

From: Secure Meters (UK) Limited

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Subject: Consultation response: Heat networks regulation: fair pricing
protections due on 9th July 2025

Q1: Have we identified the right set of fair pricing consumer objectives, 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.

Response from Secure Meters Ltd: We welcome and broadly support the set of consumer objectives, fairness principles, and intended outcomes outlined in the consultation. These provide a strong foundation for delivering consistent, transparent, and equitable pricing across heat networks.

we believe that the framework could be further strengthened by:

Explicit inclusion of "Empowered Consumption" as a principle

While the current objectives reference affordability, transparency, and comparability, they do not fully reflect the importance of consumer control over energy usage. We propose that a core principle should reflect empowerment through metering – allowing consumers to monitor, understand, and manage their consumption in real time and we believe it can help

- Increases engagement and awareness
- Encourages energy efficiency,
- Reduces bill shock and arrears, and
- Improves overall trust in the billing process.

Stronger Recognition of Technology-Enabled Fairness

The proposed outcomes focus on end results (e.g. fair pricing, access to redress) – however, the enabling role of technology, especially accurate metering and real-

time data access, is under-emphasised. We recommend that the outcomes explicitly acknowledge:

- The importance of **granular, consumption-based billing** via smart meters,
- The role of remote top-up and self-service platforms in maintaining service continuity, particularly for vulnerable customers,
- How secure PAYG technology directly supports affordability and transparency objectives.

Clarification Around Price Comparability

We note that the objective to make prices "comparable" to other heating systems could be interpreted narrowly. Price comparability should account for **service level, metering accuracy, control, and customer support infrastructure** – elements

Q2. 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.

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.

Response from Secure Meters Ltd: Yes, we broadly agree with the proposed areas identified in paragraph 2.53 for developing guidance under each fair pricing principle. The emphasis on transparency, cost reflectivity, and customer protection is welcomed and aligns with the direction of a more consumer-focused regulatory regime.

However, we would suggest the following **additional areas** be considered for inclusion:

- **Data granularity and metering capability:** we believe it is important to ensure that fair pricing guidance includes minimum technical requirements for metering systems to support fair pricing. This includes:
 - Accurate and real-time measurement of energy use (kWh), flow, supply and return temperatures.
 - Ability to support time-of-use or flatpeak tariffs, where applicable.
- **Digital engagement and billing clarity:** Pricing guidance should also promote clear, digital-enabled presentation of tariff breakdowns on the Meters.

b. Specific Proposals to Develop Each Area

We support the proposal to provide specific guidance under each principle area, especially regarding:

- Defining what constitutes a "reasonable and proportionate" cost allocation.
- Clear examples of unfair practices to avoid (e.g. excessive standing charges, hidden network costs).
- Expected standards for transparency in customer communications.

Suggested Refinement: We recommend that the guidance explicitly distinguishes between **regulatory requirements for heat suppliers** and **technical enablers required from solution providers**, to ensure clarity across the supply chain and ease of compliance.

Q3. Do you agree with the proposed 'fairness test'? In particular:

Do you agree with the high-level features of the fairness test

(principle-based, reasonableness, case-by-case basis, and objectivity)?

- Agreement with High-Level Features
- Do you agree with our proposals to implement the fairness test discussed in Appendix 1: Fairness test?

Response from Secure Meters Ltd: Yes, we agree with the proposed high-level features of the fairness test—namely that it should be principle-based, rooted in reasonableness, applied on a case-by-case basis, and aim for objectivity. These elements provide a flexible yet structured framework for assessing pricing practices without being overly prescriptive.

We believe this approach strikes the right balance between providing guidance and allowing for contextual differences in heat network design, customer base, and operational realities. It also encourages suppliers to make justifiable and customer-centred decisions.

However, to support fair implementation and limit ambiguity, we suggest the following refinements:

Defined evidence expectations: While flexibility is important, clear examples of what constitutes “reasonable evidence” (e.g. cost allocation models, usage data, tariff modelling assumptions) would support consistent application across suppliers.

Technical enablers and data readiness: The test should recognise the role of accurate and smart metering, data logging, and customer interfacing technology in enabling a transparent and objective assessment of fairness.

Appeals or independent review process: To enhance objectivity and consumer trust, we recommend including a pathway for customer appeal or external review of supplier decisions where the fairness test has been applied, particularly for contested or complex cases.

Response from Secure Meters Ltd: 3b Yes, we broadly agree with the proposals to implement the fairness test as discussed in Appendix 1.

We particularly support:

- The intention to promote **transparency and accountability** through documented justifications.
- The expectation that suppliers should adopt a **forward-looking and proactive stance** rather than reactively relying on complaints.

However, we suggest the following **enhancements** to support effective and consistent implementation:

- **Standard templates or checklists:** Providing optional templates or worked examples could help suppliers (especially smaller or non-specialist ones) to apply the fairness test systematically and demonstrate compliance in audits or customer disputes.
- **Integration with technical capabilities:** The success of the fairness test relies on access to granular and reliable data. It should be recognised that advanced metering through comparative data, peak usage profiling, and historic billing records would be useful.
- **Customer transparency:** As proactive measures, we propose to use IHD, e.g. used in E&G utilities, which are capable of providing real-time & informative data on a real-time/daily/weekly basis to make consumers aware, to avoid later on issues

Q4. Does the revised authorisation condition, ‘fair pricing’, reflect the policy intent.

Response from Secure Meters Ltd: Yes, the revised authorisation condition on ‘*fair pricing*’ appropriately reflects the stated policy intent of ensuring heat network consumers are protected through transparent, cost-reflective, and reasonable pricing practices.

The revised condition rightly shifts the regulatory emphasis from retrospective compliance to ongoing, evidence-based justification of pricing approaches. This is a welcome evolution in policy intent.

That said, for consistent implementation across suppliers and technologies, we suggest the following clarifications be considered:

- A clear articulation that technical infrastructure (e.g. smart metering, real-time data access, billing system capabilities) plays a key enabling role in meeting this authorisation condition.

- Ensure guidance distinguishes between the obligations of heat suppliers and the capabilities expected of supporting service providers—to drive clarity across the value chain.

Q5. 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?
- b Do you agree with the segmentation approach discussed for each of these characteristics?

Response from Secure Meters Ltd: We support the proposed approach to market segmentation as a means of ensuring that the fair pricing guidance and regulatory expectations are proportionate, targeted, and reflective of the diversity in heat network configurations.

The distinctions between domestic vs. non-domestic customers, network scale, and the nature of the supplier (e.g. public vs. private sector) are sensible starting points. These criteria align with the variation in consumer protections required across different customer groups and operational models.

We would highlight the following additional segmentation factors that could strengthen the framework:

Technology maturity and digital capability - Networks operating with smart metering, tariff & computation within the meter would help to supplier & consumers transparency

Tariff complexity - In order to provide various flexibility of tariff e.g Heat networks with seasonal tariffs introduce complexity that may require more granular guidance to ensure pricing remains fair, particularly for vulnerable customers. Segmentation could account for this to tailor regulatory expectations.

If Ofgem does proceed as proposed, in Table 2 of the consultation there are many segments, many of which are specifically excluded from price requirements and some, where this is implied. It is not clear which segments will be applied to 'price requirements'.

The segments that specifically are mentioned for price are;

- Network Size
- Metered v non metered
- Profit v non-profit
- Tenure

Other measures that may be included appear to be

- Type of network
- Zoning location

We believe this produces a confusing matrix of benchmarks which Ofgem will struggle to operate and heat suppliers and customers will struggle to understand.

Q6. Of the information listed in Table 3 below, what do heat networks already regularly collect and can be easily reported?

Response from Secure Meters Ltd: Based on our experience working with a wide range of UK heat networks, particularly those equipped with modern metering and billing systems, many of the data types listed in Table 3 can be collected and some provisions to be made which are technically possible.

However the provisions of these data done by mostly by non-smart metering units, open data type (not encrypted) and still data collections provisions (like data cable daisy chain) are more industrial or suitable for an industrial environment.

We highly recommend using Smart Metering technology wherein Calculation of data, tariff, gateways and data retention has to be within metering units very similar to UK SMETS rollout in Electricity & Gas metering.

We recommend for below to part of M& B system to include:

- Tariff structure and unit are defined in billing software at backend , we strongly recommend Tariff to be part of Metering units and visible to customers through IHD.
- Meter reading data (frequency and format) shall be mandatory available within the meters, very similar to E&G metering devices.
- Prepayment or credit mode features should be part of meters, option to switch any time, and they should be an integrated unit (without considering multiple devices, gateways)
 - Networks through Smart solutions recommended should be well-positioned to support regulatory data requests efficiently. (Not the traditional ones which have been designed to solve decade-old challenges)

Q7. Of the information listed in Table 3 below, which items would be more challenging for heat networks to report?

Response from Secure Meters Ltd: While many data points in Table 3 are already routinely collected and reportable—particularly by networks using smart metering and integrated billing systems—some items remain more challenging to report, especially for legacy networks or those with fragmented data systems. These challenges typically arise due to data not being

Digitally captured, centrally integrated, consistently defined across suppliers

Based on our industry experience, the more challenging items include through integration of systems:

Detailed Cost Breakdown (Opex/Capex split) : Data may reside in separate accounting systems and require manual extraction or interpretation.

Fuel Procurement and Input Cost Transparency: Commercial confidentiality concerns and supplier-side complexities can also be a barrier.

System Efficiency and Network Losses & Customer Vulnerability Status, Can be easily made available through smart metering system infrastructure

Carbon Intensity of Heat Supply This requires standardised methodologies to which should be considered for further guidance.

Q8. Of the cost drivers listed in Table 7 (in Appendix 3), which items would be more challenging for heat networks to report?

Response from Secure Meters Ltd: While many cost drivers in Table 7 are known internally by heat network operators, several remain **challenging to report consistently**, particularly where data is not centrally captured, standardised, or easily linked to customer-level pricing.

However, with Smart Metering Integrated system (Similar to SMETS1 IN Electricity& Gas), which could provide easily information like metered, non-metered, data availability, no of meters, vulnerable customers info, debts, efficiency and efficiency measures etc.

We recommend to implementation of Smart Metering solutions (like E&G) and make the above provisions.

Q9. 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?

Response from Secure Meters Ltd: we do not agree that certain types of heat networks should have limited data reporting requirements, Heat networks health indicators are only data and through monitoring & data in all aspects to be captured mandatory submitted.

we believe that a significant proportion of the challenges around unfair pricing are likely to arise from smaller operators, particularly single-block communal schemes and "accidental ESCos"—those established primarily to meet planning or regulatory conditions rather than as part of a structured commercial operation. These schemes often lack economies of scale, and with multiple parties in the supply chain, each adding their own margin, the result can be disproportionately high costs for end users. In such settings, customers typically have little or no ability to challenge or negotiate pricing.

We therefore recommend a **recalibration of the proposed tiered reporting framework** to reflect actual risk factors in pricing fairness—placing greater emphasis on cost opacity, consumer vulnerability, and technical maturity, rather than simply operator size or organisational status.

Q10. 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?

Response from Secure Meters Ltd: Yes, we strongly agree with the proposed prescriptive rule that Guaranteed Standards of Performance (GSOP) payments, compensations, fines, penalties, and any other redress should not be passed through to customers.

Q11. 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?

Response from Secure Meters Ltd: We broadly agree with the draft best practice guidance as a sound starting point for promoting fair pricing and customer protection across the heat network sector. The guidance effectively outlines expectations around transparency, communication, billing clarity, and customer engagement.

However, as the market moves toward statutory regulation, it is important that best practice evolves into enforceable standards where appropriate to ensure consistent outcomes.

Q12. 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?

Response from Secure Meters Ltd: Yes, we believe that the best practice approach to cost allocation should vary depending on the type of heat network and supplier, to ensure that guidance is proportionate, achievable, and reflective of operational realities.

While the core principles of fair pricing—transparency, cost reflectivity, reasonableness, and customer protection—should remain universal, the application of those principles must be adaptable to different network characteristics and supplier capabilities.

Q14. Does the authorisation condition, ‘cost allocation’, reflect the policy intent?

Response from Secure Meters Ltd: Yes, we believe that the proposed authorisation condition on cost allocation does broadly reflect the policy intent, which is to ensure that heat network charges are fair, transparent, and cost-reflective, while discouraging cross-subsidisation, hidden mark-ups, or the inclusion of unrelated costs in customer tariffs.

The condition appropriately supports the overarching policy goal of improving pricing transparency and customer protection, while allowing for a degree of flexibility in how cost allocation is implemented based on network complexity and supplier capability.

Q14. What other feedback do you have on the proposed approach to cost allocation?

Response from Secure Meters Ltd: We welcome Ofgem's comprehensive approach to cost allocation as a key pillar in ensuring fair pricing for heat network customers.

below are some additional considerations to strengthen the approach:

1. Encourage Standardisation and Consistency :Development of standard cost allocation templates or frameworks would help suppliers, especially smaller or less-resourced operators, to apply consistent and comparable methodologies.

- Standard definitions for key cost categories (e.g., fuel, maintenance, overheads) will reduce ambiguity and improve auditability.

2. Address Cost Allocation in Multi-Service Networks

- Clear principles are needed to separate heat network costs from other estate or utility expenses to avoid cross-subsidisation.

3. Incorporate Technology-Enabled Data Insights

- Promote the use of smart metering and data analytics to improve accuracy in cost attribution, such as identifying system losses or peak load impacts.

Q15. 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?

Response from Secure Meters Ltd: NA

Q16. Do you agree with our proposal to use gas boilers and heat pumps as external reference benchmarks?

Response from Secure Meters Ltd: Yes, provided that such benchmarks are applied fairly and accurately reflect the characteristics of

the specific heat network to which the occupier is connected. For example, a gas boiler counterfactual should not be applied to a low-carbon heat network.

We recommend the development of a sophisticated yet user-friendly counterfactual model that can be easily communicated to residents. This model should account for variations in energy sources as well as resident tenure types.

Furthermore, any external benchmark used should be accompanied by a clear and comprehensive explanation, aligned with the principles outlined above, to ensure transparency and understanding.

Q17. 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?

Response from Secure Meters Ltd: We generally agree with the proposed method for calculating the heat pump benchmark, including the key input parameters outlined. The approach appears to be comprehensive and well-considered, capturing essential factors such as efficiency, energy consumption profiles, and typical operating conditions

Additional Factors to Consider for Robustness: Seasonal Performance Variability, Building Fabric and Insulation Level, Electricity Tariffs and Carbon Intensity to provide comprehensive outcome.

Q18. 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?

Response from Secure Meters Ltd: We broadly agree with the proposed approach to comparator benchmarking and recognise the value of

benchmarking as a tool to support transparency and drive fairer pricing across heat networks.

The cost driver categories outlined are comprehensive and potentially appropriate.

We couldn't understand that bringing all variables will overly complex the calculations or might create many network categories, which could high level of confusion rather than simplification, hence suggested to publish the final comparison sheet & which shows the impacts and outcome of these variables.

Q19. 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?

Response from Secure Meters Ltd: We recognise the rationale behind prioritising the four 'High Importance' cost drivers outlined in paragraph 4.33 and agree that they are critical to effective benchmarking. three of the four drivers are generally straightforward to report across the sector. Peak heat demand presents the most challenge, but this can be addressed over time through improved data infrastructure and guidance.

However, we feel data granularity and standardised definition will be essential to ensure consistent reporting across operators.

Q20. 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?

Response from Secure Meters Ltd: We agree that the 'Medium Importance' cost drivers outlined in paragraph 4.33 are relevant to

benchmarking and pricing transparency. However, the ease of reporting varies significantly depending on the driver and the digital maturity of the heat network, network to adopt the minimum level of requirements of providing the Metering, energy efficiency and related data which notify health of network and important in present or future.

Q21. 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?

Response from Secure Meters Ltd: We strongly support the proposal to publish a high-level methodology for each benchmark once sufficient data is collected, and methods have been tested.

The high-level methodology should be accompanied by worked examples or case studies to help stakeholders apply and interpret the benchmarks.

Methodologies should be reviewed and updated periodically as more data becomes available or market conditions change.

A feedback loop allowing stakeholder input on methodology assumptions would further improve fairness and robustness.

Q22. Do you have any other feedback on the proposed approach to price comparison and benchmarking?

Response from Secure Meters Ltd: We welcome the benchmarking initiative as a step toward fairer pricing. To succeed, it must account for network diversity, offer constructive incentives for performance improvement, and protect commercially sensitive data. Support for smaller operators and alignment with existing schemes (like HNTAS) will be essential for successful implementation.

Q23. Do you agree with the proposal for ongoing monitoring of profitability through data collection on EBIT margins for all heat networks?

Response from Secure Meters Ltd: We broadly agree with the proposal to monitor profitability through ongoing data collection on EBIT (Earnings Before Interest and Tax) margins for all heat network.

EBIT data provides a high-level indicator of whether networks are generating reasonable returns without exploiting captive customers and Collecting this data over time allows OFGEM to identify patterns of excessive or insufficient profitability across the sector, supporting more informed regulatory interventions.

However, EBIT alone does not provide a full picture. Profitability should be assessed alongside reinvestment levels, debt servicing, and lifecycle cost recovery, especially in capital-intensive infrastructure like heat networks.

Q24. 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?

Response from Secure Meters Ltd: Providing data to calculate EBIT margins is achievable for many heat network operators—especially larger or more established ones—but there are notable challenges like data segmentation, accounting complexities because of multiple business, variation in financial system for small & large organisation etc that could affect accuracy, completeness, and consistency across the sector

Therefore, we recommend

- Develop a standardised EBIT reporting framework with worked examples.
- Consider phased implementation
- Ensure data protection and allow anonymisation for external publication.

- Provide technical guidance and support to ensure accurate and consistent returns.

Q25 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?

Response from Secure Meters Ltd: No.

As all investigations are on a case-by-case basis then complicated and data intensive models are irrelevant. Please see our response above.

Q26. Do you have any other feedback on the proposed approach to profitability assessment?

Response from Secure Meters Ltd: We are aware of networks that have invested significantly in network and operational efficiencies so that firstly carbon savings can be delivered but also so that investors can get a reasonable return. Why would these returns then be investigated by Ofgem? These networks will achieve HNTAS 'best practice'. How can the margins then be compared to a similar network that has simply achieved HNTAS minimum standards without the same investment?

This approach risks damaging investments in heat networks as it introduces a doubt on possible returns.

we accepts that profits in a regulated sector need monitoring and have some level of control but if a price can be demonstrated to be 'fair' then the level of profit particularly on a single year basis, is immaterial.

Any analysis of 'profits' must include all types of providers – including the not-for-profit sector. Costs and income related to being an 'operator' and/or 'supplier' only should be considered.

Q27. 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.

Response from Secure Meters Ltd: Option 2 strikes the right balance between clarity, fairness, and consumer utility. It allows for meaningful comparisons without oversimplifying the diversity of heat networks. With strong methodology, clear guidance, and stakeholder engagement, this option has the greatest potential to drive accountability and informed decision-making.

Point about the transparency, In practice a customer only really cares about whether their price is fair. Is it that critical that they understand how their prices if made up? For most customers, they would not understand the categories and the impacts of each of these on the prices makeup – are you giving the customers useful data? If you consider a typical gas or electricity customer, they just want to know that their price is fair, they have no control over how it is made up so why should they care? There are breakdowns in the electricity sector but these do not break down the cost of generation, and therefore is it really a breakdown that is of any use but just ticks a box....

Q28. 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?

Response from Secure Meters Ltd: We support Option 2, which provide the right balance.

Q29. Do you support focusing on one option or a combination of options in paragraph 6.69?

Response from Secure Meters Ltd: We fully support Option 2 alongside a clear definition of ‘fair’ pricing to be at or lower than a benchmark price

Q30. Do you support the phasing in of the options described in paragraph 6.70?

Response from Secure Meters Ltd: No ! This would provide a very confusing landscape for customers.

Q31. Do you support the adoption of different options for different heat network groups described in paragraph 6.71?

Response from Secure Meters Ltd: We think at the stage of beginning we need to simplify the things and as thing progressed might be thought of options, let's not confuse the people from the beginning.

Q32. 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?

Response from Secure Meters Ltd: we agree that central price transparency measures are unlikely to introduce significant additional administrative burden, only thing is all the network has to have proper systems for data collection & metering infrastructure already in place, which will help them to smart metering systems—such as those with integrated billing, data logging, and remote communications—already capture most of the key data points required for both benchmarking and price transparency:

- Tariff components (standing charge, unit rates)
- Consumption data (kWh, peak demand)
- Network-level performance indicators (where integrated with flow/temperature sensors)

As such, data extraction and submission can be automated or semi-automated, significantly reducing the manual burden on operators.

Q33. Do you think it is appropriate to link central price transparency with benchmarking?

Response from Secure Meters Ltd: We agree that it is both appropriate and beneficial to link central price transparency with benchmarking. From a smart metering and data systems perspective

Benchmarking and price transparency rely on overlapping datasets—tariff structures, customer numbers, consumption volumes, and network performance indicators and it will also be helpful in .

- efficiency in data handling,
- Clarity and fairness in public reporting, and
- Stronger trust in the regulation of heat network pricing.