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Submitted to Heat networks regulation: Implementing consumer protections
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About you

What is your name?

Name:
Josef Davies-Coates

What is your email address?

Email:
j.davies-coates@communityenergyengland.org

What is your organisation?

Organisation:
Community Energy England

We usually publish a summary of all responses, but sometimes we are asked to publish the individual responses too. Would you be happy for your response to be published in full?

Yes

How did you hear about this consultation?

How did you hear about this consultation?:
Email from elsewhere

Other (please specify):

Via Community Energy England's Community Energy Heat Working Group

Section 1: Scope of the Regulation and Authorisation Regime

1 With reference to the draft authorisation condition 23 on definitions, do you agree or disagree with the definitions for network types (domestic and microbusiness, non-domestic, industrial, self-supply)?

Disagree

Please explain your answer.:

If 'Network,' 'Consumer,' and 'Commercial' all have characteristics relevant to authorisation and regulation, it is important to have agreed, clear definitions of these. Page 85 states, "a large variation in network type and size, technical, commercial and consumer characteristics," yet no clear definitions are provided. The definitions in Condition 23 of the draft authorisation conditions for domestic and microbusiness, non-domestic, and industrial really describe 'Consumer types' for the purpose of targeting consumer protections (page 19).

'Network types' are actually described on page 87, Table 6, where it states, "Core Grouping of Network has: Technologies such as heat pumps, SGLs, boilers and CHP systems will impact several aspects of operation." Some heat networks take heat from several of these sources, and some have the potential to change from one heat source to another.

However, the list does not include Energy from Waste (EFW), which may have carbon and monitoring implications different from other heat sources. Between 9% and 18% of heat in heat network zones could be from Energy from Waste, according to the recent Heat Network Zoning Impact Assessment (available at:

<https://assets.publishing.service.gov.uk/media/65801e141c0c2a001318ced6/heat-network-zoning-consultation-stage-impact-assessment.pdf>). This highlights the need for careful regulations to account for long pipe distances, carbon implications (including embedded carbon), and the risks when such a large heat source ceases production.

The important provision of cooling, which is within the scope of proposed regulations, is not mentioned here. Technologies capable of providing both heating and cooling should be identified.

'Self-supply' is the only listed network type, and Shared Ground Loops (SGLs) that do not bill consumers are an example of this. These should have suitable, proportionate regulations. Many networks (especially large ones) provide heat for all consumer types, hence the importance of a thorough classification of network types, consumer types, and commercial types.

Commercial characteristics will also require different regulatory regimes, depending on the type of commercial model. 'Commercial' appears in Table 6

(page 87) as a core grouping, offering clues about segmentation. The relevance of heat network market segmentation is noted in the statement:

"Ownership models will have cascading impacts across the operation of a network, be it Local Authorities, Housing Associations, or Energy Service Companies (ESCOs),"

as this will affect resources and profit-seeking behavior. Neither for-profit companies nor the country of ownership are mentioned here, despite the need to protect against excess profits and ensure due diligence regarding foreign ownership.

'Commercial' may be used interchangeably with 'for-profit,' and page 38 is clear that the goal is to balance fair pricing with profitability to grow the sector. For example, the Heat Network Zoning programme aims to allocate 'zones' specifically to enable profit generation.

Not-for-profits are also not listed here. However, leaseholder-owned networks will constitute a large proportion of regulated heat networks, including shared ground loops that do not charge consumers. Another growing sector that requires regulation is Community-Owned Operators and Suppliers, which are a subcategory of 'not-for-profit.' For example, see Net Zero Terraced Streets:

- <https://rvenergy.org.uk/terraced-streets/>

- <https://nzts.info>

Providing clear definitions of all network types, consumer types, and commercial types is particularly important, as heat is necessarily locally sourced. Unlike electricity and gas, which require regulation to transport energy across the country, heat networks need regulation tailored to the way heat is sourced and delivered locally.

2 With reference to proposed consumer protection measures in this consultation, are there any measures that in your view are not relevant to heat networks using shared ground loops and individual consumer heat pumps? If so, what measures and why?

Yes

Please explain your answer.:

- Consumer protection should be proportionate to the level of consumer risk.
- The proposed regulations do not allow for a de-minimis threshold, do not distinguish between community-owned and managed networks, and do not distinguish between shared ground loops and other types of heat networks in terms of consumer risk profile.
- This will likely pose a material barrier for smaller-scale projects, and in particular, community projects seeking to deploy shared ground loops with dwelling-owned heat pumps.
- As an example, following the webinar Q&A, a heat network comprising a single borehole providing ambient heat to a single dwelling would not likely constitute a heat network. However, a single borehole providing ambient heat to two properties would become a regulated heat network. In this instance, where two neighbours sought to share the cost of a borehole to make ground source heat viable, they would become a regulated heat network, with all the cost and time associated with regulatory compliance.
- The innovative community of Chipping (Lancashire) (<https://www.chippingcommunityenergy.co.uk/>) has secured planning consent for a series of small clusters of shared ground loops, supplying ambient heat to dwelling-owned heat pumps. The dispersed nature of the Chipping community means that most clusters will be limited to 1-3 properties, though some could become larger as neighbouring properties seek to join over time.
- The additional barrier of regulation for such a network in Chipping would almost certainly make it unviable, given the likely compliance cost as a share of the total operating costs of the project.
- The benefit of a shared ambient loop cluster in a community like Chipping is that it reduces capital costs (no extended heat network, limited planning costs, limited dependence on acquiring land/easements) and also reduces operational costs (no moving parts, no energy centre, no fuel costs). Any cost of regulation for these community-led projects will reverse these cost savings in projects that will not leverage the benefits of scale, as witnessed in other regulated markets.
- Furthermore, regulation offers very limited benefit to this community-driven project, which has low ongoing operating and maintenance risk and is focused on delivering more affordable energy and greater community control.
- For self-supply or community-owned shared ground loop networks, the regulations should include a de-minimis threshold below which regulation would not apply. A threshold of approximately 10 dwellings on the same hydraulic pipe network would mitigate these impacts.

Another option would be exemptions for micro-businesses, which would cover many community schemes (<https://www.legislation.gov.uk/ukpga/2015/26/section/33>).

3 Are there proposed consumer protection measures that in your view should be tailored to suit shared ground loop technology and if so, how?

Yes

Please explain your answer.:

Consumer protection measures should be proportionate to the respective risks faced by consumers on those networks. The consumer risk profile for a consumer connected to a shared ground loop network will be lower than for a consumer connected to a high-temperature centralised heat network, given the significant difference in operating costs and risks between the different networks.

This also relates back to the points raised on de-minimis thresholds for regulation in question 2.

4 In applying consumer protections to a heat network using shared ground loops and individual consumer heat pumps, in your view should there be differentiation between networks which charge a fee to access the loop, networks that do not charge a fee, and SGL networks that

utilise other ambient heat sources in addition to boreholes?

Yes

Please explain your answer.:

From a community development model, the level of regulation for shared ground loop systems should be proportional to the level and nature of charges relating to that network. Community networks that only charge a standing charge (and do not charge for heat), where the purpose of the standing charge is to repay the capital costs associated with the installation of the system, should be differentiated from those networks that charge for heat.

This also relates back to the points raised on de-minimis thresholds for regulation in question 2.

5 With reference to the draft authorisation condition 23 on definitions, do you agree or disagree with the definition for bulk supply?

Agree

Please explain your answer in the box provided.:

p78 at <https://assets.publishing.service.gov.uk/media/672e2d6e3b601d048796ae79/heat-networks-regulation-draft-authorisation-conditions-appendix-ofgem.pdf> states that bulk supply "means where thermal energy is supplied to an intermediary party who is not the final consumer of that thermal energy but instead on-sells it to other parties." The definition of 'Operator' does not differentiate between the original operator and the intermediary operator.

As an example, London Energy Ltd (<https://www.londonenergytld.com/latest/londonenergy-to-operate-nlwas-new-700000-tpa-waste-to-energy-plant/>), which will run the Edmonton replacement incinerator for the North London Waste Authority, "while also supporting a local heating network," will presumably be the original operator, owning the incinerator plant that will produce the heat (circa 2027/28). This heat will be sold 'in bulk' to Energetik (wholly owned by Enfield Council), which already owns several 'satellite' small estate CHP heat networks that will take this heat when it is produced.

Presumably, Energetik is the intermediary operator. Notably, Energetik uses Switch-2 (<https://switch2.co.uk/enfield-heat-networks/>) to handle customer interface tasks. Switch-2 is presumably just a contracted-out party, with Energetik retaining overall responsibility.

6 Do you agree or disagree with our proposals to apply some consumer protection measures to bulk supply activity? Please provide evidence and reasons for your response.

Agree

Please provide evidence and reasons for your response in the box below.:

Although the Supplier will manage the consumer-facing protection measures, they need a contract with the bulk supplier that enables them to provide these protections.

Section 2: Approach to Non-Domestic/SME Consumers

7 Do you agree or disagree with the proposed protections for non-domestic heat network customers? Please provide evidence to support your views, or evidence of the potential impacts.

Strongly agree

Please explain your answer in the box below.:

Non-domestic customers also need fair treatment.

8 Do you agree or disagree with the proposed definition of an SME for the purposes of heat network regulation?

Strongly agree

Please explain your answer in the box below.:

SME is a 'consumer type' with characteristics relevant to regulation.

Section 3: Supply to Premises: Connection, Treatment of Consumers and Recovering Connection Costs

9 Do you agree with the proposed approach to 'supply to premises' conditions?

Not Answered

Please explain your answer in the box below.:

Section 4: Standards of Conduct

10 Do you agree with our proposed approach to the Standards of Conduct?

Not Answered

Please explain your answer in the box below.:

11 Do you currently engage with your consumers on a regular basis?

Not Answered

12 If yes, could you provide examples of how you currently engage your consumers, both on the maintenance of the network and more broadly?

Please provide examples in the box below.:

13 Do you agree or disagree with our approach to a principle on the security of supply?

Strongly agree

Please explain your answer in the box below.:

All consumers need a "reliable and uninterrupted supply of heat" with "a proactive approach to maintenance to prevent unnecessary outages and interruptions in the supply of heat to consumers" and to receive "effective communication of technical issues."

Section 5: Fair Pricing

14 Do you have any views on the high-level fair pricing framework discussed in the Fair Pricing section and in Annex 3 of this document?

Please elaborate on your views in the box below.:

The draft framework at p41, and listed at p39 and p99, has excellent principles, particularly:

- "Disproportionate pricing would be where networks are pricing significantly above costs, making excess profit or not making efficiencies where clearly possible. Definitions of 'excess' or 'significantly above' could be determined with reference to external price benchmarks and/or a reasonable rate of return."
- "Consumers should be protected from taking on a disproportionate level of corporate risk, such as improper recovery of significant initial capital costs in the development phase."
- "Heat network consumers should not be unduly disadvantaged compared to other consumers on alternative heat sources such as gas boilers or heat pumps."

However, the Impact Assessment at p28 states:

- "120. There is also a risk of some negative impacts on heat network consumers. The increase in cost burden on heat networks may, to some extent, be passed on to consumers through higher bills."

And at p24:

- "89. This policy is limited by a lack of understanding of why heat network prices may be high. It is difficult to distinguish between operators that are profiteering and those that have high-cost/inefficient networks."

This highlights the need for consumer protection based on monitoring the cost of alternative heat sources.

Regarding the statement:

- "Pricing should not discredit the growth of the heat network sector given its importance to net-zero goals."

there is no explanation as to how pricing might be varied to favor heat networks. More importantly, it rests on assumptions about whether all heat networks cause lower carbon emissions than all alternatives. Notably, the CCC confirmed at EIR - emissions figures from energy - 30 October 2024 that it did not undertake carbon calculations per heat source when advocating all heat networks as equally low carbon.

Prior to authorising a new heat network, Ofgem must have peer-reviewed evidence that the network will have lower emissions than alternatives. In particular, the provision of technology that can also provide cooling (ideally with accompanying solar for hot days) must take into account the avoidance of high carbon emissions from additional cooling solutions, as overheating is occurring more frequently.

The proposals state:

- "Underlying costs should be efficient while providing an appropriate quality of service. We expect networks to take steps to create cost efficiencies and implement technical efficiencies."
- "Heat networks should strive to improve efficiency of network operation and costs, for example, through competitive fuel procurement and outsourcing contracts, cost and technical efficiencies, and restricted cost passthrough."

- "Heat networks should be incentivised to make choices based on long-term efficiencies. Networks should not overlook larger scale investments such as technical efficiency and decarbonisation improvements to cut short-term costs and ensure there is sufficient financing to cover such improvements."

The "should" needs to be "must," and "expect" needs to be stronger.

Obligations on heat network operators/owners must include strong requirements to improve long-term network efficiency. Larger network operators should be required to periodically evaluate options to improve system efficiency, reduce carbon emissions, lower operational costs, and enhance system reliability. The regulator should then require economically viable improvements and cost-efficiency carbon reduction measures to be implemented.

All this information should be made public.

15 Do you agree or disagree with our proposal to extend the scope of fair pricing to all non-domestic consumers?

Strongly agree

Please explain your answer in the box below.:

Businesses, whether small or large, need to be encouraged for the UK's growth, which would be impeded if they were not covered by the same fair pricing as domestic consumers.

Section 6: Vulnerability

16 Do you agree or disagree with our proposed overall approach to vulnerability, adopting the existing Ofgem definition for gas and electricity consumers but combining this with targeted protections for heat network consumers, where needed, through the authorisation conditions?

Strongly agree

Please elaborate on your answer in the box below.:

Section 7: Disconnection for Non-Payment of Energy Costs

17 Do you agree or disagree with our proposed protections from disconnection? Please give reasons or supporting evidence for your answer, and clearly outline any alternative proposal.

Agree

Please elaborate in the box below.:

At page 48, the protections for the installation of Pre-Payment Meters (PPM) seem fair, and "we propose to keep these protections under review, as we assess data on prices, vulnerability, and debt management."

18 Do you agree or disagree with our proposal to align with gas and electricity PPM protection rules?

Disagree

Please explain your answer in the box below.:

When gas and electricity consumers on Pre-Payment Meters (PPMs) disconnect, they typically have to pay a reconnection fee, which is an unfair charge compared to consumers on regular meters.

We are concerned that smaller community-owned or not-for-profit networks will not be able to cover the overhead of maintaining accurate knowledge of the age of all their customers to be able to follow these PPM protection rules.

19 Do you think it is appropriate to go further than gas and electricity PPM protections? If you have an alternative approach, please set this out, including how this would impact on debt management and the recovery of costs.

No

Please elaborate on your alternative approach, if any, in the box provided below.:

Ofgem could be positioned to point consumers in danger of disconnection toward specific schemes to assist them, including schemes to install energy efficiency measures to lower heat demand and costs.

20 Do you agree or disagree with our proposal to explore options to mitigate the impact of unrecoverable debt arising from prohibitions on disconnecting consumers, or installing pre-payment meters, for protected consumers? If yes, please provide any views you may have on approaches for doing so.

Neither agree or disagree

Please elaborate on your answer in the box provided below.:

We would highlight that proportionality should remain key to any regulation and should not pass on costs to networks that do not carry the same capital cost or risk profile. For example, a community-based shared ground loop network that has designed out cost to ensure efficiency by focusing on carefully optimised borehole clusters to avoid the need for centralised energy centres or extended insulated pipe networks, should not have to contribute to the higher capital costs or operational risks of a high-temperature network.

21 Do you agree or disagree with our self-disconnection proposals?

Neither agree or disagree

Please add your comments, if any, in the box below.:

The self-disconnection proposals are acceptable where they protect vulnerable customers who need heat but cannot afford it. However, for shared ground loop systems, this is not relevant as customers' bills are with their electricity supplier, which is already covered by existing regulation.

In cases where consumers choose to move to alternative individual heating—either for lower-carbon heat or for personal preference—the proposals are not suitable. When gas customers decide to go all-electric, in line with the UK decarbonisation strategy, they are frequently required to pay a disconnection fee, which should not be the approach used for disconnecting heat customers.

Facilitating voluntary disconnection also does not align with proposals for Heat Network Zoning. The Heat Network Zoning Secondary Consultation-stage IA, for instance, explores different models of mandatory connection to heat networks in the zones (page 11). However, in this current consultation, it is assumed that consumers are able to disconnect.

22 Can you provide any evidence of the impacts these proposals could have on suppliers, particularly smaller suppliers?

Please provide your evidence or comments, if any, in the box below.:

In the case of a small heat network, where each leaseholder pays a portion of the total cost for fuel and ongoing maintenance, if some leaseholders were allowed to disconnect and no longer pay their expected portion, the heat network would become economically unviable. Hence, leases typically require heat to be charged within a service charge to maintain payment from customers at all premises.

23 Do you agree or disagree with the proposed protections that will be included in the Statutory Instrument that provides for Powers of Entry?

Neither agree or disagree

Q24 Please provide evidence of any impacts or supporting rationale in your response, these can be marked as confidential if appropriate.

Please provide your answer in the box below.:

While regulatory oversight is important, the Powers of Entry provisions must be carefully balanced to prevent excessive intrusion, particularly for small, community-led, and not-for-profit heat networks, such as co-operatives and CICs.

Key Concerns:

- Potentially disproportionate enforcement impact on small operators – Community-led heat networks are not large, profit-driven corporations and should not be subject to the same level of regulatory intervention as large commercial heat suppliers.
- Risk of excessive disruption – The ability to enter premises without sufficient safeguards could disrupt locally run networks, creating uncertainty for community investors and members.
- Lack of clarity on when and how entry powers will be used – The criteria for using these powers should be more clearly defined to ensure they are only applied in high-risk cases of non-compliance or consumer harm.

Recommendation:

- Introduce proportional entry powers – Ensure that small, well-run, community-led networks are not subject to excessive enforcement actions.
- Clarify specific use cases – Powers of Entry should only be used in cases of severe consumer harm or where there is clear evidence of non-compliance.
- Ensure safeguards for community heat networks – Prior notice and a right of appeal should be mandatory before exercising entry powers against a co-operative or CIC-led network.

Without these refinements, the Powers of Entry could disproportionately affect small, community-led heat networks, creating unnecessary regulatory risks and discouraging local investment in sustainable heat projects.

Section 8: Quality of Service: Complaints and Guaranteed Standards of Performance

25 Do you agree or disagree with our proposed approach to complaint handling?

Agree

Please write your comments, if any, in the box provided.:

P23 says that “all regulated entities have a complaints procedure in place for consumers to follow”

26 Do you agree or disagree with our proposed compensation levels that broadly align with existing practice in the sector (Heat Trust levels)?

Neither agree or disagree

Please explain your answer in the box below.:

<https://heattrust.org/complaints> has insufficient information on compensation levels to judge.

27 We welcome feedback from those that place Guaranteed Standards on external contractors through contract, on the requirement to take best endeavours to update existing contracts to align with our standards and compensation levels or provide feedback on what would be an appropriate transitional period to update contracts.

Please provide your feedback and comments, if any, in the box provided.:

28 Do you agree or disagree that we should extend certain Guaranteed Standards to protect non-domestic consumers? We welcome feedback on our proposal to introduce the standards as a minimum for non-domestic consumers, providing the opportunity to go beyond.

Agree

Please add your comments, if any, in the box below.:

Don't know

Please explain your answer in the box below.:

29 Do you agree or disagree with our proposed approach to apply Overall Standards of Performance to heat networks operating on a not-for-profit business model?

Neither agree or disagree

Please explain your answer in the box provided below.:

We would note that applying Overall Standards of Performance to community-led and not-for-profit heat networks aims to protect consumers by ensuring consistent service quality.

However, imposing additional regulatory requirements on community-led and not-for-profit networks will also likely drive up costs for these networks and increase the cost of energy for consumers. Unlike traditional regulated markets, which have successfully leveraged scale to drive down costs, these networks will not achieve the same economies of scale.

This concern is acknowledged in the government's response to heat network consumer protection, which emphasises the need for proportionate and realistic regulatory impacts on small and not-for-profit networks.

<https://assets.publishing.service.gov.uk/media/66432989b7249a4c6e9d3369/heat-networks-consumer-protection-government-response.pdf>

Therefore, while consumer protection is essential, it is crucial to balance it with the operational capacities of smaller, not-for-profit heat networks to avoid unintended negative consequences, while also ensuring that it is proportionate to the nature, type, and size of the respective heat network.

Section 9: Billing and Transparency

30 Do you agree or disagree with the proposals for including additional information on consumer bills? If you agree, what timescales could you reasonably implement these changes?

Neither agree or disagree

Please provide your thoughts on timescales in the box below.:

All consumers should have appropriate information readily available upon connection and on an easily accessible website, and this should be implemented as soon as possible. Where bills are sent (i.e., not needed for some SGLs), as P24 suggests, they should include basic information that customers need, such as "the availability of consumer advocacy and advice services and support mechanisms from the Energy and Housing Ombudsmen."

Supplementary information, well signposted in bills, would "include information on the role of heat networks in delivering net zero, their operational model and monopolistic nature, and information on energy savings for consumers based on billing options." However, it is vital that any information on "delivering net zero" is backed by sound evidence and does not present a one-size-fits-all statement that may be inaccurate or misleading for a specific heat network.

31 Do you agree or disagree that we should further explore the proposal on unbundling heat from other service charges, noting this may require legislative change to be implemented?

Agree

32 Do you have any views on options 1, 2 and 3?

Please provide your views in the box below.:

In the case of a typical leaseholder-owned estate where heat is legally included within the service charge, it would be simpler to note, for each service charge demand, the amount attributable to the heat network.

In estates where the portion of the service charge for heat is legally backed per lease as a set proportion of the heat network's operating cost, there could be legal obstacles to varying the formula to introduce usage charges. Metered use might need to be recorded as a note rather than affecting the charge.

33 If we were able to unbundle the heat charge for individual properties, do you agree or disagree with our proposals on limiting back-billing to 12 months?

Agree

34 Can you provide evidence of any potential impacts of limiting back-billing to 12 months? Do you have any concerns regarding communal areas?

If you anticipate any potential impacts, please give details in the box below.:

35 Do you agree or disagree that we should seek to align with HNTAS technical standards/metering rules to give networks adequate time to meet regulatory requirements?

Neither agree or disagree

Please explain your answer in the box provided.:

To bring all networks up to HNTAS standards will be expensive, requiring not only time but also capital to fund the necessary improvements.

Second-guessing the HNTAS proposal, I suggest that existing networks should only be required to make changes that will result in bill reductions and generate a sufficient surplus to repay the capital spent on the improvements. The Heat Network Efficiency Scheme capital grants are providing valuable support in this regard, but some schemes will still struggle to secure the remaining 50% of capital costs.

We note that it is unclear how HNTAS will apply to shared ground loops, as there is little reference to shared ground loops in the CIBSE CP1 document.

36 Do you foresee any potential challenges of creating new contracts or amending existing ones to ensure the information proposed is included?

Yes

Please provide details in the box below.:

An example is a north London estate where heat and hot water are included in the service charge as part of the leases, and the freehold is owned by all the leaseholders. Getting changes to 74 leases to remove heat from the service charge would be a mammoth task and could take years. It would require a legal opinion and might even necessitate an act of Parliament.

Notably, this is a case of a not-for-profit arrangement that should be classified under a subcategory of "not-for-profit," where it would not be proportionate to require the supplier to meter and bill for heat separately.

37 What timeframe should we allow heat networks to implement this?

Please estimate a timeframe in the box provided.:

Option 2, to explore the practicality and proportionality per network, commercial, and consumer types, might take six months.

Section 10: Step-In

38 Do you agree or disagree that the risks associated with failure in social housing and local authority operated heat networks can be managed within existing regulatory arrangements? If you disagree, please explain why.

Don't know

If you disagree with the statement, please explain why in the box provided below.:

39 Are there additional sectors, other than social housing, where you consider the risks are managed due to factors not identified here? If yes, please provide details.

Yes

Please list the other sectors here, if appropriate.:

Other Sectors Where Risks Are Already Managed:

1. Co-operatives and Community Interest Companies (CICs)

- Risk management is built into governance structures, as these organisations operate for community benefit, not profit maximisation.
- Democratic oversight ensures transparency, reducing the risk of consumer harm.
- Surpluses are reinvested into service improvements, ensuring sustainability.

2. Housing Associations & Co-Housing Communities

- These organisations often self-regulate through tenant agreements, ensuring fair pricing and service quality.
- Consumer protections are already embedded in housing contracts, reducing the need for external intervention.

3. Renewable Energy Community Schemes

- Community-led energy projects, such as those run by Energy4All or similar co-operative models, are governed by strict membership agreements and democratic decision-making processes, reducing consumer risk.

Recommendation:

- Regulation should recognise the risk mitigation mechanisms already in place within these sectors and apply lighter regulatory burdens where protections are already embedded in governance structures.
- A proportionate approach should ensure that these sectors are not over-regulated, as their existing frameworks already provide consumer protection and operational stability.

Without clear differentiation, community-led heat networks may face unnecessary compliance costs despite having robust risk management measures already in place.

40 Do you agree or disagree with the proposals for authorisation conditions on financial responsibility and control over assets? If you disagree, please provide rationale or suggestions for other ways to address the risks.

Strongly disagree

Please explain your answer in the box provided.:

From a small co-operative heat network perspective (including other community models such as CBS and CICs), we disagree with the proposed authorisation conditions on financial responsibility and control over assets, as they may create unnecessary regulatory conflicts and disproportionate burdens for community-led, not-for-profit schemes.

Key Concern: Asset Lock Conflicts with Regulations

Both Community Interest Companies (CICs), Community Benefit Societies (CBS), and Co-operatives already operate under strict asset lock provisions, ensuring that assets are reinvested for community benefit or transferred to another social enterprise if the network fails. This raises a fundamental question:

Who has regulatory precedence in an insolvency or failure scenario—Ofgem or the CIC Regulator?

Imposing additional financial control conditions without resolving this conflict could create legal uncertainty and operational challenges, particularly for community-owned schemes that already adhere to asset protection rules.

Rationale for Disagreement:

1. Duplication of Oversight – CICs and Co-operatives already have legally mandated asset controls, making Ofgem's additional financial oversight redundant.
2. Regulatory Conflict – Heat networks operating under CIC legislation may face contradictory directives from Ofgem and the CIC Regulator in a failure scenario.
3. Financial Burden – Extra compliance costs could discourage small-scale, community-led heat projects, reducing sustainable heat network expansion in rural areas.

Alternative Approach:

- Ofgem should recognise existing asset lock mechanisms in CICs and Co-operatives.
- Clarify regulatory precedence—determine whether Ofgem or the CIC Regulator has authority in the case of asset disposal.
- Proportionate financial responsibility—apply different financial requirements based on network size and legal structure.

Without these considerations, community-led heat networks could face unnecessary regulatory obstacles, potentially limiting their ability to provide sustainable, affordable heating solutions.

41 Do you agree or disagree with the proposed financial monitoring requirements, including the metrics and the frequency? If you disagree, please provide further details and/or alternative suggestions.

Agree

If you disagree with the proposed requirements, please provide your comments in the box below.:

42 Do you agree or disagree with the structure and contents of the proposed Operations/Supply Continuity Plan? If you disagree, please provide feedback such as additional material you consider should be required or other suggested changes.

Disagree

If you disagree with the proposed Plan, please give details in the box provided below.:

From a small co-operative heat network perspective, we disagree with the structure and contents of the proposed Operations/Supply Continuity Plan (OSCP) as it does not fully account for the unique characteristics of community-led, not-for-profit heat networks.

Key Concerns:

1. Disproportionate Administrative Burden – Small co-operative networks operate with limited resources, and a rigid, one-size-fits-all OSCP could impose unnecessary bureaucracy, making compliance costly and time-consuming.
2. Overly Prescriptive Measures for Small Networks – While supply continuity is important, the proposed OSCP may be too rigid for localised, small-scale operations, which typically rely on community-driven solutions rather than corporate-style risk planning.
3. Lack of Proportionality – The plan does not sufficiently differentiate between large commercial operators and small, community-run networks, which operate on different financial models and risk profiles.

Recommended Changes:

- Tiered Continuity Plans – Requirements should scale based on network size, governance model, and risk exposure.
- Flexible Risk Assessment Approach – Smaller networks should be allowed to demonstrate continuity planning through local partnerships rather than rigid, prescriptive frameworks.
- Proportional Regulatory Requirements – The OSCP should provide exemptions or simplified versions for small, co-operative heat networks.

By tailoring the OSCP framework to reflect the realities of community-owned and not-for-profit networks, regulations can maintain service continuity without imposing unnecessary barriers that could hinder small heat network viability.

43 Are you aware of examples of, or do you already have in place, this type of contractual step-in arrangement, to enable a replacement entity to continue to operate a heat network?

Yes

Please elaborate on your answer in the box provided.:

Yes, there are examples of community energy schemes where other organisations have stepped in to continue operations when the original group faced financial difficulties. These examples demonstrate that contractual step-in arrangements can work effectively within the community energy sector, ensuring continuity of service while maintaining local ownership and engagement.

Step-in provisions should also account for operating risk and costs associated with different types of heat networks. There is scope and benefit in distinguishing between a shared ground loop system, which does not have the operational costs associated with energy purchase, pumping, wider routine maintenance, or parts replacement, and a high-temperature heat network, which does have energy purchase, pumping, and wider maintenance costs.

We propose that community-based organisations have the opportunity to find a similar community-based organisation to step in and run the network in the first instance, with wider step-in rights applying only as a last resort.

Examples of step-in arrangements in community energy:

1. Bristol Energy Cooperative and Mongoose Energy – When some smaller community energy groups struggled with financial viability, Mongoose Energy, a larger community-focused organisation, stepped in to help manage assets and provide operational support. This ensured that renewable energy generation continued while governance structures remained community-oriented.
2. Bath & West Community Energy (BWCE) and Low Carbon Hub – BWCE and Low Carbon Hub have worked together to take on community energy projects at risk of failure, ensuring continued operation through revised management structures while keeping profits reinvested in local sustainability initiatives.
3. Community heat networks supported by local authorities – In some cases, local councils or housing associations have stepped in when a community-run heat network faced financial strain, taking over operations under new management agreements to ensure continuity of service.

Implications for heat networks:

- Co-operatives and CICs often have support networks within the community energy sector that can take over failing projects.
- Step-in agreements between co-operatives, local authorities, or larger community organisations could serve as a viable alternative to private sector takeovers, preserving community ownership and affordability.
- A flexible regulatory framework should enable community groups to set up pre-agreed partnerships with trusted organisations rather than requiring complex, corporate-style step-in contracts.

This approach would support continuity while maintaining local accountability, ensuring that small-scale, community-led heat networks can operate

sustainably even in financial hardship scenarios.

44 Do you have any feedback on what support could facilitate the implementation a contractual step-in requirement for an existing heat network? Are there any arrangements that you think would support its introduction?

Please provide your feedback in the box below.:

Community heat networks

The following support mechanisms and arrangements could be considered to facilitate the implementation of a contractual step-in requirement for existing community heat networks.

1. Pre-approved step-in partnerships

- Community energy networks should be able to pre-register partner organisations (e.g., other co-operatives, CICs, local authorities) as step-in entities.
- Ofgem or a sector body could maintain a registry of community-focused organisations willing to take over failing heat networks.

2. Model step-in agreements

- Regulatory bodies should provide template contracts tailored to community-based and not-for-profit networks, reducing legal costs and complexity.
- These agreements should be proportionate, recognising the different financial and operational structures of community heat networks.

3. Financial and operational support fund

- A dedicated Community Heat Network Support Fund could assist struggling networks in transitioning to a new operator, covering legal costs and interim operations.
- This could be funded through levies on larger commercial operators, similar to support mechanisms in the electricity sector.

4. Local authority and co-operative network support

- Councils and regional energy hubs should be enabled to act as facilitators in step-in arrangements.
- Co-operative networks (e.g., Community Energy England, Heat Networks Investment Project (HNIP)) should be formally recognised as potential step-in bodies.

5. Proportionality in requirements

- Small heat networks should not face the same burdensome step-in requirements as large commercial operators.
- Tiered regulation should allow for simpler agreements where community organisations or local authorities step in, without complex financial guarantees.

Arrangements that would support introduction:

- Ofgem guidance on pre-agreed partnerships for co-operatives and CICs.
- Legal and financial advisory support for small networks setting up step-in clauses.
- Recognition of existing community asset transfer processes, allowing co-operative groups to inherit failing networks under simplified procedures.

By adapting step-in requirements to fit the realities of community-led heat networks, the regulation can support continuity while protecting affordability and local governance.

45 Where a heat network has a separate supplier and operator, do you agree or disagree that the supplier's contractual arrangement should be with the heat network operator?

Agree

Please explain your answer in the box below.:

46 Do you envisage any additional risks associated with the proposed Last Resort Direction process? If so, what do you consider are the most appropriate mitigations to these risks?

Please explain in the box below.:

47 If you support the introduction of such a scheme, what would be the benefits of such an arrangement, and why do you think it is necessary? What impact do you think it would have on the likelihood of commercial solutions being found?

Please explain in the box provided.:

48 Do you agree or disagree with the proposal to introduce a Special Administration Regime, modelled on existing SARs and using bespoke provisions, where appropriate, to ensure it functions in the heat network sector?

Strongly disagree

Please explain your answer in the box provided.:

From a small co-operative heat network perspective, we disagree with the introduction of a Special Administration Regime (SAR) as currently proposed. While ensuring service continuity is essential, a SAR based on existing models (e.g., in the energy and water sectors) risks relying on expensive corporate

consultants like EY or PwC, which would likely exacerbate financial distress for small-scale networks rather than resolving it efficiently.

Concerns with the SAR approach:

- High costs – Large-scale administrators charge substantial fees, potentially pushing struggling small networks further into financial crisis.
- Delays in resolution – Bureaucratic SAR processes could lead to lengthy interventions, whereas community-led or local authority solutions could be implemented faster.
- One-size-fits-all model – Small co-operative networks have different financial and operational structures from large commercial heat suppliers, requiring tailored solutions.

Alternative approach:

- Use local authority or co-operative networks for step-in solutions – Recognise local authorities, community energy groups, or co-operative federations as pre-approved step-in entities to take over failing networks.
- Tiered administration approach – Differentiate between small community-led networks and large commercial operations, ensuring proportionate intervention.
- Simplified resolution mechanism – Establish a community-focused mediation and transition support system instead of costly external administrators.

A SAR designed for large, investor-owned utilities would not be suitable for small, community-owned heat networks. A more cost-effective, locally-driven solution is needed to ensure continuity without unnecessary financial burden.

49 Do you agree or disagree with the proposal for the introduction of transfer schemes?

Agree

Please explain your answer in the box provided.:

From a small co-operative heat network perspective, we agree in principle with the introduction of transfer schemes but believe significant modifications are necessary to ensure they are proportionate and work for small-scale, community-led networks.

Concerns with the proposed approach:

1. Risk of overly complex and costly transfers

- Transfer schemes designed for large commercial heat networks may be too rigid, bureaucratic, and expensive for small-scale community networks.
- Legal and administrative costs could be excessive, making the transfer process financially unviable for smaller networks.

2. Loss of community ownership

- If not carefully designed, transfer schemes could result in small heat networks being forced into ownership by large commercial entities, undermining their local, not-for-profit structure.

3. Unclear interaction with co-operative and CIC rules

- Many community heat networks operate under co-operative or CIC models, which have existing mechanisms for asset transfers in case of insolvency or restructuring.
- Regulatory precedence needs to be clarified—would Ofgem's transfer scheme override the rules set by the CIC Regulator or the co-operative's governing documents?

Alternative approach:

- Tiered transfer mechanism – Different rules should apply for small, community-led networks, with a simpler, low-cost process for transferring assets within the co-operative or social enterprise sector.
- Pre-approved local transfer options – Enable small networks to pre-agree local transfer partnerships (e.g., with other co-operatives, local authorities, or community energy groups) rather than defaulting to corporate ownership.
- Recognition of co-operative and CIC rules – Ofgem's scheme should align with existing legal protections for community-owned networks rather than override them.

In summary, transfer schemes are a useful mechanism for ensuring heat network continuity, but they must be flexible and proportionate to protect community ownership models and avoid excessive costs for small-scale operators.

50 Do you agree or disagree with the proposal that heat networks should put in place a funding mechanism to support the regulatory interventions outlined?

Disagree

Please explain your answer in the box provided.:

From a small co-operative heat network perspective, we disagree with the proposal that heat networks should be required to put in place a funding mechanism to support regulatory interventions. While ensuring regulatory oversight is important, forcing small, community-led networks to pre-fund interventions could create significant barriers to entry and undermine investment models that rely on community shares.

Key concerns:

1. Barrier to entry for small-scale networks

- Many small, not-for-profit heat networks operate on tight margins and rely on community-led investment.
- Mandating a regulatory funding mechanism increases upfront costs, making it harder for new community schemes to launch and deterring local innovation.

2. Reduced scope for community investment via shares

- Many co-operative and CIC-led heat networks attract funding through community shares, allowing local residents to invest directly in infrastructure.
- Diverting funds to cover regulatory compliance could reduce community ownership, making these projects less viable.
- Investors may be discouraged if their capital is partially locked up for regulatory contingencies rather than infrastructure development.

3. Disproportionate burden on small networks

- Unlike large commercial heat networks, community-led schemes lack economies of scale to absorb additional financial requirements.
- Small operators should not have to fund the same level of regulatory oversight as large, investor-owned schemes.

Alternative approach:

- Proportional funding model – Apply different funding requirements based on network type (shared ground loop vs high-temperature heat network), size, revenue, and structure.
- Exemptions or reduced contributions for co-operatives and CICs – Recognise that these networks already reinvest all surpluses into community benefit and should not face additional financial strain.
- Access to regulatory support funds – Instead of requiring small networks to self-fund interventions, establish a centralised support mechanism, funded through levies on large commercial heat suppliers, to protect small-scale, community-led projects.

In summary, mandating a regulatory funding mechanism risks increasing costs, discouraging new local projects, and reducing community investment in heat networks. A tiered, proportional approach is essential to avoid stifling grassroots innovation in sustainable heating.

51 Are you aware of any of the proposed funding mechanisms currently being used to mitigate failure risks for existing heat networks?

Yes

Please elaborate in the box provided.:

Yes, some community energy and heat network organisations already use ringfenced reserves or similar financial mechanisms to mitigate failure risks, but these approaches vary significantly based on the size, governance structure, and financial capacity of the network.

Examples of existing funding mechanisms for contingencies:

1. Co-operative and Community Benefit Society (CBS) reserves

- Many cooperatively owned heat networks set aside ringfenced reserves from operating surpluses to cover unexpected maintenance, system failures, or short-term cash flow issues.
- Example: Energy4All and co-operative energy schemes – These organisations maintain contingency funds, ensuring financial stability while remaining community-owned.

2. Local authority-backed heat networks

- Some municipal or housing association-led heat networks establish maintenance and contingency reserves within their annual budgets.
- Example: Bristol City Leap – The city's heat network has provisions for reinvesting profits into infrastructure improvements and resilience planning.

3. Social enterprise and CIC asset reserves

- Some Community Interest Companies (CICs) use restricted asset funds that can only be used for maintaining service continuity.

Key takeaways for heat network regulation:

- Ringfenced reserves exist but vary by organisation type – One-size-fits-all regulatory mechanisms could disadvantage smaller, community-led networks.
- Community-owned models reinvest surpluses – Unlike commercial operators, co-operative and social enterprises do not extract profits but use reserves for reinvestment, making additional mandated funding mechanisms redundant.
- Smaller schemes need proportionate flexibility – Rather than imposing a rigid failure-mitigation fund, regulations should allow community schemes to continue self-managing reserves based on their financial models.

If heat networks are forced into inflexible regulatory funding mechanisms, it could divert crucial funds away from community reinvestment, increase costs, and reduce participation in local heat projects. A proportional approach that recognises existing contingency measures within community networks would be far more effective.

52 Do you have any comments on the feasibility of the proposed funding mechanisms?

Please provide your comments, if any, in the box below.:

For small co-operative heat networks, the best funding mechanism from the consultation would be ringfenced reserves, but with a flexible, proportional approach that reflects the financial realities of community-led schemes. The mutualisation fund could also be beneficial if designed to support not-for-profit and community networks without excessive levies.

The best option is ringfenced reserves with proportionality.

Why it works for small co-ops:

- Gives control to the co-operative – Funds are kept within the organisation rather than being pooled into an external scheme.
- Builds on existing financial structures – Many co-ops already allocate contingency funds from operating surpluses.
- Avoids unnecessary costs – Unlike insurance or mutualisation, it does not impose additional external fees.

Challenges and solution:

- Small co-ops have limited margins, so regulations should scale reserve requirements based on network size and revenue.
- Not all co-ops can afford large reserves, so flexibility should be allowed in how reserves are built up over time rather than requiring upfront capital.

An alternative is the mutualisation fund if designed for co-ops.

Why it could work:

- Shares risk among multiple community-led networks.
- Provides a safety net without each network needing large individual reserves.

Concerns and fixes:

- It must be designed to protect small, community-led networks, not just large commercial operators.
- Contribution levels must be fair, with a tiered system ensuring small networks pay lower fees than large, investor-owned heat suppliers.

The least suitable option is insurance products.

Why not ideal for co-ops:

- Expensive premiums may not be viable for small, community-run networks with limited financial capacity.
- Insurers may not understand the unique risks of small heat networks, leading to inappropriate coverage or high costs.

Final recommendation for small co-ops:

1. Ringfenced reserves, with flexible requirements based on network size and financial turnover.
2. Mutualisation fund, but only if tailored for community-led schemes with fair contribution levels.
3. Avoid mandatory insurance, as it adds excessive costs without necessarily improving resilience.

A one-size-fits-all funding model would unfairly disadvantage small, community-owned heat networks. A proportional approach is essential to keep co-ops viable while ensuring consumer protection.

Section 11: Market Segmentation

53 Do you agree or disagree with the proposed approach to Market Segmentation, including the characteristics we have identified to inform our proposals?

Disagree

Please provide your comments, if any, in the box below.:

From a small co-operative heat network perspective, we partially agree with the proposed approach to market segmentation but believe greater clarity is needed on the definitions for "large," "small," and "not-for-profit." Specifically, the treatment of the "not-for-profit" segment must ensure that co-operatives, Community Interest Companies (CICs), and other community-led models are classified appropriately and proportionately.

The data referred to at

<https://www.gov.uk/government/statistics/heat-networks-registered-under-the-heat-network-metering-and-billing-regulations-statistics-december-2022> is acknowledged as the best data that DESNZ has on current heat networks. For England, Tab 1.2a identifies 8,498 communal heat networks (within one building) and 2,376 district heat networks (a minimum of two buildings and one customer). Are these the large and small for-profit networks?

Key concerns with the current market segmentation:

1. Lack of clear definition for not-for-profit networks and the absence of a distinct category for community-led initiatives.
 - The consultation mentions a "not-for-profit" segment, but the criteria for classification are unclear.
 - It is not evident whether co-operatives, CICs, or municipally owned networks automatically fall within this category. Community-led networks should comprise their own market segment, given the self-regulation these structures already provide.
 - Some co-operatives generate operating surpluses that are reinvested into the network—would this disqualify them from the not-for-profit category?
2. Potential over-regulation of community heat networks

- If the non-profit segment is not well defined, smaller community-run networks may still be subject to disproportionate regulatory burdens, reducing their ability to attract community investment.
- There is a risk that co-operative heat networks could be classified alongside larger private operators, despite having fundamentally different governance and risk profiles.

3. Interaction with other legal classifications

- The consultation should clarify how co-operatives and CICs fit into the segmentation framework. They should form their own market segment.
- CICs already have asset locks and financial controls—should they be automatically classified as not-for-profits?
- Will local authority-backed networks also fall within this category? If so, they may require a different regulatory approach.

Recommended changes for better market segmentation:

Clearly define the not-for-profit category

- Provide a separate market segment and explicit definition that recognises co-operatives, CICs, and other community-led entities.
- Ensure that networks that reinvest surpluses into community benefit still qualify as not-for-profits.

Introduce a separate co-operative/CIC sub-segment

- Consider a specific category within not-for-profit for community-run, member-led networks, which have unique governance models.
- Ensure that compliance obligations for co-operatives and CICs are proportionate to their size and risk.

Provide tailored regulatory requirements

- Avoid lumping together small, local, not-for-profit networks with large municipal or public-private heat networks.
- Allow simplified regulatory requirements for smaller, community-led schemes rather than imposing a rigid, one-size-fits-all framework.

Final position:

We agree with the principle of market segmentation but require greater clarity on how not-for-profit networks, particularly co-operatives and CICs, are classified. Without clearer definitions, there is a risk that small community-led heat networks could be over-regulated, reducing their viability and discouraging investment. A distinct and well-defined segment for community heat networks is needed to ensure fair and proportional regulation.

54 Do you agree or disagree with the proposal to develop and implement a minimum standard for regulated providers across some services over time?

Agree

Please provide your comments, if any, in the box below.:

From a small co-operative heat network perspective, we partially agree with the proposal to develop and implement minimum standards for regulated providers but caution that these must be proportionate and adaptable to different types of networks, particularly not-for-profit and community-led schemes.

As part of this, and in line with the answers to Q2 - 4, the regulations should recognise a sensible and proportionate de minimis threshold for heat networks, accounting for the nature and balance of risks associated with those networks. For example, it would be highly disproportionate and counterproductive for the regulations to extend to a shared ground loop where, for example, two properties have shared the capital costs of installing a shared ground loop to feed their own ground source heat pumps.

Key concerns with minimum standards for co-operative and community heat networks:

Risk of over-regulation for small networks

- One-size-fits-all standards could place unnecessary financial and administrative burdens on small co-operative and CIC-led networks.
- This is particularly relevant for shared ground loop networks, whose operating costs will largely relate to the repayment of the capital costs, given that the maintenance requirements are very limited.
- Any regulatory obligation for such networks will have a disproportionately negative impact on community schemes managed by volunteers.
- Many community-led heat networks operate at a local scale with limited financial margins, meaning regulatory compliance costs must be proportionate.

Need for tiered standards based on network size and governance model

- Minimum standards should differentiate between large commercial operators and small, community-led networks.
- Co-operatives and CICs already operate under governance structures that prioritise consumer and community benefits, meaning some standardisation measures may be redundant.

Risk of reducing innovation and community ownership

- Rigid compliance frameworks could make it harder for new, innovative community heat projects to launch.
- Overly strict consumer protection requirements could deter community-led investment through co-operative share models.

Recommended approach for proportionate minimum standards:

Introduce a tiered approach

- Small, community-led heat networks should have a proportionate, simplified compliance framework.
- Shared ambient loop networks with an agreed de minimis threshold should be excluded from regulation, particularly where they are for self-supply or

are owned and managed within an approved community structure.

- Large, investor-owned operators should have stricter requirements reflecting their scale and business model.

Allow community-led networks to demonstrate consumer protections differently

- Co-operatives already operate on a democratic, member-led basis, meaning consumer protections should reflect their governance model.
- Alternative compliance routes could be self-regulation through community membership agreements.

Gradual implementation with support for small operators

- If minimum standards are rolled out over time, small networks should receive guidance, funding, and regulatory exemptions where appropriate.

Final position:

We agree with the principle of ensuring minimum service standards but strongly urge a proportional and flexible approach that recognises the unique structure of co-operative and community heat networks, as well as network type and size, and includes a de minimis threshold for entry. Without tiered requirements, small-scale, not-for-profit schemes could face unnecessary regulatory burdens that undermine their viability and consumer benefits.

55 Which services would you find appropriate to be regulated by a minimum standard?

Please provide your answer in the box below.:

There should be a de minimis level for certain networks, particularly for small-scale shared ground loop networks, recognising the respective consumer risks, costs, and benefits. Below this level, such heat networks should not be regulated, even by a minimum standard, where those networks are community-owned or for self-supply and can demonstrate that they have been designed and installed in compliance with appropriate installation standards (MCS/Ground Source Heat Pump Association standards).

Above these de minimis thresholds, the following services should be regulated by minimum standards, but in a proportionate manner that does not overburden small, community-led networks.

Appropriate services for minimum standards regulation:

1. Transparency and consumer information

- Clear, accessible billing and tariff structures.
- Transparent pricing models, particularly where community heat networks are involved in local investment schemes.

2. Service reliability and continuity (with proportionality for small networks)

- Standards ensuring reasonable efforts to maintain service uptime.
- Contingency planning tailored to the size of the network.

3. Fair and consistent complaint handling (but allow community-led approaches for co-ops)

- A structured process for consumer complaints and dispute resolution.
- Co-operatives should be able to use internal democratic structures as a dispute resolution mechanism rather than being forced into rigid external frameworks.

4. Customer protections against unfair disconnection

- A framework to protect vulnerable consumers from unfair or abrupt service cut-offs.
- Small community networks should have flexibility to work with local authorities and support schemes rather than facing punitive fines for disconnection issues.

Services that should not have rigid minimum standards for small co-ops:

- Prescriptive financial or operational reporting burdens – Small networks should not be forced to match commercial operators in regulatory compliance costs.
- Overly strict enforcement mechanisms – Community-led projects often have democratic oversight through co-operative membership models, which should be recognised as a governance safeguard.
- Standard commercial step-in provisions.
- Cost or debt sharing.

Final position:

We support minimum standards for transparency, service reliability, complaint handling, and disconnection protection above a de minimis threshold, but these must be applied flexibly to ensure small, not-for-profit networks can continue to operate sustainably. A tiered regulatory approach is essential to balance consumer protection with maintaining the viability of local, community-owned heat networks.

Draft Authorisation Condition Questions

A1 Does the authorisation condition, 'Interpretation', reflect the policy intent?

No

If no, please explain in the box below.:

The 'Interpretation' condition does not:

- Account for co-operative and community-led heat networks and their existing, well-established consumer protection principles.
- Fully define the 'not-for-profit' model.

Key concerns:

1. Lack of clarity on key elements relating to the community and not-for-profit classification

- It does not clearly distinguish not-for-profit networks from large commercial operators.
- The definitions do not include a distinct community-led market segment and do not recognise the well-established, tested, and proven community-led models (Community Interest Company, Community Benefit Society, etc.) that build in consumer protection within their financial and governance structures.

2. Unclear definition of 'consumer protections' in a co-op context

- Co-operative heat networks operate on a member-owned, democratic basis, meaning that consumer protections need to account for this governance structure.
- The current interpretation may not account for co-op-specific dispute resolution mechanisms, such as member voting and community-led decision-making.

3. Need for proportionality in compliance requirements

- The interpretation of regulated entities and compliance obligations should explicitly state that smaller, community-led schemes may have different requirements than large, investor-owned networks.
- These should not duplicate existing consumer protections that are already embedded within these consumer models, as this would increase costs and make heat less affordable.

Recommended changes:

- Add a new market segment for community-led initiatives that are being developed within established community vehicles (Community Interest Company, Community Benefit Society, etc.).
- Recognise the existing consumer protections already built into these established community models, avoid duplicating consumer protections that are naturally built into these models, and ensure proportionate regulation.
- Recognise internal governance mechanisms of co-ops as valid consumer protection measures, reducing unnecessary administrative burdens.
- Introduce explicit proportionality language so that small networks are not unintentionally over-regulated due to broad definitions.

Without these clarifications, the 'Interpretation' condition may lead to unintended regulatory burdens on small, community-owned heat networks, making it harder for them to operate sustainably.

A2 Does the authorisation condition, 'Supplier Standards of Conduct', reflect the policy intent?

No

If no, please explain in the box below.:

The 'Supplier Standards of Conduct' condition does not fully reflect the policy intent for small, community-led, and not-for-profit heat networks, as it appears too rigid and structured for such models, which operate differently from large commercial suppliers.

Key concerns:

1. Overly prescriptive for small, community-led networks

- The proposed standards seem designed for large, investor-owned heat suppliers, without sufficient flexibility for small or community-run networks.
- Co-operatives and not-for-profits already operate under democratic governance models, meaning their consumer protection frameworks differ from commercial suppliers.

2. Risk of unintended compliance burdens

- While for large-scale, traditional energy networks, regulation has demonstrated that it can reduce costs to consumers, there is no evidence that it will achieve the same results for small-scale, community-run initiatives, which are often run by volunteers and would have to employ external professional organisations to meet compliance requirements.
- Compliance should be proportionate, recognising the in-built consumer protection afforded by community-led schemes and the relative risk faced by different types of heat networks. Small-scale shared ground loop networks should be recognised as low-risk and treated accordingly.

Recommended changes:

- Introduce a separate market segment for community-led heat networks with established community models (Community Interest Company, Community Benefit Society, etc.).
- Recognise that these community networks already have significant consumer protection in-built.
- Introduce a proportionality clause – Recognise that not-for-profit and co-operative suppliers already have consumer protections in place through their governance structures.
- Allow alternative compliance routes – Community-run heat networks should be able to meet consumer protection standards through democratic

member agreements rather than rigid, one-size-fits-all supplier rules.

- Clarify scope for small networks – Ensure that small co-operative heat suppliers are not disproportionately burdened with compliance obligations meant for large commercial providers.

Without these changes, the Supplier Standards of Conduct condition may unintentionally make small, community-led heat networks unviable, reducing competition and local investment in sustainable heating solutions.

A3 Does the authorisation condition, 'Operator Standards of Conduct', reflect the policy intent?

No

If no, please explain in the box below.:

Same concerns as expressed in the previous answer.

A4 Does the authorisation condition, 'Fair Pricing', reflect the policy intent?

No

If no, please explain in the box below.:

The 'Fair Pricing' condition does not fully reflect the policy intent, as it risks imposing rigid pricing structures that could stifle innovation and fail to accommodate the flexible, community-driven approaches used by co-operative and not-for-profit heat networks.

Key concerns:

1. Rigid pricing rules may stifle innovation in heat tariffs

- Heat service providers may offer innovative tariffs that reflect seasonal variations, peak and off-peak usage, or even demand-response mechanisms similar to electricity markets.

- If fair pricing regulation is too prescriptive, it could prevent co-operative networks from experimenting with flexible tariffs that align with local needs and sustainability goals.

2. Lack of proportionality for community-led and not-for-profit networks

- Co-operatives and CIC-led heat networks reinvest surplus into the community rather than seeking profit maximisation, meaning their pricing structures already prioritise fairness.

- Applying the same pricing controls to community networks as to large commercial heat suppliers is unnecessary and could create unintended financial burdens.

3. Potential administrative complexity for small operators

- Fair pricing regulation should ensure consumer protection but not create excessive reporting or compliance costs for small, locally run schemes.

- Co-ops and community-led heat networks already have democratic governance mechanisms to ensure fair pricing—these should be recognised as valid pricing controls rather than imposing external pricing structures.

Recommended changes:

- Allow flexible and innovative tariff structures – Ensure that fair pricing regulation does not restrict innovative heat pricing models, such as time-of-use tariffs or demand-based pricing.

- Introduce proportional pricing regulation – Recognise that co-operative and community-led networks already prioritise fairness in pricing, allowing them greater flexibility in compliance.

- Reduce administrative burden for small operators – Avoid excessive price-setting regulations that could make it harder for small heat networks to manage costs and reinvest in the community.

Without proportionate and flexible regulation, the 'Fair Pricing' condition could reduce innovation, discourage community investment, and unintentionally harm small co-operative heat networks rather than protecting consumers.

A5 Does the authorisation condition, 'Ongoing Fit and Proper Requirement', reflect the policy intent?

No

If no, please explain in the box below.:

The requirement does not differentiate between large commercial operators and small community-led networks. Co-operatives and CICs already have governance structures that ensure responsible management, so additional regulatory burdens may be unnecessary.

A6 Does the authorisation condition, 'Provision of Information and reasoned comments to the Authority', reflect the policy intent?

No

If no, please explain in the box below.:

While transparency is important, the reporting burden on small co-operative networks should be proportionate. Excessive reporting could place unnecessary administrative strain on community-led operators.

A7 Does the authorisation condition, 'Open and Co-operative', reflect the policy intent?

Yes

If no, please explain in the box below.:

Yes - Encouraging heat network operators to work transparently with regulators aligns with co-operative principles and ensures consumer protection. However, flexibility should be maintained for small networks.

A8 Does the authorisation condition, 'Independent Audits', reflect the policy intent?

No

If no, please explain in the box below.:

Requiring independent audits for all networks may impose excessive costs on small, not-for-profit networks. A proportional approach is needed, allowing smaller operators to demonstrate compliance through internal financial oversight.

If no, please explain in the box below.:

Requiring independent audits for all networks may impose excessive costs on small, not-for-profit networks. A proportional approach is needed, allowing smaller operators to demonstrate compliance through internal financial oversight.

A9 Does the authorisation condition, 'Heat Supply Contracts', reflect the policy intent?

No

If no, please explain in the box below.:

Rigid contract structures could limit the flexibility of community heat networks, particularly co-operatives, which often have member-led agreements. The framework should allow alternative governance models to meet compliance requirements.

A10 Does the authorisation condition, 'Contract Changes Information (Notifications of Price Information and Disadvantages Unilateral Variations)', reflect the policy intent?

Yes

If no, please explain in the box below.:

Yes - Customers should receive clear information on contract changes, but small networks should have simplified notification processes to avoid unnecessary administrative burdens.

A11 Does the authorisation condition, 'Complaints', reflect the policy intent?

Yes

If no, please explain in the box below.:

Yes, with reservations: A fair complaints process is necessary, but community-led networks already have internal democratic dispute resolution mechanisms. This should be recognised as an alternative compliance route.

A12 Does the authorisation condition, 'Assistance and Advice Information', reflect the policy intent?

Yes

If no, please explain in the box below.:

Yes - Ensuring consumers have access to support is important, but small co-operative networks should be able to partner with existing advice organisations rather than setting up new structures.

A13 Does the authorisation condition, 'Provision of Billing and Price Transparency Information', reflect the policy intent?

Yes

If no, please explain in the box below.:

Yes - Clear pricing information benefits consumers, but co-operative heat networks already operate transparently through democratic governance. Regulation should avoid excessive administrative burdens.

A14 Does the authorisation condition, 'Back-billing', reflect the policy intent?

No

If no, please explain in the box below.:

Strict back-billing regulations could disproportionately impact small heat networks with limited cash flow. A more flexible framework should be considered for community-led schemes.

A15 Does the authorisation condition, 'Priority Services Register', reflect the policy intent?

Yes

If no, please explain in the box below.:

Yes. Protecting vulnerable consumers is important, but small networks should be allowed to integrate with existing local support schemes rather than creating new administrative structures.

A16 Does the authorisation condition, 'Security Deposits, Payment Difficulties, Direct Debits and Final Bills', reflect the policy intent?

No

If no, please explain in the box below.:

While fair payment terms are essential, rigid enforcement could negatively impact small networks with low operating margins.

A17 Does the authorisation condition, 'Prepayment Meters', reflect the policy intent?

No

If no, please explain in the box below.:

Requiring all networks to support prepayment meters could be an unnecessary financial burden for small operators. Co-operative models should be able to offer alternative fair payment plans.

A18 Does the authorisation condition, 'Self-disconnection', reflect the policy intent?

Yes

If no, please explain in the box below.:

Yes - Support should be provided for consumers at risk of self-disconnection, but small networks should be able to work with local charities or community partners rather than setting up separate intervention programs.

A19 Does the authorisation condition, 'Social Obligations Reporting', reflect the policy intent?

No

If no, please explain in the box below.:

Regular reporting on social obligations may be excessive for small networks, which already prioritise community benefits. Alternative compliance routes should be considered.

A20 Does the authorisation condition, 'Security of Supply', reflect the policy intent?

Yes

If no, please explain in the box below.:

Yes. Maintaining service reliability is essential, but small community-led networks should have flexible risk management plans that align with their resources.

A21 Does the authorisation condition, 'Revocation', reflect the policy intent?

Yes

If no, please explain in the box below.:

Yes. There must be a clear process for revocation in cases of severe mismanagement, but co-operative models should have the ability to transfer ownership within the community rather than immediate revocation.

A22 Does the authorisation condition, 'Application of General Authorisation Conditions', reflect the policy intent?

No

If no, please explain in the box below.:

A one-size-fits-all approach may not be suitable for small, co-operative, and not-for-profit heat networks. A tiered regulatory framework is needed.

A23 Does the authorisation condition, 'Definitions', reflect the policy intent?

No

If no, please explain in the box below.:

The current definitions lack clarity on not-for-profit models, co-operatives, and community-run networks. A clearer distinction is needed to ensure proportional regulation.