



## Consultation response

### **National Energy Action response to Heat Networks Fair Pricing Protections**

#### **About National Energy Action**

National Energy Action (NEA), the fuel poverty charity, campaigns so everyone can afford to live in a warm, safe and healthy home. This is something denied to millions because of poor housing, low incomes and high bills. Working across England, Wales and Northern Ireland, everything we do aims to improve the lives of people in fuel poverty. We directly support people with energy and income maximisation advice, and we advocate on issues including improving the energy efficiency of our homes.

#### **Background to this response**

National Energy Action is pleased that Ofgem is consulting on the establishment of fair pricing protections for heat network consumers. We recognise the importance and potential for growth of heat networks in providing local, low-carbon heat sources for households. National Energy Action has practical experience in providing support for households supplied by heat networks, and this has led us to believe that the establishment of pricing protections is essential. We believe that these consumer protections should be equivalent to the protections in place for households served by electricity and gas suppliers. Households connected to heat networks require the same protections, particularly given that, unlike conventional gas or electricity consumers, they lack the ability to meaningfully compare pricing or to switch suppliers.

#### **Summary of our response**

Our response to this consultation is based around three key themes:

- Vulnerable customers must be prioritised in heat network regulation
- Ensuring the right balance of prescriptive and principle-based regulations
- In the absence of a price cap, existing support schemes must adapt to protect heat network users

Each of these is summarised below, before an expansion of our ideas in the answers to the questions posed in the consultation.

## **Vulnerable customers must be prioritised in heat network regulation**

Heat network users cannot switch supplier, and this group often comprises a higher proportion of vulnerable and low-income compared to gas and electricity. These consumers face particular risks if pricing protections are not applied robustly and consistently from the outset. While Ofgem identifies 'level of vulnerability' as a potential segmentation factor, it must become a core driver of regulatory prioritisation across data reporting, monitoring, enforcement and price investigations.

Vulnerability should not be treated as a contextual detail but as a defining feature of the market that requires earlier and more proactive oversight. This is especially important in social housing or mixed-tenure blocks where affordability concerns are particularly profound, and consumers have limited ability to seek redress.

It is also essential that heat network users are afforded the same protections and standards regarding debt as gas and electricity consumers. This includes requirements around assessments of ability to pay, affordable repayment plans, enhanced protections and support for vulnerable households, regulatory oversight of debt recovery, and protection from disconnection for vulnerable households during hardship. Extending these standards to heat networks will ensure regulatory consistency and guarantee fundamental consumer protections for households with limited choice of supplier.

Publishing pricing data and enabling comparison may support transparency, but these tools alone are insufficient. Many consumers lack the time, confidence or information to interpret headline prices, and cannot act on this data even if they suspect they are being overcharged. Bills must be made as clear, consistent and understandable as possible and, where prices appear high, Ofgem must proactively lead investigations and be ready to intervene. Advice organisations can help interpret pricing, particularly for digitally excluded or vulnerable groups, but the responsibility must not fall solely to consumers.

Before full price investigations come into effect, Ofgem should closely monitor complaints and data trends, and prioritise networks serving high numbers of vulnerable users. Where prices are above average but not judged excessive under current guidance, there must still be a mechanism to explore support. This could include working with or referring suppliers to the Heat Network Efficiency Scheme where cost drivers might be addressed.

Some adaptation of reporting requirements may be justified for small or not-for-profit networks. However, this should not weaken the core protections available to their customers. Segmentation should support proportionate regulation, not create a two-tier system. Over-segmentation risks undermining comparability, reducing accountability and leaving vulnerable consumers less protected. This must be avoided.

## **Ensuring the right balance of prescriptive and principle-based regulations**

To ensure consistently fair outcomes across all networks from the outset, this framework requires more prescriptive and enforceable rules around transparency standards, cost-allocation methodologies, benchmark thresholds, and clearly defined triggers for regulatory intervention. Without a clear and enforceable foundation, there is a risk of wide variation in how protections are interpreted and applied across different networks.

Cost allocation is a central concern. While the diversity of heat networks is recognised, the methods used to allocate operating, maintenance and capital costs must be standardised to a meaningful degree. Prescriptive rules are needed to ensure that consumers can understand their charges and to allow Ofgem and other bodies to assess whether pricing is fair. The lack of transparency in maintenance costs is especially problematic. In some cases, consumers pay twice, once through rent or service charges, and again through their heat bills. Regulations must address this and align with obligations under Section 11 of the Landlord and Tenant Act 1985.

The treatment of efficiency improvement costs must also be clearly defined. Many networks will require investment to meet future technical standards. While this is necessary, it is essential that these costs are not simply passed through to consumers, particularly where historic inefficiencies or poor design are to blame. Consumers have not chosen their heat network and cannot switch. This lack of choice must be reflected in how cost recovery is regulated.

Ofgem's authorisation condition on cost allocation currently sets a broad direction but relies heavily on supporting guidance. Ofgem should use a clearly defined set of permitted allocation models, with rules on which costs can and cannot be recovered from consumers. Without this structure, there is a risk that cost allocation becomes wildly inconsistent and unchallengeable.

Despite being outside the direct scope of this consultation, prescriptive metering requirements and regulations are hugely important for fair pricing rules. In unmetered households, high users benefit from estimated costs while lower usage customers, who are more likely to be low income, pay more than their fair share. This is an issue Ofgem should monitor and work with government to remedy. Accurate and comprehensive metering requirements under the Heat Network Technical Assurance Scheme (HNTAS) remain foundational for both transparent billing and effective targeting of financial support. Without reliable consumption data, billing disputes and perceptions of unfairness will persist.

While principles provide a helpful framework, prescriptive regulation is essential in areas where consumer detriment is likely or where confidence depends on clear, enforceable rules. A balance must be struck, but not at the expense of fairness, clarity or protection.

#### **Case study: Mr A**

Mr A, a carer for his elderly mother who suffers from a rare blood cancer, lives in local authority accommodation. Mr A also has heart problems. The family's heating and hot water are provided via district heating, and they began facing high charges under the newly installed metered system. The monthly charges reached nearly £190, which Mr A felt was excessive, especially when his neighbours with similar household compositions paid only £80. Despite several attempts to discuss the issue with the local authority, Mr A received no clear explanation for the disparity, although they had offered to reduce the payment amount by £10 per month. As a result, Mr A was limiting his hot water use, which began to negatively impact his mental health.

Due to limited income, Mr A had not paid his heating bill since April, accumulating a debt of approximately £1,000. Mr A had made numerous enquiries and complaints to the local authority about the heating controls and metering system but had not received a satisfactory response. His adviser from National Energy Action suggested escalating the matter through his housing officer, the local MP and repairs team. To manage the situation, Mr A had reduced energy use by batch cooking or ordering takeaway food.

Mr A received £700 through the Warm Home Prescription scheme to help with energy bills. Additionally, his adviser suggested seeking assistance from an FCA-registered debt advice agency to help manage his ongoing housing and heating debt.

#### **In the absence of a price cap, existing support schemes must adapt to protect heat network users**

It is welcome that this consultation seeks to extend many of the key benefits associated with the energy price cap, including transparent pricing, centralised publication of tariff data, cost-reflective billing, and benchmarking. We appreciate the rationale for not introducing a formal cap at this stage, while welcoming that a formal price control mechanism is being held in reserve should market evidence show it is necessary.

However, in the absence of strict price controls, Ofgem must proactively monitor price levels and enforce protections where charges become disproportionate. This includes establishing clear thresholds for when intervention is required, tracking emerging price trends and responding swiftly to consumer complaints. Ofgem's actions should be guided by the principles of fairness and affordability, with particular attention to networks serving high proportions of vulnerable households.

Parallel to this, government should examine how existing fuel poverty schemes can be extended to heat network users. Measures such as the Warm Home Discount and any future social tariff must explicitly include those on heat networks. This will require cross-departmental co-ordination and consultation to adapt eligibility criteria, application processes and payment mechanisms so that heat network users receive the equivalent support available to gas and electricity customers.

Although the detailed design of these schemes lies outside Ofgem's immediate remit, it is crucial that existing support schemes are adapted to protect heat network users from any future price shocks or potential detriment before formal price investigations are in place. By proactively addressing these issues, we can ensure that vulnerable households on heat networks are not left behind.



## Answers to the consultation questions:

### Fair pricing framework

**Question 1. Q1. 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.**

Yes, National Energy Action is broadly supportive of the proposed objective, principles, and outcomes regarding the fair pricing framework. We would highlight the particular significance of preventing disproportionate pricing, prices being reflective of an efficiently run heat network, considerations of affordability, an appropriate quality of service, and households on a heat network not being unduly disadvantaged compared to those on other heat sources.

We are supportive of an obligation for providing fair and transparent prices and would like to see this accompanied by prescriptive rules. One area of pricing which lacks transparency currently, in our view, is maintenance costs. We would like to see prescriptive rules regulating how maintenance costs are applied to bills (in terms of cost allocation). Furthermore, we understand that in some cases, tenants are paying maintenance costs twice. First through rent and second through the heating charges. These regulations therefore must address this and ensure consistency with tenant protections under Section 11 of the Landlord and Tenant Act 1985. We understand that maintenance costs can form a significant part of a heat network's operational costs. Analysis suggests that maintenance costs can reach £400 per year for some households<sup>1</sup>. It's therefore critical that this area is addressed through the implementation of regulation.

While the consultation appropriately identifies 'affordability' and 'fair' and 'reasonable' returns as core principles underpinning fair pricing, these terms are currently defined only in broad, qualitative terms without clear, measurable criteria or thresholds.

Greater clarity is needed in the affordability principle. We understand that Ofgem does not intend to place obligations for heat networks to charge consumers differently based on their economic circumstances, given that there is likely a higher proportion of vulnerable households supplied by heat networks than in the energy sector<sup>2</sup>. However, affordability and vulnerability should be key considerations in assessing whether a heat network serving a large number of vulnerable households is meeting the affordability principle.

Given that meaningful price investigations and enforcement action will, understandably, require further data and stakeholder engagement before they can be deployed, we support the development of clearer, upfront definitions and quantitative benchmarks, even if notional, for affordability and returns. Establishing these in advance will provide greater certainty for both consumers and heat suppliers, go further to proactively prevent cases of disproportionate pricing during the period before price investigation mechanisms are fully operational, and reduce regulatory ambiguity. It will also help avoid prolonged disputes or confusion from applying these principles retrospectively through price investigations after prices have already been set.

Clear, prospective criteria for affordability could include specific affordability thresholds or hardship protections for vulnerable consumers, while fair return limits might be set using accepted regulatory finance models.

We note that the consultation identifies a single industry-level outcome: that regulation '*does not discourage growth of the heat network sector*'. While we acknowledge the importance of fostering sector growth to support decarbonisation goals, this outcome is currently defined in very broad and vague terms. The lack of detailed definition or measurable criteria raises concerns about how

it will be balanced against the consumer-focused principles and outcomes set out elsewhere in the framework.

Specifically, the consumer principles emphasise cost-reflective pricing, affordability, fair and reasonable returns, transparency, and protection against disproportionate pricing. These protections are essential to safeguard consumers from excessive charges and ensure fairness, especially given the monopolistic nature of many heat networks.

There is a clear risk that, without more precise articulation, the broadly framed industry outcome could be interpreted in ways that prioritise market expansion over consumer protections. This potential friction may undermine efforts to prevent disproportionate pricing or limit regulatory action necessary to protect consumers. For example, if regulatory oversight were to become overly cautious to avoid discouraging growth, it might tolerate higher prices or returns that are not demonstrably fair.

To avoid such conflicts and ambiguity, we urge Ofgem to develop more detailed definitions and criteria for the industry outcome. This should include explicit guidance on how growth objectives will be balanced with consumer protection principles and outcomes. Clear articulation of this balance is critical to ensure that regulatory efforts do not inadvertently compromise affordability, fairness or transparency in pursuit of sector growth.

We agree with the expectations that networks should take steps to create cost efficiencies, implement technical efficiencies, implement metering for accurate consumption readings, and recover costs effectively. While we understand that specific metering requirements will be covered elsewhere, networks should already provide metered supply. It's unfair to consumers to indefinitely persist apportioning costs based on estimated consumption. Accuracy must be prioritised to remove the incentives for wasted energy. Metering requirements are therefore very important for fair pricing rules. In unmetered households, high users benefit from estimated costs while lower usage customers, who are more likely to be low income, pay more than their fair share. This is an issue Ofgem should continue to monitor and work with government to remedy.

**Question 2. Do you agree with our proposals to develop the fair pricing guidance in relation to the principles (please note that questions on cost allocation proposals, including guidance, are asked separately under Chapter 3: Cost allocation). In particular:**

- a. Have we identified the right areas to be covered by the guidance implementing the fair pricing principles (see paragraph 2.53 for a summary of the areas we are proposing to develop in guidance under each principle)? If you disagree with this proposal or think other areas should also be included, please specify what changes you would like to see and provide a justification.**

National Energy Action supports the areas identified for development in the fair pricing guidance. However, we believe the treatment of affordability requires further development.

While we welcome the inclusion of affordability as a standalone principle, the current framing may leave this key area open to be interpreted as a background consideration rather than an active part of pricing decisions. Affordability should be reflected throughout the pricing process, including in how costs are allocated and tariffs are structured. In areas where heat networks have discretion, there should be a clear expectation that they consider the impact of pricing decisions on households least able to absorb high energy costs.

We also note that cost-reflectivity should not be treated as synonymous with economic efficiency. For example, passing through the cost of debt to customers who are already financially vulnerable may be technically cost-reflective, but results in socially regressive outcomes that may not be

economically efficient. The guidance should allow for regulatory judgement in such instances and encourage suppliers to assess the distributional impact of their pricing decisions.

Finally, while we recognise that Ofgem intends to develop detailed guidance on price transparency through a separate consultation on billing and transparency, we underline its importance as a cross-cutting principle. Transparency supports consumer understanding, accountability, and regulatory oversight, and should be clearly referenced across all elements of pricing regulation.

**b. Do you agree with the specific proposals to develop each of these areas in guidance? If you disagree, please specify what changes you would like to see and provide a justification.**

Yes. We agree with the proposal to develop each of the identified areas in guidance. This will be important in helping suppliers understand what is expected of them and in promoting consistency across the market.

On affordability, the guidance should provide clearer direction on how suppliers might take this principle into account in practice, including in pricing design and longer-term planning. On cost efficiency, we would welcome greater clarity that inefficient or avoidable costs should not be passed through without scrutiny.

We also note the absence of specific guidance on fair and reasonable returns. While we recognise Ofgem's view that expected return levels will vary depending on performance, risk and ownership structure, this remains an area where greater clarity may be needed over time. In a relatively nascent sector, the risk of inconsistent or unjustified outcomes is heightened. Monitoring profitability is a helpful first step, but as the market develops, clearer expectations will be important to support transparency, accountability and trust in the regulatory regime.

**Question 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)?**

The high-level features are appropriate, but the approach to reasonableness would benefit from a clearer reference to external performance standards. Ofgem's definition, based on the expectations of a prudent and well-run regulated entity, is sensible, but in practice this should be grounded in a benchmark of what could be expected from a notional efficiently run heat network.

This concept is already familiar within Ofgem's wider regulatory framework and would provide a structured basis for assessing whether prices and cost structures are justified. Recognising cost variation is important, but it should not lead to passive acceptance of inefficiency. Guidance should strive towards the standard of a notionally efficient network, supported by appropriate levels of segmentation, to encourage consistent expectations and improved performance.

Affordability must remain central. Cost-reflective pricing alone does not ensure acceptable outcomes for consumers who cannot switch supplier and may already be facing significant financial pressure.

The case-by-case model should be applied with care. Pricing outcomes should not diverge excessively between networks. All heat network users require consistent protections, regardless of the network they are connected to.

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

The implementation proposals in Appendix 1 are reasonable, with appropriate use of benchmarking techniques such as external comparisons, past pricing trends, and comparison to similar networks. However, to ensure this leads to meaningful intervention, in the further development of these proposals, there must be clearer indications of what constitutes a material deviation from expected norms and how these insights will feed into regulatory decisions.

In assessing the impact of disproportionate pricing and prioritising action, the characteristics of the affected user groups should be given greater prominence. The framework should explicitly incorporate vulnerability, levels of income, and other markers of potential detriment when determining which cases merit earlier or more robust intervention.

**Question 4. Does the revised authorisation condition, 'fair pricing', reflect the policy intent?**

Yes, the revised condition reflects the policy intent at a high level, establishing a duty on heat suppliers to set and review prices in a way that is fair. However, the condition is minimal in scope and largely declaratory. It does not, on its own, define what constitutes fairness or how it will be measured in practice. This raises many of the questions explored in our wider response, particularly around the clarity and enforceability of the principles and tests that sit beneath it. The effectiveness of the condition will ultimately depend on the strength of the supporting framework.

**Question 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?**

The characteristics identified are broadly appropriate in this respect, and we recognise that some degree of segmentation will be necessary to ensure regulation is proportionate across a diverse market.

However, particular emphasis must be given to the proportion of vulnerable customers served by a heat network. This is not simply a contextual factor but a defining characteristic that should directly shape how regulatory oversight and enforcement are prioritised.

The consultation notes that vulnerability may influence prioritisation of regulatory action, but this must be embedded more firmly. Many networks serve high proportions of low income and otherwise vulnerable residents, often in social housing or multi tenure blocks where affordability concerns are acute. Heat networks in these circumstances require appropriately focused attention to ensure that pricing practices do not exacerbate existing disadvantages.

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

Yes, but segmentation must be applied carefully and must not result in diluted protections or weaker outcomes for certain consumers. All heat network users regardless of the nature of the network they are served by should receive the same core pricing protections and access to regulatory redress. This is especially critical in a monopoly context where consumers have no choice of supplier.

While it may be appropriate to tailor reporting requirements for very small or not-for-profit networks, these adaptations must not compromise regulatory oversight. Where a heat network



cannot meet fundamental pricing protections or demonstrate compliance, it should not be authorised to supply heat to consumers. Administrative burden must not become a rationale for reduced protections. The principle remains that the level of consumer protection should not depend on the size or structure of the network serving them.

Over segmentation should also be avoided. Excessive complexity risks obscuring accountability and limiting comparability across networks. Segmentation must serve the purpose of fair and effective regulation, not create two-tier protections that leave certain groups, particularly vulnerable consumers, less well protected.

### **Data requirements**

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

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

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

**Question 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?**

Users on smaller heat networks with diminished capabilities or resources for more intensive data reporting should not be disadvantaged. If a network is unable to provide sufficient data to demonstrate compliance it should not be authorised to operate. Consumers on smaller networks should not face weaker protections or reduced transparency simply because of the network's capacity or scale.

If we are striving for a transparent heat network sector where users do not face disproportionate prices for heat, there should be a high bar to meet for heat suppliers.

### **Cost allocation**

**Question 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?**

Yes, this is entirely appropriate. However, it should not be the only prescriptive rule in regard to cost allocation. Clear rules are also needed for other cost areas that lack transparency, particularly maintenance costs. These can form a significant part of household bills and, in some cases, consumers may be charged twice through both rent and heat charges.

**Question 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?**

Cost allocation rules should be prescriptive to ensure consistency in consumer outcomes, enable effective benchmarking, and support transparency. While there may be scope for more than one cost allocation methodology, the permissible approaches should be clearly defined within regulation.

Maintenance costs are one area where current practice lacks transparency and consumer protections are inadequate. These costs can be significant, and in some cases, consumers are charged twice through both rent and heat charges. Regulation should clarify how such costs are treated and ensure alignment with obligations under Section 11 of the Landlord and Tenant Act 1985.

The treatment of efficiency improvement costs also requires clear prescription. Consumers who cannot switch supplier must not be unfairly burdened by the costs of past inefficiencies or face unreasonable pass-throughs for future upgrades. Fair cost allocation in this area is essential to maintaining consumer trust and delivering equitable outcomes.

**Question 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?**

While we recognise the differing characteristics of heat networks, these do not justify fundamentally different approaches to cost allocation. The risk of widely varying pricing structures undermines transparency, comparability and consumer confidence. As an advice organisation, if significantly differing approaches were permitted, it would be more difficult to support consumers, navigate the regulatory framework, and provide clear reassurance about whether charges are fair.

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

The authorisation condition reflects the broad intent, but its effectiveness depends heavily on the supporting framework. Without more prescriptive rules in key areas such as maintenance and efficiency costs, there is a risk of inconsistency and reduced consumer protection. The condition must rest on clear and enforceable expectations to ensure fairness in practice.

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

The treatment of efficiency improvement costs must be clearly defined. Many existing networks experience avoidable heat losses that contribute to higher consumer costs. It should be explicit whether remedial costs to improve efficiency are part of the cost to serve, or the cost to become an efficiently run heat network.

The forthcoming regulatory technical requirements and assurance scheme will require investment to address these inefficiencies. However, households should not be exposed to large capital remediation costs, particularly where poor design or installation is the underlying cause. Consumers do not choose to be on an inefficient network.

**Price comparison and benchmarking methods**

**Question 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?**

Defining prices using average annual bills and unit rates is helpful for comparability, but may obscure where high standing charges or unusual tariff structures place disproportionate costs on certain consumers, particularly those with low usage. Defining charges for a set of reference consumers with low, medium and high usage would allow more granular and fair assessments of how pricing affects different user profiles. This approach may add complexity but would significantly improve the quality and fairness of benchmarking.

We also strongly support Ofgem's work towards the unbundling of heat costs from other charges such as rent or service charges. Where these charges are bundled, consumers cannot easily understand what they are paying for or how those prices compare to other networks. This clarity is essential for meaningful comparisons and consumer trust and understanding.

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

**Question 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?**

**Question 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?**

**Question 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?**

**Question 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? Consultation – Heat networks regulation: fair pricing protections**

**Question 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?**

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

#### **Profitability analysis**

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

**Question 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?**

**Question 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?**

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

#### **Central price transparency**

**Question 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.**

National Energy Action supports the principle of comprehensive transparency through a full heat network register as this would provide the most complete and accessible information on pricing, efficiency and resilience, while ensuring accountability.

A full register of heat-network prices, including detailed cost-allocation and procurement elements, would be highly informative. Although collating and interpreting this data would be complex, full transparency on bill components (rather than headline figures) would enable meaningful benchmarking, empower managing agents and consumers, and lay the groundwork for a potential future price-cap, if deemed necessary, based on real cost drivers. Without clarity on cost allocation, in-depth comparison and oversight will remain challenging.

We acknowledge, however, that the full register option has been discounted in this consultation. Given this, Option 2, providing a market-wide average and comparisons to gas and low-carbon alternatives, is the next most effective approach.

- Option 1 (grouped comparison): While segmenting networks for comparison might offer some differentiation, it risks introducing complexity and confusion for consumers. It may also create unintended incentives for networks to improve only enough to reach the next segment threshold rather than striving for optimal performance.
- Option 2 (pooled market average comparison): This option, though imperfect, offers a clearer and more straightforward comparison for consumers. The inclusion of benchmarks for heat network prices against wider energy market alternatives could be useful for consumers assessing their heating options. While it does not capture the full variability across all networks, it provides context and a baseline for evaluating relative pricing.
- Option 3 (RAG rating system): A RAG rating system could provide a useful simplified visual indicator of relative pricing. The inclusion of a distinct compliance RAG rating could also hold value.

Combining Option 2's market average pricing data with a RAG rating to indicate whether prices are above or below benchmarks would provide a clear and accessible way to present complex information.

**Question 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?**

National Energy Action supports the principle of price transparency but is concerned that the proposals place too much responsibility on consumers, particularly where there is no clear route to redress. While transparency has clear public value, in the absence of a full register it is not evident that enabling consumers to compare averaged headline heat prices or prices against a segment average will deliver meaningful benefits. Given the wide variation in network characteristics, such comparisons risk confusion and misinterpretation in the absence of interpretive support.

For example, a consumer may face high prices that, due to inefficiencies in an ageing or poorly designed network, are nonetheless judged reasonable under Ofgem's guidance and therefore not subject to regulatory action. In such cases, there simply has to be a way forward. Consumers should not be expected to absorb these costs without support. Ofgem should have the ability to



work with or refer networks to relevant government schemes, such as the Heat Network Efficiency Scheme, where efficiency improvements or cost reductions are possible.

Advice organisations could also have a role in helping consumers understand and interpret pricing information, particularly for those who are vulnerable or digitally excluded. But ultimately, the responsibility for identifying and acting on problematic pricing should sit with Ofgem and the Energy Ombudsman, not individual consumers.

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

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

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

**Question 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?~~**

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

Yes. National Energy Action supports linking central price transparency with benchmarking, as this can help contextualise pricing data and highlight potential outliers.

#### **Price investigations**

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

National Energy Action broadly supports Ofgem’s approach to price investigations. While it is understandable that meaningful investigations will take time while data is collected, we are concerned that these will not be in place until at least 2027, potentially leaving consumers at risk in the meantime.

It is unclear whether the proposed non-prescriptive guidance and fairness principles alone will be enough to limit detriment during this period. Without stronger interim measures, some consumers may face excessive prices or unfair charging structures.

To mitigate the risk of harm before formal investigations are possible, Ofgem should actively monitor available data and consumer complaints to flag concerning practices early, with a clear focus on vulnerable users. In its compliance and enforcement actions, Ofgem should not only prioritise cases with the greatest consumer detriment, but also give particular attention and priority to networks serving vulnerable or low-income residents.

There is a real risk of complacency among some suppliers. Ofgem must be proactive in holding the sector to account before full investigations begin.

## References and notes

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<sup>1</sup> Inside Housing (2021) [‘What is going wrong with heat networks?’](#)

<sup>2</sup> Gov UK (2023) [Heat Network Consumer and Operator Survey 2022](#)