Changing Landscape for Electrifying Heat Webinar

Frequently Asked Questions

POWER ON

Q Have the £/kW figures been set at a level that smaller energy centre operators can realistically achieve, or will this favour larger ESCOs with more buying power?

A Ofgem hasn't set any specific £/kW figures. Instead, the fair pricing consultation focuses on clear pricing principles to make sure charges are fair, transparent and justifiable.

This means both smaller operators and larger ESCOs will need to show that their prices are cost-reflective and reasonable - rather than meet a fixed tariff. It's designed to ensure fair outcomes for customers, not to give an advantage to any one type of operator.

Q Do these regulations apply to a standalone building with a communal heat network serving multiple apartments but no connection to other buildings?

A Yes, the regulations apply to both communal and district heat networks.

Q What happens if I don't register on time?

A If you don't register by the deadline, you could lose your authorisation, which means you wouldn't be able to legally operate a heat network or supply heat to customers.

To carry out either of these activities, you must first receive authorisation from Ofgem.

Q Are there any plans to bring in a price cap at some point in the future, similar to domestic gas and electricity?

A There are currently no plans to introduce a price cap, and government has said this isn't something they intend to bring in - at least not until the sector has matured further or there's clear evidence that it's needed. That said, there are powers in place to allow a price cap to be introduced in the future, similar to what exists for gas and electricity, if it ever becomes necessary.

Q Does Ofgem know how many heat networks are currently in operation?

A The data is a little out of date, but it's estimated there are around 14,000 heat networks in the market. This figure comes from the CMA's 2018 report, so the actual number is likely to be higher today.

Q How does this apply to developments where the ESCO provides a bulk supply to plots within a development, meaning the heat supply roles and responsibilities are shared between the ESCO and the developer?

A As Stephen Knight explained during the webinar, in this scenario the ESCO is the upstream operator of the heat network. They supply heat downstream - for example, to a communal network - which then provides heat to end consumers. Because of this role, the ESCO is both a supplier and an operator under the regulations and would be responsible for authorisation.

Q Where a localised heat network is proposed - for example, directly between two complementary building owners, where waste heat is offered at no charge and with no guaranteed supply - will they still need to be authorised under the new regulations?

A Yes - based on what you've described, this would still fall under the definition of a heat network. Under the Energy Act 2023, a heat network is defined as:

> **"a network that, by distributing a liquid or a gas, enables the transfer of thermal energy for the purpose of supplying heating, cooling or hot water to a building or persons in that building (and includes any appliance the main purpose of which is to heat or cool the liquid or gas)."**

The regulations are technology agnostic - they don't define or limit the heat source. So even where the heat is provided at no cost and with no guarantee of supply, authorisation would still be required.

Q Will heat networks have to comply with authorisation from day one, and what is the transition period?

A Yes - authorisation conditions will start from 27 January 2026, although not all conditions will apply immediately. Some will be phased in over time.

Ofgem has made it clear that enforcement won't begin until 2027, giving operators time to adjust. However, if a complaint is made and a breach is found, the Energy Ombudsman will still be able to step in during this period.

Q Can you have more than one heat network zone developer in a zone?

A Yes - Department for Energy Security and Net Zero (DESNZ) has hinted that this may be possible, particularly in larger zones. However, there hasn't been final confirmation yet, and further detail on how this would work in practice is still to come.

Q How will Ofgem's regulations deal with the different types of heat networks, in terms of size and business model?

A There will be segmentation within the regulations, but the intention is for the provisions to apply as broadly as possible across the market, so all consumers can expect the same high level of service and protection.

For larger district networks, there will be a single nominated point of contact (operator led) - typically the district level network - which will be responsible for collecting the information required by Ofgem from all connected communal networks. Those communal networks will be obliged to provide this information, but they'll have less direct interaction with Ofgem, which helps to reduce the administrative burden on smaller operators.

Q What happens if we are developing in a zone but the appointed heat network developer cannot provide a connection when we need it?

A Within zones, any new development must be designed to be "heat network ready." This means buildings should be built with the necessary infrastructure in place so they can connect to the heat network once a connection becomes available, even if it's not ready at the point of construction.

Q How will Ofgem's regulations deal with the different types of heat networks, in terms of size and business model?

A As mentioned above, there is segmentation proposed in the consultations. For example, not-for-profit operators will be exempt from profitability investigations, but they will still need to meet fair pricing and quality of service obligations to make sure this isn't used as an excuse for poor service.

Overall, most requirements - as far as practicable - are expected to apply broadly across the sector to ensure consistent protections for consumers.