

Heat network consumer protection guidance

Helping heat suppliers and operators prepare for Ofgem's impending heat network consumer protection regulations

Purpose of this document

This document outlines Ofgem's impending consumer protection regulations for heat networks - systems that distribute thermal energy via liquid or gas to provide heating & hot water or cooling to buildings and their occupants.

By providing you with a summarised overview as well as best practice checklists, we aim is to alleviate the stress of preparing for pending regulations for:

Heat network operators - organisations that have significant control over heat network assets, the ability to invest in the network, and decision making power on repairs and maintenance.

Heat network suppliers - organisations that have a heat supply contract or equivalent with the end customer, and the associated control/influence over consumer outcomes.

As a general guideline, the organisation responsible for paying the incoming fuel bill for the heat network is typically responsible for ensuring compliance.

Support and assistance

The proposed regulations and this document may seem overwhelming, but **don't panic!** You are likely already doing many of the things outlined in the checklist. The main purpose is to help you identify and focus on areas you aren't currently addressing. Most of all, you don't need to tackle them alone.

Who can help you:

Service providers

Collaborate with metering, billing, maintenance, and customer service providers to ensure support and compliance with regulations.

Industry bodies and associations

These organisations offer resources and support for compliance.

Ofgem

Works directly with businesses and other organisations in the energy sector to prevent consumer harm.

Department for Energy Security & Net Zero (DESNZ)

Driving force for heat network policy and growth; they work closely with Ofgem, and encourage cross-collaboration with other governmental departments (e.g. for educational campaigns).

This document has been created by Insite Energy based on:

- Heat Networks Regulation - Consumer Protection: Informing Secondary Legislation and Authorisation Conditions (published by Ofgem and DESNZ on August 4, 2023)
- Heat Trust Scheme Rules (published by Heat Customer Protection Ltd. in September 2023).
- Heat Networks Regulation - Consumer Protection: Government Response (published by Ofgem and DESNZ in April 2024)

⚠ This document is based on proposed regulations, and is open to interpretation and subject to change.

Checklist

- Handle any expression of dissatisfaction as a complaint.
- Communicate complaint handling processes with consumers.
- Provide multiple channels for complaint submissions.
- Report complaints to Ofgem.
- Promptly schedule and honour appointments with consumers.
- Give consumers at least 48 hours' written notice before planned interruptions.
- Aim to restore supply within 5 days for planned interruptions.
- Ensure alternative heating for vulnerable consumers, especially for outages over 12 hours.
- Aim to restore supply within 24 hours for unplanned interruptions.
- Limit unplanned interruptions to less than four per year.
- Specify actions and resolution times for meter faults within 7 days of notification.
- Keep a record of all planned and unplanned interruptions.
- Develop a CSCP, including:
 - Service providers' arrangement details
 - Billing system information
 - Customers numbers
 - Payment methods
 - Priority Services Register (PSR) list
 - Customer debt summaries
 - Customer account balance summaries
 - Information on key staff and contacts
 - Data access, maintenance, and customer data handover details
 - Key physical and contractual assets

2. Quality of service and supply of heat

Ofgem aims to ensure fair handling of consumer complaints, robust Guaranteed Standards of Performance (GSP), and clear step-in conditions, with regulation of this starting from the end of 2025.

To achieve this, Ofgem will create complaints handling regulations by amending the Consumers, Estate Agents and Redress Act 2007. They will also align the new GSP for heat networks with existing practices and Heat Trust Scheme Rules. We have therefore stipulated existing Scheme Rules in the checklist. It's crucial to establish these processes, as heat suppliers or operators may need to compensate consumers if they fail to meet GSP requirements from 2026.

Focus on establishing complaint handling procedures and processes to ensure minimal impact to supply.

Understanding consumer redress and advocacy bodies

- Consumer Advocacy Body**
Provides free independent, and confidential advice on energy disputes. This will be Citizens Advice in England and Wales, and Consumer Scotland in Scotland.
- Energy Ombudsman (Alternative Dispute Resolution Body)**
Handles all heat network related complaints, including breaches of regulation. They will continue to manage disputes for Heat Trust schemes and issues related to the EBRs' and EBDs'.
- Housing Ombudsman**
Manages disputes involving tenants and leaseholders of social landlords in England and Wales when complaints are against landlords for breaching contractual obligations. In Scotland, tenants can contact the Scottish Public Services Ombudsman.

Step-in circumstances

Step-in arrangements ensure consumers have a continued source of heating & hot water, in case of:

- Insolvency of the regulated entity,
- Persistent poor performance or consumer harm leading to revocation of authorisation for consumer protection reasons, or;
- Persistent poor performance due to technical deficiencies of the network.

Step-in requirements

To reduce risks of failure in the heat network sector, Ofgem has selected a few supply license conditions from the current regulated market that may be applicable, and will need to be adopted by heat network operators and suppliers:

- Financial Responsibility Principle (FRP)
- Operation Capability Principle (OCP)
- Control over material assets
- Openness and Cooperation Principle
- Customer Supply Continuity Plan (CSCP)

Expected timeline

The below outlines the expected timeline for the quality of service and supply of heat regulatory requirements as proposed by Ofgem. Timescales are subject to change.

- Spring 2024** Further consultation on step-in requirements and GSP.
- Spring 2025** Advocacy bodies and step-in arrangements come into place.
- Start of 2026** Complaints handling protections come into effect.
- 2026** GSP to come into effect.

*Energy Bill Relief Scheme; *Energy Bill Discount Scheme

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Trustpilot insite energy

Checklist

This helps you prepare processes and data-keeping for upcoming regulations. Colour-coding identifies which operations provider can support you.

- Internal teams
- Metering & billing provider
- Maintenance provider
- Contractor

Key takeaway

This area highlights where you can make the most impact in your current processes to help comply with regulation.

Summary

A concise overview of expected in each regulatory area, and where Ofgem plans to consult further.



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Trustpilot



Ofgem's upcoming consumer protection regulations for heat networks

The Energy Bill has appointed Ofgem as the regulator for heat networks. Their heat network consumer protection regulations are being designed to ensure fair treatment and quality services for consumers on heat networks, addressing pricing, service quality, support for consumers in vulnerable circumstances, and availability of information to (potential) residents.


These consumer protection regulations will be introduced alongside heat network zoning policies and the Heat Network Technical Assurance Scheme (HNTAS) to establish a comprehensive framework governing heating & hot water or cooling networks. These will safeguard consumers, promote industry investment, and aid in decarbonising heat in buildings, crucial for meeting the UK's net zero goals while addressing the monopolistic nature of heat networks.

Responsible parties

Heat network operators - organisations that have significant control over heat network assets, the ability to invest in the network, and decision making power on repairs and maintenance.

Heat network suppliers - organisations that have a heat supply contract or equivalent with the end customer, and the associated control/influence over consumer outcomes.

Typically, the organisation responsible for paying the incoming fuel bill for the heat network will also be responsible for ensuring compliance with these regulations.

 **Where services are outsourced (e.g. metering & billing, maintenance), the building owner retains regulatory responsibility for the activities performed by the appointed service providers.**

Heat networks in scope

Heat network - A system that distributes a liquid or gas to transfer thermal energy, providing heating & hot water or cooling to buildings or occupants within those buildings.

'Consumers' in the context of consumer protection regulations refers to domestic households and micro-businesses¹ on a heat network.

Heat network regulations will **not** apply to i) single buildings with shared facilities, ii) self-supply district heat networks, iii) buildings using cooling systems not connected to a heat network, and iv) individual systems where users generate their own heating.

What will happen if you do not comply?

Upon implementing heat network consumer protection regulations, heat networks must regularly report financial, consumer protection, billing, pricing, and service interruption data to Ofgem. Ofgem will monitor compliance, and may take action to enforce regulatory standards if misconduct is detected:

- | | | |
|--|---|---|
| <p>1. Audits: Independent parties will conduct audits, targeting various heat network types and those potentially causing consumer harm, based on monitoring data and intelligence.</p> | <p>2. Compliance review: Ofgem will actively assess compliance and address reported issues, opening cases where necessary and taking enforcement actions for non-compliance.</p> | <p>3. Enforcement actions: Ofgem may issue compliance orders, conduct investigations, impose penalties, revoke licenses, or take alternative actions, tailored to the unique needs of heat networks.</p> |
|--|---|---|

 **The fine imposed on a heat network operator or supplier due to mismanagement cannot be passed onto the property leaseholders.**

¹Micro-business consumers use less than 100,000kWh of electricity a year; use less than 293,000kWh of gas a year; or have fewer than 10 employees (or their full-time equivalent) and an annual turnover total not exceeding €2 million (equivalent to £1.716m on 22 March 2024); ²Small to medium sized enterprises; ³Guaranteed Standards of Performance.

Expected timeline

The below outlines the expected timeline of regulatory implementation as proposed by Ofgem. Timescales presented in this document are subject to change.

- **Dec. 2021** UK government appoints Ofgem as heat network regulator.
- **Aug. 2023** Ofgem and DESNZ launch joint consultation on consumer protection requirements.
- **Dec. 2023** Consultation on Heat Network Zoning begins.
- **Apr. 2024** DESNZ and Ofgem publish response to consumer protection consultation.
- **Summer 2024** Ofgem consults on technical and metering standards, step-in requirements, service quality, SME² protection, and administration of Scottish Licensing Regime.
- **Autumn 2024** Ofgem consults on pricing.
- **Spring 2025** **Tranche 1 of consumer protections come into effect**, including provision of pricing data, service quality, resident information, pre-contractual details, protection for vulnerable consumers, and step-in arrangements.
Heat Network Technical Assurance Scheme and Zoning policies introduced.
- **Start of 2026** Complaint handling procedures come into place.
- **2026** **Framework is fully operational**, covering pricing rules, GSOP³, and ongoing monitoring and compliance.



Checklist

- Store the below data in an easily accessible format:
 - Tariffs
 - Network efficiencies
 - Cost and profit information
- Share pricing data quarterly with Ofgem.
- Implement billing formats that guide consumers to informative sources.
- Only include the following costs in tariff standing charges:
 - Asset depreciation
 - Repairs
 - Admin costs
 - Financial aspects
- Only include the following costs in tariff variable charges (unit rate):
 - Fuel
 - Production costs
- Store the below characteristics of your heat network in a shareable format:
 - Function (operator/supplier/both)
 - Ownership / commercial arrangements (incl. leaseholder, freeholder, and landlord)
 - Profit / non-profit
 - Age of heat network
 - Size of heat network
 - Density
 - Technology (energy source) used in heat network
 - Consumer energy demand
 - Thermal energy demand
 - Heat distribution temperature
 - Metered / non-metered
 - Network built pre-regulation / post regulation
 - If the heat supplier also generates electricity (either to be sold to consumers via private wire or to the grid)

1. Pricing

Ofgem aims to ensure fair and transparent pricing for consumers without immediate price caps. For this they will rely on data monitoring and benchmarking. Providing network and pricing data to Ofgem will be key in the first year of regulation to support market transparency.

⚠ While Ofgem currently does not intend to implement a price cap, storing pricing data in an accessible format is crucial as it will be closely monitored in the initial regulatory phase.

Proposed approach to pricing

The Government has decided to refrain from introducing uniform price caps at this stage. However, it will consider doing so in the future if there is evidence of widespread consumer detriment or as a mechanism to incentivise innovation, reduce costs, and encourage market growth.

Proposed publication of pricing

Ofgem is evaluating the following options for publishing data on heat network tariffs. This would allow heat suppliers, operators and residents to compare their prices against others in the market:

- **Full heat network register:** A comprehensive register with prices and key characteristics of heat networks.
- **Segmented approach:** Grouping heat networks by characteristics (e.g. by age of the heat network).
- **Comparison against counterfactuals:** Comparing prices to the best alternative, e.g. gas boilers, heat pumps or other low carbon alternatives.
- **RAG rating system:** Using a Red-Amber-Green (RAG) rating system to compare networks against a benchmark.

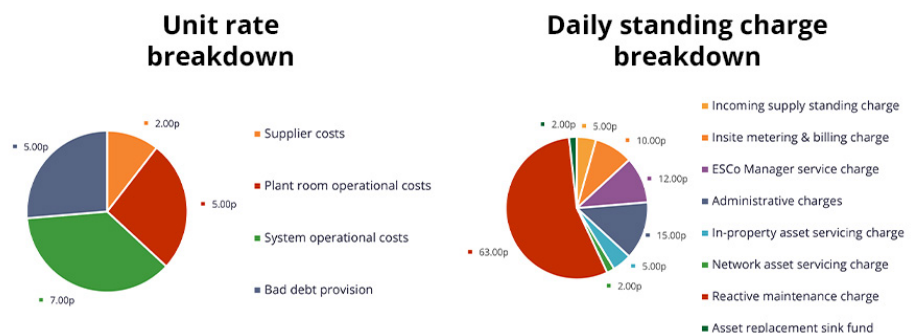


Figure 1: Insite Energy calculates heat tariffs with unit rates (left pie chart) covering fuel and production costs, while daily standing charges (right pie chart) may include repairs, sinking fund, admin costs, financial aspects, and asset servicing, in line with Ofgem's proposed regulations.

Expected timeline for pricing regulations

The below outlines the expected timeline for the pricing regulatory requirements as proposed by Ofgem.

- **Autumn 2024** Ofgem consults on pricing.
- **Spring 2025** The first tranche of regulations will come into effect. Pricing data will need to be **submitted quarterly** via Ofgem's new digital portal.
- **2026** Pricing investigations, price benchmarks and cost allocation rules will be reviewed by Ofgem.

■ Internal teams ■ Metering & billing provider ■ Maintenance provider ■ Contractor

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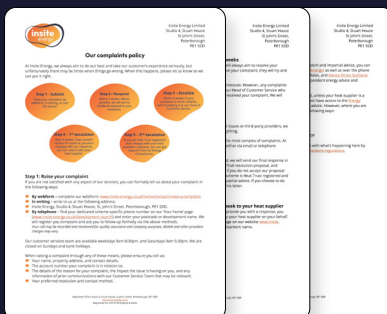


Figure 2: Insite Energy's complaints policy outlines processes and channels through which complaints can be raised.

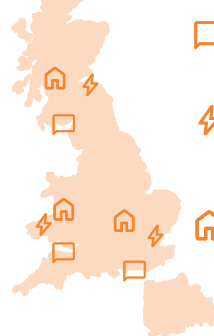
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⚠ Focus on establishing complaint handling procedures and processes to ensure minimal impact to supply.

Understanding consumer redress and advocacy bodies



Consumer Advocacy Body

Provides free independent, and confidential advice on energy disputes. This will be Citizens Advice in England and Wales, and Consumer Scotland in Scotland.

Energy Ombudsman (Alternative Dispute Resolution Body)

Handles all heat network related complaints, including breaches of regulation. They will continue to manage disputes for Heat Trust schemes and issues related to the EBRs⁴ and EBDs⁵.

Housing Ombudsman

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⁴Energy Bill Relief Scheme; ⁵Energy Bill Discount Scheme

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Checklist

- Establish and maintain a PSR for domestic consumers.
- Provide specific priority services, including:
 - Password protection schemes, where residents agree on a unique password with their supplier for staff visits
 - Engineer identification cards
 - Third-party billing options (bill nominees)
 - Communications in accessible formats
 - Meter reading assistance
 - Information on preparing for interruptions, and timely notifications during unplanned interruptions
- Proactively offer repayment plans to consumers facing payment difficulties.
- Provide advice on reducing energy usage.
- Offer alternative payment methods, such as prepayment or third-party deductions from social security benefits.
- Facilitate applications for debt relief through statutory programmes.
- Use disconnection for non-payments as a last resort.
- Do not disconnect vulnerable residents during the heating season (Oct-Mar).
- Provide emergency or friendly-hours credit to vulnerable customers on PPMs.
- Provide consumers with accurate bills.
- Do not backbill further than 12 months.
- Set fixed Direct Debits on best available information.
- Offer to install a PPM to consumers experiencing payment difficulties.
- Monitor and re-engage with consumers if they miss a payment.
- Reconnect consumers swiftly when debt is paid.



Figure 3: Regulations may require ID cards for staff accessing homes of those on the PSR.

3. Protections for consumers in vulnerable circumstances

Ofgem plans to support consumers in vulnerable circumstances through priority services, payment management, disconnection guidelines, and prepayment meter (PPM) regulations. The definition of vulnerable consumers is expected to align with Ofgem's existing definitions.

⚠️ Maintain a priority services register (PSR) and offer tailored support to registered consumers to ensure their specific needs are met.

Payment methods for consumers in vulnerable circumstances

Due to diverse payment methods already available and complexities with unmetered properties and leasehold charges, Ofgem does not propose specific payment method requirements. This approach will be reviewed periodically.

Prepayment meters (PPMs) and powers of entry

Due to the communal nature of heat networks, the below PPM rules for the regulated market are being refined to safeguard heat network consumers:

- Utilise PPMs to maintain sustainable cash flow and prevent debt.
- Obtain explicit consumer consent before installing a PPM, ensuring clear understanding of implications.
- Provide clear information on PPM operations, costs, and troubleshooting.
- Offer emergency credit to avoid heating disruptions.
- Implement friendly-hours credit for continuous supply when top-up points are unavailable, such as on bank holidays.
- Use powers of entry for PPM installation only as a last resort.

To help prepare for regulations, consider flexible prepayment systems like KURVE, that allow seamless switching between prepay and credit modes.

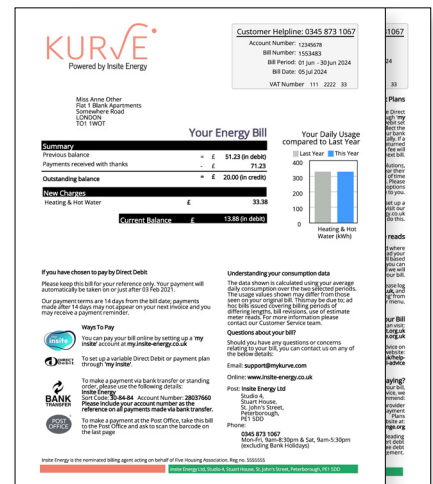
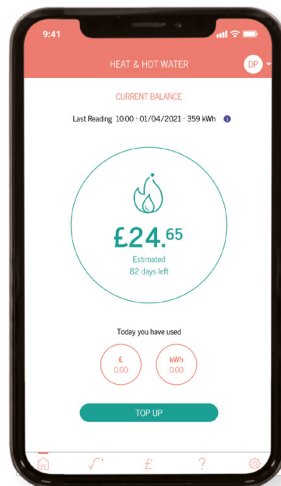


Figure 4: Many prepayment systems, like KURVE, can swap between prepayment and credit billing mode. Specifying, installing or retrofitting prepay systems can help to better meet requirements in the future.

Expected timeline

The below outlines the expected timeline for the protections for consumers in vulnerable circumstances regulatory requirements as proposed by Ofgem.

- **Spring 2025** Regulations to protect consumers in vulnerable circumstances come into force.
- **2026** Ofgem will review payment methods for vulnerable consumers.

Internal teams Metering & billing provider Maintenance provider Contractor



Checklist

- Install smart meters at each property's entry point to measure consumption accurately.
- If heat meters cannot be installed, use heat cost allocators.
- Keep accurate meter and billing records.
- Provide new tenants with a welcome pack, including:
 - Heat supplier/operator contact details
 - Principle heat source(s)
 - Information on tariffs and pricing.
 - Standardised contract information.
- Provide customers with a clear heat supply contract, including:
 - Price of heat for the consumer
 - Service quality standards
 - Routes for consumer redress
- Offer multiple payment methods.
- Where meters or heat cost allocators are installed, base bills on actual consumption.
- If meters require manual readings and are not provided, base bills on estimated consumption.
- Provide bills that guide to informative sources.
- Provide clear bill explanations, calculation methods, and details of charges.
- Provide annual account statements for all consumers, including:
 - Last 12 months heat consumption
 - Projection of next 12 months' usage
 - Contact for support, financial, and energy saving advice
- Do not bill for heat consumed more than 12 months prior to the bill issuance (backbilling).
- Give at least 30 days' notice for tariff increases.
- Give at least 10 days' notice for tariff decreases.
- Provide customers with tariff change notifications, including:
 - Circumstances and processes for potential future heat charge changes
 - Clear, transparent communication
 - Heat supply contract terms or equivalent

4. Transparency of information to the consumer

Ensuring accurate, transparent, and frequent consumer information is crucial for a positive heat network experience. Ofgem aims to raise heat network awareness, amend metering requirements, and encourage heat suppliers and operators to provide clear tariff and billing information.

Metering requirement changes

Ofgem proposes for the current 'open class' in the Heat Network (Metering & Billing) Regulations 2014 to be scrapped, standardising Advanced Meter Infrastructure (AMI) installations, improving data visibility and billing accuracy. The OPSS will continue to oversee meter accuracy and regulation.

▲ Install smart meters in new builds and look to retrofit smart meters in existing heat networks ahead of an expected surge in demand.

Transparency of information pre-property transactions

Acknowledging the low awareness of heat networks, Ofgem plans to enhance resources and require estate agents to disclose heat network connections to potential buyers. They will also benefit from heat network advice developed in collaboration with the Department for Levelling Up, Housing and Communities (DLUHC). Energy Performance Certificates (EPCs) will also be updated.

▲ Once live, sign post to these resources on consumer communications.



Figure 5: Your metering & billing provider may already provide welcome packs that include helpful information to your consumers.

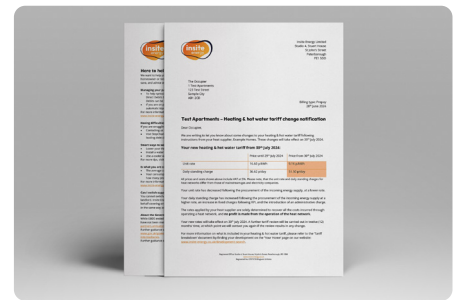


Figure 6: Insite Energy provide bespoke tariff change notification letters 30 days prior to clearly stipulate tariff increases and reasons for changes.

Transparency of information during residency

Regular and accurate metering and billing empowers consumers to reduce consumption, costs, and emissions. Along with regulations on what tariff notifications and bills should entail, Ofgem also intends to introduce protections to ensure consumers are not charged for heat consumed over a historic period. They are currently assessing whether to align the backbilling period with the gas and electricity market (12 months) or the Landlord and Tenant Act (18 months).

▲ Ensure transparent billing practices and timely tariff notifications.

Expected timeline

The below outlines the expected timeline for the transparency of information the the consumer regulatory requirements as proposed by Ofgem.

- **Summer 2024** Consultation on technical and metering standards.
- **Spring 2025** Pre-contractual information, and information during residency come into effect.
- **2026** Transparency of information and meter requirements come into force.

■ Internal teams ■ Metering & billing provider ■ Maintenance provider ■ Contractor



Leaders in the UK's heat network sector since 2009, Insite Energy enhance network operations with unmatched solutions, providing metering, billing, and maintenance services. Advocates for customer protection and champions of operational efficiency, we're a reliable partner for operators, suppliers, and residents.

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Insite Energy is accredited with ISO 9001, ISO 27001, Cyber Essentials and CHAS, and help clients comply with Heat Trust Scheme Rules. We are also active members of multiple industry associations as listed below.



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