



Heat Network Regulation Team
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By email to: heatnetworksregulation@ofgem.gov.uk

9th July 2025

Dear Heat Networks Team,

I am writing on behalf of ESP Utilities Group Ltd (ESP) in response to Ofgem's consultation, 'Heat networks regulation: Fair Pricing Protections'. I can confirm that this response is not confidential.

ESP is an asset adopter of independent gas, electricity, water and wastewater networks, and has a newly created heat networks business. ESP was established in 2000 and serves over one million connections right across Great Britain. This experience of offering multi-utility services to customers in heavily regulated sectors gives us a valuable perspective on the necessary protections for consumers. We welcome Ofgem's focus on the principles of fair pricing in the consultation and are pleased to have the opportunity to respond.

Where essential services are provided on a monopolistic basis it is critical that the interests of customers, in terms of quality of service and value for money, are protected. ESP therefore welcomed the decision that Ofgem should regulate the Heat Network sector.

Principles Framework

We are supportive of Ofgem's approach to setting the principles of fair pricing through rules and guidance and within a framework focused on a consumer objective and outcomes. We consider that introducing new regulation into a mature industry has unique challenges and adopting a high-level principles approach, with the ability to monitor and introduce more prescriptive rules, if necessary, is proportionate.

Price benchmarking

It is essential that protections introduced are available for all customers served by heat networks, regardless of the energy source, age of network, billing arrangements or other market segmentation. We do not foresee areas where it would be appropriate to differentiate

regulations for different types of networks whether in terms of price, service or reporting. We acknowledge that it may take time for existing operators to implement all the requirements, and it may therefore be appropriate to consider a transitional approach, but the end state should be equal protection in place for all heat network consumers as soon as possible.

We support measurement of heat network pricing against an appropriate counterfactual. We are however, of the firm view that this should be an alternative low carbon heating system, and we do not consider that using gas pricing as a comparator is appropriate, given that it is not a low carbon technology, which is what heat networks must deliver considering the Advanced Zone Framework (AZF), Heat Network Technical Assurance Scheme (HNTAS), and to meet low-carbon requirements of the Future Homes Standards.

In a similar methodology to that proposed by the Heat Trust, to ensure a like for like whole life comparison, the counterfactual should not only cover supply and the operation and maintenance costs, but also cover costs for the lifetime of the asset, i.e., inclusive of end-of-life replacement costs.

Net Zero

We note that Ofgem has a duty to consider the interests of consumers in reaching Net Zero targets, as well on service and costs, and would seek reassurance on cost “fairness” tests, where a choice to introduce environmental benefits may result in higher costs for either network investment or for network operation. Whilst we are supportive of Ofgem’s intent to develop a proportionate regulatory framework which aims to protect consumers, it must not disincentivise long term investment in the sector.

If you would like further details on our response or to discuss any aspect of it, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'V Spiers', written in a cursive style.

Vicki Spiers
Regulations Director