



# HEAT NETWORKS REGULATION: AUTHORISATION CONDITIONS

Changeworks Consultation Response  
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# Changeworks

Changeworks is a leading consultancy, research, and programme delivery organisation, with over 36 years of experience of decarbonising Scotland's homes. We continue to invest in services that will enable householders to reduce both their energy bills and their carbon footprint. Improving the energy efficiency of homes is key to alleviating fuel poverty, lowering carbon emissions and meeting our net zero targets.

**Question: Do you have any views on the drafting consistency of the heat networks regulation authorisation conditions?**

Changeworks welcomes Ofgem's progress in developing authorisation conditions for heat networks. Heat networks will play an increasingly vital role in delivering affordable heating and are central to the Scottish Government's renewed strategy for decarbonising homes.

The drafting is more consistent and structured than previous guidelines provided by Ofgem, which is a positive step. However, it is essential that consumers receive this information in a clear, accessible format. This will help them understand what to expect from their provider and enable them to exercise their rights effectively when engaging with suppliers.

Within the guidelines, Changeworks highlights two key areas for further consideration:

**Fair Pricing:**

We welcome Ofgem's inclusion of an obligation to ensure charges are fair and proportionate. However, we are concerned about the proposed implementation, as the guidelines suggest authorised bodies may interpret these requirements, which risks resulting in weaker and inconsistent pricing than alternative methods. While we note point 2.33, which commits the authority to publish details on how this will be applied, Ofgem does not sufficiently address the role of market mechanisms in achieving fair pricing. Experience from other sectors, such as Ofwat's failure to regulate water pricing and safety effectively, shows that weak market mechanisms can lead to significant cost increases whilst trapping consumers into poor performing contracts. We therefore urge Ofgem to introduce robust market mechanisms early to deliver cost-effective, high-quality services from the outset. Options include making it possible for consumers to switch suppliers when agreed by most heat network users, or the introduction of a price cap model to effectively regulate costs more consistently between suppliers.

We note that many existing shared heating systems have not been covered by the price cap as they have been seen as industrial users and that as a result some consumers have been inadequately protected from price rises guidance must recognise and address this challenge.

**Consumer Protection Regulation:**

We acknowledge Ofgem's intention, as outlined in point 1.6, to implement a phased regulatory regime of consumer protection. However, we are concerned that this approach is not being sufficiently prioritised, given the urgent need to accelerate heat network development but do recognise at the same time the approach to evolve as the sector develops to maintain consumer protection. Swift action is essential to ensure progress toward net zero targets and to help consumers manage the rising cost of energy.

Changeworks has been leading the way in delivering high impact solutions for low-carbon living for over 35 years.

Get in touch with the team to discuss how we can help you.

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