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Heat Networks Regulation Team  
Ofgem  
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Dear Heat Networks Regulation Team,

Thank you for the opportunity to respond to the [heat network regulation: authorisation conditions](#).

Energy UK supports the introduction of the authorisation conditions and shares Ofgem's goals to introduce robust regulations for heat networks. The introduction of regulation will help to ensure consumers are protected while creating an environment suitable for industry growth. Overall, the final drafting of the authorisation conditions provides an accessible and consolidated document for industry to follow. However, Energy UK believes there are a few key areas in which Ofgem could provide more clarity to ensure regulations are proportionate and feasible to comply with.

#### **“All reasonable steps” framing**

Energy UK has concern regarding the phrasing of ‘all reasonable steps’, which is used numerous times across the document when explaining how suppliers and operators must behave in response to various problems, such as payment and debt issues. The legal connotations of this phrasing states all other options must have been exhausted before the supplier and operators can move forward. This would not only be difficult for suppliers and operators to prove but also place a significant administrative burden on them, potentially involving time-consuming legal requirements and procedures. To avoid disproportionate and unnecessary administrative burdens on heat network operators and suppliers, a more appropriate phrasing could be ‘in accordance with good industry practice.’

#### **Diverse consumer base**

The heat networks industry has a uniquely diverse consumer base, including instances where the end user of the heat network is not the direct customer. For example, there are circumstances where a lease holder has a subtenant in the property, but the leaseholder remains the only recognised party by the freeholder, despite the subtenant being the end user of the network. The draft conditions lack clarity regarding the definition of the consumer, which could cause conflicting

information between different binding agreements. In some instances, the tenant is responsible for utility costs and in others this responsibility falls to the landlord. Provision of further clarity and definition of consumers is required here to ensure all parties within tenancy agreements are clear of their responsibilities and to avoid any customer detriment this could cause.

A specific example of this is the omission of the role of Housing Associations within the termination of heat network authorisation in social housing. Energy UK has concern that the 30-day notice period to carry out revocation of authorisation as specified within condition 15 has the potential to cause significant consumer harm within socially rented properties who could be left without heating. As it stands, the role of the Housing Association is overlooked, despite often being responsible for funding heating systems and serving as the primary source of support for tenants. This could leave a vulnerable tenant uninformed of breaches of their tenancy and without heating or access to support via their landlord. An update to the conditions specifying a mandatory landlord notification within the 30-day window would facilitate safer, more informed processes for the tenant in cases of revocation.

### **Registration requirements for heat sources**

Clarity would be welcomed within condition 4 'Registration' regarding the registration requirements for heat sources feeding into heat networks. Typically heat suppliers who feed bulk supply to the network have business to business contracts or alternative industry arrangements as they do not supply directly to the consumer. Clear instruction defining heat suppliers' registration requirements would be helpful here.

### **Fair pricing framework application to large non-domestics**

Energy UK oppose extending the fair pricing framework to larger non-domestic customers, as they are commercially experienced and well-equipped to negotiate. Including them would divert focus and resources from domestic customers, where protection is most needed. While there should be fair pricing for all heat network consumers, the priority must remain on domestic customers.

### **Examples and clarification on the Open & Cooperative condition**

More detail would be welcomed within the explanation of condition 10 'Open & Co-operative' to help guide heat networks on to help engage openly on Ofgem. Ofgem should provide examples detailing in what circumstances the authorised person would be expected to disclose. Clarification on which specific actions and omissions negatively impacting consumers would be considered within this condition would be helpful here.

### **Operational Arrangements and material Assessments**

As it is currently written, the authorisation condition 12 'Operational Arrangements and Material Assets' could interfere significantly with some financing structures in place for heat networks. Financing structures for heat networks often include security

over assets where, in cases of loss of Authorisation where revocation by Ofgem has taken place, security of assets will be granted to the investor. The authorisation condition 12 must account for this by permitting investors to exit their investment position or regain authorisation through remedial measures where revocation has taken place.

As specified in the Permitted Security Interests' definition (c) financing structures must be cleared with Ofgem. This risks significantly increasing investors risk premium in heat networks or preventing investment entirely. To avoid heat networks having to apply for clearance to use financing structures, Ofgem should issue a list of 'permitted financing structures' based on current and future industry trends. This will speed up financing of heat networks, support industry growth and reduce the number of requests for use of financing structures to Ofgem. More clarity should be provided regarding item (d) of the definition of 'Permitted Security Interest' in order to clarify the extent to which financing structures are permitted under the authorisation conditions.

### **Heat supply Contracts – context of deemed contracts**

Section B, condition 2 'Heat Supply Contracts' has raised concerns regarding deemed contracts. While normally deemed contracts are the exception, the current authorisation conditions risk deemed contracts becoming the default as they replace consumer supply agreement due to the lack of need for written terms. Clarity to the context in which it is appropriate to use deemed contracts over written supplier contracts would be welcomed here to ensure supplier agreements remain in place where they are needed and deemed contracts are only used in extenuating circumstances.

Further clarity on deemed contracts would also be welcomed in circumstances where consumers have been on heat networks for an extended period of time and subsequently do not have a consumer supply agreement in progress. Clarification is needed regarding whether this would be a circumstance in which deemed contracts would apply or if the authorisation conditions expect the supplier agreement to be reissued.

### **Inclusion of consumption data on billing information**

Energy UK is also concerned that the expectation of a comparison of consumption of heating, cooling and hot water from the previous year on energy bills is disproportionate to the benefit this brings to the consumer. The inclusion of this comparison on every bill will entail significant costs for the suppliers and have minimal benefits to consumers. A more flexible and proportionate approach would be to ensure clear signposting and access to online accounts where historical data is made available.

### **Disconnection bans on bulk suppliers**

Energy UK would caution against applying disconnection bans directly to the bulk suppliers as referenced in section B condition 9.16. While it is crucial to protect vulnerable consumers from disconnection, a bulk supplier does not have any direct engagement with end-consumer, making knowledge and application of vulnerability

rules infeasible. A more suitable solution could be to increase the regulation that focuses on securing end supplier financial resilience to tackle financial vulnerabilities at source.

### **Prepayment metres**

In section B, the authorisation condition 6 ‘Provision of Billing and Price Transparency of Information’ introduces prepayment meters purely as a debt prevention measure and only references circumstances in which consumers will be placed onto prepayment meters. Greater detail covering the conditions surrounding consumers already on a prepayment meter is needed. Currently the conditions suggest an expectation to revert all consumers currently on a prepayment meter to credit billing. There is concern here that a sudden move of customers from prepayment meters to credit billing could pose significant debt risk for both customers and the local authorities and housing associations involved. Greater clarity is needed on the expectations surrounding consumers who are currently on prepayment schemes.

- In some instances, consumers choose to be on a prepayment meter and request for a meter to be installed or remotely switched to a prepayment mode. Clarity would be welcomed if, in these circumstances, written permission will be necessary. While endeavours to remove involuntary installs are important to ensure consumers are protected, the necessity of written permission risks conditions becoming too prescriptive. This could ultimately create a challenging and lengthy customer journey for those who choose to be on a prepayment meter. A more proportionate approach would be to accept recorded verbal consent as sufficient evidence of agreement in customer-initiated cases.

### **Ensuring practical debt solutions for heat networks consumers**

As in the gas and electricity sector, debt remains a significant challenge within the heat network industry and one which Ofgem needs to work with industry to manage. Heat network suppliers generally have less funding and administrative capacity available compared to their gas and electricity counterparts; the industry will require additional support and funding if regulations relating to debt are to be successfully introduced. For example, extending payment plans for credit billing can place a significant financial burden on suppliers that are necessarily committed to wholesale bulk payments. Where suppliers may be struggling to absorb this debt, the cost of debt risks being socialised among the supplier’s customer base, resulting in higher prices for other consumers and risking another group of residents struggling to afford their bills. Ofgem needs to help the industry to tackle the problem of unrecoverable debt and provide a robust debt strategy for the industry. This could include expanding the scope of the [Debt Relief Scheme \(DRS\)](#) to include heat networks or setting up an alternative scheme to offer targeted debt support for heat network consumers.

**Forums for post implementation review**

Finally, Energy UK would like to stress that it is critical that practical forums are put in place to successfully carry out post-implementation of the regulations review. This will be invaluable as the practical reality of the authorisation conditions unfolds, to ensure any challenges and unforeseen complexities within the conditions are picked up and the necessary alterations are made promptly. Signposting to the relevant review point within the authorisation conditions would be helpful to encourage feedback and provide reassurance to industry.

Thank you for the opportunity to respond to this consultation.

Your sincerely,  
Anna Simms  
Policy Executive