
Heat networks regulation: enforcement guidelines and penalty policy

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Contact:	Lewis Togwell
Team:	Enforcement
Email:	heatnetworksregulation@ofgem.gov.uk

Under the Energy Act 2023, the UK Government has introduced new enforcement powers to regulate heat networks across 'Great Britain (England, Scotland and Wales). These powers are set out in the [Heat Networks \(Market Framework\) \(Great Britain\) Regulations 2025](#) (the "Regulations"), which will come into force on 27 January 2026.

Scotland has its own legislative framework under the Heat Networks (Scotland) Act 2021. While the Energy Act 2023 and the 2025 Regulations apply across Great Britain, certain provisions, particularly around implementation, are tailored to align with devolved Scottish legislation.

As we prepare for implementation, we are now consulting on our proposed approach to using these enforcement powers.

Our proposed approach is outlined in two new documents:

- the Heat Networks Enforcement Guidelines
- the Heat Networks statement of Policy with respect to Financial Penalties and Consumer Redress Orders

We are also seeking views on the use of fixed penalties which is set out in this consultation document.

Our approach to Heat Network enforcement is largely modelled on our existing [Enforcement Guidelines](#) and [Statement of Policy with respect to Financial Penalties](#) under the Gas Act and Electricity Act.

We are seeking views from heat network operators and other parties with an interest in our enforcement role in regulating heat networks. We particularly welcome responses from:

- landlords
 - housing providers
-

- asset owners
- consumer groups
- energy services companies
- managing agents
- metering and billing agents
- trade associations
- heat network consumers

We would also welcome responses from other stakeholders and members of the public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

We have chosen to publish this as a standalone document at this stage, reflecting the fact that heat networks are a new and developing sector, and there is value in setting out our approach clearly. However, given the similarities with our existing guidance, we may consider incorporating elements of this document into our main enforcement guidance in the future.

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1. Introduction

Section summary

We are preparing to take on new responsibilities as the economic regulator for heat networks in Great Britain. These networks supply heating to homes and businesses, and regulation will help ensure they are operated fairly and in the interests of consumers. To support this, we are consulting on how we intend to use our new enforcement powers. This includes how we will investigate potential breaches and apply financial penalties or consumer redress orders. Our proposals are informed by our experience regulating the gas and electricity sectors and are designed to promote good practice and deter poor conduct. We are particularly interested in views from those currently operating or planning to operate in the heat network sector, as well as from consumer groups and other stakeholders.

Background

- 1.1 The Gas and Electricity Markets Authority (the Authority) regulates the gas and electricity markets in Great Britain. The Office of Gas and Electricity Markets (Ofgem) carries out the Authority's day-to-day work and investigates matters on its behalf. In addition to this role, Ofgem has been appointed as the economic regulator for parties providing heat network services.
- 1.2 It is important that we have the right framework and approach to act swiftly and decisively to put things right if organisations fail to meet their obligations, including where they demonstrate poor behaviours or conduct. By doing so, Ofgem can send strong deterrent messages to all the relevant parties operating in the heat network sector to help stamp out bad and sharp practice and provide a fair and positive environment for market participants.
- 1.3 This work supports our strategic priority of shaping a retail market that works for consumers, as set out in our [Forward Work Programme](#) 2025 to 2026, particularly through our commitment to supporting new and evolving markets.
- 1.4 The Regulations require us to consult, as we consider appropriate, when preparing the statement of policy with respect to penalties and consumer redress orders, a requirement we are meeting today by consulting on the Heat Networks Penalties Policy. Given the interaction between issuing penalties 'or' making consumer redress orders and our approach to enforcement we have decided it is appropriate to also consult on our Heat Networks Enforcement Guidelines at the same time.

What are we consulting on

1.5 We are consulting on our proposed approach to the use of our enforcement powers relating to heat networks in Great Britain. The proposals will affect future authorised parties and future network users who are seeking to be connected to or involved in these networks. We want your views on two new documents and other key issues:

- **the Heat Networks Enforcement Guidelines**, which explain the enforcement framework we will use when deploying our powers to investigate and, where appropriate, take enforcement action
- **the Heat Networks Penalty Policy**, which sets out the factors we will normally consider when deciding whether or not to impose a financial penalty and 'or' consumer redress order on an authorised party that has contravened a relevant authorisation condition or requirement. It also sets out the factors we will normally consider when determining the amount of that financial penalty
- **the possible role of fixed penalties**, which is considered in this consultation document. We are seeking views on the value of using fixed penalties and how they might be applied in practice

While we await legislation to bring Installation and Maintenance Licences (IMLs) into scope, we expect our enforcement approach to be broadly aligned with the framework proposed here. We therefore welcome views from parties who may become IMLs, in relation to the content of the Enforcement Guidelines.

1.6 In preparing these documents, we have had regard to:

- our powers granted through the Energy Act 2023
- our powers granted through the Heat Networks (Market Framework) (Great Britain) Regulations 2025
- the broader approach to regulating heat networks
- Ofgem's existing Enforcement Guidelines and penalties statement for enforcement under the Gas Act and Electricity Act
- what we have learnt through using our monitoring and enforcement powers with respect to gas and electricity sectors

Next steps

- 1.7 We intend to issue our finalised Heat Networks Enforcement Guidelines and the Heat Networks Penalties Policy ahead of the heat network enforcement date 27 January 2026.

2. Consultation Questions

- 2.1 We propose to model our approach to heat network enforcement on our existing Enforcement Guidelines and penalty policy for enforcement under the Gas Act and Electricity Act, adjusting as necessary for the specific nature of the sector and our different statutory powers as provided under the Regulations.

Proposed Heat Network Enforcement Guidelines

- 2.2 The proposed Heat Network Enforcement Guidelines explain the enforcement framework that we will use when deploying its powers to investigate and, where appropriate, take enforcement action. In particular, the guidelines set out:
- how we may use our enforcement powers and tools in situations relating to relevant authorisation condition and requirement contraventions
 - how our decision-making process works
 - how contraventions will be addressed and deterred
 - the actions we may take as an alternative to exercising out statutory enforcement powers
- 2.3 Our proposed Heat Network Enforcement Guidelines in general follow the same structure as our Gas and Electricity Enforcement Guidelines. However, there are several material differences that reflect the distinct statutory framework and characteristics of the heat networks sector:
- references to relevant statutory instruments have been changed to take account of the fact that our powers to regulate heat networks derive from the Regulations
 - we have also taken account of areas where the enforcement framework for heat networks differs from our existing powers. While we do not set out all these differences in detail here, we have used terminology and language appropriate to the heat networks regime, for instance, referring to authorisation rather than licence
 - our guidance reflects that the strategic objectives for heat network differ from those in our existing gas and electricity framework. These objectives are set out in the Regulations and align with our broader regulatory responsibilities for the sector. They are detailed in section 1.9 of the Enforcement Guidelines
 - the maximum financial penalty under the Regulations is the greater of £1 million or 10% of the authorised person's turnover. This differs from the gas

and electricity regimes, which cap penalties at 10% of turnover. This additional provision allows us to take proportionate action in cases where 10% of turnover would be insufficient, for example where the company has a very low turnover but the contravention has resulted in significant gain

- the Regulations provide longer timeframes for key enforcement steps compared to the gas and electricity regimes. We have up to 12 months from the date of service to confirm a provisional order. In addition, Ofgem may impose a financial penalty or consumer redress order within five years of the confirmation of a provisional order or the making of a final order. This contrasts with the current gas and electricity framework, where penalties must be imposed within six months of the date of service of an unconfirmed provisional order or three months of the making of a final order or confirmation of a provisional order. These extended periods are intended to support effective enforcement in complex or protracted cases
- in recognition of the expected volume and nature of enforcement cases in the heat networks sector, the Enforcement Guidelines outline that decisions can be made by the Director for Enforcement (or nominated alternate Director) or a Deputy Director of Enforcement. This arrangement is intended to support timely and proportionate enforcement while ensuring appropriate governance
- the Heat Network Enforcement Guidelines do not include detailed guidance on enforcement cases that are in relation to consumer law or the Competition Act. Where relevant, we intend to rely on the existing guidance set out in Ofgem's Gas and Electricity Enforcement Guidelines for gas and electricity. We welcome views on whether this cross-reference is clear and whether any additional clarification would be helpful

While the existing Enforcement Guidelines have informed our approach, these are likely to be updated to reflect the DMCCA and other recent changes at the next scheduled update. Our proposed Heat Networks Enforcement Guidelines adopt a similar structure, providing continuity in format and approach while tailoring the content to the specific context of heat network regulation.

Questions

- Q1. Are the enforcement powers, procedures and governance set out clearly in the Heat Network Enforcement Guidelines? If not, please specify which areas need to be clearer and why.

- Q2. Is the cross-reference to Ofgem's main Enforcement Guidelines in relation to consumer law and Competition Act cases clear and sufficient? If not, what additional information or clarification would be helpful?
- Q3. Is there anything relevant to the heat network sector that we need to take account of in the approach we have outlined for enforcement? What is this, and where do you think it would change our approach?
- Q4. Do you have any comments on any other areas of the guidelines?

Proposed Heat Networks Penalty Policy

- 2.4 This statement of policy, as required by the Regulations, sets out our proposed approach to using our power to impose financial penalties and 'or' consumer redress orders where an authorised party has contravened or is contravening a relevant authorisation condition or requirement. In particular, the statement sets out the factors that we will normally consider when:
- deciding whether or not to impose a financial penalty and 'or' a consumer redress order
 - determining the amount of any financial penalty
 - determining the requirements of any consumer redress order

Questions

- Q5. Is the process for deciding whether to impose a financial penalty, and how the amount is calculated, clearly presented in the Penalty Policy Statement?
- Q6. Is the process for deciding whether to impose a consumer redress order, and how its requirements are determined, clearly presented in the Penalty Policy Statement?
- Q7. Are there any additional factors specific to heat networks that we should consider when deciding whether to impose a financial penalty and the amount, or a consumer redress order and the requirements?
- Q8. Are there any specific considerations or alternative approaches that Ofgem should consider when progressing enforcement action against publicly funded bodies?
- Q9. Do you have any comments on any other areas of the Penalty Policy Statement?

Fixed Penalties

- 2.5 In our previous consultation, [Heat Networks Regulation: Authorisation and Regulatory Oversight](#), we introduced the concept of Fixed Penalties (FPs) and noted in section 8.7 that we would consult further on their use. This section furthers that commitment.
- 2.6 Fixed Penalties are intended to serve as a proportionate and efficient tool for addressing certain types of non-compliance, particularly where the breach is clear and does not require a full investigation. For example, failure to respond to a Request for Information (RFI) within a specified timeframe could result in a fixed penalty.
- 2.7 While the final policy is still being developed, we are seeking views to help shape our approach.
- 2.8 We anticipate that FPs would be used in a limited number of scenarios, such as where:
- the breach is administrative or procedural in nature
 - the facts are not in dispute
 - a swift and proportionate response is in the interest of consumers and the market

We are particularly interested in stakeholder views on:

- the types of breaches which could result in a fixed penalty
- the level of penalty which would be appropriate
- whether there are any risks or unintended consequences we should consider

Questions

- Q10. What types of breaches do you think should be subject to Fixed Penalties in the heat networks sector?
- Q11. What level of penalty do you think would be appropriate for these types of breaches?
- Q12. Are there any risks or unintended consequences Ofgem should consider in applying Fixed Penalties?

3. Your response, data and confidentiality

How to respond

- 3.1 We want to hear from anyone interested in this consultation. You can give us your views by:
- completing our online survey on Citizen Space.
 - sending your response to heatnetworksregulation@ofgem.gov.uk
- 3.2 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 3.3 We will publish non-confidential responses on our website at <https://consult.ofgem.gov.uk>.

Your response, your data and confidentiality

- 3.4 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 3.5 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.
- 3.6 If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in

domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

- 3.7 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

- 3.8 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:
1. Do you have any comments about the overall process of this consultation?
 2. Do you have any comments about its tone and content?
 3. Was it easy to read and understand? Or could it have been better written?
 4. Were its conclusions balanced?
 5. Did it make reasoned recommendations for improvement?
 6. Any further comments?

Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. Choose the notify me button and enter your email address into the pop-up window and submit.

[ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)

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Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

Upcoming > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

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Appendix 1 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

(Include here all organisations outside Ofgem who will be given all or some of the data. There is no need to include organisations that will only receive anonymised data. If different organisations see different set of data then make this clear. Be as specific as possible.)

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for (be as clear as possible but allow room for changes to programmes or policy. It is acceptable to give a relative time e.g. ‘six months after the project is closed’)

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data

- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use “the Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this”.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system. (If using a third party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

10. More information For more information on how Ofgem processes your data, click on the link to our “[ofgem privacy promise](#)”.