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Response to Ofgem's Forward Work Programme 2025-26

Thank you for the opportunity to respond to your consultation on your Forward Work Programme, which covers the period April 2025 – March 2026.

About Heat Trust

Heat Trust was launched in 2015 as a voluntary regulator for heat networks, to fill the gap created by the absence of statutory regulation.

We operate the only consumer protection scheme for heat networks in Great Britain, which currently protects 85,000 domestic and micro-business consumers. The objective of our scheme is to establish a common minimum standard in the quality and level of protection for heat network consumers that's equivalent, so far as possible, to that offered to other energy consumers. Our scheme rules and guidance are intended to be comparable, in terms of consumer outcomes, to Ofgem's standards of conduct for regulated gas and electricity suppliers. We also act as a wider consumer champion for the heat networks sector, including for consumers who aren't on Heat Trust registered heat networks.

As you're aware, Ofgem will begin its statutory role as the heat networks regulator in January 2026. However, Ofgem's rules and activities will be phased in such that they will only be fully in place and enforced from January 2027. We're working closely with Ofgem's heat networks team to ensure a smooth transition and handover from our voluntary scheme by January 2027.

Reasons for our response

The start of Ofgem's role as heat networks regulator in January 2026 falls within the period covered by the FWP. We're therefore disappointed not to see more strategic-level detail on what Ofgem's immediate consumer-protection priorities and focus will be in that new regulatory role. Currently, heat networks only receive the following passing mention under 'Strategic Priority 1: Shaping a retail market that works for consumers':



'We will continue our work to prepare for our new regulatory responsibilities for heat networks, to ensure good outcomes for their consumers.'

We recognise that the exact detail of your heat network regulations is still under consideration. We also accept that some of the detailed mechanisms for achieving consumer protections in the heat networks sector may need to differ to gas and electricity, due to differences in sector characteristics. However, we're concerned that the development of Ofgem's role as the heat networks regulator already appears to be siloed from other consumer-protection initiatives set out under Strategic Priority 1 – even though those initiatives relate to principles and outcomes which are equally applicable to heat network consumers.

Underpinning this is a language issue that creates mixed messages for consumers. Some Ofgem publications, like your FWP, include heat network consumers within the scope of the retail energy market. Others have a general tendency to talk about 'heat consumers' as if these are separate to 'retail energy consumers' – or even as if they are separate to 'energy consumers' altogether (although heat is thermal energy). A critical example of this is your draft Debt Strategy and your proposals for an 'energy' debt relief scheme, which appear to only apply to gas and electricity consumers. We note that heat network consumers also only receive a passing mention in your September 2024 consultation on a refreshed Ofgem Consumer Vulnerability Strategy and are not mentioned in your 'Consumer Confidence' publications or work on standing charges.

Consumers don't understand industry jargon and structures. Domestic heat network consumers simply see themselves as domestic energy consumers and will expect the same level of protection and support from Ofgem as is enjoyed by gas and electricity consumers – not least because heat network consumers are also electricity consumers. Any message to heat network consumers (whether explicit or implied) that they are not 'energy' consumers, and are excluded from wider Ofgem 'energy' protections, will therefore be met with both confusion and dismay.

Domestic heat network consumers have at least an equal need to gas and electricity consumers for support with vulnerabilities and debt. Indeed, they arguably have more need because:

- Domestic heat network consumers aren't protected by Ofgem's domestic price cap, since their heat suppliers buy the energy used to generate their heat on the uncapped commercial market. Most existing heat networks still use gas to generate heat, meaning that their consumers are exposed to highly volatile commercial gas prices.¹ This will still be the case when Ofgem becomes the heat networks regulator, as Ofgem's current draft regulations do not address this issue.
- Heat network consumers have therefore been disproportionately impacted by the energy crisis. It would be inequitable to provide relief to gas and electricity consumers for debt built up during that crisis but not to provide heat network consumers with equivalent relief.

¹ Non-domestic energy prices are currently around three times higher than before the energy crisis, whereas domestic capped energy prices are less than double pre-crisis levels.



- Many existing heat networks are extremely inefficient, losing 60-70% of heat from their pipework before it even reaches end consumers. This means that, when coupled with exposure to commercial energy prices, many domestic heat network consumers are today paying twice as much for their heat as a domestic consumer with their own gas boiler. While Ofgem intends to address this as the regulator by mandating minimum technical standards, existing heat networks will have ten years to undertake the necessary improvements and (without a source of government funding) may recoup the costs involved from end consumers.
- Heat network consumers have no ability to switch their heat supplier, since heat networks are natural monopolies provided at a building level.
- The government's own data shows that consumers on heat networks are more likely to have additional needs than those in gas and electricity (31% for heat networks versus 28% in gas and electricity).²
- Many buildings with heat networks also have 'private wire' communal electricity arrangements, which are similarly considered to be 'commercial' supplies to a building. The end domestic consumers of electricity in these buildings therefore don't benefit from Ofgem's electricity price cap or the Warm Homes Discount. We have concerns that they're also excluded from the scope of Ofgem's proposals for 'energy' debt relief.
- Domestic heat network consumers (and domestic electricity consumers in buildings with private wire arrangements) aren't in scope of the £500m Winter Support Commitment from the major gas and electricity suppliers, announced by government on 20 November 2024.

Our asks of Ofgem

We urge you to ensure that Ofgem's heat networks policy isn't allowed to become siloed from your wider strategy as the energy regulator where there need to be shared principles, outcomes and support mechanisms for consumers in all parts of the energy sector.

Over half a million homes (or roughly 3%) are currently on heat networks. This number is set to increase significantly under the government's target to supply 20% of homes through heat networks by 2050. Heat network consumers mustn't remain an afterthought, edge case or 'poor relation' to gas and electricity consumers once Ofgem becomes the heat networks regulator. To allow this wouldn't be in keeping with Ofgem's primary objective as that regulator, under the Heat Networks (Market Framework) (Great Britain) Regulations 2025, to protect the interests of heat network consumers. It would also undermine the rationale for Ofgem's appointment as the heat networks regulator, which followed the Competition and Markets Authority's recommendation in 2018 that Ofgem should regulate the sector so that

² <https://www.gov.uk/government/publications/heat-network-consumer-and-operator-survey-2022>



heat network consumers 'are afforded the same degree of protections as customers in the gas and electricity sectors'.³

We'd be happy to discuss any aspect of this response in more detail.

Yours faithfully,

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³ In its final report the CMA stated that: 'From the perspective of customers, expectations of standards of service and customer protection will not change whether heat is provided by a heat network or by other options such as gas or electricity. In this context, we expect that Ofgem would be able to follow a comparable approach to customer protection as in the other sectors it regulates'. <https://www.gov.uk/government/publications/heat-networks-advice-for-customers-and-the-industry/heat-networks-market-study-summary-of-final-report>

