

# Consultation Heat networks regulation: authorisation conditions

<https://www.ofgem.gov.uk/consultation/heat-networks-regulation-authorisation-conditions>

Requests for further clarification or guidance.

Vattenfall heat UK has undertaken a full review of the authorization conditions guidance and has the following questions which we have related back to specific parts of the consultation document.

Section reference.	Query
Section A: 2.3.1	This single sub paragraph appears unnecessarily indented?
Section A: 2.11	<p>The Authority's power to amend and then enforce its position could lead to retrospective action based on a nullity. Essentially this makes the Authority infallible and could lead to uncertainty in relevant operators and suppliers that even though they have the approval of the Authority on a matter at one point in time the Authority could change its mind and take retrospective action.</p> <p>Ideally we would like to see some protection against such retrospective action where previous approvals have been given. 2.14 also does not give any comfort as to this certainty.</p>
<b>Section A: Condition 3: Definitions</b>	
<i>Compensation Payment</i>	Should this definition refer to a Domestic Consumer rather than a Domestic Customer?
<i>Permitted Security Interest</i>	We have concerns as to the limitations that such restrictions could place on heat networks to raise finance and the controls that such matters place on transfers of undertakings.
<i>Working Day</i>	Is there a reason by the Working Days in Scotland are not mentioned in this definition seeing as the Authority will also have Powers in Scotland?
Section A: 5.3	To what extent is the nominated operator liable for the failures of other operators on the network to cooperate? We do not think that an authorisation of the nominated operator should be at risk to the inactions of another operator.
Section A: 7.2	Does this section relate to fines imposed by the authority, and if not what does "relevant payment" refer to?
Section A :10.2	Please could you provide some guidance as to the extent of notifications that the authority expects to receive under

	section 10.2. For example, would this include notification of any outages on heat networks weather planned or unplanned.
Section A: 11	Please could you provide more information as to the likely nature or identity of Independent Auditors employed by the Authority under this section and what all authority they will have to impose enforcement action(if any) .
Section A:12.2	We can foresee significant challenges with the consent requirements set out in section 12 .2.1. Most funding arrangements we have encountered seek to employ some level of consent for transfer of assets and legal title including those being proposed by the GFI or national wealth fund. 12.5 will cause similar issues. Could you provide a worked example as to how you see this process working in practice where a relevant operator is seeking to grant security over its material assets to a third party for financing reasons.
Section A 13.1.4	Please could you clarify if the Authority expects authorised persons to aggregate repex elements of any fixed charges into a repex sinking fund withing it's business?
Section A 14.9.1	Under this section are operators carrying out a regulated activity of operating a relevant network expected to have either in house customer facing supply functions in place or contracted third party supply operations in place for domestic consumers even where no other parts of their business supplies heat to end consumers?
Section B 1.3	<p>Please confirm the extent to which condition 1.3.6 (b) which concerns “decision making on matters relating to ... connection to other relevant heat networks” is intended to operate as potential change of control mechanism on heat network mergers and expansions.</p> <p>Though this condition is broadly fine and aligns with gas &amp; electricity markets, clauses 1.3.6 b to 1.3.9 are broad and will be new to the sector.</p> <p>At the moment we wouldn't explicitly seek to engage customers on a decision about the HN that would impact costs. 1.3.7 - 1.3.9 is new to the sector where Ofgem wants a single entity to be their nominated contact for regulation if there are multiple heat suppliers – we have concerns over liability in such cases as raised above in relation to the inaction of authorised operators other than the nominated operator</p>
Section B:2.6.3	Pre contract there is no issue in providing a single pack but for efficacy some of these documents will need to be incorporated in to the relevant supply contracts by reference

	to addenda such that if there are updates to tariffs or privacy policies for example there is less administrative burden on the Authorised Supplier in updating the Relevant Consumer. This mirrors the approach taken in other utilities and we would appreciate if guidance could clarify that there is no issue in operating in this fashion.
Section B:2.8	<p>The introduction of deemed contracts is welcome, and we don't have any issues with how this is being introduced.</p> <p>We do have some questions though:</p> <ol style="list-style-type: none"> <li>1. If a customer is on a Deemed Contract by Conduct and they subsequently sign and return their contract to us, what are the implications under the Consumer Contract Regs as by signing, they are moving from a deemed contract to a new express contract? EG would cooling off apply, would we need to get express consent to supply heat during cooling off period?;</li> <li>2. Is a deemed contract an "on premises contract" under the Consumer Contract Regs?</li> </ol>
Section B: 2.11.8 & 2.11.12	This provision seems overly onerous to provide under every Relevant Supply Contract when KPIs and network efficiency are wildly dependant on multiple factors (including customer behaviour). These metrics are more appropriately reported centrally in any case under HNTAS and to OFGEM. We believe this obligation should be removed. Older networks may also struggle to provide all such data.
2.14.1	2 working days' notice for ending a contract – this is a very short turn around. We currently have 14 days in our contract
Section B: 2.18&2.19	We would welcome guidance from OFGEM as to the application of the Consumer Contract Regulations to these provisions as well as more broadly to the rest of the authorisation conditions.
Section B: 10.13.4	Please confirm that the use of Body Cameras and audio recording equipment under this condition would be covered by the legitimate purpose aspect of data protection legislation and that no further additional data processing consent would be required other than being an Authorised operator/Supplier.

**ENDS**