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Heat Networks Team, Ofgem

By email only: heatnetworksregulation@ofgem.gov.uk

Dear Heat Networks Team,

RE: Heat networks regulation: authorisation conditions

Thank you for the opportunity to comment on the above consultation. We welcome the further details provided on Ofgem's proposals in this area and are keen to continue engaging with Ofgem as these proposals are developed.

E.ON considers the introduction of regulation into heat networks as necessary and welcomes the opportunity to protect consumer outcomes. While we are broadly comfortable with the overarching objective of the authorisation conditions, we are concerned that there remain a number of areas where additional clarity is required to ensure compliance, these are detailed in Appendix 1 of this document where we provide a more comprehensive response to the consultation. These areas include:

- **Deemed Contracts:** We have a few of these arrangements and are supportive of this concept. However, we strongly propose that Ofgem provides more guidance on deemed contracts.
- **Open and Cooperative Authorisation Condition:** This will be a new regulatory obligation on heat networks so it would be useful to have some examples or guidance on the sort of actions or omissions that Ofgem might consider detrimental to customers.

We urge Ofgem to provide timely and pragmatic feedback ahead of the implementation of the relevant authorisation conditions. It is critical that heat network suppliers and operators are provided with sufficient time to review further amendments and the implement the appropriate processes to achieve compliance.

We continue to encourage Ofgem to consider a pragmatic and balanced approach to enforcement and assessing consumer outcomes following the implementation of the heat network regulatory framework.

Your sincerely

Emma Clark

Appendix 1

Consultation Question:

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

Yes. While we understand the intent of the authorisation conditions and are broadly comfortable, there remain areas of concern that require further clarification.

One key area is on deemed contracts (under the Heat Supply Contract), and we previously provided some feedback on this as part of our response. The majority of our heat network customers are on formal contracts, with only a small proportion operating under deemed terms. This is new to heat networks and while we are supportive of the concept, additional guidance should be provided on the practicalities of implementing deemed contracts within the heat networks sector.

Another area is on the supplier and operator authorisation condition, ‘Open and Cooperative’, Ofgem states that *‘the authorised person must disclose to the Authority, as soon as possible, any circumstance relating to them that the Authority would expect notice of in order to perform its functions. In particular, this means actions or omissions which may negatively impact heat network consumers.’* As this is new to heat networks, we urge Ofgem to provide some examples or further guidance of the type of actions or omissions that would be considered as material.

We would like to reiterate that EON has already provided extensive feedback through our responses to previous consultations. However, Ofgem has only incorporated three changes to majority of these authorisation conditions, and these have not accurately addressed our concerns highlighted above.

The three changes made to the authorisation conditions:

- *Modification in Section B: Condition 2: Heat Supply Contracts Clause 2.18.1. Omitting the word "all", leaving the condition as "use reasonable endeavours*

- *Amendment Section B, Condition 4, clause 4.28 (Complaints) to include drafting that sets out when a complaint becomes a resolved complaint.*
- *Modification in Section A, Condition 3 (Definitions): Definition of “Relevant Lease” has been amended to reference the relevant sections of the Landlord and Tenant Act.*

Finally, it is critical that all supporting guidance documentation such as continuity arrangements is cascaded at the earliest opportunity to ensure business readiness.