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3 July 2025

**Response to consultation- Heat Networks Regulation Fair Pricing Protections Consultation**

With over 125,000 homes owned or managed in more than 160 local authority areas, Clarion Housing Group is the largest housing association in England with a heritage dating back over 100 years. More than 8000 of our homes are already connected into 250 heat networks, demonstrating our extensive experience of varied scale and forms of heat networks.

We are a leading developer, building more than two thousand affordable homes every year, with a focus on creating sustainable and mixed communities. We are committed to the sustainable regeneration and refurbishment of our existing homes, such as the £1 billion investment in our Merton regeneration project, which will include district heat networks.

Clarion supports the principles of the heat networks Fair Pricing Protections Consultation - we are motivated by the need to address fuel poverty and the resultant health issues that many of our residents struggle with. We strongly endorse the detailed responses submitted by both the G15 group of large social landlords and by The Heat Network, of which Clarion is also a member

As you will see we have attached a summary of our views and proposals for your consideration below

Clarion are responding to this consultation in the hope that many of the concerns raised can be overcome. We would be keen to meet with DESNZ and Ofgem to

expand on our thoughts, share our expertise and to be part of the essential process of speedily devising a robust approach reflecting the complexity that surrounds heat networks.

Should you wish to clarify or discuss our response to these questions, please do not hesitate to contact either myself or Sarah Cole, Operations Manager Heat Metering and Energy ([sarah.cole@clarionhg.com](mailto:sarah.cole@clarionhg.com)).

Yours faithfully

A handwritten signature in blue ink, appearing to read 'D Chisnall', is positioned above a thin horizontal line.

David Chisnall  
Director of Property Services

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## Summary of fair pricing :

- **A lack of evidence-based policy:** this is an important principle for regulation especially if the principal aim is to protect consumers. However, there is an almost complete lack of data and evidence on current heat network pricing. It is essential that this data and evidence is put in place before pricing principles are developed and enacted. Given the state of the market, we call for a minimum of two years' evidence from the majority of heat network providers be gathered to develop the policy. In the absence of any sector data and evidence it is not possible to use principles - including 'fair' - to develop meaningful benchmarks to assess affordability or cost reflectivity.
- **Increasing costs 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, consumers are likely to see significant price increases.
- **The heat network industry is not a commodity market** as is the case for retail gas and electricity markets, ie we do not buy the commodity (gas, electricity) wholesale and then sell it as retail. The heat network market is an infrastructure market, ie it builds heat networks and then generates heat using that investment that it then supplies to consumers. This is much more like the water supply sector, and this should be the basis for pricing.
- **The absence of a definition of 'fair' and 'not disproportionate':** 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. There also needs to be absolute clarity on 'fair to who'. For example, any fines/penalties for the housing sector will be paid for by others (eg renters, tax payers) or have unintended consequences on new build delivery, damp/mould/condensation and wider decarbonisation. 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'.** It's clear from this and previous consultations that a lot of compliance

requirements hang on these. We need clarity now so the sector can best prepare for January 2026.

- **Benchmarking and how prices are communicated to customers are important but complicated.** Heat is not a commodity like the buying and selling of gas or electricity: how do we effectively communicate and explain efficiencies, cost allocation, profitability, benchmarking and investment? Any communication that needs a further guidance arguably is not working.
- **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 households with terminal illnesses or 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. There is also a real risk that prices will increase in the short term as social housing providers realise they have been under-recovering costs to date, and begin to think more strategically about what can be included in their tariffs.
- **Data** is absolutely critical to the success of the fair pricing mechanism. We acknowledge Ofgem wanting to minimise the administrative burden of reporting but want to see more on how all the different data – across both consumer protection and the technical standards – will be joined up. We only want to submit data once.

### **Our proposals:**

1. Ofgem takes two years to gather data on pricing rather than one, 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.
3. After the above is completed, we propose the following to create a more reasonable and effective definition of 'fair' that consumers would understand and landlords could work towards.

- a. Key price bands are created (eg size, age, efficiency, technology)
  - b. A simplified segmentation model is put in place (profit/non-profit, supported housing/extra care/general needs and size of portfolio/size of housing provider)
4. In return, the Social Housing Sector commits to work openly to their best endeavours, backed by on-going challenge from both the statutory consumers advocates and the Energy Ombudsman, towards the main fair pricing principles whilst the data and definitions of fair and proportionate are developed, and to ongoing and meaningful engagement with Ofgem.