Provider then this would be subject to the same internal financial controls and external audits as other parts of the business. The financial results of Registered Providers are scrutinised by the regulator as part of the economic standards that seek to ensure organisations remain stable and viable.

Other issues

Through our conversations with Ofgem and members a few other topics have arisen that we'd like to share:

- Where registered providers have s106 properties on a heat network (and the registered provider is neither the operator nor the supplier), they would still be obliged to 'step in' to provide emergency heating should the supply fail.
- The key in any situation with a strong risk of insolvency is for it to be managed and not get to crisis point and sudden failure. HAs/LAs are strong on continuity planning, want to ensure good outcomes for their customers and would welcome dialogue and engagement were a heat network to be at risk.
- We have also offered to Ofgem that we will ask our members if:
 - They have any heat networks with a separate SPV in place
 - They have any heat networks with a separate supplier in place