

Research Briefing

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Heat networks and energy prices



Summary

- 1 What is a heat network?
- 2 How are heat networks regulated?
- 3 Heat networks and the energy price cap
- 4 The impact of recent energy price rises on heat network customers
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Summary

Heat networks distribute heat from a centralised heat source (such as a single, central boiler) directly to homes and other buildings. Heat networks are generally efficient ways of delivering heat, as they benefit from large scale heat generation and can use waste heat resources.

Communal heat networks heat two or more dwellings within one building (such as flats), while district heat networks connect multiple buildings.

There are [14,000 heat networks in Great Britain, serving around 500,000 customers](#).

Heat networks can reduce the greenhouse gas emissions of heating, and the costs of heating for end users. The Government is exploring ways to expand the use of heat networks in future, to help deliver the UK's 'net zero' target.

Existing regulation

The devolution of heat policy and heat network regulation across the UK is complex:

- In Scotland heat policy is devolved, but consumer protection is reserved to the UK Parliament;
- In Wales heat networks (and schemes to facilitate or incentivise them) are devolved, but regulation of heat networks is reserved to the UK Parliament;
- In Northern Ireland both consumer protection and regulation of heat networks are devolved to the Northern Ireland Assembly.

This research briefing focuses on arrangements for heat networks in Great Britain.

Unlike gas and electricity, heat networks do not currently have an official regulator in Great Britain. This means that while the supply of gas to a heat network is regulated, the supply of heat from the network to homes is not.

The [Heat Network \(Metering and Billing\) Regulations 2014](#) require that where cost effective and technically feasible, heat network suppliers must provide individual meters to heat network customers, and provide them with bills based on the meter readings.

The [Heat Networks \(Scotland\) Act 2021](#) aims to encourage greater use of heat networks in Scotland by providing targets, rules and regulations on them.

Energy price cap

The energy price cap (also known as the [Default Tariff Cap](#)) sets a price limit on default tariffs for domestic supplies of electricity and gas.

The cap rose by 54% on 1 April 2022, increasing the average annual domestic energy bill to around £2,000. It is forecast to rise by a further 30 to 50% in October 2022.

Most heat network customers are not protected by the cap, since the supply of gas to heat networks is commonly classed as “non-domestic”. This is because the heat network operator purchases gas and then converts this to heat, before selling the heat on to households, often on a commercial basis.

Heat networks operated on a not-for-profit basis can be classed as domestic supply (and so covered by cap), under certain circumstances.

The impact of energy price rises on heat network customers

Since late 2021 energy prices have risen substantially. Heat network operators who have renewed their commercial gas contracts since the autumn have seen large price increases, which they are passing onto customers. According to Heat Trust (a consumer protection scheme), [consumers and landlords have reported heat network price rises of up to 700%](#).

The Government has said that [price rises on larger district heat networks are “broadly in line” with the energy price cap](#), but noted that larger increases have been seen on smaller communal heat networks.

In response to the price rises, there have been calls in Parliament, and elsewhere, for the Government to introduce price protections for heat network customers.

Proposals to regulate heat networks

[The Government has said it wants “heat network consumer to have comparable levels of service and protection to those using electricity and gas”](#).

Following the recommendations of the Competition and Market Authority’s (CMA’s) 2018 [Heat Network Markets Study](#), the Government has developed [proposals to regulate the heat networks sector](#). These include appointing

Ofgem as the regulator, and granting it new powers to regulate heat network prices.

Under the proposals the Government does not intend to introduce a price cap for heat networks currently, but it plans for the Secretary of State to have powers to introduce pricing regulation in the future.

[The Government has committed to introducing legislation to regulate heat networks during this Parliament.](#)

Support for constituents

Making a complaint

Customers who believe they have been unfairly treated by their heat network provider should complain to their provider in the first instance.

Heat network customers can access the [Energy Ombudsman](#) for complaints if their heat network provider is signed up to [Heat Trust](#), a voluntary consumer protection scheme.

In certain circumstances, heat network customers may be able to make a complaint through an alternative dispute resolution (ADR), the [Housing Ombudsman](#), or their residents' association.

Help with energy bills

[Heat Trust](#) and [Citizens' Advice](#) have advice for heat network customers who have problems with their energy bills. This includes guidance for customers whose heat network is not registered with Heat Trust.

[Ofgem](#) has advice to help consumers with energy problems more generally.

1 What is a heat network?

Heat networks distribute heat from a centralised heat source (such as a single, central boiler) directly to homes and other buildings. Heat networks are generally efficient ways of delivering heat, as they benefit from large scale heat generation and can use waste heat resources. They can be run on a wide variety of heat sources, for example boilers or heat pumps, and can use a variety of fuels. Communal heat networks heat two or more dwellings within one building (such as flats), while district heat networks connect multiple buildings.

There are 14,000 heat networks in Great Britain, of which approximately 2,000 are district heat networks and 12,000 are communal heat networks. Together these serve around 500,000 customers.¹

The Parliamentary Office of Science and Technology (POST) has published a Note which explains the benefits of heat networks. These include:

- Heat networks can reduce CO2 emissions from buildings by using sources of low carbon heat such as heat pumps or waste heat. Most currently use natural gas.
 - They could technically deliver around 20% of UK heat by 2050, up from 2% today.
- [...]
- On average, customers are as satisfied and have equal or cheaper bills than gas and electric customers, but there have been poor customer experiences in the past.²

In the UK today, heat networks provide only a small proportion of heating, but the Government is exploring ways to expand the use of heat networks in future, to help deliver the UK's 'net zero' target (to reduce greenhouse gas emissions by 100% (compared to 1990 levels) by 2050).³

¹ Department for Business, Energy and Industrial Strategy (DBEIS) Press Release, [UK government announces major expansion of heat networks in latest step to power homes with green energy](#), 29 December 2021

² [Heat Networks](#), Parliament Office of Science and Technology, 29 September 2020

³ [Heat and Buildings Strategy](#), DBEIS, October 2021, p14

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How are heat networks regulated?

The devolution of heat policy and heat network regulation across the UK is complex:

- In Scotland heat policy is devolved, but consumer protection is reserved to the UK Parliament;
- In Wales heat networks (and schemes to facilitate or incentivise them) are devolved, but regulation of heat networks is reserved to the UK Parliament;
- In Northern Ireland both consumer protection and regulation of heat networks are devolved to the Northern Ireland Assembly.⁴

This research briefing focuses on arrangements for heat networks in Great Britain.⁵

Heat networks currently do not have an official regulator in Great Britain. The Office for Gas and Electricity Markets (Ofgem) regulates the supply of electricity and gas, but heat networks are not – at present - within its remit. This means that while the supply of gas to a heat network is regulated, the supply of heat from the heat network to homes is not.

The Government has set out proposals to regulate heat networks (see section 5, p16 for details), including appointing Ofgem as the regulator.⁶ It has said it will introduce legislation for this during this Parliament (i.e. before the next general election).⁷

[Heat Trust](#) is an independent consumer protection scheme for heat networks (see section 6.1, p22). It has published an [overview of general regulations that provide consumer protections for heat network customers](#).⁸

The following sections of this briefing outline existing laws specific to heat networks.

⁴ [Heat networks: building a market framework \[PDF\]](#), DBEIS, 1 June 2020, p16

⁵ Members and their staff can contact the Library directly if they would like further information about arrangements in Northern Ireland.

⁶ [Heat networks: building a market framework](#), DBEIS, 29 December 2021

⁷ DBEIS Press Release, [UK government announces major expansion of heat networks in latest step to power homes with green energy](#), 29 December 2021

⁸ [For customers on heat networks NOT registered with Heat Trust](#), Heat Trust, (accessed 14 April 2022)

2.1

The Heat Network (Metering and Billing) Regulations 2014

[The Heat Network \(Metering and Billing\) Regulations 2014](#) (amended in 2015 and 2020) transposed the requirements of the EU [Energy Efficiency Directive](#) with respect to the supply of distributed heat, cooling and hot water.⁹

The [explanatory memorandum](#) sets out information on the purpose of the regulations. In summary, the regulations require that where cost effective and technically feasible, heat network suppliers must provide individual meters to heat network customers, and provide them with bills based on the meter readings:

Heat suppliers will be required to notify the operation of their district heat network or communal heating to the body authorised as an “authorised person”. We expect the authorised person to be the National Measurement Office. The heat supplier will then have to undertake the mandatory requirements on metering, and carry out a cost-effectiveness and technical viability test on whether individual meters should be installed, or heat cost allocators, thermostatic radiator valves and hot water meters where relevant. Heat suppliers will also be required to provide accurate and transparent billing information where heating or cooling is metered, where it is cost-effective and technically feasible to do so. Heat suppliers will be required to notify the scheme administrator on the status of implementation once these steps have been completed. The requirement to notify and to undertake the necessary cost effectiveness and technical feasibility tests must be repeated every four years.¹⁰

Responding to a parliamentary question on 18 March 2022, the Minister of State for Business, Energy and Clean Growth, Greg Hands MP, said that the Regulations provided some consumer protections:

Until now, there have been no sector specific protections for heat network consumers, unlike for people on other utilities such as gas, electricity or water. However, heat networks consumers have had some protection through The Heat Network Metering and Billing Regulations 2014 (HNMBR). HNMBR 2014 (as amended in 2015 and 2020) contain requirements related to the notification of heat networks and to the metering of heat and cooling as well as billing for customers on heat networks. Heat meters support fair and transparent billing based on actual consumption and can drive energy efficiency savings and cost reductions.¹¹

⁹ [The Heat Network \(Metering and Billing\) Regulation 2014](#), legislation.gov.uk; [Regulations: heat networks \(metering and billing\)](#), DBEIS and Office for Product Safety and Standards, 23 March 2022

¹⁰ [Explanatory Memorandum to the Heat Network \(Metering And Billing\) Regulations 2014](#), Legislation.gov.uk, p3

¹¹ [PQ 137458 \[on District Heating: Regulation\]](#), 9 March 2022

The Government has a [webpage with further guidance on the Heat Networks \(Metering and Billing\) Regulations](#).¹²

2.2 Heat Networks (Scotland) Act 2021

The [Heat Networks \(Scotland\) Act 2021](#) aims to encourage greater use of heat networks in Scotland by providing rules and regulations on them. These include making applications, identifying exemptions, granting licenses and setting up heat network zones. It also set targets for 2.6 Terawatt hours (TWh) (3% of current heat demand) of heat to be supplied by heat networks by 2027, and 6 TWh (8% of current heat demand) by 2030. The Act became law on 30 March 2021.¹³

Following the approval of the Bill by the Scottish Parliament on 23 February 2021, the Scottish Government said:

Scotland is the first country in the UK to legislate to support the growth of heat networks [...]

The Heat Networks (Scotland) Bill creates a new licensing system to drive up standards across the sector, improving consumer confidence. It also creates new rights for heat network developers and operators to level up the playing field with other utilities in order to make investment in the sector more attractive and encourage further growth..

A new consent system will also be introduced to make sure that new networks are developed in areas where they will have most benefit and are tailored to its needs.¹⁴

The Scottish Parliament's webpage [Heat Networks \(Scotland\) Bill](#) has more information on the aims and provisions of the (then) Bill.¹⁵

On 31 March 2022 the Scottish Government published its [Heat Networks Delivery Plan](#). This aims to meet the targets set out by the 2021 Act.¹⁶

On 3 February 2022 the House of Commons BEIS Committee published its report [Decarbonising heat in homes](#). The Committee recommended the UK Government should “consider the Scottish Government’s approach of

¹² [Regulations: heat networks \(metering and billing\)](#), DBEIS and Office for Product Safety and Standards, 23 March 2022

¹³ [Heat Networks \(Scotland\) Act 2021](#), legislation.gov.uk; [Heat Networks \(Scotland\) Bill](#), The Scottish Parliament (accessed 14 April 2022)

¹⁴ Scottish Government Press Release, [New measures to accelerate greener, cheaper heating](#), 23 February 2021

¹⁵ [Heat Networks \(Scotland\) Bill](#), The Scottish Parliament (accessed 14 April 2022)

¹⁶ [Heat networks delivery plan](#), Scottish Government, 31 March 2022

legislation for heat networks”.¹⁷ The Government’s response to the report is awaited.

¹⁷ BEIS Committee, [Decarbonising heat in homes](#), Seventh Report, 3 February 2022, HC1038, 2021-22, para 46

3 Heat networks and the energy price cap

1 The energy price cap (Default Tariff Cap)

The energy price cap (also known as the [Default Tariff Cap](#)) was introduced by the [Domestic Gas and Electricity \(Tariff Cap\) Act 2018](#).¹⁸ It came into force on 1 January 2019.

The cap limits the rates a supplier can charge domestic customers for their default gas and electricity tariffs. These include the standing charge and price per kilowatt-hour (kWh) of electricity and gas.

The Cap was originally intended to end completely in 2020, but Act allows the Government to extend it on an annual basis until 2023 if needed. The Government extended the cap for a year in October 2020 and again October 2021, both on the recommendation of Ofgem because the conditions for effective competition were not yet in place for domestic supply contracts.¹⁹ The [Government has also said it plans](#) to legislate to extend the cap beyond 2023.²⁰

At present Ofgem reviews the levels of the cap twice a year, publishing updates in February and August. However over February and March 2022 it held [a consultation on moving to quarterly updates](#).²¹ It also announced a new [framework to allow adjustments to the price cap in between the usual six-monthly updates](#), under exceptional circumstances.²²

What is the current level of the cap and how is it expected to change?

On 3 February 2022, Ofgem announced [the energy price cap would rise by 54% from 1 April 2022](#).²³ It estimated that as a result, [the average household](#)

¹⁸ [Domestic Gas and Electricity \(Tariff Cap\) Act 2018](#), legislation.gov.uk

¹⁹ [WS HCWS524 Energy Default Tariff \(Price\) Cap Conditions for Effective Competition Decision 2020](#), 20 October 2020; [WS HCWS356 Energy Default Tariff Cap: Effective Competition Decision](#), 29 October 2021

²⁰ [Energy retail market strategy for the 2020s](#), Department of Business, Energy and Industrial Strategy (DBEIS), 23 July 2021, p14

²¹ [Consultation on Medium Term Changes to the Price Cap Methodology](#), Ofgem, 4 February 2022

²² [Price Cap – Decision on the process for updating the Default Tariff Cap methodology and setting maximum charges](#), Ofgem, 4 February 2022

²³ Ofgem Press Release, [Price cap to increase by £693 from April](#), 3 February 2022

[annual energy bill would rise to between £1,971 and £2,100](#) (dependent on the customer's payment method).²⁴

Energy prices have continued to rise since Ofgem's announcement, particularly after Russia invaded Ukraine. This has led to speculation about the possible increase in the price cap in October 2022. Forecast increases vary from 30 to 50%.²⁵ The [Office for Budget Responsibility has said that, based on current data, their forecasts assume it will rise by 40% to around £2,800](#).²⁶

As noted in Box 1, the energy price cap limits the rates that energy suppliers can charge for the supply of gas and electricity only. It does not limit the rates that a supplier can charge for the supply of heat.

Further, the energy price cap only protects domestic energy supplies. However, the supply of gas to heat networks is commonly classified as “non-domestic”, because the heat network operator purchases gas and then converts this to heat, before selling the heat on to households (often on a commercial basis). Correspondence from Ofgem to the Library explains the rationale for this in more detail:

The Default Tariff Act requires Ofgem, as the gas and electricity markets regulator, to put licence conditions in place for a cap on domestic standard variable (SVT) and default gas and electricity tariffs. District or communal heating systems typically buy their energy through commercial contracts. All commercial contracts, and those domestic tariffs which are not SVT or default, are not covered by the price cap.

Based on the licence conditions and guidance specified, any contracts agreed by commercial parties (eg private managing agent or ESCO [energy service company]) for the supply of gas to create heat, are not classified as Domestic as they do not satisfy criteria C and D set out in [an Ofgem decision letter on the classification of premises from 2012](#).²⁷

The 2012 decision letter defines a domestic customer as one where:

- a) the gas is supplied to the relevant premises by a single meter point;
- b) the supply of gas to the relevant premises is for wholly or mainly domestic use;
- c) the owners and/or tenants of the relevant premises have direct control over the entity that enters into a Contract with the licensee for the supply of gas; and
- d) the agreement between the entity that enters into a Contract with the licensee for the supply of gas to the relevant premises and any other person for the provision of gas at that premises is not commercial in nature.²⁸

²⁴ [Default tariff cap update from 1 April 2022 \[PDF\]](#), Ofgem, 3 February 2022

²⁵ See the Library briefing [Domestic energy prices](#) (5 April 2022) for an overview of forecast increases.

²⁶ Office for Budget Responsibility, [Economic and fiscal outlook – March 2022](#) (Section 2.24)

²⁷ Email from Ofgem to House of Commons Library, 24 January 2022

²⁸ [Decision letter: Classification of premises for the purposes of the standard conditions of the gas supply licence](#), Ofgem, 20 March 2012

Ofgem also said that heat networks operated on a not-for-profit basis can be classed as domestic supply (and so covered by the energy price cap) under specific circumstances:

In our 2011 consultation in relation to SLC 6 [[Open letter: Classification of premises for the purposes of the standard conditions of gas supply licence | Ofgem](#)] we stated that non-profit making entities that purchase gas for heat generation could be classed as domestic supply if they met the criteria set out. However, for the price cap to apply, the consumer needs to be on an SVT or default tariff.²⁹

²⁹ Email from Ofgem to House of Commons Library, 24 January 2022

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The impact of recent energy price rises on heat network customers

Since late 2021, energy prices have risen dramatically. News stories from early 2022 suggested that 500,000 customers may not be protected by the energy price cap because they live in developments served by heat networks.³⁰

On 1 April 2022 Heat Trust said that [consumers and landlords are already reporting heat network price rises of up to 700%](#).³¹ It explained:

The wholesale gas price, which until last autumn had averaged around 1.5p/kWh for decades, peaked at 27p/kWh at the start of March and has averaged around 10p/kWh in recent weeks. This means that when heating operators renew their commercial gas contracts, they are seeing massive increases, which are often passed straight on to consumers.³²

The Minister, Greg Hands said on 24 March 2022 that price rises across larger district heat networks are “broadly in line” with the increase in the energy price cap, but that rises have been higher on smaller communal networks, due to greater difficulties in purchasing at scale:

Price increases for heat network customers vary depending on the type and owner of the network. Larger district heat networks are able to use their market size to purchase energy at scale and secure cheaper prices.

Whilst the Government does not yet have robust estimates of price increases for heat network consumers, those supplied by district heat networks are seeing price increases broadly in line with increases being seen by customers under the Retail Price Cap. The Government is seeing larger price increases for heat network customers on smaller communal networks where there are greater difficulties in purchasing at scale. These types of networks serve approximately 80,000 domestic consumers (18% of all domestic heat network consumers).³³

³⁰ [Energy bills: 'It's really extraordinarily grim'](#), BBC, 18 February 2022; [PRICED OUT: Flat owners could see energy bills go up 700% because of Ofgem loophole – your rights explained](#), The Sun, 10 February 2022; [Thousands of flat owners hit with bill rises of up to 700 per cent for uncapped heat and electricity](#), The Independent, 8 February 2022 (accessed via Library [Nexis News subscription](#)); [Energy bills: flat dwellers face massive rise despite price cap](#), The Guardian, 15 January 2022

³¹ [As Ofgem's price cap rises, urgent action still needed to protect half a million homes on heat networks](#), Heat Trust, 1 April 2022

³² [As Ofgem's price cap rises, urgent action still needed to protect half a million homes on heat networks](#), Heat Trust, 1 April 2022

³³ [PQ 141192 \[on District Heating: Prices\]](#), 16 March 2022

5 Proposal to regulate heat networks

5.1 The CMA's Heat Networks Market Study (2018)

In 2018 the Competition and Markets Authority (CMA) undertook [a study into the heat networks market](#).³⁴

The [CMA's interim report \[PDF\]](#) (18 May 2018) found that although many customers received comparable costs and quality of service to those on gas and electricity tariffs the market should be regulated, due to the following areas of concern:

- Design and build – some property developers may try to cut the upfront costs of installing a network, resulting in higher ongoing operating costs, usually paid for by customers. Heat networks may also be installed where they are the best way to meet planning requirements, rather than the best solution for customers.
- Monopoly of supply – because customers often have no alternative sources of heat and may be locked into long-term contracts, they cannot hold suppliers to account on price or quality.
- Low transparency – before moving into a property, people often don't know that their energy will be supplied by a heat network and once people are living in the property, customer bills often fail to set out key information.³⁵

The [CMA's final report \[PDF\]](#) (23 July 2018) recommended that once established, the regulator should introduce “consumer protection for all heat network customers so they get the same level of protection as customers in the gas and electricity sectors”.³⁶

The CMA did not recommend an industry-wide price cap for heat networks, because this would be “unsuitable in what is a very diverse sector”.³⁷ It said there was a risk that a price cap could become the default price, which would result in many heat network customers paying higher prices.³⁸ Instead it recommended the regulator should have enforcement powers in case heat network operators do not comply with rules on pricing. It also said it was

³⁴ [Heat networks market study](#), Competition and Markets Authority (CMA), 7 December 2017

³⁵ CMA Press Release, [CMA considers regulation for heat networks](#), 10 May 2018

³⁶ CMA Press Release, [Heat networks must be regulated, CMA study finds](#), 23 July 2018

³⁷ [Heat networks market study: Final report \[PDF\]](#), CMA, 23 July 2018, p13

³⁸ [Heat networks market study: Final report \[PDF\]](#), CMA, 23 July 2018, p84

“feasible that the regulator might need to intervene to reduce prices in limited cases”, if heat network operators charged prices that were too high.³⁹

More broadly, the CMA recommended the regulator:

- addresses low levels of transparency so customers know they are on a heat network and there are clear agreements or contracts between customers and heat network operators
- makes sure customers are aware of what they are paying as this is often unclear
- protects customers from poorly designed, built and operated heat networks by preventing developers from using cheaper options to meet planning regulations that end up being paid for by the customer over the longer-term.⁴⁰

5.2

Government plans to regulate the heat networks market

In February 2020 the Government launched a [Heat networks market framework consultation](#), which sought views on options to regulate heat networks to “protect consumers and ensure fair pricing, while supporting market growth and the development of low-carbon networks”.⁴¹

The Government published its [response \[PDF\]](#) to the consultation on 29 December 2021.⁴² This set out proposals to introduce legislation to regulate the sector, including on price protections (see pp20-23). It said the regulations will protect

“all domestic consumers and micro-businesses [...] regardless of whether they are supplied by a small communal network (serving one building) or large district network (serving multiple buildings)”.⁴³

It also said the Government would consider whether certain small and medium enterprises (SMEs) should also be protected.⁴⁴

³⁹ [Heat networks market study: Final report \[PDF\]](#), CMA, 23 July 2018, p13

⁴⁰ CMA Press Release, [Heat networks must be regulated. CMA study finds](#), 23 July 2018

⁴¹ [Heat networks: building a market framework](#), DBEIS, 6 February 2021 (updated 29 December 2021)

⁴² [Heat networks: building a market framework](#), DBEIS, 6 February 2021 (updated 29 December 2021)

⁴³ [Heat Networks: Building a Market Framework: Government Response \[PDF\]](#), DBEIS, 29 December 2021, p21

⁴⁴ [Heat Networks: Building a Market Framework: Government Response \[PDF\]](#), DBEIS, 29 December 2021, p22

The response confirmed that Ofgem will be the heat networks regulator, Citizens Advice will be the consumer advocacy body, and the Energy Ombudsman provide an independent ombudsman service.⁴⁵

Price protections

The [Government's response to the heat networks market framework consultation \[PDF\]](#) set out proposed powers for Ofgem on consumer price protections:

we still propose for Ofgem to have powers to mandate and enforce price transparency and introduce rules or guidance on cost allocation. Ofgem will have data collection powers and powers to conduct investigations into heat networks where prices for consumers appear to be disproportionately high compared to a range of analysis and benchmarks. Ofgem will also have powers to introduce rules and/or guidance on fair and consistent pricing, powers to take enforcement action against disproportionately high pricing, and the ability to set price comparison and benchmarking methodologies.⁴⁶

It said did not intend to introduce price caps “currently”, but that it planned for the Secretary of State to have powers to introduce pricing regulation in the future:

we currently do not intend to introduce price caps or direct profit regulation given that the nascent state of the heat networks market will require flexible business and tariff models to encourage investment and growth. However, we intend for the Secretary of State to hold powers to allow the regulator to introduce pricing regulation in future should there be evidence of widespread consumer detriment, or as a mechanism to incentivise innovation to reduce costs and encourage growth in a more mature market.⁴⁷

Timeframe for legislation

In the press release accompanying its heat networks market framework consultation response, the Government said it is committed to introducing legislation to regulate heat networks within this Parliament (ie before the next general election).⁴⁸ It restated this intention in response to a parliamentary question on 24 March 2022.⁴⁹

⁴⁵ [Heat Networks: Building a Market Framework: Government Response \[PDF\]](#), DBEIS, 29 December 2021, pp5-6

⁴⁶ [Heat Networks: Building a Market Framework: Government Response \[PDF\]](#), DBEIS, 29 December 2021, p44

⁴⁷ [Heat Networks: Building a Market Framework: Government Response \[PDF\]](#), DBEIS, 29 December 2021, p44

⁴⁸ DBEIS Press Release, [UK government announces major expansion of heat networks in latest step to power homes with green energy](#), 29 December 2021

⁴⁹ [PQ 141192 \[on District Heating: Prices\]](#), 16 March 2022

Responding to the publication of the consultation response, Heat Trust said “[l]egislation to protect consumers is essential and overdue”.⁵⁰ It called for the legislation be introduced in the next parliamentary session.⁵¹

On 3 February 2022 the BEIS Committee published its report [Decarbonising heat in homes](#). The Committee recommended that Government “urgently give Ofgem the mandate and resources to expand and enforce consumer protections in the heat network market”.⁵² The Government’s response to the report is awaited.

Recovering the costs of heat networks regulation

The Government held a [consultation on recovering the costs of heat networks regulation](#) from 29 December 2021 to 16 February 2022. Options included:

- spreading the cost across heat network consumers’ bills (expected to add around £10.30 to heat network bills per year);
- spreading the cost over all heat network, gas, and electricity consumers (expected to add around £1.40 to heat network bills and £0.10 to gas and electricity bills); and
- for the Government to part-fund the regulation (expected to add £1.30 to heat network bills only).⁵³

The Government has not yet responded to the consultation.

5.3

Calls to introduce price protections for heat network customers

As a result of price rises since summer 2021, there have been calls for the Government to introduce protections for heat network customers:

- [Heat Trust](#) has called for the Government to ensure “heat network operators and their consumers receive government support to ensure that their bills rise no faster than those of domestic gas customers”;⁵⁴
- [Ginger Energy](#), a heat network billing company, has called for Ofgem to review the energy price cap, including the classification of domestic customers, so that heat networks can be included.⁵⁵

⁵⁰ Heat Trust Press Release, [Heat Trust response to government announcement on heat network regulation](#), 30 December 2021

⁵¹ The next Parliamentary session will begin with the State Opening of Parliament, on 10 May 2022

⁵² BEIS Committee, [Decarbonising heat in homes](#), Seventh Report, 3 February 2022, HC1038, 2021-22, para 45

⁵³ [Recovering the costs of heat networks regulation](#), DBEIS, 29 December 2021, pp10-11

⁵⁴ [As Ofgem’s price cap rises, urgent action still needed to protect half a million homes on heat networks](#), Heat Trust, 1 April 2022

⁵⁵ [The energy price cap system is broken – call to end injustice for hundreds of thousands of UK consumers](#), Ginger Energy, 18 January 2022

The issue was raised several times in Parliament in the first quarter of 2022.⁵⁶ A Westminster Hall debate on “the energy price cap and residential buildings with communal heating systems” has been scheduled for 20 April 2022.

Responding to a parliamentary question on 15 March, Greg Hands said that previously heat networks had been “more cost effective” for consumers.⁵⁷ He said that under the Government’s plans to regulate the heat networks sector (see section 5, p16), Ofgem will be granted new powers to regulate heat network prices:

Communal heating systems which purchase gas at commercial rates whilst supplying heating to domestic consumers were previously more cost effective for consumers, as commercial purchase rates tended to be lower than domestic ones. Unfortunately, it does mean that these consumers do sit outside the Ofgem price cap.

The Government is committed to ensuring heat network consumers receive a fair price for their heating [...] Ofgem will be granted new powers to regulate prices as a matter of priority. Among the new powers granted, Ofgem will be able to investigate and intervene on networks where prices for consumers appear to be disproportionate compared with systems with similar characteristics, or if prices are significantly higher than those consumers would expect to pay if they were served by an alternative heating system.⁵⁸

Elliot Colburn MP called for the energy price cap to be applied to heat networks in his adjournment debate on [Sutton Decentralised Energy Network](#) on 4 February 2022.⁵⁹ The Parliamentary Under Secretary of State (Minister for Small Business, Consumers and Labour Markets) Paul Scully MP responded to reaffirm the Government’s intention to regulate further and to appoint Ofgem as the heat networks regulator:

the 2018 report from the Competition and Markets Authority [...] showed that a significant minority of heat network consumers experienced high prices, frequent outages and a lack of transparency. We committed to the CMA’s recommendation of regulating the market, consulted on establishing a heat networks market framework and in December published the Government response to the consultation in which we confirmed that we would appoint Ofgem as the heat networks regulator.

[...] We want heat network consumers to have comparable levels of service and protection to those using electricity and gas.

As part of the market framework, we will introduce quality of service standards requiring notification periods for planned outages and compensation for all outages. Consumers will have access to an independent redress scheme and a consumer advocacy body, which will provide a consumer helpline and priority services for consumers in vulnerable circumstances. The regulator will have powers to enforce price transparency, introduce guidance on fair pricing, set

⁵⁶ See for example: [HC Deb 31 March 2022 c1024-1025](#); [PQ 144992 \[on Heating: Regulation\]](#), 22 March 2022; [HC Deb 15 March 2022 c759](#); [PQ 137458 \[on Heating: Regulation\]](#) 9 March 2022; [PQ 125465 \[on Energy: Prices\]](#) 18 February 2022; [PQ 101848 \[on Energy: Prices\]](#) 12 January 2022

⁵⁷ [PQ 135501 \[on Natural Gas: Leasehold\]](#), 7 March 2022

⁵⁸ [PQ 135501 \[on Natural Gas: Leasehold\]](#), 7 March 2022

⁵⁹ [HC Deb 4 February 2022 c656](#)

requirements on cost allocation, and conduct investigations into heat networks where prices are disproportionately high.⁶⁰

⁶⁰ [HC Deb 4 February 2022 c657](#)

6 Support for constituents

6.1 Heat Trust

[Heat Trust](#) is an independent, non-profit consumer champion for heat networks, to which heat network providers can sign up voluntarily. The scheme sets out a common standard in the quality and level of customer service that heat suppliers should provide their customers. It also gives customers access to the Energy Ombudsman for complaints.⁶¹

Heat Trust was set up in 2015 following pressure from consumer groups. As of 24 August 2021, it covered over 11% of residential and micro-business heat network customers in Great Britain.⁶²

Customers can [check to see whether their heat network is registered](#) with Heat Trust on its website.

Heat Trust's website has [advice on consumer protections for heat network customers](#). This includes guidance for:

- Customers whose heat network is registered with Heat Trust;
- Customers whose heat network is NOT registered with Heat Trust, and;
- Those who are considering moving into a property on a heat network.

6.2 Making a complaint

If heat network customers believe they have been unfairly treated and they cannot settle the issue directly with their supplier, and if their heat network is registered with Heat Trust, they can escalate the complaint to Energy Ombudsman. The Ombudsman will independently assess the case and come to a decision. More information on this service is available from the [Energy Ombudsman website](#).

Customers can also ask their heat network supplier whether they use an alternative dispute resolution (ADR) service, and so, they can make a complaint through the ADR provider. Alternatively, it may be possible to raise the problem with the [Housing Ombudsman](#), or with the customers' residents' association if one exists for their building.

⁶¹ [About Heat Trust](#), Heat Trust, accessed 19 April 2022

⁶² [Heat Trust Annual Report: Findings from year five: 2020 \[PDF\]](#), Heat Trust, 24 August 2021, p3

More generally, if customers are not satisfied with how they have been treated by their energy provider, Ofgem recommends that in the first instance they contact the energy company directly. Ofgem has a webpage “[Complain about your gas or electricity bill supplier](#)” that may be of interest.

6.3 Help with energy bills

The following may be helpful to advise constituents on heat networks with their energy bills:

- [Citizens Advice](#) is a free and impartial advice service who can provide advice on dealing with consumer issues. Its webpage [If your home is on a heat network](#) has advice for existing and prospective heat network customers, including those who think they have been billed incorrectly, who are struggling with bills or who wish to make a complaint.
- Citizens Advice also has more general advice for energy consumers. Its webpage [Your energy supply](#) has links to guidance on dealing with a wide range of problems, including on [What to do if your struggling with your energy bills](#), and [grants and benefits to help with bills](#).
- Ofgem’s webpage [Energy advice for households](#) also to links to advice on various energy issues, including [getting help if you can’t afford your energy bills](#) and [Check if the energy price cap affects you](#).

7

Further information

The following Library briefings provide further information on related issues:

Energy prices

- [Domestic energy prices](#): Household energy bills are due to rise by 50% in April 2022 and are likely to rise again in October. This briefing looks at how prices have changed and why.
- [The energy price crunch](#): This sets out the background to rising prices.

Energy price cap and support with energy bills

- [Energy price rises and the Energy Bills Rebate](#): This summarises the recent increase in the energy price cap, and the Government's support package to help households with energy bills
- [Energy bills and tariff caps](#) (6 August 2021): This provides a summary of the UK energy market, a breakdown of the components of energy bills, and details of concerns and reforms in the market, including the energy price cap.
- [The Domestic Gas and Electricity \(Tariff Cap\) Act 2018](#): This provides background on the energy price cap and the Act.
- [Help with heating and energy efficiency](#) (1 October 2019): This casework article describes support schemes available for energy efficiency and domestic generation of heat and power which constituents may be able to access, and links to further advice.
- [Help with Energy Bills](#) (27 March 2019): This includes advice on financial payments available to help with energy bills, grants to assist with installing energy efficiency measures, switching energy suppliers, and organisations able to provide further advice.

Heat networks

- [District Heat Networks](#): This provides background on heat networks and an overview of Government policy for these.
- [Parliamentary Office of Science and Technology \(POST\) Note on Heat networks](#): This has background information on issues including heat network technology, the development of new networks, user experience of heat networks, and attracting investment to heat networks.

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