



Heat networks regulation: authorisation and regulatory oversight Response from The Heat Network, January 2025

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

We currently have 40 housing association and local authority members, as well as support from the National Housing Federation (NHF), the Chartered Institute of Housing (CIH), the Local Government Association (LGA) and the National Housing Maintenance Forum (NHMF). Collectively, we 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). Our response to the consultation questions is below, however our key points are:

- **As housing providers with social objectives, we strongly welcome and support the principles of consumer protection.** As housing providers with social objectives, we strongly welcome and support the principles of consumer protection. However, this must be balanced against the fact that we are not for profit and costs for regulation ultimately fall upon customers. Investment has to be carefully considered and balanced against multiple regulatory demands building safety and damp/mould/condensation. **The introduction of heat network regulation must be realistic in order for us for it to be successful and deliver what is needed - affordable, reliable and low cost heating and hot water.**
- **Social housing is already regulated by the Regulator for Social Housing.** It is critical that the heat network regulations compliment the ways in which we are already evidencing consumer protection and not create unnecessary administrative costs. Existing social housing compliance must be leveraged as where possible: duplicated requirements will result in poor outcomes for the sector and for customers. **Ofgem's approach must be proportionate.**
- **The social housing sector (housing associations and local authorities) manages around two-thirds of all heat networks in the UK.** The sector is having to manage schemes that have been poorly designed, developed and commissioned, and that deliver poor efficiency and reliability. It is critical that the reality of heat networks is taken fully into account as regulation is developed to make sure it works for the end consumer and does not lead to higher costs. **We welcome all opportunities to engage directly with DESNZ and Ofgem to support this.**
- **Awareness of the regulations is still low in the housing sector but those who are engaged are now developing their plans for regulation.** We would strongly support the development of compliance plans for each housing provider. These would give Ofgem the assurance that regulation would be met while reflecting the individual circumstances of each housing provider in terms of their legacy stock, customers and available resources.
- **More needs to be done to reach the 'hard to reach' heat network operators and suppliers in a structured, strategic and meaningful way.** We welcome the guidance that Ofgem will be publishing over the next year to support the regulatory transition. Whilst most housing providers are both willing and able to deliver consumer protection there are significant concerns about the lack of transparency and development of the Heat Network Technical Standards. **What little is known about HNTAS indicates that it will add significant costs, is hugely complex and make heat networks more expensive for customers. This will also undermine the long-term aim of making heat networks a key tool for the delivery of net zero by 2050.**

We would welcome the opportunity to discuss our submission in more detail. Please contact Rachael Mills, The Heat Network Secretariat at rachael.mills@se-2.co.uk for more information.

Scope of authorisation

1. Do you agree, partially agree, or disagree with our proposed operator-led approach to heat network authorisation? Please explain your answer.
2. 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?
3. 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.
4. 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?
5. 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.

We broadly agree with the approach to authorisation and understand that Ofgem needs to find ways to streamline the way it engages with regulated entities. However, we would raise the following points:

- There can be complexities around the split between operators and suppliers and a multitude of different roles/responsibilities delineations when it comes to the properties we own on heat networks managed by third parties (eg s106 schemes run by ESCOs or managing agents). Some of these are bulk billed - but not all.

As the simplified diagram below shows, the different permutations for roles and responsibilities within s106 schemes are significant. On the one hand, the owner could own the building and the landlord responsible for everything else, and on the other extreme the landlord could be responsible for nothing. Within this, there's even more complication when you consider the different customer/end-user types (affordable rent, general needs tenants, leaseholders, shared ownership) and that managing agents are also sometimes involved. In each scenario there are potentially different responsibilities, costs and lines of communication. There needs to be absolute clarity on who is responsible for what when the heat network regulations come into force in order to avoid customers in need falling through the gaps.

Headline s106 communal heating ownership/responsibility options					
Flat/tertiary	Customer/ Landlord	Customer/ Landlord	Customer/ Landlord	Customer/ Landlord	Customer/ Owner/ESCo
Meters	Customer/ Landlord	Customer/ Landlord	Customer/ Landlord	Owner/ESCo	Owner/ESCo
HIU	Customer/ Landlord	Customer/ Landlord	Customer/ Landlord	Owner/ESCo	Owner/ESCo
Pipes	Landlord	Landlord	Owner/ESCo	Owner/ESCo	Owner/ESCo
Plant	Landlord	Owner/ESCo	Owner/ESCo	Owner/ESCo	Owner/ESCo
Building	Owner	Owner	Owner	Owner	Owner
	↓	→			↓
	Owner owns building only. All other roles/responsibilities sit with landlord (or customer)				Landlord has no responsibility
Landlord could also be bulk billed in these options, or owner/ESCo can directly bill the end customer					

We also have low confidence in some managing agents being aware of their responsibilities under the new Regulations and trust that Ofgem has an engagement plan in place. This could lead, for example, to unforeseen difficulties in nominating a single point of contact.

- Market segmentation (para 2.5): We agree with an approach that will shape regulatory obligations according to heat network characteristics but require further information on the definitions that will be used (eg large, small and not-for-profit). Any segmentation approach needs to work effectively for consumers and organisations.

For housing associations, the definitions of a small organisation should mirror that used by the Regulator of Social Housing. In the social housing sector, providers with less than 1000 homes are generally classified as small, and are subject to different regulatory arrangements that are more proportionate to their size. They are also exempt from some audit requirements, and one provider we have engaged with has suggested this approach should be mirrored in the heat network sector.

Further consideration should also be given to other very small landlords with one of two networks, and to supported and older persons housing.

Registration and Authorisation Application

6. 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.
7. Do you agree, partially agree, or disagree with proposals for the process of Registration? Please explain your answer.
8. Do you agree, partially agree, or disagree with proposals for the process of Authorisation Application? Please explain your answer.

We broadly agree with the Registration and Authorisation Application processes outlined in the consultation. We have a lot of the information required already, but not necessarily all in one place as heat networks but across multiple teams with housing associations and local authorities. The sooner more detail can be published about Ofgem's digital platform, the types of information that will be required and how it will be uploaded, the more time we will have to prepare. For example will 'confirmation' just be a declaration or will evidence be required (and if it will, what format will that need to take)? And what level of seniority will be required to make any declarations (eg for EBDS a Director sign off was required)?

We acknowledge that there are some areas where Ofgem still needs to publish further thinking for the processes involved, for example statutory timescales for processing applications. This will be critical for us to build into heat network development planning.

Making changes to a heat network authorisation

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

We broadly agree with these proposals.

Monitoring

12. Do you agree, partially agree or disagree with the proposed monitoring metrics and the level at which they will be reported?

13. Do you agree, partially agree or disagree with the proposed reporting frequencies outlined? If not, how should they differ for segments of the market?

14. Do you agree, partially agree or disagree with the overall approach for implementing the monitoring framework? Please explain your answer.

We are pleased that Ofgem is listening to feedback regarding the segmentation of the heat network market when it comes to financial limitation, data, resourcing and reporting. We also welcome the way the digital platform will be set up enable us to delegate third parties to undertake some of the reporting on our behalf.

Social housing is already regulated by the Regulator for Social Housing. It is critical that the reporting requirements compliment the ways in which we are already evidencing compliance and not create unnecessary administrative costs. Existing social housing compliance must be leveraged as where possible: duplicated requirements will result in poor outcomes for the sector and for customers. Ofgem's approach must be proportionate.

One example of the complexities that could arise is complaint handling and reporting (p57). Even though DESNZ and Ofgem are keen to minimise conflicts with social housing complaints systems, it will require careful consideration and input from specialists in the sector:

- The Housing Ombudsman's statutory complaints handling code must be followed by law by social landlords, and it includes the specific responsibilities and processes landlords must follow when dealing with complaints. This process is rigorous, and it would be unnecessary for it to be duplicated in heat network policy. Duplication of regulation with different reporting and auditing requirements imposes an additional administrative cost on providers that within a not-for-profit system operated by a not-for-profit provider will have to be passed onto consumers or paid for by making savings elsewhere.
- Complaints when they come in are often complex: heat network complaints would need triaging from other (eg housing) complaints which would require training of the frontline staff.
- Similarly, our digital systems would require upgrading to enable heat network customers and their routes to redress to be flagged.
- There is a mismatch between the escalation timescales between the Energy Ombudsman (8 weeks) and the Housing Ombudsman (12 weeks) which would lead to a twin-track approach. We understand there is also a financial implication of Energy Ombudsman involvement. We note the recent [Memorandum of Understanding](#) signed by the Housing Ombudsman and the Local Government and Social Care Ombudsman, and suggest that a good first step would be the establishment of a similar understanding between the Energy Ombudsman and Housing Ombudsman on how they will work together in the heat network market.
- Heat network consumers may also not be clear on who to complain to, and it would be a poor outcome for consumers if complaints were passed between each Ombudsman, causing delays to redress.

There will be numerous other examples of reporting requirements that will require a significant shift or potential clash with existing systems: this will unfold as we all begin to get into the detail and actual process of regulatory compliance.

Audit

15. 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.
16. 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.
17. 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.

We appreciate that audits are required to demonstrate compliance, something that has been lacking under the Heat Network (Metering and Billing) Regulations, and look forward to Ofgem's further guidance in this and other areas. We also welcome a market segmentation approach which will take proportionality and regulatory burden into account.

We have some concerns regarding the cost of third-party auditors which would have to be met by the regulated entity and want to understand this further. As not-for-profit heat network operators/suppliers, any additional costs will ultimately be passed through to customers.

Compliance and enforcement

18. 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?
19. Do you agree, partially agree or disagree with the proposed areas of initial focus for compliance activity?

We welcome Ofgem's acknowledgement that "there is regulation for some social housing and local authorities and may need to consider where there might be overlaps in our oversight" (p67). We look forward to the publication of further guidance in this area, particularly with regard to fixed penalties in the not-for-profit sector.

Guidance

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

We can't think of any further areas right now, but more may be needed as practical compliance rolls forwards.