

Emailed to: heatnetworksregulation@ofgem.gov.uk

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Ofgem Heat Networks Regulation: fair pricing protections

Thank you for the opportunity to comment on the fair pricing framework for heat networks. We welcome and support the intention behind these proposals. It is important in a non-competitive market for consumers to be treated fairly.

We welcome the proposals for the prescriptive rule that costs should not be passed to consumers for Guaranteed Standards of Performance (GSOP), fines, penalties, compensation and redress; it seems fair for these costs to be borne by the organisation responsible and not the consumer.

It seems clear that this will work where the heat supplier is run on a for-profit basis. We think more clarity is needed for not-for-profit heat networks, and how consumers can be protected from regulatory costs.

Focussing on the profit each heat network is making seems a sensible approach, to ensure no heat supplier is making excessive profits from consumers who have no option to switch supplier. However, it may not identify all instances of detriment. For example, it may be that some heat networks are running inefficiently or incurring unreasonably high costs. As heat network customers cannot switch, there is a risk that heat suppliers lack necessary incentives to make improvements or negotiate better contracts. If the focus is on profit alone, some such instances may not be spotted. So, while we agree that Ofgem should consider the profits generated by heat suppliers, we also think the overall costs to consumers should also be monitored.

Heat networks may contract out some of their duties to third parties, such as managing agents. This may make it more difficult to track the costs of running the scheme and how profit is extracted. We consider it important for such costs to be broken down, to ensure there is transparency over what consumers are being asked to pay.

It will be critical to ensure targeted monitoring and evaluation of prices within the heat network market to gather data and information on the range of operating models and their costs to help determine what is fair for consumers. We think greater transparency of costs is helpful for consumers, but it is important for Ofgem to have enough data and information across the market to ensure that information can be made meaningful to consumers.

We are happy to share any data and insight with Ofgem.

Our response is not confidential. Please do not hesitate to contact us should you wish to discuss our response in more detail.

For more information on this response, please contact:

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