



## **Heat networks regulation: Fair pricing protections consultation response**

G15 response

09 Jul 2025



## About the G15

The G15 is made up of London's leading housing associations. The G15's members provide more than 850,000 homes across the country, including around one in ten homes for Londoners. Delivering good quality safe homes for our residents is our number one priority. Together, we are the largest providers of new affordable homes in London and a significant proportion of all affordable homes across England. It's what we were set up to do and what we're committed to achieving. We are independent, charitable organisations and all the money we make is reinvested in building more affordable homes and delivering services for our residents.

Find out more and see our latest updates on our website: [www.g15.london](http://www.g15.london)

The G15 members are:

- A2Dominion
- Clarion Housing Group
- The Guinness Partnership
- Hyde
- L&Q
- MTVH
- Sovereign Network Group
- Notting Hill Genesis
- Peabody
- Riverside
- Southern Housing

For more information, please contact: [G15@lggroup.org.uk](mailto:G15@lggroup.org.uk)

## Position statement

We support Ofgem's objectives to protect consumers through fair pricing protections and greater transparency. However, it is important that proposals fully consider the operational realities of not-for-profit housing associations.

Our members operate a highly diverse range of heat networks, including modern communal and district heating systems, as well as older legacy schemes that were originally designed without contemporary efficiency standards. Across the social housing sector, it is estimated that more than 17,000 communal and district heating systems are in operation, many of which serve low-income and vulnerable residents who have limited ability to switch to alternative heating sources. These networks range from small communal boilers serving fewer than 20 homes to complex multi-block systems with combined heat and power generation.

Legacy schemes, in particular, present significant challenges due to a combination of technical constraints, incomplete historical records, and higher per-unit costs stemming from plant inefficiency and lack of economies of scale. The transition to modern metering, decarbonisation investment requirements, and the need to recover lifecycle costs through standing charges all compound the financial pressures faced by social landlords operating these networks.

A further complexity arises because, in most social housing contexts, operational costs for heat networks are recovered through the service charge regime rather than commercial billing arrangements. This means that charges are already governed by (non-exhaustive):

- **The Landlord and Tenant Act 1985**, which requires that service charges must be reasonably incurred, reasonably apportioned, and supported by documentary evidence;
- **The Housing Act 1985 (Schedule 4)**, which applies to secure tenancies;
- **The Regulator of Social Housing's Rent Standard**, which caps the overall rent and service charge levels for social and affordable rent tenancies; and
- **The Social Housing (Regulation) Act 2023**, which strengthens the Regulator's powers to enforce transparency and value for money.

Under this framework, tenants already have statutory protections, including:

- the right to request a summary of costs and inspect underlying accounts and receipts;
- the ability to challenge service charges through the First-tier Tribunal (Property Chamber); and
- access to redress through the Housing Ombudsman Service in cases of maladministration.

As a result, any new obligations proposed under Ofgem's regulatory framework will need to be carefully reconciled with these existing statutory regimes to avoid duplication, regulatory inconsistency, or conflicting determinations about whether charges are "fair and reasonable."

We are concerned that, without clear differentiation and proportionate application, some proposals could create significant administrative burdens and unintended consequences for

residents and providers. We recommend that Ofgem develop tailored guidance and implementation timelines to ensure the framework is workable in practice, reflects the unique circumstances of social housing providers, and sets out how requirements will interface with rent and service charge regulation.

## Fair Pricing Framework

1. *Have we identified the right set of fair pricing consumer objective, principles and outcomes and are these properly defined? If you disagree with this proposal, please specify what changes you would like to see and provide a justification.*

Our members broadly agree with the objectives, principles, and outcomes of fair pricing as set out in Chapter 2, particularly the focus on improving transparency, predictability, and cost reflectivity for consumers. These principles align with recommendations from the Competition and Markets Authority Heat Networks Market Study (CMA, 2018), which emphasised the importance of clear pricing signals and effective consumer protection.

However, it is important that Ofgem’s articulation of “affordability” and “fair and reasonable returns” explicitly recognises the context in which not-for-profit housing associations operate. We note that paragraph 2.15 defines fairness as including both cost reflectivity and affordability, but does not provide clarity on how unavoidable legacy costs or decarbonisation investment will be reconciled with expectations of affordability. According to BEIS research (Heat Networks: Building a Market Framework, 2019), legacy communal systems often incur higher operating costs per dwelling due to technical inefficiency and limited scope for economies of scale.

We are also concerned that paragraph 2.18 implies that all operators are motivated by returns or profit margins. In the social housing sector, any surpluses are ring-fenced and reinvested to improve resident services or upgrade plant to meet decarbonisation targets. A recent report by the Association for Decentralised Energy (ADE), Shared Warmth (2021), highlighted that retrofitting older communal systems to modern standards can require significant capital outlay, which in turn increases standing charges unless grant funding is secured.

We therefore recommend that the objectives and principles explicitly recognise the not-for-profit model and clarify that cost reflectivity includes the recovery of costs necessary for safe operation, compliance with decarbonisation objectives, and protection of residents from unexpected plant failure costs.

2. *Do you agree with our proposals to develop guidance on the application of the fair pricing principles, including how the fairness test could be implemented? If you disagree, please set out your reasons and any alternative proposals.*

Our members support the proposal to develop clear guidance on applying the fair pricing principles. This is essential to ensure consistency and provide operators and residents with confidence in how compliance will be assessed. However, it is equally important that the guidance remains proportionate and avoids becoming prescriptive, which could constrain local decision-making or inadvertently penalise social landlords who operate older networks. Specifically, in paragraph 2.53, Ofgem proposes to develop guidance covering five areas: cost reflectivity, efficiency of cost allocation, reasonableness of returns, affordability relative to alternatives, and transparency of information.

We agree these are appropriate themes, however, we are concerned that the draft implies all five must be demonstrated equally, which may not be feasible in legacy schemes. For example, demonstrating affordability relative to alternative heating options (such as individual boilers or heat pumps) requires granular cost and consumption data that is not always available. The CMA's 2018 study noted that for many communal systems, comparative benchmarks are not easily constructed due to shared plant and bulk fuel contracts.

In addition, we recommend that the guidance provides worked examples illustrating how fairness can be demonstrated when historical build costs or metering data is incomplete, as often occurs in older housing association stock. This will avoid unnecessary investigations triggered by information gaps rather than substantive concerns.

Finally, the guidance should explicitly state that in assessing reasonableness of returns, Ofgem will consider whether any surplus is reinvested into maintaining or improving the network, in line with the approach recommended by Citizens Advice in their 2020 report *Heat Networks: Time for Regulation*.

Examples of billing templates are provided at Appendix 1.

3. *Do you agree with the proposed 'fairness test'? In particular:*
- a. *Do you agree with the high-level features of the fairness test (principle based, reasonableness, case-by-case basis, and objectivity)?*

Our members agree with the high-level features. We welcome the principle-based approach and recognition that fairness assessments should be case-specific. This is especially important for housing associations, whose networks often differ from purpose-built commercial developments.

The CMA study (2018) noted that fairness concerns arose primarily in new-build private schemes, and not typically in social housing. We therefore welcome the objective approach outlined in paragraph A1.4 and agree that fairness assessments should be proportionate to the risk of consumer detriment.

- b. *Do you agree with our proposals to implement the fairness test discussed in Appendix 1: Fairness test?*

Our members partially agree. *Appendix 1: Fairness test* proposes that the fairness test would involve: assessment of cost reflectivity against benchmarks, review of returns and profitability, assessment of affordability relative to alternatives, and consideration of consumer engagement.

While these components are logical, we are concerned that the implementation detail in paragraphs A1.12–A1.18 does not provide sufficient clarity about how incomplete historical data will be treated.

Additionally, the requirement to demonstrate affordability relative to alternatives could create expectations that are not practically achievable, given that the Heat and Buildings Strategy (BEIS, 2021) acknowledges that communal heating costs are often higher than individual gas heating. We recommend Ofgem explicitly set out a framework for how operators can demonstrate fairness in cases where benchmark data is unavailable or unreliable and confirm that not-for-profit status and reinvestment of surpluses will be key considerations.

4. *Does the revised authorisation condition, ‘fair pricing’, reflect the policy intent?*

Our members partially agree that the revised condition better reflects policy intent. We welcome the explicit reference to principles and guidance to clarify compliance expectations. However, paragraph 2.44 does not fully explain how Ofgem will assess compliance where providers operate under social rent regulation and cost-recovery constraints.

We recommend the authorisation condition include an express statement that providers (who are subject to statutory rent limits or Housing Ombudsman jurisdiction) will be assessed proportionately, and that fair pricing is not expected to require cross-subsidisation from general needs rent or other services. This would avoid the risk of conflicting obligations or unintended financial strain on housing associations.

5. *In relation to market segmentation (please note that we are asking in relation to the considerations discussed in paragraphs 2.58–2.61, segmentation considerations in relation to price benchmarking are considered under Chapter 4: Price comparison and benchmarking methods):*

a. *Have we identified the right characteristics for market segmentation, and are these correctly defined?*

Our members agree that the characteristics described in paragraphs 2.58–2.61—network size, profit status, and customer composition—are broadly appropriate. Segmenting based on profit motive is particularly important to ensure not-for-profit landlords are not subject to the same evidential burden as commercial providers.

b. *Do you agree with the segmentation approach discussed for each of these characteristics?*

While our members agree in principle, we recommend greater detail on how segmentation will influence reporting requirements and enforcement. Paragraph 2.61 states that segmentation will inform proportionate obligations but does not set out thresholds or criteria. We recommend

Ofgem develop clear definitions of “small” networks and confirm that providers registered with the Regulator of Social Housing will be subject to proportionate compliance expectations.

## Data Requirements

6. *Of the information listed in Table 3 below, what do heat networks already regularly collect and can be easily reported?*

Our members collect a substantial proportion of the information listed in Table 3 on a regular basis. Consumption data, meter readings (where installed), and aggregated operational expenditure are generally available through billing systems and financial records. For example, DESNZ’s Heat Networks: Building a Market Framework (2019) noted that most large social landlords already produce quarterly heat consumption reports for internal management and tenant communications.

In addition, information on tariff structures, standing charges, and maintenance schedules is maintained to support service charge apportionment and compliance with housing regulation. Where networks have modern metering and billing infrastructure, consumption by dwelling is collected automatically. However, it is important to note that systems integration varies across providers and networks, and older schemes may rely on manual reads or estimates.

7. *Of the information listed in Table 3 below, which items would be more challenging for heat networks to report?*

Our members have identified several categories of information that are challenging to report, particularly for older or transferred schemes. Historical construction costs and capital expenditure data may not have been retained in a format that can be disaggregated by network, especially where communal systems serve mixed-tenure blocks.

Additionally, profitability measures and detailed allocation of overhead costs are difficult to provide, as heat network operations in housing associations are not accounted for as discrete profit centres. The CMA (2018) and ADE (2021) have highlighted similar issues, noting that small networks typically lack the scale and systems capability to produce granular financial information without disproportionate investment.

We recommend that Ofgem recognises these challenges in its reporting expectations and provides a transitional period to allow for systems upgrades.

8. *Of the cost drivers listed in Table 7 (in Appendix 3), which items would be more challenging for heat networks to report?*

Our members consider that several cost drivers in Table 7 will be challenging to report accurately. For example, historical build cost per dwelling, plant efficiency degradation over time, and specific maintenance costs by asset class are often not recorded in a structured format. In the

Decentralised Energy Strategy (BEIS, 2014), Government recognised that communal systems installed prior to modern metering regulations generally lack asset-level cost records.

Similarly, standing charge allocations based on consumption profiles or dwelling heat loss can be difficult to calculate retrospectively. We recommend that Ofgem consult further on which cost drivers are essential to fairness assessments and consider providing standard estimation methodologies for older networks.

A sample asset register with historic costs is provided at Appendix 2.

9. *Should certain types of heat networks have more limited data reporting requirements? If so, which heat networks should these reduced requirements apply to, and what data should they be exempt from reporting?*

We recommend that reduced reporting requirements apply to networks operated by regulated not-for-profit landlords, especially schemes with fewer than 100 dwellings or constructed prior to 2010. Exemptions should apply to historical cost and profitability metrics that are not relevant to charitable operations.

## Cost Allocation

10. *Do you agree with our proposed prescriptive rule that GSOP payments, compensations, fines, penalties and other redress provided to consumers should not be passed through to customers?*  
Our members agree in principle. However, we recommend further clarity on how this interacts with service charge mechanisms under the Landlord and Tenant Act 1985, which governs many social housing schemes.

For example, where redress is funded from general operating surpluses, clear guidance will be required to ensure compliance with both housing and heat network regulations. In paragraph 3.19, Ofgem indicates that costs arising from non-compliance must be excluded from charges, which we support in principle, provided transitional arrangements are available for existing contracts.

11. *Do you agree with the draft best practice guidance provided? Is there anything that should be added? Should any of the best practice guidance be strengthened to prescriptive rules?*

Our members partially agree. The guidance set out in paragraphs 3.23–3.32 provides a sensible framework for allocating costs transparently. However, we recommend that best practice remains non-prescriptive for not-for-profit providers to allow flexibility in managing standing charges, cross-subsidisation, and lifecycle costs.

Paragraph 3.28 suggests detailed allocation of administrative costs to each customer group. For small networks operated as part of wider housing services, this may be disproportionate. The ADE



(2021) highlighted that standardisation must not compromise affordability or create excessive administrative overhead.

We therefore suggest retaining a principles-based approach and including worked examples relevant to social landlords.

12. *Do you think that the best practice approach to cost allocation should differ for different types of heat networks, or different types of suppliers? If so, for which types and how?*

Our members recommend that best practice should differentiate between not-for-profit landlords subject to rent regulation, private developers operating networks on a for-profit basis, and district heating schemes serving multiple organisations.

For social landlords, guidance should explicitly allow for:

- i. portfolio-level cost smoothing to avoid large bill variations,
- ii. standing charges to cover unavoidable replacement costs, and
- iii. simpler allocation models where costs are recovered at break-even.

This approach aligns with the CMA's conclusion (2018) that flexibility in cost recovery supports predictability and fairness for low-income residents.

13. *Does the authorisation condition, 'cost allocation', reflect the policy intent?*

Our members partially agree. While the draft condition supports transparency and accountability, paragraph 3.34 does not explicitly reference the not-for-profit context or clarify how standing charges will be assessed for reasonableness. We recommend Ofgem confirm that social landlords are permitted to use flat-rate charges where this is more equitable and predictable for tenants.

14. *What other feedback do you have on the proposed approach to cost allocation?*

We recommend that Ofgem provides a clear statement on how cost allocation expectations will interact with the Housing Ombudsman's jurisdiction over service charges and the Regulator of Social Housing's rent cap requirements. Coordination is essential to avoid conflicting obligations.

## Price Comparison and Benchmarking Methods

15. *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?*

Our members partially agree with the proposed approach for defining heat network prices, as set out in paragraphs 4.14–4.20. The focus on comparable end-user prices and the use of standardised reference units (p/kWh and standing charges) is sensible and aligns with best practice in the retail energy market. This consistency is likely to improve consumer understanding, in line with recommendations from the Competition and Markets Authority (CMA, 2018).

However, we are concerned that the definitions in paragraph 4.18 do not sufficiently address the role of standing charges in covering unavoidable fixed costs, particularly in legacy networks. The

ADE's Shared Warmth report (2021) emphasised that fixed costs—including plant maintenance and metering—can represent 50–70% of total costs in older systems. Where standing charges are set to recover these costs over time, they should not be interpreted as evidence of inefficiency or unfair pricing.

We recommend that Ofgem includes additional clarification that cost reflectivity will be assessed in the context of network characteristics, including age, efficiency constraints and decarbonisation requirements. This will ensure that standing charge comparisons do not create unintended incentives to under-recover essential investment costs.

Examples of tariffs showing standing charge breakdowns are provided at Appendix 3.

16. *Do you agree with our proposal to use gas boilers and heat pumps as external reference benchmarks?*

Our members partially agree. Using gas boilers and heat pumps as external reference benchmarks is logical as it reflects common alternative heating options for domestic customers, as proposed in paragraph 4.26. This approach can help consumers understand whether their heat network tariffs are broadly aligned with other technologies.

However, we caution that such comparisons risk oversimplification if they do not account for:

- i. differences in building thermal efficiency,
- ii. occupancy density, and
- iii. the scale of communal infrastructure costs.

For example, the BEIS Heat Pump Model (2021) shows significant variation in levelised costs depending on property type and installation year. The CMA (2018) also noted that while average gas heating costs may be lower, communal systems can offer resilience, and decarbonisation benefits not captured in a simple price comparison.

We recommend that Ofgem provide clear caveats alongside benchmarks to ensure consumers understand the context and limitations of these comparisons.

17. *Do you agree with the proposed method for calculating a heat pump benchmark, including the key input parameters outlined? Are there any additional factors that should be considered to ensure a robust heat pump benchmark?*

Our members partially agree with the proposed methodology as outlined in paragraph 4.31. The inclusion of standardised assumptions for coefficient of performance (COP), electricity tariffs and maintenance costs are appropriate. However, we recommend that Ofgem consider the following additional factors:

- i. regional electricity price variations,
- ii. property-specific heat loss assumptions, and
- iii. grant funding impacts on levelised costs.

The Climate Change Committee's Sixth Carbon Budget (2020) shows that heat pump costs vary significantly across the UK and failing to account for this could create unrealistic comparisons.

We therefore recommend that Ofgem pilot the benchmark model with a sample of social housing providers to validate assumptions before publication.

18. *Do you agree with the proposed approach to comparator benchmarking, and our list of potential cost drivers set out below and in Appendix 3: Cost driver? Are there any relevant cost drivers that we haven't considered?*

Our members broadly agree with the approach to comparator benchmarking and the inclusion of a range of cost drivers. Paragraph 4.33 identifies important drivers such as network age, size and metering coverage, which are all relevant to fair pricing assessments.

However, we believe Ofgem should also consider the impact of:

- i. decarbonisation investment obligations (e.g., plant upgrades to meet Net Zero),
- ii. statutory compliance costs (such as Health and Safety Executive inspection regimes), and
- iii. local authority requirements in planning agreements.

The ADE (2021) has noted that many communal networks face unavoidable costs arising from regulatory and policy compliance. Including these as recognised drivers will ensure benchmarks are realistic.

19. *What is your view on the ease with which data could be reported on the four 'High Importance' cost drivers set out in paragraph 4.33? What information do heat network operators and suppliers already collect, and what would be challenging to provide?*

Our members collect partial data for the four high importance cost drivers (network age, efficiency, fuel costs and metering). For example, fuel procurement costs and meter coverage rates are generally available.

However, accurately measuring network efficiency and disaggregating age-related capital costs can be challenging, especially where plant has been replaced in phases.

The CMA (2018) recognised that small and legacy networks often lack robust datasets to underpin benchmarking. We recommend that Ofgem allow estimated ranges for these drivers during an initial implementation period.

20. *What is your view on the ease with which data could be reported on the remaining 'Medium Importance' cost drivers set out in paragraph 4.33? What information do heat network operators and suppliers already collect, and what would be challenging to provide?*

Reporting medium importance drivers such as customer density, maintenance costs and billing system costs would be more challenging. While some high-level data exists, it is rarely disaggregated by individual network in housing association portfolios.

The DESNZ Heat Networks Transition Pathway (2022) report acknowledged that centralisation of data is a major barrier for smaller providers. We recommend phased implementation and proportionate expectations for networks with fewer than 100 dwellings.

21. *What is your view on our proposal to publish a high-level methodology for each benchmark (once data is collected and methods have been tested), to provide an accessible overview of the approach?*

Our members agree with the proposal to publish a clear methodology. Transparency about benchmark calculations is essential to build confidence among providers and residents. However, we recommend that the methodology includes worked examples to illustrate how weighting of cost drivers is applied, in line with good practice in regulated utilities benchmarking (Ofwat, PR19).

22. *Do you have any other feedback on the proposed approach to price comparison and benchmarking?*

We recommend that Ofgem commit to regular review and update of benchmarks to reflect changes in fuel costs, decarbonisation investment and market conditions. Additionally, we suggest that Ofgem consider creating a reference group of not-for-profit operators to test assumptions before benchmarks are finalised.

### Profitability Analysis

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

Our members do not agree that EBIT is an appropriate measure for all heat networks, particularly for not-for-profit social landlords. Paragraph 5.23 proposes collecting EBIT data to identify networks generating excessive profits. While we understand the intent to detect unfair returns, the CMA's Heat Networks Market Study (2018) highlighted that the majority of social housing networks operate on a cost-recovery basis with no profit margin.

Additionally, EBIT does not capture reinvestment obligations or cross-subsidies that are common in regulated housing associations. For example, many operators maintain standing charges to fund replacement plant, and these funds are not distributed as profit. Citizens Advice (Heat Networks: Time for Regulation, 2020) noted that metrics should reflect the diversity of operating models, including providers with embedded social objectives.

We recommend that Ofgem adopt alternative indicators of financial sustainability, such as cost recovery ratios, rather than applying EBIT reporting universally.

24. *How challenging would it be for heat network operators and suppliers to provide the data outlined for calculating EBIT margins? What barriers, if any, might affect the accuracy and completeness of the data?*

Our members would face significant challenges in producing accurate EBIT data. Paragraph 5.27 suggests that EBIT should be calculated at network level. However, social landlords often operate multiple schemes within the same accounting structures, and heat networks are not separated in financial ledgers.

Moreover, depreciation and overhead allocation are treated differently under housing regulation. Reconfiguring accounting systems to produce EBIT margins per network would be complex and

costly. The ADE's Shared Warmth (2021) study observed that smaller providers are particularly affected by fragmented data.

25. *As data collection improves, do you agree that more in-depth profitability assessments, for example using Return on Capital Employed (ROCE), should be conducted for networks identified as outliers through benchmarking?*

Our members do not agree with this approach for not-for-profit schemes. Paragraph 5.29 proposes ROCE assessments where EBIT indicates potential overcharging. However, social landlords do not target returns on capital; capital is often grant-funded, and profits reinvested and depreciated over the useful life of the asset. ROCE therefore risks producing misleading results.

We recommend that profitability assessments for not-for-profit providers focus on cost recovery and compliance with rent regulation, rather than commercial return measures.

26. *Do you have any other feedback on the proposed approach to profitability assessment?*

We recommend Ofgem develop a tailored approach for not-for-profit operators that recognises:

- i. the impact of decarbonisation investment obligations,
- ii. the need to fund replacement reserves, and
- iii. statutory rent controls.

This will ensure that profitability analysis does not penalise social landlords acting in the interests of residents.

## Central Price Transparency

27. *What are your views on the three options? Please comment on each option in terms of the price information to be centrally published, how the price information is presented and what prices are compared to.*

Our members have carefully considered the three options described in paragraph 6.69. While we support the principle of greater transparency, it is essential that any approach avoids creating misunderstanding among consumers or undermining confidence in legitimate pricing practices.

*Option 1*, which involves publishing average prices segmented by network characteristics, is our preferred approach. This model allows for comparison between similar operators—such as not-for-profit housing associations and commercial providers—and helps consumers contextualise their costs. We consider this segmentation critical, given that networks operated by social landlords often have different cost structures, including ring-fenced reinvestment in decarbonisation and maintenance.

*Option 2*, which proposes publishing individual network-level price data, presents several challenges. First, this approach risks misinterpretation by residents, particularly where higher costs reflect legacy infrastructure rather than inefficiency. For example, the ADE (Shared Warmth, 2021) noted that communal networks built before 2000 often incur higher standing charges due to replacement cycles. Without clear narrative context, publishing raw network-level data may

damage trust and create confusion. Additionally, Option 2 increases the likelihood of price convergence, as operators may align pricing to avoid standing out as outliers.

*Option 3*, which focuses solely on benchmark comparisons without publishing absolute prices, is simpler but may not provide sufficient transparency for consumers to understand their position relative to the market. While some consumers may prefer a simplified benchmark approach, this option could be criticised for lack of detail.

We therefore recommend adopting Option 1, supplemented by benchmark indicators from Option 3, provided that all published information includes clear explanatory notes on cost drivers and network segmentation.

28. *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, and risk of price convergence?*

Our members recommend caution. Paragraph 6.69 rightly identifies risks of price convergence and misinterpretation. The CMA's findings (2018) demonstrated that simplistic comparisons can lead to reputational damage even where prices are justified.

Option 1 strikes the most appropriate balance because it provides consumers with segmented averages they can interpret meaningfully. Option 2 imposes significant burdens, as consumers will have to interpret granular data without context, which risks confusion and complaints. For social landlords, Option 2 also increases the likelihood that residents will perceive pricing as unfair when, in reality, costs are driven by older infrastructure and statutory requirements. Option 3 reduces the risk of misinterpretation but at the expense of clarity.

We recommend combining Option 1 and Option 3, with clear explanatory narratives to support understanding.

29. *Do you support focusing on one option or a combination of options in paragraph 6.69?*

We support a combination of Option 1 and Option 3. This approach allows for clear segmented averages alongside benchmark comparisons, enabling consumers to see both absolute and relative pricing in a format that is more likely to be understood. Option 2 should not be implemented without extensive consumer testing to ensure comprehension.

30. *Do you support the phasing in of the options described in paragraph 6.70?*

Our members strongly support phased implementation. Phasing will allow time to collect data, validate accuracy, and prepare explanatory material for residents. For housing associations, which often lack fully digitised records, at least a two-year transition period will be necessary to avoid inadvertent errors or consumer confusion.

31. *Do you support the adoption of different options for different heat network groups described in paragraph 6.71?*

We strongly support differentiated approaches. Not-for-profit housing associations should use simpler segmented averages with contextual notes, while large commercial operators could

publish more granular network-level data. This proportionality reflects the varying levels of risk and consumer protection needs.

32. *Do you agree that central price transparency measures are unlikely to put additional administrative burden on heat networks in addition to data reporting for benchmarking? Do you have concerns on the administrative burden from any options?*

Our members disagree. Even if data is already collected, transforming it into clear, accessible publications and validating accuracy requires dedicated resource. Paragraph 6.73 underestimates this burden, particularly where communications must be tailored for vulnerable residents and integrated with housing management systems.

33. *Do you think it is appropriate to link central price transparency with benchmarking?*

Yes, provided it is clearly explained that benchmarks are indicative only. This linkage will help contextualise pricing for consumers and provide reassurance about fairness.

### Price Investigations and Enforcement

34. *Do you agree with the approach to price investigations set out so far? Please provide reasons and views to support your response.*

Our members broadly agree with the proportionate, risk-based approach set out in paragraphs 7.12–7.21. An advisory-first model will help resolve issues without formal enforcement. However, Ofgem should clarify that investigations triggered by outlier pricing will consider whether higher costs are due to legitimate factors such as legacy infrastructure or statutory obligations.

The CMA (2018) emphasised that poor transparency, rather than deliberate overcharging, is often the primary driver of consumer dissatisfaction. We therefore recommend that not-for-profit providers be assessed holistically, taking into account decarbonisation costs, rent regulation, and reinvestment commitments. Finally, clear protocols are needed to coordinate with the Housing Ombudsman and Regulator of Social Housing to avoid duplication.

## Appendix 1: Billing templates

**L&Q Energy**

L&Q  
29-35 West Ham Lane  
Stratford  
London  
E15 4PH

Phone: 0333 003 3733  
Online: [lqgroup.org.uk/landq-energy](http://lqgroup.org.uk/landq-energy)  
Email: [landqenergy@lqgroup.org.uk](mailto:landqenergy@lqgroup.org.uk)



Your charges for the period of 01/05/2025 to 31/05/2025

Your balance brought forward from your previous statement £4,116.24

Payments received £0.00

Your charges split by fuel type:



Heat & Hot Water

£35.88

**Subtotal:**

Total charges before VAT £35.88

VAT at 5% £1.79

Total invoice for this period  
(including VAT) £37.67

Your new account balance to pay £4,153.91

Your payment is due by:  
**06/07/2025**

Your new account balance to pay:  
**£4,153.91**

Pay using this barcode at your nearest PayPoint store:



Registered Office: L&Q, 29-35 West Ham Lane, Stratford, London, E15 4PH  
Homes and Communities Agency (L4517) Registered Society (30441R) L&Q is an exempt charity.  
VAT Registration Number: 773 9618 80





**L&Q Energy**

L&Q  
29-35 West Ham Lane  
Stratford  
London  
E15 4PH

Phone: 0333 003 3733  
Online: [lggroup.org.uk/landq-energy](http://lggroup.org.uk/landq-energy)  
Email: [landqenergy@lggroup.org.uk](mailto:landqenergy@lggroup.org.uk)

### Your tariff information

#### Your tariff split by fuel type

Heat & Hot Water	Band 2 Charge Group	Heat & Hot Water	Unit rate (day)	£0.123 per kWh
			Standing Charge	per Day

### Heat & Hot Water Used

Meter serial number

Tariff

Band 2 Charge Group

Charge period from 01/05/2025 to 31/05/2025

#### Meter Readings:

Automatic Meter Read	30/04/2025	62883.0 kWh
Automatic Meter Read	31/05/2025	63028.0 kWh
Meter Units used in the charge period	145.0	

Price £/Unit	£0.123
Units used	145.0
Unit charge for 31 days	£17.84

Price £/Day	£0.582
Standing charge for 31 days	£18.04

Cost of Heat & Hot Water supplied. Total (excl VAT) £35.88

Registered Office: L&Q, 29-35 West Ham Lane, Stratford, London, E15 4PH  
Homes and Communities Agency (L4517) Registered Society (30441R) L&Q is an exempt charity.  
VAT Registration Number: 773 9618 80

## FAQs

### Q How do I contact L&Q Energy if I have any queries relating to my bill or energy account

A L&Q Energy now have a dedicated telephone number meaning you can come straight through to the team if you have any questions about your heat and hot water account or bill. Our new number is on the top of each page of your bill. You can also email us at [lqenergy@lqgroup.org.uk](mailto:lqenergy@lqgroup.org.uk).

For any non-energy related queries, you should still call the usual L&Q number: 0300 456 9996

### Q How do I pay my bill?

- A
1. Go to <https://lqenergypayments.paypoint.com/energy>
  2. Click Pay By Card
  3. Choose BillPay as the service
  4. Fill in relevant details and confirm

Alternatively, you can use the barcode on this statement at a local Paypoint store. Details of where to find your local Paypoint store can be found by visiting [www.paypoint.com](http://www.paypoint.com).

### Q Who can I contact for Debt Advice?

A L&Q Energy is committed to helping residents manage their heat account. In the first instance, please contact us on 0333 003 3733 to discuss your account. If you require independent advice, you can contact any of the following organisations:

Citizens Advice  
Tel: 0344 411 1444  
[www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)

The Money Advice Service (MA)  
Tel: 0800 138 7777  
[www.moneyadviceservice.org.uk/en](http://www.moneyadviceservice.org.uk/en)

National Debtline  
Tel: 0808 808 4000  
[www.gov.uk/national-debtline](http://www.gov.uk/national-debtline)

### Keep track of bills online!

Set up your online account today by visiting [londonquod.mabdeck.com](http://londonquod.mabdeck.com)

Choose "Click here to register" to begin viewing your bills online now.



Registered Office: L&Q, 29-35 West Ham Lane, Stratford, London, E15 4PH  
Homes and Communities Agency (L4517) Registered Society (30441R) L&Q is an exempt charity.  
VAT Registration Number: 773 9618 80

## Appendix 2: Sample asset register and historical cost summary

Item	No of	Model/Manufacturer	Annual Contractual Cost (Contract Commencement July '24)	Additional Costs Since July '24	Details
Boiler	3	remeha-310 eco-499.00KW	£ 27,513.34	£ 32,732.39	October - Remedials on the back of servicing (3796.53) April - H&S Condensate Works (6505) June - Boiler Replacement (22430.86)
Dawson crt Twin pump set	1	Grundfos-TPED 40-160/4 A-F-A-BAQE-	£ 1,558.40	£ 10,231.71	October - Replaced the pumpset
Kolar & Holinger twin pump set	1	Grundfos-TPED65-250/2-AF A-BAQE-	£ 1,558.40	£ 13,662.52	October - Replaced the pumpset
Fairbanks crt twin pump set	1	Grundfos-TPED80-240/2AF A-5AQE	£ 1,558.40	£ 15,070.32	October - Replaced the pumpset
Bigler & Comstock twin pump set	1	Grundfos-TPED 65-150/2 A-F-A-BAQE	£ 1,558.40	£ 14,895.00	October - Replaced the pumpset
Boiler Shunt twin pump set 1	1	Grundfos-TPD50-60/2 BUBE	£ 1,558.40	£ 4,647.57	October - Replaced all shunt pumps
Boiler Shunt twin pump set 2	1	Grundfos-TPD50-60/2 BUBE	£ 1,558.40	£ 4,647.57	October - Replaced all shunt pumps
Boiler Shunt twin pump set 3	1	Grundfos-TPD50-60/2 BUBE	£ 1,558.40	£ 4,647.57	October - Replaced all shunt pumps
pressurisation unit	1	Flamco-Flexfiller 250D-	£ 1,558.40	£ 2,288.40	October - all expansion vessels replaced
pressurisation vessel 1	1	Grundfos-GT-UR-500 V-500L	£ 1,558.40	£ 2,288.40	October - all expansion vessels replaced
pressurisation vessel 2	1	Grundfos-GT-UR-500 V-500L	£ 1,558.40	£ 2,288.40	October - all expansion vessels replaced
pressurisation vessel 3	1	Grundfos-GT-UR-500 V-500L	£ 1,558.40	£ 2,288.40	October - all expansion vessels replaced
pressurisation vessel 4	1	Grundfos-GT-UR-500 V-500L	£ 1,558.40	£ 2,288.40	October - all expansion vessels replaced
pressurisation vessel 5	1	Grundfos-GT-UR-500 V-500L	£ 1,558.40	£ 2,288.40	October - all expansion vessels replaced
PRBG 1 Master	1	Elysator	£ 5,077.80	£ 651.91	October - Elysator Serviced
Strainers	7	Crane	£ 1,558.40		
purotap compenso 50	1	Elysator	£ 5,077.80	£ 543.74	October - Elysator Serviced
Primary supply water meter	1	elster	£ 2,207.73		
Dosing Pot	1	H20	£ 180.00		
Air Dirt serperator	1	unknown	£ 1,558.40		
CHP	1	needs disconnecting porperly, powers up	N/A	N/A	N/A
Boiler saftey valves	3	Unknown	£ 1,558.40	£ 10,755.46	June - Replacement of SVs
Heat meter ultraheat	1	Landis and gear	£ 2,207.73		
EC gas meter	1	CPT-01 Quantometer	£ 2,207.73		
Heat Meter	1	Evinox Meters ZE102C5 orZE103C5	£ 2,207.73		
Flue System	1	Unknown	£ 23,465.82	£ 21,105.46	June - Replacement
Ventilation System	1	Unknown	£ 23,465.82		
Spirovent	1	Spirotech	£ 1,558.40	£ 9,032.91	June - Spirovent replacement and repipe
Gas Solenoid Valve	1	BANICO	£ 4,047.52	£ 9,194.42	October - Solenoid Valve Replaced
BMS	1	Unkown	£ 23,465.82	£ 1,241.00	April - Remedials
Gas Pipework	1	Unkown	£ 4,047.52	£ 2227.65	June - Replacement and Re-Piping
all	N/A	N/A	£ 52,985.76		General PPMs

### Appendix 3: Examples

*Example of a social housing ESCo Tariff (excl. VAT) With split element for rental tenants-v-leaseholders*

EX VAT p/kWh	Default		
	Day	Month	Year
Variable Rate	11.8		
Metering and Billing	0.23	7.09	85.1
Operational Admin Charges	0.22	6.69	80.3
TENANT RESIDENT	0.45	13.8	165.40
Maintenance and Repair	0.588	17.9	214.70
Sink Fund - Capital Replacement CRF	0.260	7.9	94.90
Total	1.30	39.58	474.90

*Example of a social housing landlord tariff – Metering Billing, Admin and Customer Services Only (excl. VAT)*

EX VAT	DEFAULT HEAT TARIFF		
	day	month	year
Variable Rate	12.3		
Metering & Billing – PAYG / GURU 55%	0.298	9.06	108.79
Service & Admin Costs 45%	0.28	8.62	103.51
Standing Charge	0.58	17.69	212.31

Example of a social housing landlord tariff calculated by a third party.

	Section	To Be Completed By The Client	Assumption to be used if no data is supplied	Notes
No. of dwellings to be served by this tariff	(1a)		25	
Total no. of units across entire site	(1b)		25	
No. with Guru metering	(1c)		25	
<b>Electricity Supply Contract</b>				
Please provide the electricity supply contract	(3a)			End Date 19/12/2025
Please provide the electricity invoicing for previous 12 months	(3a)			
Electricity Unit Price (p/kWh excl VAT)	(3b)			Assumed that all electricity costs (including communal heating pump costs) will be passed on to the resident through the Service Charge and NOT the Heat Daily Standing Charge. Day Rate [REDACTED] Night Rate [REDACTED]. Used volume weighted average of [REDACTED]
Electricity Standing Charge (p/day excl VAT)	(3c)		N/A	Please note that this is only valid if it is a dedicated electricity supply for the communal heating
<b>Air Source Heat Pump (ASHP)</b>				
ASHP Make/Model	(10a)		Mitsubishi CAHV 500yb	If not available, efficiency value (10b) will be used.
ASHP COP	(10b)		2.80	Default figure used in Part L 2013.
Metered electricity input to ASHP				Is the electricity input into the ASHP sub-metered and, if so, is this data available?
Metered heat output from ASHP	(10c)			Is the heat output from the ASHP sub-metered and, if so, is this data available? If not available, proportion of heat provided (10d) will be used.
Proportion of development's heat to be provided by ASHP	(10d)		100.0%	
<b>Other</b>				
Will the electricity costs incurred through operation of the communal heating system (e.g. communal heating pump) be passed on to the resident through the heat standing charge?	(12a)	No	No	Assumed that all electricity costs (including communal heating pump costs) will be passed on to the resident through the Service Charge and NOT the Heat Daily Standing Charge.
Annual communal heating electricity consumption (kWh/year)	(12b)		0	100 kWh/year per dwelling. From SAP 2012 - Based on 1% of 10,000 kWh space heating and hot water demand for typical dwelling. This represents the communal heating pump operational costs only.
Network losses	(12c)		40.0%	Heat lost between the plant room and the residents. Typical industry standard.
If bad debt provision is included, will the provision be applied to the unit charge or daily standing charge?		Daily Standing Charge	Daily Standing Charge	
Will [REDACTED] Guru metering & billing fees be included within the standing charge?	(12g)		[REDACTED] /unit/year	M&B fees at [REDACTED] Guru SaaS fees at [REDACTED]
Will [REDACTED] monthly reporting charges be included within the standing charge?			[REDACTED] /year	Assumed that monthly reporting charges will be passed on to the resident.
Will [REDACTED] tariff setting charges be included within the standing charge?	(12h)		[REDACTED] /year	Assumed that tariff setting charges will be passed on to the resident.
Administration charge on Variable Heat Tariff	(12i)		0%	
Any additional annual fees	(12j)		[REDACTED] /year	Check meters X 2 @£[REDACTED] + [REDACTED] Guru SaaS = [REDACTED] Transaction charges forecasted based on a similar size scheme at [REDACTED]
Are you VAT registered?	(12k)	Yes	Yes	
Do you require input tax to be added to the tariff?	(12l)	No	No	Note that if you are VAT registered then NO input tax
Residential VAT rate	(12m)		5.0%	Standard residential VAT rate
VAT registration number	(12o)			
Is there anything else we need to be aware of with regards to VAT on this scheme?	(12p)			

### *Examples of third party ESCO's calculating tariffs:*

Where social housing providers receive heat from private ESCO's the tariff structure is not too dissimilar except that there maybe the addition of (i) debt and volumetric risk premiums; and (ii) profit margin.

Some of these ESCO's also recover for reactive repairs and inefficiencies in the network through their variable tariff, removing the incentive to appropriately manage the assets. An extract of this approach has been provided below.

#### Extract 1

- Variable Charge =  $([x] * G) - ([x] * E) + NFVC$

Where:

- G is the wholesale annual gas offer price (p/kWh) for an April contract start as published by ICIS Heren (NPB Price Assessments) x [factor] plus industry non energy costs as at the time of the review;
- E the wholesale annual electricity bid price (p/kWh) less [%] for an April contract start as published by ICIS Heren (UK OTC Power Price Assessments); and
- NFVC is the non-fuel variable cost element of the prices, which is set at [X] p/kWh until 1 April [Year] and then subject to an annual increase in accordance with RPI.

- Standing Charge= Annual Standing Charge/365 x no of days++BEMA RPI.

The fixed costs are set out as being costs

- associated with the energy centre and distribution network
- operation and maintenance; and
- capital replacement.

#### Extract 2

- Standing Charge=A+B

Where:

- A is the ESCO's overheads, profit, repair, maintenance, replacement of asset costs, and metering costs.
- B is the cost of billing, database administration, bad debt, and reactive repair costs.

- Variable Charge= Usage x import tariff+ losses on the network+ inefficiencies of the asset.