

Heat Network Regulation Team
Ofgem
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1st December 2025

Dear Heat Network Regulation Team,

Heat networks regulation: authorisation conditions.

I am writing to you on behalf of Metropolitan UK, part of the BUUK Infrastructure Group of companies (BUUK), in response to Ofgem's consultation on [Heat networks regulation: authorisation conditions](#), which was published on the 3rd November 2025. This letter presents a high-level summary of our views on the proposals set out in the consultation and then Appendix 1 responds in turn to the questions that you raised. I can confirm that this response is not confidential.

Overview of our business

BUUK is the leading UK multi-utility infrastructure investor, working across Great Britain and competing against incumbent utility companies. We have provided over three million utility connections, serving customers across 48,000 discrete networks and six essential utilities; we therefore have considerable experience across multiple utility industries. Our main investor is Brookfield, which formerly owned 800MW of heat / cooling plant in North America. We operate in the heat networks sector under our Metropolitan brand and can offer a unique perspective as an investor and operator of heat systems and an experienced owner operator of last mile utility distribution systems in five other regulated utilities.

Summary of our views on the Authorisation conditions

We welcome the opportunity to comment on Ofgem's consultation on the draft 'full suite' of authorisation conditions and the request for views on whether these conditions reflect the policy intent previously articulated through government and Ofgem publications. Our response aims to assess the extent to which the proposed conditions align with that stated intent, drawing on our prior engagement across the authorisation, pricing, and financial resilience consultations. Indeed, in Appendix 1, we present our detailed views on the current draft of the authorisation conditions, highlighting areas where we think there are issues or inconsistencies as well as smaller errors and typos.

We note that the focus for Ofgem's consultation on the 'full suite' of authorisation conditions was to attain views on whether the current drafting of the conditions reflects the stated policy intent. However, we have some significant residual concerns regarding emerging policy in two key areas and are therefore keen to take the opportunity that the consultation presents to highlight these. Our comments in this regard are intended to be constructive and to help facilitate the establishment of a regime that is both proportionate and capable of supporting the sector's long-term growth. Our views in these areas are set out in the following section.

1. Financial Monitoring and Profitability Analysis

We note that the 'full suite' of authorisation conditions do not include relevant drafting with respect to the financial monitoring and reporting conditions. We recognise that Ofgem has not taken final decisions in this area as most of the provisions will take effect after the 'initial period' and that there is therefore scope for stakeholders to influence the direction of travel.

We remain concerned that the emerging elements of the regulatory framework related to pricing and profitability, could risk undermining investor confidence in this relatively immature market. Although Ofgem has indicated that its proposals to regularly monitor profitability to identify potential causes of disproportionate pricing will not involve direct regulation of profits, there is a risk that any such monitoring could still be interpreted by investors as a precursor to more formal controls. We would warn against an over-emphasis on profitability monitoring at this nascent stage given the potential to deter investment and innovation, particularly by unsubsidised providers such as BUUK who have invested significant time, money and resource into the development of viable low-carbon solutions, without government support.

We are also concerned about Ofgem's expectations with respect to the level of returns that would be considered 'fair and reasonable' and, in particular, that Ofgem may simply default to gas and electricity networks as a key comparator. We would have strong objections to such an approach given the inherent differences between the risk profiles faced in the established gas and electricity networks and the relatively immature heat network market.

2. The Authorisation Process

We were initially encouraged by Ofgem's commitment to an entity-level authorisation regime, but the more recent proposals, presented in the consultation 'authorisation conditions for registration and notification of changes' appeared to reflect a shift away from that position. In this respect, Ofgem specified that extensions or modifications that constitute a "new heat network" would require a fresh authorisation, even where an entity is already authorised on other similar schemes. We are concerned that such an approach risks replicating challenges seen in the new appointee (NAV) regime in the NAV sector, where site-by-site licensing has resulted in delays, administrative burden and slower market growth.

A similar outcome in heat would have system-wide implications: duplicative submissions for each network, repeated reassessment of consistent information, the need to re-authorise networks when extended, and potentially onerous building-level submissions for communal components of wider schemes. These requirements could significantly slow new build development and impose resource burdens on both Ofgem and industry. Given that authorisation will not commence until 2027, we would welcome further engagement with Ofgem to ensure the final process is proportionate, streamlined and does not create unintended barriers to investment or delivery.

I hope that this letter is helpful. If you would like to discuss any of the issues I have raised, please contact me via email (keith.hutton@bu-uk.co.uk) or phone (07970 730688).

Kind regards,



Keith Hutton
Group Regulation Director

Appendix 1: Response to the question raised in the Heat networks regulation: authorisation condition consultation.

Q. Do you have any views on the drafting consistency of the heat networks regulation authorisation conditions?

In the series of tables below we present our thoughts / comments on the ‘full suite’ of draft authorisation conditions. We want to clarify that these comments are intended to be constructive in terms of identifying inconsistencies, errors or typos but that we have not reviewed the list of definitions or all the relevant cross-references within the document. We also note that, throughout, where there are cross-references to provisions in related conditions, the name of the condition is included but not the number, and this would be a helpful addition.

Section A: Applicable to all authorised persons

Condition	Para	Quote	Comment
2: Interpretation	2.3.1	“Any reference in the authorisation conditions...any reference to a statute or subordinate legislation...”	Should this be two separate clauses; with the second beginning “any reference to a statute...”?
4: Registration	4.1	References “the first part of the initial period”.	It would be helpful to define this or clarify its interpretation.
	4.1.2(a)	“...the authorised person must...: ...provide the Authority with information...relating to: (a) the nature of the activities carried on, the way in which they are carried on, and any contractual arrangements relating to such activities...”	This introduces potential commercial-sensitivity risks and diverges from standard regulatory practice in other utilities sectors, where regulators do not typically request disclosure of such contractual arrangements. This could give rise to legal risks for heat entities and potentially compromise commercially sensitive agreements.
	4.2.1	Where the authorised person carries on...supply by means of a relevant heat network but does not also operate that relevant heat network: the authorised person must co-operate with the operator(s) of the relevant heat network, including by providing relevant information to the operator(s), to facilitate the timely discharge by the operator(s) of their obligation(s) under paragraph 4.1;	This will require a significant volume of information to be passed between the relevant supplier and operator; we are concerned about how this will work in practice, where the supplier / operator are separate entities. The same comment applies to paragraph 4.3 where operators are expected to cooperate with one another to allow one operator to submit all required information on behalf of the others.
5: Nominated operator	5.2.1	“The authorised person must use reasonable endeavours to agree with the other operators which of them is to act as the contact point with the Authority...in respect of the relevant heat network (the “nominated operator”)	As we have previously highlighted in our consultation responses, we have concerns that it will be difficult for multiple operators involved in a network to effectively decide who should be designated as the ‘nominated operator’. It is

Condition	Para	Quote	Comment
			also unclear how compliance would be enforced if operators were to fail to nominate a single entity.
	5.3.1 / 5.3.2	"Where the authorised person is the nominated operator for a relevant heat network, the authorised person must promptly provide: information and notifications to the other operators of the relevant heat network following receipt of relevant information or notifications from the Authority; information and notifications to the Authority following receipt of relevant information or notifications from another operator of the relevant heat network;	Depending on the volume of required communications between the Authority and the relevant operators, in line with our comment on paragraph 5.2, this could become a burden on the nominated heat network operator.
7: Cost allocation	7.2	"Charges that are attributable to all or any part of a relevant payment shall be presumed to be unfair and disproportionate by the Authority, except in exceptional circumstances set out in the guidance (if any)".	On initial reading, it was unclear what specifically this was referring to; only when reading down to the definitions did the purpose of the paragraph become clear. It would make sense to reword this to better reflect what the term 'relevant payment' is intended to refer to e.g. the term could be changed to 'relevant penalty' or 'relevant compensation'.
8: Ongoing Fit and Proper Requirement		N/A	We would urge that these provisions should mirror the equivalent arrangements that are currently being established for gas and electricity to minimise any duplication of effort by companies that operate across all three sectors.
12: Operational Arrangements and Material Assets	12.2.1 / 12.2.2	"...the authorised person must ensure...all Material Assets are capable of legal transfer to any successor...without either: any requirement for consent, approval or agreement from...a third party; or the successor being unreasonably disadvantaged or subject to materially different terms.	While we support the underlying principle, we would welcome clarification on whether contractual concession arrangements would satisfy this requirement. This is particularly relevant for long-term concession models, which are prevalent across high-density heat networks.
	12.6	"The authorised person must ensure that it has at all times Sufficient Control over the Material Assets".	As noted in our response to Ofgem's Mitigating Financial Failure consultation , we support this policy intent <i>provided</i> that networks operated under long-term concession arrangements are deemed to meet the definition of "Sufficient Control". The meaning of this term requires

Condition	Para	Quote	Comment
			further clarification to ensure alignment with earlier policy commitments and a practicable implementation path.
	12.8	"...the authorised person must create and thereafter maintain a register of all Material Assets which shall, as a minimum, include appropriate, accurate and readily accessible information about the Material Assets..."	As we have previously raised, we are concerned about the potential level of detail expected in such a register. Ofgem has consistently emphasised a streamlined, proportionate regulatory approach that avoids undue administrative burdens. Clearer guidance is therefore required before we can assess whether the condition aligns with policy intent.
14: Continuity Arrangements	14.5	"The Continuity Plan must include all information in relation to each regulated activity that the authorised person is authorised...to carry on that a successor...would reasonably require...to carry on the activity efficiently and effectively in accordance with its regulatory obligations, including information on: key service providers and staff; Consumers; arrangements relating to the maintenance, updating of, and access to, all relevant metering and billing information; management structures; and Material Assets.	The current list of items does not extend to the inclusion of the operational arrangements that should be followed, and we question whether these should be incorporated?
	14.7.1	"The Continuity Plan must also set out: the authorised person's expectations of the process by which a successor...would take over the carrying on of each regulated activity, including details of any arrangements in place for contractual step-in or pursuant to paragraph 14.9".	It would be helpful to include a cross reference to the title of sub-section 14.9 (Continuity obligations for networks with a separate supplier).
	14.9	Requires operators to ensure, where supply is carried on by a separate person, that "arrangements are in place to enable it or a third party to carry on the regulated activity of supply in the event that the supplier ceases to carry on the regulated activity of supply".	In line with comments above regarding the obligations that are placed on nominated operators for other operators / suppliers (under Condition 5), this is quite a significant obligation that could be outside of the control of the relevant operator.
15: Revocation	15.1.1(b)	The Authority may at any time revoke the heat network authorisation in whole or in part by: giving no less than 30 days' notice in writing to the authorised person: ...(b) if any amount payable to the Authority...is unpaid 30 days after it has become due and remains unpaid for a period of 14	The approach of allowing for revocation of a licence with only 44 days' notice that feels extreme and disproportionate given possible extenuating circumstances that the authorised person could be facing. This is especially pertinent given that the provisions in paragraph 15.1.1(c)(ii)

Condition	Para	Quote	Comment
		days after the Authority has given the authorised person notice that the payment is overdue...;	relating to the payment of a penalty permit three months to make the relevant payment.
	15.1.1(d)	The Authority may...revoke the heat network authorisation ...by: giving no less than 30 days'...notice in writing to the authorised person: ...[if] the authorised person fails to comply with:(i) an order made by the court under section 34 of the Competition Act 1998; (ii) an order made by the Authority under Sections 158 or 160 of the Enterprise Act 2002; (iii) an order made by the CMA under Sections 76, 81, 83, 84 and 161 of the Enterprise Act 2002; (iv) an order or decision...made by the Secretary of State under Sections 66, 147, 160 or 161 of the Enterprise Act 2002;	It seems inconsistent that the provisions in paragraph 15.1.1(c) permit an additional three months to secure compliance with a final order or a consumer redress order but equivalent buffers are not provided for compliance with the relevant orders referenced in paragraph 15.1.1(d).
	15.1.1(e)	The Authority may at any time revoke the heat network authorisation in whole or in part by: giving no less than 30 days'...notice in writing to the authorised person: ...if the authorised person: (i) has not within one (1) year after the date on which the heat network authorisation comes into force, commenced all of the regulated activities to which the heat network authorisation relates..."	In the new-build sector, development timelines can vary significantly due to factors outside the developer's control. Throughout engagement, government and Ofgem have reiterated the importance of proportionate regulation. We therefore believe flexibility, or a distinct treatment for new-build developments, is required to ensure alignment with this proportionate approach.
	15.1.2(b)	The Authority may at any time revoke the heat network authorisation in whole or in part by giving no less than 24 hours' notice in writing to the authorised person if the authorised person:(b) has a receiver (which expression shall include a fixed charge receiver, a receiver appointed pursuant to the Law of Property Act 1925, an administrative receiver or other receiver...) ..."	Think that the reference on top line to 'received' should be a reference to 'receiver'.
	15.1.3	"The Authority may...revoke the heat network authorisation ...by giving no less than 7 days' notice in writing to the authorised person where the Authority is satisfied that there has been a material misstatement (of fact) by...the authorised person, in making an application in relation to the heat network authorisation".	While we recognise the need for integrity in the authorisation process, this approach may be overly punitive where misstatements occur without intent. Given the extreme consequences of this provision, there are questions about whether the timeframes should be extended to allow for discussions with or an appeal from the authorised person.

Section B: Applicable to authorised persons engaged in supplier activity.

Condition	Para	Quote	Comment
2: Heat Supply Contracts	2.4.3	Specifies that authorised persons are not required to offer a heat supply contract if it is not reasonable for them to supply the customer. It goes on to clarify that “if it is already supplying the relevant heating, cooling or hot water to those premises, it [must have] ...given at least seven (7) Working Days’ notice of its intention to stop...”.	Seven days is not a long period of time and is unlikely to be sufficient for the customer to secure an alternative means of supply; we think this should be extended.
	2.11.2	“The authorised person must include in each Relevant Supply Contract, Relevant Lease or Deemed Contract: information on the source of thermal energy...”	This requirement contrasts with requirements in ‘Section B: Condition 6: Provision of Billing and Price Transparency of Information’ paragraph 6.10 11 which specifies that “where such information is available [billing information should include]...information on the fuel type and source of energy in use on the relevant heat networks...”. While 6.10.11 of Condition 6 suggests that the information can be provided at the discretion of the heat network entity, 2.11.2 of Condition 2 suggests it is a definitive requirement.
	2.15	“In relation to any Relevant Supply Contract or Deemed Contract, the authorised person must ensure that the notice period for termination by a Relevant Consumer is no longer than 30 Working Days”.	The reference to ‘working days’ appears inconsistent with many of the other references to timings which are presented simply as ‘days’ and which we have interpreted as meaning ‘calendar days’.
3: Contract Changes Information	3.1 / 3.3.1	“The authorised person must ensure that each Relevant Consumer it supplies is provided with a notice not less than thirty-one (31) days” and “Any Relevant Contract Change Notice must: inform the Relevant Consumer: (a) that they may end the Relevant Supply Contract within a period of no longer than 30 days...”	There does not appear to be any consistency in the amount of notice that must be given; for Condition 2 above, it is ‘30 working days’, while for Condition 3, paragraph 3.1 specifies ‘31 days and paragraph 3.3.1 requires ‘30 days’. To avoid unnecessary confusion, it would be helpful to secure consistency in these timings.
5: Assistance and Advice	5.6	“The authorised person must publish or signpost to: 5.6.1 relevant publications by the Authority and/or the Relevant Consumer Advice Bodies relating to the	While we understand the rationale for the inclusion of these provisions, it would be useful to attain some insights on the types of documents that Ofgem is expecting us to

Condition	Para	Quote	Comment
		authorised person's services and reviews relating to the authorised person's services collated by third parties, as soon as possible after they become available; and 5.6.2 the latest version of any relevant guidance and/or advisory publications relating to heat networks published by the Authority and/or the Relevant Consumer Advice Bodies, within twenty-eight (28) days of the date on which that version is so published".	signpost, in order that we can fulfil this requirement. It would also be helpful if Ofgem could commit to highlighting the publication of relevant guidance / advisory publications which heat network entities would be expected to signpost on their websites, to those heat network entities.
6: Provision of Billing and Price Transparency of Information	6.7	"...the authorised person must not make a specific charge to a Relevant Consumer for the provision of a Bill or Billing Information other than in respect of the supply of additional copies of that Bill or that Billing Information".	This contrasts with 6.8.1 which states that "Where Bills and Billing Information relate to the supply...to a Relevant Consumer in a building occupied by more than one Relevant Consumer: the authorised person's costs of providing such Bills and Billing Information may be passed on to those Relevant Consumers provided that no profit is made from such charges...". This raises the question of why a different approach is being taken to the billing costs for individual dwellings as compared to blocks of flats.
	6.12		
10: Prepayment Meters	10.11.3	"If the authorised person knows that...the occupants of a Domestic Premises include...a person how is under the age of 5"	Think the reference to 'how' should be to 'who'.
11: Self-Disconnection	11.9 to 11.11	These paragraphs contain provisions related to prepayment meter credit.	It would appear more appropriate for these provisions to be included in Condition 10: Prepayment meters.
	11.12	The authorised person must ensure that each Domestic Consumer who uses a Prepayment Meter is given adequate information...to...easily understand the authorised person's Emergency Credit, Friendly-hours Credit, Additional Support Credit and Prepayment Meter Credit facilities	In line with the comment above, we think this provision should be included in Condition 10.