

AdviceUK Submission - Heat networks regulation: fair pricing protections

Introduction

AdviceUK is the UK's largest network of independent advice services, supporting almost 700 members who provided front-line assistance to 2.8 million people last year. Our members include community-based organisations, legal advice centres, and housing support services who help clients manage crises in debt, welfare, housing, and energy. We have unique access to the lived realities of low-income households navigating unaffordable energy systems.

Energy debt remains one of the most frequently recorded problems by our members. In 2024, AdviceUK services recorded more than 20,000 cases categorised under 'Energy Advice', alongside a further 10,000 flagged as involving fuel poverty, fuel vouchers, or applications to energy hardship funds.¹ A significant proportion of these cases involve individuals connected to communal or district heat networks, who report high and unexplained bills, no access to switching, and very limited understanding of what drives their charges.

The upstream issues in heating, and energy pricing generally, require significant action. Retail energy bills have not decreased in line with falling wholesale costs, leaving many households still paying well above pre-crisis levels. During the energy crisis, wholesale gas and electricity prices reached record highs, prompting a 54% rise in the energy price cap in April 2022 and a further 27% rise in October 2022.² Although these wholesale prices have since declined from their peak, the resulting reduction in retail bills has been disproportionate. As of late 2024, household energy bills remained approximately 29% higher than in winter 2021/22.³ Ofgem must use its regulatory position and convening power—both with government and industry—to advocate for wider policy changes ensuring retail prices are brought in line with wholesale trends, so that fewer households are forced into debt.

This submission addresses Ofgem's consultation questions in detail. We welcome the ambition of the proposed framework, but we raise key concerns around the timing, enforcement, accessibility, and clarity of the planned reforms. We particularly call for:

- Acceleration of protections before January 2026.
- A fairness framework that is enforceable and informed by consumer affordability, not just system cost.
- Strong enforcement action from Ofgem against energy companies that profiteer, break competition law or exploit consumers in any way.
- Clear investigatory powers and backdated redress for overcharging.
- Accessibility in pricing tools and centralised data for low-literacy and digitally excluded users.

¹ AdvicePro data, 4 February 2024. Available upon request.

² House of Commons Library, [Domestic Energy Prices](#), 30 June 2025.

³ Ibid.

Our submission draws on the experience of AdviceUK members working with vulnerable households across the UK and offers recommendations that aim to embed fairness into the heat networks market.

Consultation Questions

Q1) Have we identified the right set of fair pricing consumer objective, principles and outcomes, and are these properly defined?

AdviceUK broadly supports the proposed consumer objectives, principles, and outcomes. However, we believe the current framing does not go far enough to embed affordability and vulnerability protections. Heat networks differ from other energy supply systems in that consumers often have no ability to switch providers, little transparency over charges, and no market leverage.

We recommend revising the 'fair pricing' principle to include the following:

- Prices must be demonstrably affordable relative to income for low-income households. This needs to be based evidence.
- Vulnerable consumers must be explicitly identified in the pricing framework.
- Recognition in the objective, principles and outcomes that vulnerabilities fluctuate.

Without these revisions, the principle of fairness risks being interpreted narrowly as technical or relative fairness, not experiential fairness as felt by consumers. A principle is only effective if supported by measurable, enforceable outcomes.

Q2) Do you agree with our proposals to develop the fair pricing guidance in relation to the principles?

The proposed areas for guidance are helpful but underdeveloped. We agree with the principle-based approach but recommend the following additions:

- Guidance on bundling of services and heat in tenancy agreements.
- Requirement for operators to disclose how their unit price is calculated.
- Inclusion of template bills or model explanations in plain English.
- Ensure that guidance is accessible for all. For example, individuals with literacy issues, limited English or those that face digital exclusion.

We also call for co-production of this guidance with consumer groups and advice providers to ensure it reflects real-world comprehension barriers.

Q3) Do you agree with the proposed 'fairness test'?

We support the introduction of a fairness test. However, binding thresholds or affordability measures are needed to ensure that this test works in practice. The high-level features—principle-based, reasonableness, and objectivity—are valuable, but implementation must include:

- Assessment of average cost per kWh vs local gas/electricity rates.
- Comparison to historical rates on the same network.

- Evaluation of the burden on low-income individuals.
- Cross reference down stream pricing with wholesale costs and analyse trends.

AdviceUK urges Ofgem to publish a methodology document detailing how fairness tests will be applied in practice and what consumer remedies will be available where pricing is deemed unfair.

Q4) Does the revised authorisation condition, ‘fair pricing’, reflect the policy intent?

AdviceUK supports the intent behind the revised authorisation condition on ‘fair pricing’. The principle - that heat network consumers should not face disproportionate or unjustified charges - is necessary.

The policy intent, as set out in the Heat Networks (Building and Occupier Protection etc.) Regulations and the wider Energy Act 2023, is to ensure that customers on heat networks receive equivalent consumer protection to those in the gas and electricity markets.⁴ This includes protections from unfair pricing, opaque billing, and exploitative practices.

While the revised authorisation condition outlines an obligation for operators to price fairly, it does not yet define in concrete terms what would constitute a breach of this duty. Without measurable criteria or thresholds—such as caps on unit prices, limits on profit margins, or affordability benchmarks linked to income—the condition may be open to interpretation. This could reduce its effectiveness in protecting consumers and hinder Ofgem’s ability to intervene effectively.

AdviceUK recommends the following to ensure the authorisation condition truly reflects the policy intent:

- Define ‘fair pricing’ in terms of both cost-reflectivity and affordability. This should consider regional benchmark, and typical energy burdens for low-income households.
- Make the condition enforceable, with Ofgem able to take enforcement action against non-compliant operators, such as fines.
- Align expectations with regulated utilities, ensuring parity with the standards Ofgem currently applies to electricity and gas suppliers (e.g., price cap benchmarks, social obligation metrics, etc.).

While the revised condition articulates the correct goals, it needs greater specificity and stronger enforcement language to achieve the stated policy outcomes. Consumers must not be left dependent on weak or ambiguous protections when dealing with essential heating services.

Q15) 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?

AdviceUK supports the proposed approach to defining heat network prices in a standardised and comparable format. Establishing consistency in how prices are presented is critical for transparency, consumer empowerment, and effective regulation. We strongly agree with the proposals to define prices in terms of common components such as:

⁴ Energy Act 2023, Part 8, Ch 1.

- Unit rates (pence per kWh)
- Standing charges (daily/monthly fixed rates)
- Ancillary or administrative fees
- Total annual cost based on standard consumption levels

These components should be presented in a consumer-facing format, mirroring the way Ofgem already publishes gas and electricity price cap rates.⁵

However, we believe the current approach could be strengthened in several key areas. It should include energy efficiency adjustments. Pricing should not only be defined in static monetary terms but should also consider the efficiency of the heat system and the buildings it serves. Also, standardised usage bands for comparison. We recommend that Ofgem adopt standard consumption bands to show what typical costs might be for low, medium, and high-usage households—similar to the standard consumption values (SCVs) used in the wider energy market. In addition, we support the inclusion of annualised total costs. For vulnerable households, knowing what they are likely to pay per year is often more useful than comparing pence per unit—especially where heat demand is seasonal. The Committee on Fuel Poverty has recommended that pricing data be tied to household impact, not just technical definitions.⁶

Q22) Do you have any other feedback on the proposed approach to price comparison and benchmarking?

AdviceUK welcomes Ofgem's proposed benchmarking approach, including external, comparator, and historical comparisons. However, we recommend several improvements to ensure the system is practical, fair, and usable for consumers.

First, benchmarking should incorporate affordability metrics. Comparisons across networks are useful, but they must also reflect whether prices are affordable in practice. This could include benchmarks based on income-to-cost ratios or thresholds like households spending more than 10% of net income on heating, as recommended by the Committee on Fuel Poverty.⁷ Benchmarking information should also be accessible and understandable. Consumers should be able to interpret results easily, such as plain-English explanations. AdviceUK also recommends providing printable and translated versions to ensure inclusion. Finally, benchmarking data should inform Ofgem's regulatory oversight. Persistent outliers should trigger investigations helping ensure early intervention.

Q23) Do you agree with the proposal for ongoing monitoring of profitability through data collection on EBIT margins for all heat networks?

AdviceUK supports the proposal to monitor profitability via EBIT margins. This is a necessary step to identify excessive pricing and ensure operators are not making unjustified profits at the expense of consumers.

However, profitability monitoring must be linked to enforcement. Simply collecting data is not enough. Where EBIT margins are consistently high, this should trigger further investigation and possible regulatory action, including requiring operators to reduce prices or provide refunds.

⁵ Ofgem, [Energy price cap – unit prices and standing charges \(July–September 2025\)](#).

⁶ Committee on Fuel Poverty, [Committee on Fuel Poverty Annual Report 2023](#), 24 June 2023.

⁷ Ibid.

We also recommend that EBIT data be published annually in a clear, accessible format, allowing consumers and advisers to identify patterns of concern. Public transparency will strengthen accountability across the sector.

Q26) Do you have any other feedback on the proposed approach to profitability assessment?

AdviceUK supports the proposed approach to profitability assessment via EBIT margins, but we urge Ofgem to ensure this data leads to clear accountability. Collecting financial information alone is insufficient—profitability assessments must result in meaningful interventions where unjustified profits are identified.

We recommend that Ofgem set clear thresholds for what constitutes excessive profit. For example, EBIT margins significantly above sector averages should automatically trigger regulatory review. It should also require operators with high margins to submit justifications, including cost structures and investment needs. Finally, we recommend that Ofgem ensures results are publicly reported to allow consumer groups and advice services to monitor trends and identify potential exploitation.

Public transparency can act as a deterrent against profiteering. A 2024 report by Unite the Union found that energy sector profit margins increased by over 30% in the post-pandemic period, despite falling wholesale costs—highlighting the need for proactive regulatory scrutiny.⁸ Where excess profits are found to come at the consumer's expense, Ofgem should have the power to enforce price reductions or customer refunds. This will strengthen accountability across the sector and protect vulnerable heat network users.

Q27) What are your views on the three options for central price transparency?

Option 1: Publish prices in raw or operator-reported format

We do not support Option 1 as a standalone approach.

This option has limited consumer value. Without context or comparison, raw prices—especially expressed in pence per kWh—are difficult for most consumers to interpret. It places a high burden on individuals to analyse whether their costs are fair, and would be inaccessible for those with low digital or financial literacy.

Option 2: Operator prices plus simple comparator (e.g., average price)

This is a moderate improvement. Providing average benchmarks (national or regional) helps consumers understand how their prices relate to norms. However, averages can still obscure outliers or regional affordability gaps.

Option 3: Comparative price bands (e.g., low, average, high)

AdviceUK supports Option 3 as the most effective and accessible approach. Categorising networks into comparative bands—using colour-coded visual formats (e.g., red/amber/green)—would help consumers quickly understand whether they are paying above or below typical prices.

⁸ Unite the Union. "[Corporate profiteering: Unite study of 17,000 companies shows profit margins jumped 30% since the pandemic](#)," 16 May 2024.

For example, this mirrors the way Ofgem presents electricity and gas price caps and is more usable for non-technical audiences.⁹ We recommend the following improvements to Option 3:

- Include estimated annual costs for low, medium, and high usage households to show actual financial impact.
- Allow users to compare by postcode, property type, and network operator.
- Provide downloadable or printable summaries in accessible formats and multiple languages.

Q28) 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**
- **Risk of price convergence?**

AdviceUK believes that Option 3—comparative price bands—offers the best overall balance. It provides a clear and accessible level of transparency while minimising the burden on consumers, particularly those with low digital or financial literacy.

The use of colour-coded bands (e.g. red/amber/green) reduces the risk of confusion and makes it easier for consumers to interpret whether they are paying more than typical. To further minimise misinterpretation, we recommend that Ofgem include plain-language explanations and printable guidance to support understanding—especially for digitally excluded groups.

Concerns about commercially sensitive information are valid, but should be weighed against the fact that most heat network users cannot switch suppliers. In this context, transparency must prioritise the consumer. Price convergence is a potential risk, but can be managed by regularly updating benchmarks and monitoring market behaviour.

Q33) Do you think it is appropriate to link central price transparency with benchmarking?

AdviceUK strongly supports linking central price transparency with benchmarking. This connection is essential for giving consumers and advisers meaningful context about what constitutes a fair price.

Publishing raw or standalone price data without comparison points risks confusing consumers—particularly those unfamiliar with unit pricing or energy terminology. Benchmarking provides the reference points (e.g. low, average, high) that help consumers understand whether they are being charged more than typical for a similar property or network.

Moreover, combining transparency and benchmarking allows Ofgem to more easily flag outlier networks for further scrutiny. It can also support advice agencies in casework by providing evidence when helping clients challenge unaffordable or unexplained charges.

⁹ Ofgem, Energy Price Cap, 2025.

To be effective, the benchmarked transparency platform should:

- Allow postcode or network lookups.
- Display comparisons using visual indicators (e.g. colour bands).
- Include simple definitions and links to redress or complaint procedures.

Linking the two functions is both practical and necessary for a regulatory model that aims to empower consumers and drive fairness in heat network pricing.

Q34) Do you agree with the approach to price investigations set out so far?

AdviceUK supports the direction of Ofgem's proposed approach to price investigations but believes it must be strengthened to be effective in protecting vulnerable consumers.

The current proposals rightly give Ofgem powers to investigate disproportionate or unfair pricing, but we are concerned that the approach may be too reactive. Relying heavily on complaints or data submissions from operators risks leaving many issues unaddressed—particularly in settings like social housing, where tenants often lack the knowledge, confidence, or channels to challenge charges.

We recommend the following improvements:

- **Proactive triggers:** Investigations should be automatically initiated when key indicators are breached—for example, where pricing exceeds national benchmarks or EBIT margins are abnormally high.
- **Risk-based targeting:** Ofgem should prioritise investigations in high-risk settings such as supported housing schemes or where repeat complaints have been logged by advice services.
- **Transparent outcomes:** A public record of investigations, findings, and any enforcement actions should be maintained to ensure accountability and build public trust.

Finally, price investigations must lead to clear redress. If unfair pricing is confirmed, consumers should receive refunds or price adjustments—particularly where overcharging has persisted over time.

Conclusion

AdviceUK welcomes the opportunity to respond to this important consultation and supports Ofgem's overall ambition to introduce stronger protections for heat network consumers. We believe the proposed reforms—particularly those relating to fair pricing, benchmarking, and transparency—are essential steps toward a more just and accountable system. However, to be effective, these protections must be underpinned by enforceable standards, affordability measures, and regulatory interventions that are proactive rather than reactive. This is especially critical for the many low-income and vulnerable households served by our members, who often face high charges, poor service, and limited recourse.

We urge Ofgem to accelerate the implementation of consumer protections and to ensure that fairness is defined not just by technical comparisons, but by its real-world impact on households struggling with energy costs. Clear

AdviceUK and our member organisations are ready to work with Ofgem to ensure the framework delivers meaningful change for heat network consumers. Clear investigatory powers, backdated redress, and transparent publication of pricing and profitability data will be key to restoring trust and empowering consumers. We also call on Ofgem to co-design guidance and tools with frontline advice providers and community organisations to ensure that reforms are not only legally robust but practically usable by the people most affected.

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