

Decision

Heat Networks Authorisation and Regulatory Oversight decision

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This document sets out our decision for the Heat Networks Authorisation and Regulatory Oversight consultation ([2024 authorisation and regulatory oversight consultation](#)), which was published on 8 November 2024. It provides a summary of responses to each question in the consultation, a brief overview of our policy proposals in each area, and the details of our decisions.

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Executive Summary

Under section 217 (1) of the [Energy Act 2023](#), the Gas and Electricity Markets Authority (GEMA), the governing body of Ofgem, is appointed as the regulator for heat networks in England, Scotland, and Wales (Great Britain). Our [Forward Work Programme](#) outlines the work we are doing in 2025 and 2026, including how we are preparing for our new regulatory responsibilities for heat networks and beginning implementation of the new regulatory regime in January 2026. We aim for the regime to be proportionate and accommodate investment and market growth, in line with our duties to protect consumers and support meeting the government's net zero targets.

In November 2024, we consulted on our proposals to give further detail of regulatory activities and processes which will underpin our heat networks regulatory framework, building on the approaches determined in the response to our joint consultation with the Department for Energy Security and Net Zero (DESNZ) on heat networks regulations for consumer protection ([2024 government response](#)) and the Heat Networks (Market Framework) Regulations 2025 Statutory Instrument (HNMFRI SI). The consultation also described our proposals for implementing the framework, which began in April 2025, and the regulatory rules, which will come into force from January 2026.

This document sets out our analysis of consultation responses and decisions we have taken in the following areas:

Authorisation of regulated activity on heat networks

In the consultation we outlined the regulated activities that will require authorisation and the roles and obligations of regulated entities under heat network regulation. We confirmed that under transitional provisions, any regulated activity beginning prior to 27 January 2027 will be automatically authorised under the regulations, and the activity must be registered with us before this date which is the deadline for Registration.

In this response, we confirm the detail of Registration, the process where we will accept submissions of information from authorised entities about their activities and heat networks. We also highlight how we are developing guidance for Registration which we will consult on and publish before this process is launched in 2026.

In the consultation, we set out the broad requirements for authorisation by application which will become the required process to become authorised for new regulated activity from 27 January 2027. In this response, we confirm the broad proposals for Authorisation Application, however, we plan to undertake further consultation to consider this process in greater detail, including information and evidence requirements, and opportunities for streamlining where applicants are already authorised for activity on other heat networks.

In the consultation, we outlined the process for keeping us informed of changes to authorised activity and heat networks. Following stakeholder feedback, we are taking steps to simplify this process and the requirements for the types of changes that must be reported. We have drafted an authorisation condition which sets out these requirements and will consult on this shortly following this publication. This requirement will not form part of the initial regulatory rules that are taking effect from January 2026. Prior to implementation, we will confirm in guidance, the changes that are required to be reported to us and how to report these.

The consultation covered our powers, set out in the HNMFR SI, to transfer or revoke a heat network authorisation. A draft authorisation condition for revocation of authorisation has been published with our 2024 joint consultation with the DESNZ on implementing consumer protections for heat networks ([2024 implementing consumer protections consultation](#)) and an updated version of this authorisation condition has been published with the decision for that consultation. We will draft regulations setting out the process to transfer an authorisation as part of a future statutory instrument for Authorisation Application and publish guidance for this process.

Market monitoring and data requirements

In the consultation we proposed to use quarterly reporting for certain metrics as part of our regular monitoring regime. We intend to proceed with the use of quarterly reporting for some data in order to have adequate regulatory oversight of the market and on key areas of consumer protections. We are open to reviewing the regular reporting cadence once there is more coherent understanding of the market.

We intend to keep the metrics as proposed in the consultation with certain areas being further developed through consultation such as for fair pricing ([2025 fair pricing consultation](#)) and our consultation on measures to mitigate the risk and impact of financial failure. We intend to mitigate the reporting burden through segmenting data requirements where authorisation conditions do not apply to certain circumstances. We are considering the use of reduced data sets for areas such as pricing. The design of our digital service will also aim to reduce the administrative burden for smaller networks when reporting no changes from previous reporting periods.

Audit, compliance and enforcement

We are confirming our overall proposal to use risk-based and randomised audits to ensure regulatory compliance by authorised entities, focusing initially on declarations provided at Registration. Authorised entities must consent and cooperate with audits. We consider that initially using risk-based, tailored audits will help reduce administrative

burden while helping to identify key areas of non-compliance. Guidance will outline the scope, process, and timelines for audits.

We support a compliance and enforcement approach which considers market complexity, backed up by detailed guidance. Effective engagement and oversight tools will promote good customer outcomes, focusing initially on Registration and data submission.

Enforcement actions will help drive improvements, with criteria including the nature of non-compliance, customer impact, and the characteristics of a heat network.

Authorisation conditions

In consultation, we included a draft authorisation condition for Registration which creates a requirement for authorised entities carrying out regulated activity that began before 1 April 2025 or begins between 1 April 2025 and 26 January 2027, to register this activity with us. This activity has been deemed authorised under the regulations. Following consultation, we have expanded the scope of this condition to include requirements for the operator-led approach to Registration and requirements for heat networks with multiple operators. We have also drafted a new authorisation condition setting out how a primary point of regulatory contact should be nominated for heat networks with multiple operators. An updated draft version of the authorisation condition for Registration has been included as an appendix to this document, for information. Due to its expanded scope, we will be consulting further on this condition along with the new nominated operator condition, shortly after the publication of this decision. These authorisation conditions will then be finalised and published in early 2026.

Our decisions outlined in this document will feed into drafting of guidance to support Registration and a future consultation for Authorisation Application policy. This will be followed by drafting of a statutory instrument for Authorisation Application and associated guidance which will be consulted on in 2026.

Context

This section provides context to the decisions outlined in this document of how we are implementing heat networks regulation. It signposts to other publications of relevance to this document and our wider work on the heat networks regulation framework.

This section also explains our decision-making process and how to submit general feedback about the process of consultation.

Key dates

In this document we discuss the phases and key dates in the introduction of regulations which are set out in the HNMFR SI. A short summary of each is included below.

1 April 2025 – 26 January 2027: First part of the initial period

Regulated activity on heat networks occurring before 1 April 2025 is referred to as existing activity and has been deemed authorised under regulations. From the beginning of this period, heat networks have been brought into consumer advocacy and redress schemes.

New regulated activity that begins during this period will also be deemed authorised under regulations when the activity commences. Regulated entities with deemed authorisation for existing or new activity will be required to register this activity with us by the end of this period. Registration is expected to be available through the digital service from spring 2026.

27 January 2026: Launch Date

From the launch date, authorisation conditions will come into effect. Authorised entities, including those with deemed authorisation, will be bound by these conditions and we will have powers to take actions in relation the requirements set out in them. Following the launch of the digital service for heat network regulation in spring 2026, authorised entities will be able to register their heat networks and activities with us.

26 January 2027: Deadline for Registration

Entities with deemed authorisation must provide us with details of their activities and heat networks by registering through the digital service by this deadline.

Related publications

This decision document should be read in conjunction with the following:

- the joint DESNZ-Ofgem consultation decision, including updated draft authorisation conditions, [Heat networks regulation: Implementing Consumer Protections Decision – August 2025](#)

- the [Heat Networks \(Market Framework\) \(Great Britain\) Regulations 2025 Statutory Instrument](#)
- the updated draft authorisation condition for Registration, appended to this consultation on page 65
- the [2025 fair pricing consultation](#)

Future relevant consultations and publications will cover the following topics:

- Government response to the 2023 heat network zoning consultation
- Technical standards for heat networks under the Heat Networks Technical Assurance Scheme (HNTAS)
- Guaranteed Standards of Performance for heat networks
- Measures to mitigate the risk and impact of financial failure of heat networks
- Ofgem’s guidance documents for heat network regulation

Our decision-making process

A total of 65 consultations responses was received. 16 responses were from energy network operators, nine from trade associations, six from energy suppliers, five were from charities, four from social housing providers and two from local authorities. 23 responses were received from other stakeholder groups including metering and billing agents, asset management services, energy consultancy, housing associations, property management groups and right-to-manage companies.

We have published the non-confidential responses on our website ([non-confidential responses](#)).

Following careful consideration of the responses, we have made decisions on the proposals set out in consultation. The updated draft version of the authorisation condition for Registration is appended to this document on page 65. Updated draft versions of other authorisation conditions have been published with the 2025 government response to consultation on implementing consumer protections ([2025 government response](#)).

Note that percentages included within analysis tables in this document have been rounded to the nearest integer, hence percentages within tables may not always add up to exactly 100%.

Decision-making stages

Date	Stage description
8 November 2024	Stage 1: Consultation open

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31 January 2025	Stage 2: Consultation closes (awaiting decision), Deadline for responses
February to July 2025	Stage 3: Responses reviewed and published
8 August 2025	Stage 4: Consultation decision

General feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this report. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this document?
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. Are its conclusions balanced?
5. Did it make reasoned recommendations?
6. Any further comments

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

1.Scope of Authorisation

Section summary

This section presents an overview of the stakeholder feedback received in response to the questions asked in the Scope of Authorisation section of the consultation. It outlines our decision to take forward the operator-led approach to heat network authorisation, following a generally supportive stakeholder response. It confirms flexibility for existing multiple operator arrangements to remain in place for heat networks that are deemed authorised and that in future, identifying a single party in this role will be a requirement when applying for authorisation.

The section also details how regulatory obligations will be assigned to operators and suppliers and clarifies roles and responsibilities under various network configurations. We will proceed with a proportionate approach regulation that balances accountability with market diversity, supported by guidance and our digital service.

Question analysis

Q1. Do you agree, partially agree, or disagree with our proposed operator-led approach to heat network authorisation? Please explain your answer.

Table 1: Response summary for consultation question 1

Question 1	Response	Percentage
Agree	28	46%
Partially Agree	25	41%
Disagree	4	7%
Not Answered	4	7%
Comments	55	

- 1.1 The proposals for an operator-led approach to authorisation received support from respondents, with 28 (46%) expressing agreement and 25 (41%) partial agreement.
- 1.2 Seven stakeholders agreed that generally, a single party will undertake both the role of operator and supplier on a heat network. The distinction in proposals between these functions was questioned by some stakeholders who suggested it was an 'artificial' distinction.
- 1.3 Five stakeholders highlighted that the use of 'operator' in the regulatory framework is not reflective of how this term is understood within industry where

it generally refers to a party managing day-to-day network operation, rather than the asset owner.

- 1.4 Four of these stakeholders raised concern about a lack of awareness amongst heat network asset owners such as freeholders, that regulations will designate them into the role of operator.
- 1.5 Four stakeholders stated that the proposals outline a logical and sensible approach.
- 1.6 Five stakeholders called for standardisation and consistency across parts of the emerging regulatory regime such as zoning and the Heat Network Technical Assurance Scheme (HNTAS).
- 1.7 Four stakeholders stressed the importance of clearly establishing boundaries of responsibility between different entities for primary and secondary networks with bulk supply relationships.
- 1.8 Three stakeholders raised concern about the ability to identify a party as the operator, including for developments with phased delivery and partnership of different parties.
- 1.9 Three stakeholders called for clear guidance, including for scenarios where several parties have a direct or indirect role with the operations of a heat network.

Q2. Do you agree, partially agree, or disagree with the need to be able to identify a single party on a relevant heat network to fulfil the role of operator?

Table 2: Response summary for consultation question 2

Question 2	Response	Percentage
Agree	36	59%
Partially Agree	22	36%
Disagree	1	2%
Not Answered	2	3%
Comments	50	

- 1.10 Stakeholders broadly supported the need to identify a single party as the operator with 36 (59%) respondents expressing agreement and 22 (36%) partial agreement.

- 1.11 We received 50 stakeholder comments of which 36 demonstrated broad agreement with the proposals. Six stakeholders cited ease for consumers in resolving issues as a reason for their support.
- 1.12 Ten stakeholders stated it would be challenging to identify a single party for the role of operator on a heat network. Four stakeholders requested guidance, ideally with examples, on how to identify the appropriate party to be the single operator.
- 1.13 Six stakeholders wanted clarity on the outcome if an operator was unable to meet its obligations due to a non-compliant supplier or third party. Two stakeholders wanted clear boundaries of responsibility between operator and supplier. Three stakeholders wanted clear boundaries where a communal building is supplied heat from a district network under a separate operator.
- 1.14 The one stakeholder who disagreed with this proposal suggested that the network configuration and commercial structure should define the appropriate lead party.
- 1.15 Two stakeholders noted that they did not envisage risks for this approach as freeholders have a contractual obligation to provide heat under the terms of the lease agreement.
- 1.16 One stakeholder was concerned that, in a scenario where residents obtained ownership of a freehold or under Right to Manage company, the residents, as asset owners, should not be the regulated party, but this should fall to those who have expertise to comply with requirements such as a subcontracted management company.
- 1.17 One stakeholder requested clarity on identifying the operator under the ESCo model, where the asset owner has contracted responsibilities under a long-term concession agreement.

Q3. Do you agree, partially agree, or disagree with each of the proposed options for our single operator approach? Please provide detail for your response to each option.

Table 3: Response summary for consultation question 3

Question 3	Response	Percentage
Comments	48	
Option 1: requirement to reach agreement to identify a single regulated party		
Agree	18	30%
Partially Agree	16	26%
Disagree	15	25%
Not Answered	12	20%
Option 2: requirement to use best endeavours to reach agreement to identify a single regulated party		
Agree	10	16%
Partially Agree	25	41%
Disagree	13	21%
Not Answered	13	21%
Option 3: requirement to reach agreement to identify a single point of contact with all parties remaining as regulated parties		
Agree	19	31%
Partially Agree	15	25%
Disagree	14	23%
Not Answered	13	21%

- 1.18 In the consultation, we proposed three options to address the potential for multiple operators being identified on a relevant heat network and to enable a single party to be identified to register the network.
- 1.19 For Option 1, these operators would be required to reach an agreement as to who would be the regulated party that would make themselves and their role known to us via Registration, at which point the deemed authorisations of the other parties would cease to have effect.
- 1.20 In response to Option 1, 18 (30%) stakeholders agreed and 16 (26%) partially agreed with the proposal.
- 1.21 We received 15 comments which spoke in support of Option 1 as the best proposal option for regulatory accountability and compliance, however, 11

stakeholders recognised that a single operator arrangement may not be practical or achievable in all multi-operator heat network cases, especially as parties would be reluctant to take on the regulatory responsibility and risk on behalf of others.

- 1.22 Five stakeholders asked for Ofgem to provide examples on how a hierarchy could be established to determine the appropriate single operator. Two heat network operators stated they would not want to take responsibility for assets they do not operate or own. One stakeholder suggested single operator arrangements would introduce risk and uncertainty from an investor perspective.
- 1.23 Option 2 proposed that the operators be required to use best endeavours to identify a single operator and for this party to identify themselves via Registration, if an agreement is reached. If parties fail to reach agreement, they would be required to demonstrate best endeavours had been used, and the deemed authorisations for all operators would remain in place.
- 1.24 In response to Option 2, 10 (16%) stakeholders agreed and 25 (41%) partially agreed with the proposal.
- 1.25 Three stakeholders believed Option 2 provided a flexible arrangement, while four stakeholders described this option as being the same as Option 1 but with operators likely to incur more costs to reach a solution. Six stakeholders requested further clarity on the meaning of best endeavours and three requested for us to give examples on how best endeavours could be put in practice and demonstrated. Two stakeholders had concerns about the next steps if negotiations between parties ended without reaching an agreement.
- 1.26 Option 3 proposed that the operators would be required to identify a single point of contact for Ofgem and for all deemed authorisations for each operator to remain in place.
- 1.27 In response to Option 3, 19 (31%) stakeholders agreed and 15 (25%) partially agreed with the proposal.
- 1.28 Seven stakeholders believed that option 3 provided accountability for compliance, with flexibility which recognised multiple operator networks. As was also expressed in response to Option 1, three stakeholders believed agreement would be difficult to reach as parties would be reluctant to take on the role, due to potential costs, risks and responsibilities.
- 1.29 Three stakeholders requested we provide guidance for the role of nominated single point of contact such as their responsibilities towards facilitating

compliance and their authority if another operator is not forthcoming with data for submission to Ofgem.

- 1.30 Four stakeholders were concerned that this proposal would lead to time consuming processes and challenges in identifying the responsible party for a failure event, with one stakeholder pointing out that an occurrence is often not due to a single point of failure.
- 1.31 Four stakeholders specifically referred to a bulk supplier providing heat to a communal network as an example of a multiple operator network and were concerned with the application of single operator proposals in such cases. Another stakeholder presented an example of an ambient heat network taking waste heat from a district network as potentially involving multiple operators.

Q4. Do you or your organisation operate any networks that may be impacted by our proposals to identify a single operator? If so, how many networks?

Table 4: Response summary for consultation question 4

Question 4	Response	Percentage
Yes	26	43%
No	25	41%
Not Answered	10	16%
Comments	40	

- 1.32 Of the 26 stakeholders (43%) who responded that their organisation operates heat networks that may be impacted by single operator proposals, seven described themselves as operators, three as housing associations, and four as either social housing providers, social landlords or local authorities. Nine stakeholders stated the number of heat networks they operated, which ranged between 1 and 60.
- 1.33 One operator pointed out that multiple operator arrangements might change over time through established contractual negotiations. As an example, they referred to one of their networks developed under a partnership arrangement which is contractually agreed to be transferred to a single controlling entity in future. One stakeholder requested clarity on operator responsibilities as an ESCo operating under different types of long-term concession agreements. Another stakeholder sought clarification on whether an operation and maintenance service provider would be classified as an operator.

- 1.34 One heat network developer provided an example of an SGL heat network arrangement for a mixed-tenancy development, identifying that they are the operator for private tenants, and a social housing association is the operator for social housing tenants.
- 1.35 One stakeholder was concerned that identifying a single operator may be complicated, describing their role as a district heating provider for a network where a local authority bundles heat charges with rent to council tenants.

Q5. Do you agree, partially agree, or disagree with our proposals for regulatory obligations to be assigned to the role of operator or supplier? Please explain your answer.

Table 5: Response summary for consultation question 5

Question 5	Response	Percentage
Agree	34	56%
Partially Agree	15	25%
Disagree	7	11%
Not Answered	5	8%
Comments	50	

- 1.36 For this question, 34 (56%) respondents agreed and 15 (25%) partially agreed with our proposed allocation of regulatory obligations to the role of operator or supplier for a heat network.
- 1.37 We received 27 comments which showed general agreement with the proposals.
- 1.38 Seven stakeholders requested further clarification on boundaries of roles and the application of obligations for ESCos, businesses under long-term concession agreements with ESCos, bulk suppliers, and in relation to SGL heat networks.
- 1.39 One stakeholder called for alignment of boundaries and regulatory obligations with HNTAS, and another stakeholder stated they could not confirm agreement with obligations because HNTAS proposals were not available for review yet.
- 1.40 One stakeholder requested a separate definition of roles between supplier and bulk supplier for contract purposes, and one stakeholder requested for SGL heat networks boundaries to be defined.
- 1.41 Four stakeholders provided similar comments in disagreement with non-domestic heat networks being in scope of regulation, citing that bespoke agreements are already negotiated to address the needs of non-domestic consumers.

- 1.42 One operator and one supplier disagreed with the inclusion of Heat Interface Units (HIUs) within the operator's responsibilities, noting that this is not always owned by the authorised entity and could be owned by the customer.
- 1.43 Two stakeholders disagreed on the description of heat network boundaries, regulatory responsibility regarding point of sale, and the district and communal heat network definitions.
- 1.44 Two stakeholders requested to not apply the obligations to freeholders, due to existing contractual obligations in lease agreements.
- 1.45 One stakeholder disagreed with the supplier obligation to liaise with the operator, seeing this as an additional step to issue resolution, thereby slowing down the process.
- 1.46 Three stakeholders were concerned that smaller heat networks may find it difficult to meet some requirements and two stakeholders called for longer time frames for small or not-for-profit heat networks to come into compliance. One stakeholder called for regulations to reflect the scale and governance model of a heat network, while another proposed that existing heat network activities should not incur any compliance action for 12 months.
- 1.47 Five stakeholders called for appropriate guidance for the obligations. Three of these specifically referred to guidance topics such as Priority Services Register (PSR), failure to meet obligations due to actions of another party, guidance for specific segments of the market such as commonhold associations, Right-To-Manage companies, resident management companies, and leaseholders who have enfranchised.

Ofgem response

Operator-led approach

- 1.48 Our proposed operator-led approach, that the process of Registration and Authorisation Application for a heat network will be initiated by the operator, received support from stakeholders and we intend to move forward with this proposal.
- 1.49 We understand that the regulated activities of operation and supply will generally be undertaken by the same party. However, for instances where this is not the case, the operator-led approach will enable us to collect and appropriately link information from different parties about a heat network and the regulated activities being undertaken.
- 1.50 For this question, stakeholders wanted clarity on the outcome if an operator could not meet its regulatory obligations due to a non-compliant supplier. We may take compliance action against an authorised entity in relation to the activities they are authorised for, and each authorised entity will be responsible for ensuring compliance with the authorisation conditions that apply to them. In any compliance or enforcement actions we take, we will consider the individual circumstances of each case.
- 1.51 In response to this question, stakeholders requested clarity over the boundaries of responsibility between the operator and supplier roles. We have covered these details on page 21.
- 1.52 Stakeholders have highlighted that in the heat network industry, the term 'operator' may be taken to have a different meaning. We note the potential for confusion, and we will ensure that guidance and communication to regulated parties clearly explains the meaning of this term and the responsibilities expected from this party. We are taking steps to align to other areas of the wider regulatory framework such as HNTAS for definitions of terms, where practicable.
- 1.53 The HNMFR SI defines the role of operating a heat network and, as we have set out in consultation, this will generally be the asset owner or in some cases, another party with significant control and decision-making ability in relation to the asset.
- 1.54 For communal heat networks, we expect that the operator will generally be the freeholder, or a Residents' Management Company (RMC) with control of network assets, such as through enfranchisement.

- 1.55 We understand that a range of concession agreements exist in the heat network market with varying degrees of control over assets. The level of control set out in an agreement will dictate which party has regulatory responsibility. We encourage parties that are potentially subject to regulation to refer to the regulated activity definitions in the HNMFR SI to assess how they apply to their specific circumstances. We will draft and publish guidance that will include further explanation on these definitions, to assist parties in taking a view on how they apply.
- 1.56 We understand that asset management and other functions will often be subcontracted, and that regulated parties may wish to delegate management of regulatory compliance. We are considering whether it may be appropriate for the digital service for heat network regulation to include functionality for subcontractors to engage with us on behalf of an authorised entity. Subcontracting of these functions will not involve delegation of regulatory responsibility which will always be retained by the authorised entity. We will provide further information about management of users and permissions for the digital service closer to its launch in spring 2026.

Single operator requirement

- 1.57 As proposed in consultation, we are taking forward different approaches to implementation of the single operator requirement for Registration and Authorisation Application.
- 1.58 Given the broad agreement from stakeholders, we intend to proceed with the requirement that a single operator must be identified as part of the Authorisation Application process for new heat networks from 27 January 2027.
- 1.59 Our approach to heat networks that are automatically authorised under regulations and therefore subject to the Registration requirement, will be proportionate, given the application to existing arrangements and the uncertainty about the prevalence and complexity of existing multiple operator arrangements.
- 1.60 We recognise that it may be challenging for multiple parties involved in complex arrangements to come to an agreement for a single party to take on all regulatory responsibility for a heat network. We are therefore taking forward the proposed option 3, requiring one operator to act as the primary point of contact, with all parties retaining authorisation.
- 1.61 Under regulations, heat network operators undertaking regulated activity before 27 January 2027 will be automatically authorised, including those that fulfil the role of operator for only part of a heat network. Where multiple parties can be

identified in this role on a network, they will each be taken to operate the network in respect of the part of the network they are entitled to make decisions about modifying.

- 1.62 The draft authorisation condition for Registration places a requirement on all authorised entities to register with us by 26 January 2027. For heat networks that involve multiple operators, all parties can be considered to have met this requirement if one operator agrees to submit Registration information on behalf of the other parties and does so. All parties will remain authorised in respect of their part of the network.
- 1.63 We are drafting a further authorisation condition to ensure that if there are multiple operators of a relevant heat network, one party is nominated to be the primary point of contact between us and the operators of the network.
- 1.64 The 'nominated operator' authorisation condition will require authorised entities on heat networks with multiple operators to take steps to agree with other parties who should be the nominated operator and notify us of this agreement.
- 1.65 Under this approach, all operators on a multiple operator heat network will have regulatory responsibility but the nominated operator will act as a first point of contact and liaison, sharing information and notifications promptly between us and the other parties.
- 1.66 If parties on a heat network with multiple operators do not agree on a nominated operator within a reasonable time, we may determine the operator to fulfil this role.
- 1.67 We will seek feedback on the draft authorisation condition for nominated operator in a consultation shortly following publication of this document.
- 1.68 Consultation feedback has provided us insights from stakeholders who told us that on some of the heat networks they operate, other parties may also be undertaking this regulated activity. We expect that Registration will provide us with a clearer picture of the prevalence and complexity of existing multiple operator arrangements.
- 1.69 We recognise that these arrangements may change over time and refer to our summary of proposals and our decisions on making and reporting changes to an authorised heat network on page 39.
- 1.70 We note that general subcontracting arrangements as described in paragraph 2.20 of the [2025 authorisation and regulatory oversight consultation](#) will not lead

to delegation of regulatory responsibility and as such, engaging third parties in this way will not be considered a multiple operator heat network.

- 1.71 We will publish guidance to help all parties understand their roles and obligations relating to this requirement.

Regulatory obligations

- 1.72 In the consultation we proposed how regulatory obligations would be associated with the role of operator or supplier and in some instances, both roles. Given support from stakeholders, we intend to proceed with proposals.
- 1.73 The [2024 consumer protection consultation](#) included detailed proposals for these obligations and associated authorisation conditions and the [2025 government response](#) provides information and decisions relating to these proposals.
- 1.74 The [2025 government response](#) also provides further detail on the rationale for assigning obligations to the roles of operator or supplier and information on the definitions and obligations for SGL heat networks and bulk supply activity.
- 1.75 The [2025 government response](#) includes a decision to extend some consumer protection measures to non-domestic consumers and therefore additional obligations for authorised entities on heat networks that supply this consumer type.
- 1.76 In the consultation, we proposed that operators would be accountable for day-to-day operation and maintenance of consumer HIUs, as part of a relevant heat network. Stakeholder feedback has shown there are instances where consumers own HIUs.
- 1.77 We do not intend that regulation will apply to consumers, where they own the HIU. As an integral component of a heat network, we expect that heat network operators will retain access to HIUs in order to ensure their correct operation and efficiency in the network, including where the HIU is consumer owned.
- 1.78 An upcoming consultation on technical standards will consider the issue of consumer HIU ownership in relation to application of the HNTAS framework and the obligations on operators where this is the case.
- 1.79 We acknowledge the heat network market is diverse and that for regulated parties which may not have previous experience of regulation such as operators of smaller heat networks, effective compliance engagement will be key. We have set our compliance strategy on page 60. We will also provide clear guidance for consumer protection obligations and, where appropriate, this will include guidance for specific market segments.

2. Registration and Authorisation Application

Section summary

This section presents an overview of the stakeholder feedback received in response to the questions asked in the Registration and Authorisation Application section of the consultation. It summarises the intended processes for Registration and Authorisation Application, and how regulated entities will be required to engage with us. We intend to proceed with the broad proposals for Registration and Authorisation Application, including our proposals to require demonstration of suitability.

Following expressions of uncertainty from stakeholders, we have clarified expectations for Registration in Table 9 and Table 10, breaking down each consumer protection requirement and the information we expect to be submitted to us in this process.

While we are confirming the broad proposals for Authorisation Application, the detail of this process will be consulted on over winter 2025-26, and we will welcome any feedback from stakeholders on those detailed proposals.

Question analysis

Q6. This question is for heat network organisations. Do you already have processes in place similar to the proposed suitability requirements? Please provide detail of processes or policies where possible.

Table 6: Response summary for consultation question 6

Question 6	Response	Percentage
Agree	12	20%
Partially Agree	14	23%
Disagree	7	11%
Not Answered	28	46%
Comments	43	

- 2.1 For this question, 12 (20%) of stakeholders agreed and 14 (23%) partially agreed that they already have some process in place to check the suitability of senior members of their organisation.
- 2.2 Through comments, 15 stakeholders explained how they could meet suitability requirements through either their existing hiring practices, or the processes they had put in place for other regulation or codes they are subject to such as social or

supported housing, housing grants, managing agent ombudsman scheme, or the gas and electricity licence regime.

- 2.3 Six stakeholders responded with detail not directly related to suitability policy such as descriptions of their customer complaints policies, financial resilience, and technical standards.
- 2.4 Four stakeholders described the requirements as onerous or potentially too difficult to achieve. One stakeholder called for this obligation to apply only for entities who are at risk, and another called for a more proportionate approach for smaller heat networks.
- 2.5 Three stakeholders provided comments requesting clear guidance on this policy.

Q7. Do you agree, partially agree, or disagree with proposals for the process of Registration? Please explain your answer.

Table 7: Response summary for consultation question 7

Question 7	Response	Percentage
Agree	23	38%
Partially Agree	21	34%
Disagree	8	13%
Not Answered	9	15%
Comments	49	

- 2.6 In response to this question, 23 (38%) stakeholders agreed and 21 (34%) partially agreed with the proposed process for Registration.
- 2.7 Twenty stakeholders commented that they felt the proposed Registration process was clear and logical and of these, four stated that the phased introduction of regulation provides adequate time for regulated entities to prepare.
- 2.8 Five stakeholders sought further clarity on the timings for Registration and the requirement to comply with consumer protection rules.
- 2.9 Two respondents explained that they agree with the requirements for provision of evidence, while 10 indicated that further information is needed in this area, including clarity on what will be accepted as sufficient evidence, provision of templates and how compliance can be demonstrated for each consumer protection measure. Stakeholders were keen to know more about the fit and proper requirement, how to demonstrate a robust pricing methodology and how to evidence HNTAS compliance.

- 2.10 Fourteen respondents shared specific concerns about the technical standards requirements under the HNTAS. Concerns raised mainly relate to limited available information on technical standards requirements with some stakeholders feeling unable to comment until further clarity has been provided. One stakeholder suggested direct industry engagement could resolve the lack of understanding in this area. Responses highlighted stakeholder uncertainty about the expected timescales for HNTAS compliance and sought clarity on when this would become a requirement. Stakeholders relayed that uncertainty on HNTAS and Step-in policy requirements are the main barriers to confirming their support for proposals for Registration.
- 2.11 Eight respondents called out the step-in requirements as unachievable for Registration. Issues raised included the inability to find a suitable Step-in organisation ahead of Registration and uncertainty about whether there is a need to do so. Respondents raised concerns that Step-in would be difficult to achieve for both small communal networks and larger district networks. One respondent further contended that step-in proposals are not workable for rural areas.
- 2.12 Seven stakeholders requested flexibility for small and not-for-profit heat networks, calling for support from Ofgem for the Registration process. Concerns were raised about the Registration process being onerous for smaller heat networks with a call for the process to be consistently reviewed to ensure that regulated entities are not unfairly burdened, particularly when operating a heat network is not their primary role, such as in the housing sector. Limited staff and a lack of professional expertise in comparison to larger heat network organisations was cited as a potential challenge. Four stakeholders requested exemption from regulation for the social housing sector.
- 2.13 Seven respondents requested a straightforward process to update the regulatory contact. Of these stakeholders, five raised concerns about the single-operator proposals and one suggested multiple points of contact to avoid a single point of failure.
- 2.14 Three respondents stated that Registration and Authorisation Application should be at an organisation level rather than an individual heat network due to the information Ofgem that will be requested.
- 2.15 Six stakeholders requested clear guidance to assist in the Registration process and explain the evidence requirements. Four respondents raised the need for a digital service, stating that it is crucial for the service to be easy to navigate for

users. Four respondents raised concerns about the administrative burden of Registration, and three respondents raised concerns about the potential costs.

Q8. Do you agree, partially agree, or disagree with proposals for the process of Authorisation Application? Please explain your answer.

Table 8: Response summary for consultation question 8

Question 8	Response	Percentage
Agree	25	41%
Partially Agree	21	34%
Disagree	7	11%
Not Answered	8	13%
Comments	47	

- 2.16 Twenty-five (41%) stakeholders agreed and 21 (34%) partially agreed with our proposals for the Authorisation Application.
- 2.17 We received 22 comments which described broad support, in principle, for the proposals for the process for Authorisation Application. Ten stakeholders said they required further detail on the process to fully agree, particularly on issues such as the timescales for the process, how a decision would be made, how to manage an application refusal, and any decision appeal process.
- 2.18 Twelve stakeholders expressed concerns about being able to obtain authorisation prior to building occupation for new developments, as any authorisation process delays would lead to a delay to occupation, impact investment decisions, and undermine customer confidence. Six stakeholders suggested including a fast-track option or staged developments, potentially aligned with gas and electricity licensing, where licensees must be able to demonstrate clear intention to begin licensable activity within a reasonable timeframe, if the licence is granted.
- 2.19 Regarding the application requirements, one operator noted they could not fully agree with proposals to demonstrate compliance with HNTAS without full understanding of proposals in this area. Three stakeholders were also concerned about potential duplication of requirements between HNTAS and the application process. One operator claimed finding a Step-in operator before lodging an application would not be achievable. Another operator was concerned about the classification of organisational and heat network level requirements, specifically for financial stability, noting that in some cases a network may not be financially stable when considered on its own but could be valuable to an operator as part of a wider portfolio.

- 2.20 Two stakeholders requested a segmented approach to the application process, for small, not-for-profit, or SGL heat networks. Two stakeholders requested for freeholders to have deemed authorisation for any new activity due to existing contractual lease obligations and the existing regulatory regime in the leasehold sector.
- 2.21 Three stakeholders had concerns over the financial and resource impact of the application process, and some stakeholders had particular concerns for smaller heat networks. One stakeholder proposed an exemption from the regulation for smaller heat networks, while another proposed a de minimis threshold.
- 2.22 Five stakeholders requested guidance to be provided in advance of the launch of the application process and four stakeholders requested transparency throughout the application review process, to minimise delays.
- 2.23 One stakeholder recommended regular data sharing across ombudsman bodies, and for Ofgem's authorisation register to be the single source of truth for heat networks and accountable parties.
- 2.24 With regard to the features of the digital service, one stakeholder requested that an option be available to set up a backup regulatory contact in case of absence of the main regulatory contact, while another stakeholder requested an ability to upload bulk information to the digital service to avoid a burdensome process of inputting information for large numbers of buildings.

Ofgem response

Suitability requirement

- 2.25 We will proceed with proposals to require submission of evidence to demonstrate suitability when registering and when applying for authorisation.
- 2.26 We will also proceed with finalising the draft Ongoing Fit and Proper Requirement authorisation condition which was published as an appendix to the [2024 implementing consumer protections consultation](#) and sets out the requirement that authorised entities must take steps to ensure that all individuals with Significant Managerial Responsibility or Influence (SMRI) are 'fit and proper', using the criteria in the authorisation condition.
- 2.27 However, we are currently consulting on suitability requirements in the gas and electricity retail sector, and if appropriate, we may review and update this authorisation condition in future, following that consultation.
- 2.28 We recognise that, although there is existing regulation from other sectors which has some similar requirements, many stakeholders may need to familiarise themselves with this area of regulation and implement internal processes to reach compliance.
- 2.29 As set out in Table 9, for Registration, we will ask regulated entities to declare whether they have appropriate processes and procedures in place to comply with this policy. This information is intended to help us establish a baseline for compliance and responses will not prevent a Registration from proceeding.
- 2.30 Regulated entities will be able to complete Registration if they have declared non-compliance with the suitability policy. Following Registration, we will engage with these entities to confirm they are taking steps to come into compliance.
- 2.31 Subject to future consultation, we intend that compliance with the suitability policy will be an application requirement for entities seeking authorisation from 27 January 2027.
- 2.32 We agree with stakeholders that clear guidance on this policy will help address complexity and we will endeavour to design a straightforward process for the provision of evidence of suitability.

Heat Network Registration

- 2.33 We intend to proceed with the proposed process and information provision requirements for Registration.
- 2.34 As outlined in the consultation, because the regulated activities of operators and suppliers that register are automatically deemed authorised under the

regulations, we will not conduct any assessment or issue a decision as part of this process.

- 2.35 Registration will enable us to gather information about existing heat networks and the operators and suppliers of those networks. This will enable us to identify heat networks, the entities and organisations involved with their operations, and to understand their current practices, in the initial stages of regulation.
- 2.36 Operators and suppliers will be required to register each of their heat networks and provide details that relate specifically to that network. Organisation details, including in relation to suitability of senior personnel (SMRI) will not require separate submission for each heat network registration.
- 2.37 Table 9 and Table 10 below set out the information provision requirements for Registration and explain why we are requesting this information from regulated entities.

Table 9: Summary of organisational information requirements for Registration

Regulation area	Information requirement	Purpose
Financial stability and solvency	Details about available finance and resources, net profit or losses, liquid assets, running costs and other supporting financial information.	To understand the financial health of the authorised entity, and how it is meeting financial responsibility obligations.
Suitability	<p>Operators and suppliers must complete an SMRI declaration to confirm:</p> <ul style="list-style-type: none">• If a process is in place to ensure that everybody with SMRI in the organisation is fit and proper.• If regular assessment takes place to ensure that everybody with SMRI in the organisation remains fit and proper.• If a list is kept of all people in the organisation with SMRI• If everyone with SMRI in the organisation is fit and proper.	<p>To confirm whether the authorised entity already has processes and procedures in place to comply with the suitability policy.</p> <p>We expect authorised entities to be able to produce relevant details for each person with SMRI, if requested.</p> <p>Responses will enable us to establish a baseline understanding of compliance levels and begin taking steps to address non-compliance with this policy.</p>

Table 10: Summary of heat network information requirements for Registration

Regulation area	Information requirement	Purpose
Heat network technical details	Details of the characteristics of the heat network being registered (location, technology and connected buildings)	To understand the nature of the heat network.
Heat network consumer details	Identify the type(s) of consumers supplied by the heat network	To confirm the applicable relevant authorisation conditions and request relevant monitoring data.
Customer Supply Continuity Plan	Operators and suppliers will be asked to confirm they have arrangements in place but will not be asked to submit the plan itself. We may request further information or evidence at a future date or through monitoring returns.	To confirm that the authorised entity has arrangements in place to safeguard supply of heat and hot water to consumers in the event of organisational failure.
Complaints management procedure	Operators and suppliers will be asked to confirm they have a procedure in place for domestic consumers, microbusinesses and small business consumers to raise a complaint. We may request further information or evidence at a future date or through monitoring returns.	To confirm that the authorised entity has a suitable complaints management policy.
Priority Services Register (PSR) for vulnerable customers	Suppliers will be asked to confirm whether they maintain a Priority Service Register (PSR) for vulnerable consumers. We may request further information or evidence at a future date or through monitoring returns.	To confirm whether the authorised entity has a PSR in place or an accepted equivalent to meet the requirements for treatment of vulnerable consumers.
Identification of vulnerable customers	Suppliers will be asked to confirm whether the heat network supplies any vulnerable customers, and if so, how many are supplied.	To ensure there is identification of vulnerable customers, to identify heat networks with high rates of consumer vulnerability and to establish a baseline for monitoring.

- 2.38 Some of the information requirements for Registration that we proposed in the consultation are not being taken forward. We will not request information or evidence about the following regulatory areas at the point of Registration:
- Provision of pricing and billing information (to consumers)
 - Pricing methodology
 - HNTAS compliance
 - Step-in
- 2.39 Details about the pricing and billing information that authorised entities provide their customers, and their pricing methodology will be requested through monitoring returns. We note that this policy area is also subject to a future decision in response to the [2025 fair pricing consultation](#).
- 2.40 As was highlighted by some stakeholders in the consultation, timings and the details of requirements for technical standards for heat networks are yet to be confirmed. Further information will be available to stakeholders in future when government consults on the technical standards for heat networks, including the requirements under the HNTAS and how these will be phased in over time.
- 2.41 We anticipate that assessment and certification under HNTAS will not be available before the deadline for Registration and we can confirm we will not request this information as part of the Registration process.
- 2.42 It is expected that when the technical assurance scheme launches, assessment and certification requirements will be phased in over time for existing heat networks and those already in construction so that authorised entities have adequate time to make necessary changes. The framework may also take an approach that accounts for significant upgrade challenges in older legacy heat networks.
- 2.43 Once government has confirmed timings and requirements under HNTAS, we will confirm when and how we will ask authorised entities to demonstrate compliance in this area.
- 2.44 Step-in was another area where stakeholders sought further information about requirements for Registration. Decisions taken following the [2024 implementing consumer protections consultation](#), which considered this policy area, have informed our resolution to not take forward the requirement to provide information relating to Step-in at Registration.
- 2.45 Detail of the decisions taken for Step-in policy are included in the [2025 government response](#). Stakeholders will also have a further opportunity to

provide feedback on wider measures to mitigate the risk and impact of financial failure of heat network activities and associated authorisation conditions, in an upcoming consultation in summer 2025.

- 2.46 In the consultation, some stakeholders, including operators of smaller heat networks, raised concerns about their ability to comply with regulatory requirements such as Registration. In the [2023 consumer protection consultation](#), we acknowledged the potential challenges faced by particular market segments coming into regulation. The measures being taken to mitigate these challenges include the phasing in of consumer protection rules to allow time for adjustment, the provision of templates and guidance to support operators in understanding their obligations and lowering costs by spreading the costs of our regulatory functions across gas, electricity and heat network markets.
- 2.47 In the consultation, we asked stakeholders what areas they would require guidance for. This consultation question is covered in the guidance section on page 64 of this response. We have taken into consideration the need for clear and detailed guidance that covers Registration, provision of information and demonstration of compliance with consumer protection measures. A range of guidance documents will be drafted and consulted on in late 2025 and published in early 2026, including for Registration.
- 2.48 We are developing a digital service which will enable regulated entities to register details of their activities and heat networks. We are undertaking user research and testing to ensure that the service is accessible, and user needs are captured.

Application for Heat Network Authorisation

- 2.49 From 27 January 2027, entities seeking to undertake new regulated activity will require authorisation by application to Ofgem. We intend to proceed with the broad proposals for Authorisation Application that were set out in the consultation.
- 2.50 In the consultation, stakeholders requested greater detail of Authorisation Application requirements and criteria. While we are taking forward our broad proposals in this area, we plan to consult further on the detail of this process in winter 2025/2026. This will include the information and evidence we will require applicants to submit to demonstrate consumer protection requirements are met, the criteria we will use to assess applications, expected timeframes and other details of the application process.
- 2.51 In 2026, we will draft a statutory instrument for Authorisation Application which will include regulations for the application process, provisions for the transfer of

authorisation, and the form of application. We will consult on a draft of this statutory instrument and the associated guidance before finalisation prior to 27 January 2027.

- 2.52 In the consultation we noted that due to provisions in the Energy Act 2023, deemed authorisations for new heat network activity that begins between 1 April 2025 to 27 January 2027 are not enduring. This means that we will need to confer authorisation for this activity before 27 January 2028. We intend to proceed with our proposals to confer authorisation based on information provided at Registration for these heat networks. We will include provisions in the future statutory instrument to enable this.
- 2.53 We agree with view expressed in stakeholder feedback that the Authorisation Application process should not negatively impact the staged development of heat networks, such as in housing developments of multiple buildings. We will develop our approach to this issue in the future consultation and will consider other opportunities to streamline the application process such as for applicants that are already authorised for other heat networks.
- 2.54 In the consultation, some stakeholders raised concern over uncertainty about Step-in and HNTAS evidence requirements for Authorisation Application. The [2025 government response](#), upcoming consultation on financial resilience measures, and the future consultation on heat network technical standards, will provide greater clarity about requirements for these policy areas. We will consult on detailed information and evidence requirements for Authorisation Application based on the proposals and outcomes of these consultations.
- 2.55 We are building a digital platform which will enable entities to apply for authorisation through this service. We are intending for the digital service to be dynamically responsive to different market segments by tailoring the application process accordingly the specific requirements of the consumer protection framework for that segment.
- 2.56 For example, having identified whether the network will supply domestic or non-domestic consumers, the applicant will be asked to provide information and evidence relevant to the requirements for supplying that consumer type. Similarly, where a heat network is identified as an SGL heat network, the applicant will be asked questions and for information specific to that heat network type.
- 2.57 As well as providing explanation of the information and evidence requirements, the supporting guidance for Authorisation Application will assist applicants to

navigate the digital service. The application process via the digital service and guidance will be subject to regular review to ensure a smooth and efficient application process and support applicants to understand requirements.

- 2.58 We will incorporate feedback to further development of the digital service and guidance over time through an iterative improvement approach, ensuring that the content remains up to date, simple to navigate and that stakeholders are able to easily find information that is relevant to them.
- 2.59 The digital service will allow organisations to set up backup regulatory contacts. We will also explore potential functionality to support the bulk uploading of information as part of the Authorisation Application process. We are designing the digital service to allow regulated entities to grant access to multiple users to the organisation's account and to manage user permissions. This will enable delegation of regulatory tasks within an organisation. We will provide information on user permissions and processes for management of regulatory contacts in guidance.

Heat network record of authorisation

- 2.60 In the consultation, we provided an example of how we may set out the details of the activities and heat networks for which an entity has been authorised. This was referred to as the Heat Network Record of Authorisation and was included in Appendix 2 of the consultation document.
- 2.61 We have decided not to take forward this approach and will instead publish a list of all authorised entities, as required under regulation 12 of the HNMFR SI and including the regulated activities carried out by the authorised entity and the geographical location of their heat networks. We have determined that this approach will ensure that this information is up-to-date and easily accessible.
- 2.62 As we develop our digital service, we will investigate options for how best to provide authorised entities with an overview of the networks and activities they are authorised for.

3. Making changes to an authorised heat network

Section summary

This section summarises our analysis of feedback from stakeholders and confirms the proposals we are taking forward for our ongoing regulatory interactions with authorised entities to manage their authorisation and information about their activities. It covers requirements to inform us of ‘material changes’ made in relation to an authorised heat network, and the transfer and revocation of authorisation.

We intend to proceed broadly with our proposals to require the notification of certain changes so we know when the regulatory obligations for an authorised entity have changed, and so we can update our records and monitoring requirements. However, we are taking a more simplified approach than that proposed in the consultation and notification will not be an immediate requirement from January 2026. We will develop and publish guidance for this policy area including setting out the changes that need to be notified and how this can be done.

We intend to proceed with our proposals for transfer of authorisation to ensure that an entity receiving a transfer meets the requirements of authorisation and that consumers have continuity of supply from an authorised entity throughout the transfer process. The detailed requirements of this process will be drafted into the future statutory instrument for Authorisation Application and will not take effect until 27 January 2027. We have included detail in this response of how transfer of authorisation will be managed prior to this date.

We are also confirming that, as noted in consultation, we have powers to revoke authorisation under the HNMFR SI. In this response, we provide an explanation of circumstances where revocation may be initiated by the authorised entity and our provisions to facilitate this. For all other circumstances, we refer stakeholders to the updated draft authorisation condition for revocation which has been included in the [2025 government response](#) and future enforcement guidance.

Question analysis

Q9. Do you agree, partially agree, or disagree with proposals for management and recording of changes to a heat network? Please explain your answer.

Table 11: Response summary for consultation question 9

Question 9	Response	Percentage
Agree	24	39%
Partially Agree	25	41%
Disagree	4	7%
Not Answered	8	13%
Comments	46	

- 3.1 Twenty-four (39%) stakeholders agreed and 25 (41%) partially agreed with our proposals for managing and recording changes on an authorised network.
- 3.2 Nineteen respondents expressed that the proposals for managing and recording changes on an authorised network are reasonable and align closely to their operations. Six of these stakeholders further elaborated that a digital platform would be crucial in notifying these changes and reducing the administrative burden of the proposed process.
- 3.3 Twelve stakeholders sought further information on the proposals in this area. Of these, eight respondents felt generally that further explanation was needed, one requested clarity on the outcome if a change is not approved and three sought further clarity on the differences between minor, major and material changes. Two stakeholders questioned whether notifications would be required for temporary changes such as fuel that is used in an emergency or as a back-up for a few hours. Four respondents requested guidance and templates to support the notification requirements.
- 3.4 Seven respondents raised concerns surrounding the risk of revocation if a change is not approved to an authorised heat network. Two of the respondents questioned if Ofgem has plans to require phases of network build-out to receive prior authorisation. Five of the respondents suggested that Ofgem should implement a process of prior authorisation on phased builds for heat networks. Two further respondents supported a requirement to inform Ofgem of changes, rather than a requirement to seek approval.

- 3.5 Six stakeholders highlighted that many of the changes detailed in our proposals will likely be recorded as part of the information submission for HNTAS, except for a change to consumer type. Four responses highlighted the opportunity for the process for managing changes to an authorised heat network to align with HNTAS, ensuring that the changes recorded are relevant to regulatory compliance.
- 3.6 Six stakeholders stated that the scope of proposed changes may be too wide, whilst one stakeholder cited that the changes are too specific. Five respondents requested an adapted process for different market segments including legacy networks that may struggle to adhere to the same standards, heat networks that are nearing end of life, smaller networks which may struggle to meet the same requirements as larger networks and heat networks using SGL technology due to the differences in operation.
- 3.7 Four respondents disagreed with the process due to the proposed frequency of reporting and a further four felt that minor changes could be captured through monitoring reports to reduce the administrative burden. Three stakeholders felt the process could be too onerous and the administrative burden too high. Two responses indicated that cost was more of a concern, and that this would be passed on to the end consumer.

Q10. Do you agree, partially agree, or disagree with proposals for the transfer and revocation of heat network authorisation? Please explain your answer.

Table 12: Response summary for consultation question 10

Question 10	Response	Percentage
Agree	27	44%
Partially Agree	20	33%
Disagree	4	7%
Not Answered	10	16%
Comments	37	

- 3.8 Twenty-seven (44%) stakeholders agreed and 20 (33%) partially agreed with our proposals for the transfer and revocation of authorisation. We note that these two issues were considered under a single consultation question and have considered where comments express support or disagreement in relation to proposals for each issue.

- 3.9 Fifteen stakeholders provided comments in agreement with both proposed transfer and revocation processes, one of which stated the procedures were clear. Another confirmed that both processes are required to ensure companies that operate heat networks are fit for purpose. Four stakeholders requested general guidance to cover transfer and revocation in detail.
- 3.10 Nine respondents sought further clarity on transfer, including detail of the process, responsibilities, and in which scenarios a transfer would occur. Two of the respondents raised concerns about an organisation retaining regulatory responsibility if the transferee fails to request the transfer and one suggested that the transfer process should be able to be initiated by either the transferring entity or the entity receiving the transfer.
- 3.11 Six stakeholders raised continuity of supply as an important factor in the transfer process and commended the proposed process for safeguarding consumers. Four respondents suggested that the transfer process should trigger a review of compliance with HNTAS and consumer protection rules upfront for a smooth transition and to ensure there are no detrimental impacts to consumers.
- 3.12 In relation to community owned heat networks, one respondent urged us to consider the compulsory asset lock that applies to Community Interest Companies when assessing applications to transfer authorisation. Other suggestions were raised by individual stakeholders including the need for an expedited process for time-sensitive transfers and a mandated consumer notification period to inform them of the transfer.
- 3.13 Seven stakeholders felt the time periods for the proposed revocation process specified in the draft authorisation condition were unreasonable, unrealistic and unmanageable, with three stating that the process as outlined is too strict. Five respondents expressed a particular disagreement with the payment terms. Six stakeholders suggested that heat network operators need to be given ample time and support to rectify compliance issues, with the preferred outcome being that their authorisation can remain in place in most cases.
- 3.14 Six stakeholders emphasised that continuity of supply needs to be a major consideration in the proposals for revocation of authorisation. Four responses noted that an appeals process had not been included in proposals for revocation and called for an appeals process to be included for fairness. A further three raised concerns over revocation being applied to landlords expressing that this would inadvertently force a landlord to break the terms of lease agreements.

- 3.15 In relation to these concerns raised by stakeholders, five respondents expressed disagreement with the proposed revocation process in comments. Two respondents agreed with the revocation proposals based on this being an important power needed to regulate the sector.
- 3.16 Two respondents sought further clarity on the revocation process.

Ofgem response

- 3.17 We intend to proceed with the core proposals outlined in the consultation for managing and recording changes to an authorised heat network. However, the requirement for notification of material changes and the process for transfer of authorisation will come into effect at a future stage in our implementation of regulation for heat networks. Prior to this, we will publish guidance to help authorised entities understand obligations.
- 3.18 As noted in the consultation, the HNMFR SI sets out our power to revoke authorisation and the circumstances for revocation have been set out in the draft authorisation condition for revocation of authorisation. An updated draft of this condition has been included in the [2025 government response](#) and we intend to publish a final version ahead of this and other authorisation conditions taking effect from 27 January 2026.

Notification of material changes

- 3.19 We will create a requirement for authorised entities to notify us of certain changes that they have undertaken in relation to an authorised heat network. In the authorisation condition that will set out the notification requirement, these are referred to as material changes.
- 3.20 We will consult on the draft authorisation condition for this requirement in summer 2025, following publication of this decision. However, it will not be included in the requirements coming into effect from January 2026 and we will publish a final version of the condition with associated guidance ahead of this requirement coming into effect in the future.
- 3.21 We expect that, over time, authorised entities and their heat networks may undergo changes, including to technical and organisational characteristics, and the types of customers they supply. The requirement to notify us of these types of changes will ensure that we remain informed about the details of activities that an authorised entity undertakes, and that we have up-to-date information about their heat networks.
- 3.22 Certain changes may trigger relevant authorisation conditions to come into effect, such as commencing supply to domestic consumers. If we are notified that a material change has occurred, we may ask for information or evidence to confirm compliance with any authorisation conditions that have taken effect.
- 3.23 Following the consultation, and feedback from stakeholders through other channels including user research, we are taking steps to simplify this policy area

in terms of the scope of changes that authorised entities will be required to notify us of, and the notification process.

- 3.24 Stakeholders raised concern that revocation of authorisation could be a potential outcome of a material change not receiving approval. We can confirm that authorised entities will not be required to seek our prior approval for material changes, and we will expect to be notified once the change has been made. However, undertaking a change may trigger additional obligations that an authorised entity must comply with, and enforcement action may be a consequence of non-compliance.

Changes that will require notification to Ofgem

- 3.25 In consultation, we included examples of the types of changes that may be specified as material changes, which authorised entities will be required to tell us about. These will generally be changes that could trigger additional regulatory obligations for the authorised entity, and for which we may seek information and evidence to demonstrate compliance with authorisation conditions if this has not been previously assessed.
- 3.26 Material changes will not include heat network buildouts that constitute a new relevant heat network such as an additional communal building. We have set out our decisions for Registration and Authorisation Application on page 27.
- 3.27 We are currently developing guidance for this policy area which will set out the material changes and how these should be notified. Draft guidance will be published for consultation prior to this requirement coming into effect in future. Once in effect, we may periodically review and update guidance, including the list of material changes, and will consult stakeholders when we do this.
- 3.28 Stakeholder feedback and our user research has indicated that some of the proposed material changes included in the consultation are not common occurrences for most heat networks, however, if they do occur, it is important that we are able to ensure that any additional requirements are met.
- 3.29 We also proposed material changes to include modifications to a heat network that are expected to require assessment and certification under HNTAS and would enable us to verify compliance with technical standards has been achieved. We acknowledge the feedback received from stakeholders that inclusion in the material changes scope may duplicate reporting functions under HNTAS and we will avoid unnecessary duplication, where possible.

- 3.30 HNTAS requirements have not been finalised and will be considered in a future consultation by government. Following further development of the scope and timings of HNTAS, we will confirm any related notification requirements.

How changes will be reported to Ofgem

- 3.31 Stakeholders emphasised the importance of a digital solution to notify us of material changes to their heat networks. We are currently building a digital service for heat networks regulation and the requirement to notify us of material changes will be contingent on the delivery of the functionality to support this.
- 3.32 Once this functionality and the requirement is in place, authorised entities will be required to notify us of material changes through the digital service. We will provide clear guidance to support this process.
- 3.33 Notifications may be made after a change has been undertaken, however any authorisation conditions that are triggered will take effect from the point the change is undertaken.
- 3.34 If, in future, we specify additional material changes in guidance, we will build these into the digital service.

Transfer of authorisation

- 3.35 Stakeholders generally supported our proposals for the transfer of authorisation, and we intend to proceed with implementing these. However, we will also seek to address the key concerns raised in feedback.
- 3.36 Stakeholders mainly sought further clarity about how a transferee would be assessed, the responsibilities of the parties involved, and circumstances that would enable a transfer to occur.
- 3.37 The proposed transfer of authorisation process will not be implemented until 27 January 2027, in line with Authorisation Application.
- 3.38 Prior to this date, entities seeking to transfer heat network assets may do so without needing to engage with us, as the transferee will be deemed authorised under regulations as soon as they commence regulated activity.
- 3.39 It will be the responsibility of the transferee to register the heat network they have received before the deadline for registration. If the transferring entity has completed registration prior to initiating the transfer, they should contact us to advise that they are no longer in possession of the network.

- 3.40 In winter 2025/2026, we will consult on detailed provisions for Authorisation Application, including the process for transfer of authorisation, which will ensure that an entity receiving a transfer has met the requirements of authorisation.
- 3.41 Prior to January 2027, we will draft regulations setting out the process to transfer an authorisation as part of a future statutory instrument for Authorisation Application and we will publish guidance. The guidance will explain the steps in the process and any requirements which regulated entities will need to meet to complete the transfer.
- 3.42 The design of the transfer process will aim protect consumers with a seamless transition from one authorised entity to another, thereby ensuring continuity of supply. Throughout the transfer process, we will engage with both parties and keep them informed of progress so the transfer of assets can occur simultaneously.
- 3.43 We envisage there will be circumstances that may call for an expedited transfer process. We will consider this issue in the future consultation on Authorisation Application.

Revocation

- 3.44 In consultation we provided a high-level overview of the process of revocation, confirming that revocation powers will be included in the regulatory regime. The draft authorisation condition for revocation of authorisation has been included in the [2024 implementing consumer protections consultation](#) and provides the circumstances where revocation may occur.
- 3.45 One of these circumstances is if there is agreement between us and an authorised entity that revocation should occur. This will be used to address situations such as if a heat network has been decommissioned or replaced with individual heating appliances and regulated activity has ceased. We will take steps to verify that activity has ceased and that revocation will not impact any heat network consumers.
- 3.46 Other circumstances for revocation that are set out in the condition relate to insolvency and enforcement action. We refer stakeholders to future guidance about enforcement for heat networks regulation.
- 3.47 In any use of the revocation power, we will take steps to avoid impact to heat network customers and to ensure continuity of supply.
- 3.48 An updated draft version of the authorisation condition for revocation of authorisation has been included in the [2025 government response](#).

4. Monitoring

Section summary

We propose to utilise quarterly reporting for certain metrics in our monitoring framework, alongside annual reporting where we consider data is required less regularly. Quarterly reporting for these metrics is necessary for oversight of a newly regulated market and the protections for consumers that are being introduced. We will review the use of quarterly reporting once a clearer view of the market is available.

We intend to further develop the list of proposed metrics which we will publish with future guidance documents. We are open to reduced data reporting metrics for certain market segments, including as was proposed in the [2025 fair pricing consultation](#).

We have outlined how we expect heat networks to report data including the process for the start of reporting via the digital service. We will aim to design the digital service to account for heat networks who may not have frequent changes to their data.

Heat networks should also consider improvements that need to be made their data collection processes and how they use the data for their own management reporting purposes.

Question analysis

Q11. Do you agree, partially agree or disagree with the proposed monitoring metrics and the level at which they will be reported?

Table 13: Response summary for consultation question 11

Question 12	Response	Percentage
Agree	16	26%
Partially Agree	23	38%
Disagree	15	25%
Not Answered	7	11%
Comments	55	

- 4.1 Sixteen (26%) respondents agreed and 23 (38%) partially agreed with the proposal for collecting the listed monitoring metrics. Of the 16 respondents that agreed comments highlighted the necessity of the framework to benefit consumers. We also received calls from across industry for clarity over the scale

of data that would be provided. Six respondents noted there would be a need for detailed guidance in place to help networks.

- 4.2 There were also calls from organisations covering segments of the market that data requirements should be adjusted to account for specific differences.
- 4.3 Fifteen respondents disagreed with the proposals, with comments focused on the burden and resulting resource cost required to monitor the range of proposed metrics. Organisations that tended to disagree were primarily private heat networks, with one of these respondents highlighting the high level of investment needed due to many of the proposed metrics not being gathered currently.
- 4.4 There were 14 mentions of either administrative burden or resource cost of implementing measures to monitoring the proposed metrics. These respondents where from across the sector and were a mixture of agree, partially agree and disagree. Further comments from operators stated that an increase in costs will result in a rise in bills for customers.
- 4.5 Eleven respondents from across industry asked for clarity on what would need to be provided regarding technical standards. The most frequently highlighted data point concerned the separate HNTAS monitoring requirements.
- 4.6 Six smaller scale networks proposed measures that could help mitigate and reduce the burden associated with regular monitoring and its implementation. Suggestions included phasing in reporting requirements gradually over time and features that could be available on the digital tool.
- 4.7 Our proposed approach is on page 47.

Q12. Do you agree, partially agree or disagree with the proposed reporting frequencies outlined? If not, how should they differ for segments of the market?

Table 14: Response summary for consultation question 12

Question 13	Response	Percentage
Agree	17	28%
Partially Agree	16	26%
Disagree	24	39%
Not Answered	4	7%
Comments	51	

- 4.8 Twenty-four (39%) respondents disagreed to the proposed reporting frequencies which was the common response. There was support in favour of the proposals with 17 (28%) agreeing and 16 (26%) partially agreeing.
- 4.9 Disagreement highlighted the difficulty that would be imposed by quarterly frequency in combination with the number of metrics that would be required. Comments further addressed the resulting administrative burden and resource cost that would be imposed on network operators with quarterly reporting. Disagreement was primarily from larger operators in the private sector, trade associations and not-for-profit operators.
- 4.10 Respondents that agreed with the proposals included respondents with existing arrangements for collecting data from existing obligations. Others flagged the lack of oversight and support for customers in industry. Agreement predominantly included charities, consumers and other not-for-profit operators.
- 4.11 Fourteen respondents called for using annual reporting, which came mostly from not-for-profit providers and trade associations. This would apply to either all metrics or specific ones such as quality of service or pricing.
- 4.12 There were calls for alternative frequencies to use as opposed to the proposed cadences. Biannual was highlighted as it would be in line with current Heat Trust requirements for participants.
- 4.13 The crossover between billing reporting was also addressed in regard to monitoring frequencies by both consumer groups, and networks when discussing the reporting deadline.
- 4.14 Our proposed approach is on page 47.

Q13. Do you agree, partially agree or disagree with the overall approach for implementing the monitoring framework? Please explain your answer.

Table 15: Response summary for consultation question 13

Question 14	Response	Percentage
Agree	17	28%
Partially Agree	24	39%
Disagree	12	12%
Not Answered	7	13%
Comments	47	

- 4.15 Seventeen (28%) respondents agreed and 24 (39%) partially agreed with the overall approach for the monitoring framework. The most popular response being partially agree which included issues raised in the response to previous questions about the framework. Four comments highlighted the importance of oversight and two flagged the need for a smooth start to the regular monitoring programme.
- 4.16 Segmenting the monitoring requirements for certain network or organisation types was a common theme raised throughout the three monitoring questions. Network operators and individual consumers on not-for-profit networks were against the segmentation of requirements. Not-for-profit networks and shared ground loops were in favour of segmentation due to existing regulations or where there was reduced risk due to technological set ups.
- 4.17 Leasehold was also an area flagged where segmentation could be considered due to existing legislation already in place for consumers on these networks.
- 4.18 The one-month reporting deadline was mentioned by three stakeholders over concerns this would not be enough time to gather and submit data. This was typically in relation to the time needed to reconcile billing data or where data may be difficult to separate from similarly collected metrics for other purposes in the portfolio.
- 4.19 There was support for the use of guidance to help participants carry out authorised activity. Two respondents supported use of the specific digital tools, such as APIs, to help mitigate some of the reporting burden through the digital service.
- 4.20 Our proposed approach is on page 47.

Ofgem response

Data provision

- 4.21 Overall, we expect the data we outlined in the consultation to be reported. However, there may some amendments to specific data points including pricing which we consulted on through the [2025 fair pricing consultation](#). This consultation explores the possibility of requiring fewer pricing data metric returns for some heat network types. We will also be further consulting on both the financial resilience measures that will be introduced and the Guaranteed Standards of Performance Statutory Instrument (GSOP SI). Outcomes of these consultations will help finalise data expectations for monitoring.
- 4.22 We are proposing that data requirements will reflect both relevant authorisation conditions as well as our need for general oversight of the market. This includes key areas of consumer protection covering vulnerability, pricing and debt. We expect to start gathering regular data on interruptions and the redress once the GSOP SI is introduced.
- 4.23 Reporting requirements by a heat network will also reflect information about the type of heat network which is gathered as part of Registration or Authorisation Application.
- 4.24 Authorised entities will be sent a request from the authority for information which will draw on powers from the Provision of Information authorisation condition and the Market Heat Network Market Framework regulations. After this enduring request is issued, we expect to send regular prompts in line with reporting periods that will include signposting to any relevant guidance documents.
- 4.25 The Provision of Information authorisation condition has been updated to reflect our final policy position as set out in this Decision document.
- 4.26 A monitoring guidance document will provide detail both the processes for providing data as well as describing the data requirements. As stated in the consultation, this data will be reported either as a binary yes or no declaration or as a numerical data point.
- 4.27 Our digital service is being developed to enable data reporting, and we expect to include user testing as part of this process. We will incorporate feedback from these sessions into our approach for the data reporting process.

Monitoring Frequency

- 4.28 We consider that quarterly data reporting for some key metrics related to consumer protection including pricing and vulnerability, will be necessary to

provide adequate oversight of heat networks particularly in a newly regulated sector to help provide ongoing oversight across the market and to allow us to identify trends over time. It will also allow for a timely understanding of risks and engagement with networks in the key areas of consumer protection covered by this data, including over the winter period.

- 4.29 We will also continue with the proposed use of annual reporting as part of our regular ongoing oversight for data where we consider this appropriate. This will cover financial health metrics and other data points where we consider the data is less likely to change but we still need regular updates on. For metrics reported on an annual basis, we intend that this will cover data for the period from the start of the reporting year in April until the end of the reporting year in March. In line with the reporting periods this would mean annually reported data would be submitted between 1 April to 30 April of each year.
- 4.30 We consider that a one-month deadline following the end of the quarter (or annual period) for reporting data by heat networks remains appropriate. We intend to have functionality in our digital service which will allow heat networks to confirm that there no updates in a reporting period.
- 4.31 Overall, we consider that heat networks will benefit from improvements in their own data collection and reporting to help them to identify where customers may not be getting the outcomes expected from the protections that are in place. For smaller heat networks we consider that a regular engagement can help provide an understanding of how their customers are being served, particularly in the period following introduction of regulation and will provide a view across the wider market on how customers are being served. Data regularly provided from other sources, such as Citizens Advice, Consumer Scotland and the Energy Ombudsman will form a part of our wider intelligence gathering.
- 4.32 We expect to review the baseline reporting frequency over time, once regular monitoring has been introduced, and a more coherent view of the market is available.

Coverage and reporting commencement

- 4.33 Our initial focus will be on Registration, and we want to ensure that heat networks are engaged in this. On this basis we expect data reporting to start in the later part of 2026. We expect heat networks to start collating data from April 2026, with the potential for data submissions to be backdated once a heat network has completed Registration.

- 4.34 We will consider how we can avoid duplicating data requests. We are also considering the sequencing of reporting for data points submitted at Registration which are also part of the regular reporting list. This includes requesting data in the initial regular submission following Registration where the was provided at Registration is not subject to frequent change. We will provide further detail in guidance on this.
- 4.35 Where rules are not applicable to a heat network, we will not generally require associated data to be reported. Additionally, if a heat network does not have a particular operation, for example prepayment meters, we expect to allow for this in the way data is reported to us.
- 4.36 In general, we consider a one-month deadline following the end of the quarter (or annual period) for reporting by heat networks remains appropriate. For data that requires a longer period to gather, for example if it is based on reconciling billing after the year end or financial information from end of year accounts, this can be reported in line with the one-month deadline for the quarter in which it is available.

Table 16: Current proposed set of regular reporting metrics requirements to be confirmed in future guidance.

Metric	Reporting interval	Segment the data is not required from
General information		
Number of customers, domestic and non-domestic	Annual	N/A
Number of heat meters and smart meters in dwellings. What smart technologies are provided	Annual	N/A
Financial Stability and Step-in		
Confirmation of a compliant Operation/Supply Continuity Plan	Annual	Local authorities, social housing and Self-supply
Does the authorised entity reasonable expect to have sufficient finance and resources available to carry on its regulated heat network activity for the next 12 months	Annual	Local authorities, social housing and Self-supply
What was the authorised entity's net profit or loss for the previous financial year	Annual	Local authorities, social housing and Self-supply

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What was authorised entity's total income for the previous financial year?	Annual	Local authorities, social housing and Self-supply
What were the total running costs for the previous financial year?	Annual	Local authorities, social housing and Self-supply
What is the total value of liquid assets that the authorised entity controls or has unrestricted access to?	Annual	Local authorities, social housing and Self-supply
Did assets exceed its liabilities at the end of the most recent financial year?	Annual	Local authorities, social housing and Self-supply
Do you Hedge (buying fuel in advance)? If yes, how many months ahead and what percentage of costs are hedged?	Annual	Local authorities, social housing and Self-supply
Billing		
Billing frequency	Annual	Non-domestic, Industrial, Micro-business and small businesses
Customer number by payment method: Prepayment meter (PPM), Direct Debit or other.	Annual	Non-domestic, Industrial, Micro-business and small businesses
Vulnerability and debt		
The number of vulnerable customers	Annual	Non-domestic, Industrial, Micro-business, Self-supply and small businesses
The number of domestic customers in debt	Quarterly	Non-domestic, Industrial, Micro-business, Self-supply and small businesses
The total value of domestic bad debt	Annual	Non-domestic, Industrial, Micro-business, Self-supply and small businesses
The number of domestic customer self-disconnections	Quarterly	Non-domestic, Industrial, Micro-business, Self-supply and small businesses
The number of domestic customers disconnected for non-payment	Quarterly	Non-domestic, Industrial, Micro-business, Self-supply and small businesses
The number of customers on a repayment plan	Quarterly	Non-domestic, Industrial, Micro-business, Self-supply and small businesses
The number of reconnections due to debt being paid or repayment plan agreed	Quarterly	Non-domestic, Industrial, Micro-business, Self-supply and small businesses

Number of meters switched to PPM	Quarterly	Non-domestic, Industrial, Micro-business, Self-supply and small businesses
Quality of service		
The number of complaints made	Quarterly	Industrial and Self-supply
The number of complaints referred to the Ombudsman	Quarterly	Industrial and Self-supply
The number of resolved complaints	Quarterly	Industrial and Self-supply
The breakdown of complaint resolution time	Quarterly	Industrial and Self-supply
The number of unplanned interruptions	Quarterly	Industrial and Self-supply
Length of time of unplanned interruptions	Quarterly	Industrial and Self-supply
The number of planned interruptions	Quarterly	Industrial and Self-supply
Length of time of planned interruptions	Quarterly	Industrial and Self-supply
Total of the number of GSOP payments	Quarterly	Non-domestic
Pricing		
Standing charges	Quarterly	Industrial and Self-supply
Unit rates	Quarterly	Industrial and Self-supply
Connection charges	Quarterly	Industrial and Self-supply
Other charges, for example one-off charges	Quarterly	Industrial and Self-supply
Total charges across all consumers	Quarterly	Industrial and Self-supply
Reference prices: prices for a number of consumers at reference usage levels	Quarterly	Industrial and Self-supply

5.Audit

Section summary

We propose to use both risk-based and randomised audits to ensure compliance across diverse heat networks. Initially, we will conduct risk-based desk audits focusing on declarations made during the authorisation process, to uncover problems such as missing policies. Factors like network size, number of vulnerable consumers, and Heat Trust membership will be considered.

Heat networks must consent to audits and co-operate with the regulator. Audits will be tailored to specific market segments to address industry complexities. This approach aims to reduce administrative burdens, allowing networks to prepare before randomised audits. Risk-based audits will identify non-compliance by considering customer types, network complexity, and compliance history. Guidance will outline audit scope, process, and timelines, including funding requirements for audits as part of compliance actions.

Question analysis

Q14. Do you agree, partially agree, or disagree that this is the right approach to the implementation of an audit programme within heat networks? Please explain your answer.

Table 17: Response summary for consultation question 14

Question 14	Response	Percentage
Agree	24	40%
Partially Agree	18	30%
Disagree	10	17%
Not Answered	8	13%
Comments	46	

- 5.1 Twenty-four (40%) respondents agreed and 18 (30%) partially agreed to the approach we proposed for implementing an audit programme.
- 5.2 Thirteen respondents wanted more detail on the audit methodology. Respondents welcomed clear guidance on scope and timeline of audit process. This included themes like how a heat network is selected for audit, timelines of the process and frequency of randomised audits.
- 5.3 Nine respondents emphasised the importance of proportionate audits with reference to size and type of network, and potential burden for smaller heat networks.

- 5.4 Nine responses also highlighted the necessity of tailoring audits to specific market segments (an example of one of these segments being SGLs). Additionally, eight respondents raised concerns over the duplication of existing rules and regulations referencing requirements from housing regulation and the Social Housing Regulator.
- 5.5 We also received eight responses that noted agreement to a risk-based approach which is consistent across related questions.
- 5.6 Three respondents cited a need for more engagement with a further two respondents noting the need for additional support during the audit process.
- 5.7 Our proposed approach is outlined on page 55.

Q15. Do you agree, partially agree, or disagree with both a risk-based as well as a randomised sampling approach? What are the main risk and benefits to implementing this approach?

Table 18: Response summary for consultation question 15

Question 15	Response	Percentage
Agree	22	37%
Partially Agree	21	35%
Disagree	9	15%
Not Answered	8	13%
Comments	45	

- 5.8 Twenty-two (37%) respondents agreed and 21 (35%) partially agreed to the approach we proposed for sampling.
- 5.9 Fifteen respondents indicated broad support for a risk-based audit approach, with nine respondents specifically disagreeing with the introduction of randomised audits due to concerns such as potential administrative burden caused by the process.
- 5.10 Twelve respondents indicated agreement to a combination of a random and risk-based approach, noting this would mean oversight of the market.
- 5.11 The frequency of randomised audits due to the potential impact on resource and operating costs was highlighted by eight respondents.
- 5.12 Concern around the frequency of audits being potentially onerous was noted by six respondents with an additional response suggesting a phased approach would be welcomed initially to help heat networks with regulations.
- 5.13 Our proposed approach is outlined on page 55.

Q16. Is the approach proportional? Do you agree, partially agree or disagree with the approach to segmentation to help address this?

Table 19: Response summary for consultation question 16

Question 16	Response	Percentage
Agree	21	35%
Partially Agree	18	30%
Disagree	10	17%
Not Answered	11	18%
Comments	41	

- 5.14 Twenty-one (35%) respondents agreed and 18 (30%) partially agreed to the proportional and segmentation approach we proposed.
- 5.15 Fifteen respondents highlighted the need for proportionate audits with 14 respondents having concerns around the use of segmentation, the clarity of clearly defined segments and how each segment is treated, with particular call-outs for smaller segments. It should be noted that ten respondents felt that the use of segmentation was a proportional approach.
- 5.16 The theme of duplication with HNTAS was raised by ten respondents, across different segments, with a need for there to be alignment across all audit requirements.
- 5.17 A requirement for guidance was stressed by nine respondents, indicating that without detail they are unable to comment fully on the approach.
- 5.18 Eight respondents suggested that audits would be burdensome and cause an issue with resource and costs passed on to consumers.
- 5.19 Additionally, three respondents highlighted their concerns around the length of time and costs associated with an audit that was mentioned in the impact assessment.
- 5.20 Our proposed approach is outlined on page 55.

Ofgem response

Initial Approach

- 5.21 Both a risk-based and randomised approach will help provide a level of assurance across a diverse market, with a large number of authorised heat networks.
- 5.22 We propose that we will initially undertake Ofgem-led desk audits which will be risk-based before leading into an approach incorporating both risk-based and randomised audits.
- 5.23 Our initial audits are expected to focus on declarations made when authorising or registering a heat network and explore things like declarations indicating policies are not in place. We will also consider the size of a heat network, number of vulnerable consumers being served, and Heat Trust membership when conducting early audits.
- 5.24 We have included requirements in authorisation conditions for heat networks to agree to an audit, including being open and cooperative with the regulator, and also to undertake audits themselves where required.
- 5.25 We will look to tailor audits for specific market segments, acknowledging complexities within the industry and an approach to reflect that. More information will be included in guidance.
- 5.26 This approach will limit the administrative burden, particularly where initially not all networks will have the resource to be audited, which was highlighted by respondents as a concern for randomised audits. This means that heat networks will have the opportunity to ensure they have policies and processes in place before being selected for a randomised audit.

Risk Factors

- 5.27 Risk-based auditing will be a key way of identifying any non-compliance and will mean that heat networks where we identify a risk and potential non-compliance, may be subject to an audit.
- 5.28 We will consider risk factors such as the number and type of consumer served by a network, complexity regarding segment intricacies, and compliance history as well as specifics when declarations are made at the authorisation stage, for example SMRI.
- 5.29 Risk will also be categorised on intelligence received and compliance concerns.

Guidance

- 5.30 We will produce Guidance which will include information on scope, process, and timelines for audits, including our approach where a heat network is required to fund an audit as part of a compliance or enforcement action.

6. Compliance and enforcement

Section summary

Responses supported a compliance and enforcement approach that considers the complexity of the heat network market. Respondents highlighted the need for guidance, which we will provide, detailing compliance and enforcement processes, scope, and timelines.

For compliance, effective engagement is crucial for ensuring heat networks deliver good outcomes for customers. We will use various tools and intelligence for oversight, confirming conduct principles in authorisation conditions. Given the market's diversity, tools will support engagement, focusing on initial compliance areas like Registration and data submission. Understanding overlaps with current housing sector regulations will help create a cohesive strategy.

Enforcement actions are necessary to improve consumer outcomes and signal to the market, with a proportionate approach considering diverse heat networks. We are developing a Penalties Policy which will cover criteria for imposing penalties and calculation methods based on non-compliance nature, customer impact, and network type.

Question analysis

Q17. Do you agree that the approach outlined for compliance and enforcement will help ensure heat networks meet their obligations, including the proposed authorisation condition placing a duty on heat networks to take action to lead to compliance? Please explain your answer.

Table 20: Response summary for consultation question 17

Question 17	Response	Percentage
Agree	24	40%
Partially Agree	19	32%
Disagree	9	15%
Not Answered	8	13%
Comments	47	

- 6.1 Respondents were broadly overall in favour of the proposed compliance approach and supported the approach with emphasis on the framework's robustness, proactive compliance, and deterrence of non-compliance with 43 agree or partially agree responses.
- 6.2 Twelve respondents mentioned segmentation with four respondents specifically highlighting resource constraints, tailored support needs, and risks of disproportionate penalties for small entities. Additionally, four respondents indicated that tailored compliance support, recognition of existing governance structures, and avoidance of undue financial strain needed to be considered.
- 6.3 Eight respondents welcomed more detail of the overall approach as well as guidance needed to assist heat networks. Specifically, guidance relating to what constitutes non-compliance and how networks are expected to demonstrate corrective actions was highlighted.
- 6.4 Five respondents indicated account management would be welcomed, proposing that dedicated points of contact would help to support heat network operators and facilitate compliance.
- 6.5 A preference for proportionate fixed penalties was indicated by four respondents, emphasising rising penalties for repeated non-compliance, and avoiding undue financial impact on consumers and smaller entities.
- 6.6 Two respondents supported the introduction of a voluntary redress fund to help support networks and consumer protection.
- 6.7 Our proposed approach is outlined on page 60.

Q18. Do you agree, partially agree, or disagree with the proposed areas of initial focus for compliance activity? Please explain your answer.

Table 21: Response summary for consultation question 18

Question 18	Response	Percentage
Agree	32	53%
Partially Agree	18	30%
Disagree	3	5%
Not Answered	7	12%
Comments	39	

- 6.8 Thirty-two (53%) respondents agreed and 18 (30%) partially agreed with the areas of initial focus we proposed for compliance activity.
-

- 6.9 Twenty-three respondents agreed with Ofgem's initial focus areas for compliance activities. They indicated that these areas as key to fostering consumer protections, operational accountability, and effective regulation. Emphasis was also placed on the importance of prioritising these areas to support auditing, monitoring, and compliance processes, which would allow a smoother transition to regulation.
- 6.10 Seven respondents indicated a preference for a phased approach to compliance and enforcement actions, noting time is needed to upskill operators as well as a focus on supporting operators during the early stages before transitioning to stricter enforcement measures.
- 6.11 Challenges facing smaller networks or resource-constrained heat networks were highlighted by seven respondents. Areas of note around this included a disproportionate compliance burden on smaller, not-for-profit, or community-led networks and the risk of discouraging the growth of community heat networks due to overly strict initial compliance measures.
- 6.12 Five respondents noted that engagement should be prioritised to support compliance with advocacy for education and awareness to create buy-in from heat networks and proportional enforcement that reflects the diverse capabilities of different operators.
- 6.13 Four respondents highlighted the need for fixed penalties to be proportionate and to consider the size and type of the entity. An additional two respondents indicated that flexibility, such as phased penalties or a non-penalty adaptation period, would give operators time to adjust.
- 6.14 Concerns regarding the Heat Networks Technical Assurance Scheme (HNTAS) were mentioned by four respondents who highlighted a lack of clarity around requirements as potential for such regulations to become barriers to compliance.
- 6.15 Our proposed approach is outlined on page 60.

Ofgem response

Compliance

- 6.16 We note that a large proportion of respondents remained supportive of a compliance and enforcement approach that considers the complexity of the heat network market.
- 6.17 We consider effective compliance engagement will be key to ensuring heat networks provide good outcomes for their customers in line with the rules that will be in place. We will use the range of intelligence and tools we have outlined to provide us with oversight.
- 6.18 We are taking forward the Open and Cooperative authorisation condition including placing a duty on heat networks to take action to come into compliance. In line with our overall approach, we will undertake compliance engagement to ensure that the industry is meeting the rules that are being put in place taking into account the large number and diverse nature of heat networks in the market.
- 6.19 Given the heat network market is large and diverse and will be new to regulation, we expect to put tools in place to support engagement with the market. We will continue to explore account management for heat networks, looking to assist and engage different segments of the market.
- 6.20 We will also consider current housing sector regulations and any overlap in oversight. Understanding these intersections in oversight will help mitigate conflicting directives, reduce administrative burden, and enable a cohesive regulatory strategy.
- 6.21 We continue to consider that we should focus on initial areas of compliance including Registration and data submission.

Enforcement

- 6.22 We continue to consider that the ability to take enforcement action is required to ensure consumer outcomes are improved where required and as a signal to the wider market, noting the need to be proportionate when considering the diverse types of heat networks.
- 6.23 We will detail on our general approach to imposing penalties including our approach to whether a penalty should apply and how they are calculated including considering the nature of the non-compliance, the level customer detriment and the type of heat network. We continue to consider our approach to fixed penalties for heat networks.

Guidance

6.24 We intend to consult on the Enforcement Guidelines and Penalty Policy this summer, to publish in early 2026 and will also provide further detail on how we will undertake compliance activity.

7.Guidance

Section summary

This section summarises the feedback from stakeholders on what they would like to see in guidance. We want the guidance to support regulated entities in understanding their obligations, navigating processes and engaging with us.

Guidance on a range of topics will be drafted and consulted on later this year and early next year. We will be looking to engage with stakeholders and for feedback on the guidance to ensure that regulated entities are able to understand and practically apply the information to their regulatory requirements.

Question analysis

Q19. Are there other areas related to the topics covered by this consultation that you think we should provide guidance for? Please provide detail.

Table 22: Response summary for consultation question 19

Question 19	Response	Percentage
Agree	28	46%
Partially Agree	11	18%
Disagree	6	10%
Not Answered	16	26%
Comments	47	

- 7.1 Stakeholders were in support of the proposed guidance and were able to provide helpful suggestions on how the guidance could be tailored to be more practical for users. Fifteen stakeholders requested for the guidance to be segmented where possible. Social housing providers, shared ground loop heat networks, not-for-profit heat networks and smaller operators were some of the main segments requested.
- 7.2 Thirteen stakeholders called for the guidance documents to be produced in a clear, comprehensible manner. Four of the responses further specified that terms need to be clearly defined and that the language used needs to be straight forward and jargon free. Two stakeholders requested that the guidance be reviewed and updated regularly.

- 7.3 Nine respondents sought further clarity on the roles and responsibilities of regulated entities. Suggestions included training, workshops and further engagement with industry to produce guidance that will work in practice. Three of the responses called for assistance in identifying a single operator in heat networks where multiple parties are involved.
- 7.4 Five supported the use of templates to assist regulated entities in meeting their obligations. There was a particular call out for practical ways to meet consumer protection requirements and best practices for organisations.
- 7.5 In addition to the formatting suggestions, stakeholders also called out specific topics that they felt would be beneficial in understanding the expectations of regulation. Topics included but were not limited to compliance and enforcement, reporting, compliance with technical requirements, consumer protections and using the digital service.

Ofgem response

Guidance

- 7.6 We agree with stakeholders that any guidance produced must be clear, comprehensive and relevant. All proposed guidance will be drafted and consulted on later this year and early next. We are keen to hear from stakeholders on the specific documents produced so that we can adapt any language and explanatory information as needed.
- 7.7 Guidance will be segmented where relevant. Where guidance is not segmented, we will ensure that the information is relevant to all regulated entities. There will be engagement opportunities for different guidance areas, and we will ensure that opportunities are communicated in advance of any guidance being produced. We are currently working on the best methods for engagement, and these may vary for different segments or guidance topics. We may be able to produce guidance in different formats in the future and will be engaging with stakeholders to obtain their views.
- 7.8 Guidance will be published following consultation; however, it will be kept under review and will be updated accordingly as and when needed. Some guidance will be phased in and will be updated as requirements become applicable. We will communicate any changes to guidance and will publish new versions when required. Stakeholders requested various topics, some of which were already in scope for guidance. Additional topics have been shared with policy colleagues in the relevant areas and will be considered where appropriate.

Appendix - Draft Authorisation Condition for Registration

Condition Title: Registration with the Authority

Condition Number: [xx]

Introduction to condition

This condition contains registration requirements for authorised persons who are carrying on a regulated activity during the first part of the initial period and are therefore deemed authorised under the Regulations.

Proposed text of condition

Obligation to provide registration information

- 1.1 Before the end of the first part of the initial period, subject to paragraphs 1.2 to 1.4, the authorised person must, by means of the Authority's arrangements for registration described on the Authority's Website and/or in guidance issued by the Authority:
- 1.1.1 inform the Authority of each regulated activity that it carries on; and
 - 1.1.2 provide the Authority with information as the Authority requires under its arrangements for registration, including information relating to:
 - (a) the nature of the activities carried on, the way in which they are carried on, and any contractual arrangements relating to such activities;
 - (b) the relevant heat network(s) at which the activities are carried on;
 - (c) itself, and any other authorised person(s) carrying on a regulated activity at or by means of such relevant heat network(s);
 - (d) its financial status, ownership, and organisational structure.
 - (e) the heat network consumers supplied by means of the relevant heat network(s), including any relevant characteristics of such consumers and their billing arrangements; and
 - (f) matters relevant to the authorised person's compliance with the authorisation conditions.

Registration by a supplier following the operator-led registration process

- 1.2 Where the authorised person carries on the regulated activity of supply by means of a relevant heat network but does not also operate that relevant heat network:
- 1.2.1 the authorised person must co-operate with the operator(s) of the relevant heat network, including by providing relevant information to the operator(s), to facilitate the timely discharge by the operator of its obligation under paragraph 1.1; and

- 1.2.2 the authorised person's obligation under paragraph 1.1 in relation to that relevant heat network shall be treated as not having arisen until at least one operator has discharged its obligation under paragraph 1.1.

Registration in the case of a relevant heat network with multiple operators

1.3 Where:

- 1.3.1 in accordance with regulation 13(4)(b), the authorised person and one or more other authorised persons each operates a relevant part of a relevant heat network;
- 1.3.2 the authorised person has agreed with one such other authorised person that such other authorised person will submit the information required by paragraph 1.1 in relation to each of them and the relevant heat network; and
- 1.3.3 such other authorised person submits such information,

the authorised person will be taken to have complied with its obligation in paragraph 1.1 in relation to that relevant heat network.