

The Future of Heat Networks

A Developer's Guide to Upcoming Regulation

The UK's heat network sector is on the cusp of major change.

From January 2026, the sector will become formally regulated under Ofgem. New technical standards and consumer protections will be introduced. Some areas will be legally required to connect to a heat network. And from 2028, new homes will need to meet the Future Homes Standard - which essentially means no more gas boilers. For developers, housebuilders, and consultants, this brings both challenge and opportunity. The regulatory landscape is evolving - and understanding what's coming will be key to avoiding delays, reducing costs, and designing compliant schemes.

This guide is designed to help you plan with confidence. It explains the key regulatory changes coming between 2025 and 2028, outlines what they mean in practice, and highlights how Power On can help you stay ahead. It also walks through the important milestones to date - providing context for why these changes are happening and how they've been shaped by years of policy development and industry input.



Timeline of Change

2014

- Heat Network Metering and Billing Regulations

2014 – Heat Network Metering and Billing Regulations

This marked the first formal legislation requirements for the heat network sector, detailing requirements to ensure accurate and correct bills, promote greater transparency and fairness, and install reliable meters for consumers.

2015

- Heat Trust Established
- CP1 HN Code of Practice Launched

2018 – The CMA Market Study

The Competition and Markets Authority (CMA) recommended to government that regulation is needed to ensure all heat networks are designed, built and operated to a high standard, and that consumers are provided with equivalent levels of protection as in other regulated utility sectors.

2018

- CMA's market study

2023 – Energy Bill Receives Royal Assent

A key milestone in regulating the heat sector, the Energy Bill established the primary legislation for a regulatory framework for heat networks, including designating Ofgem as the future sector regulator and introducing the concept of heat network zoning.

The Bill introduces provisions to enable secondary legislation to develop the following:

2023

- Energy Bill receives Royal assent

- **Authorisation:** all entities undertaking heat network activity (operation and supply) will be required to attain authorisation from Ofgem. This is covered in more detail later in this guide.
- **Consumer Protections:** measures to protect consumers and enable establishment of future price and minimum service standards.
- **Heat Network Zoning:** will enable areas considered most suited to heat networks to be designated as a zone and place a requirement on certain buildings within that zone to connect to a heat network.

2025

- Introduction of the Heat Network (Market Framework) (Great Britain) Regulations
- Consumer advocacy & Redress Schemes commences
- Heat Network Zoning Pilot (opportunity reports) published by DESNZ

2025 – Consumer Advocacy & Redress Scheme Begins

From April 2025, Citizens Advice became the formal consumer advocate for the heat network sector, while the Energy Ombudsman expanded its scope to include heat network redress services.



Two key industry-led schemes that have influenced the development of the Heat Network Market Framework – and were introduced to improve service standards and build the sector’s reputation – are the Heat Trust Scheme and the CP1 Code of Practice.

Heat Trust Scheme

An independent consumer protection scheme for heat networks, designed to give customers equivalent levels of service and protection as those provided in other regulated utilities (such as gas and electricity). Many of its provisions have directly informed the development of the new regulatory framework. As a result, heat networks that are already members of the Heat Trust are well placed to ensure compliance with their future regulatory obligations and Power On have voluntarily signed up to this scheme.

All of Power On’s heat networks are registered under the Heat Trust Scheme. Power On’s sister company, Metropolitan, was one of the founding members of the Heat Trust Scheme.

CP1 (Code of Practice)

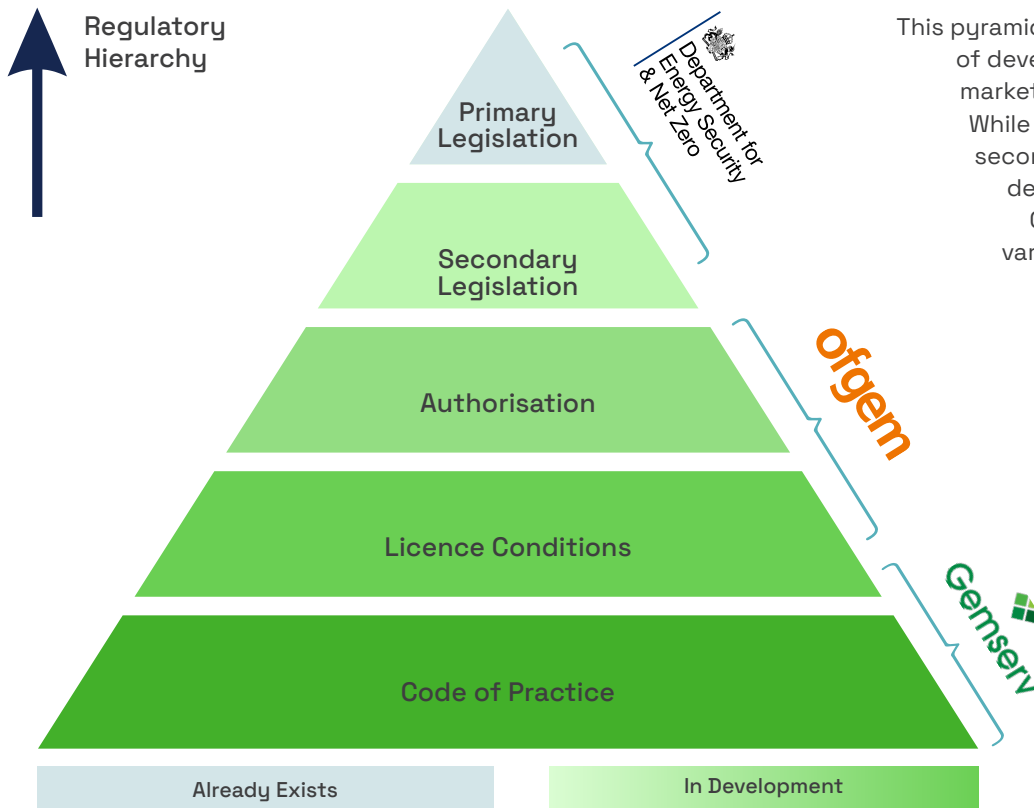
Developed by the industry, CP1 is now a recognised standard providing guidance on the design, construction, commissioning, operation and maintenance of heat networks. It’s core aim is to improve the sector’s reputation by increasing efficiency, reliability and sustainability. The CP1 framework has also been used as the foundation for the forthcoming Heat Network Technical Assurance Scheme (HNTAS), which will introduce further technical regulatory requirements. As such, heat networks that are already CP1-compliant will be strongly positioned to meet the future HNTAS technical requirements.

All of Power On’s schemes are CP1 compliant.





Understanding the Incoming Regulatory Framework



This pyramid illustrates the current stage of development of the heat network market framework (as of July 2025). While primary legislation is in place, secondary Legislation is still under development. As such, although Government has consulted on various provisions e.g. consumer protections, authorisation, pricing, and zoning, it has yet to issue formal conclusions to inform secondary legislation in these areas.

Ofgem Regulation (from January 2026)

The current expectations are that from 27 January 2026, heat networks will become a regulated utility under Ofgem. This will be followed by a transition period of 12-months. This change will bring the sector in line with electricity and gas – introducing formal oversight, protections, and minimum standards. Key changes include:

Authorisation

From January 2026, all heat network operators and suppliers will require authorisation from Ofgem to allow them to participate in the market.

- Existing heat networks will be automatically authorised but must still register with Ofgem.
- New networks (i.e. any that begin operating after January 2026) will need to apply for and receive authorisation before they can operate.
- Authorisation is granted at entity level (e.g. the company operating the heat network), but each individual heat network scheme must also be registered under that one authorisation.

Authorisation will cover a broad set of obligations, including:

- Standards of conduct
- Guaranteed Standards of Performance
- Pricing Protections
- Billing and Transparency
- Protections for vulnerable consumers
- Financial resilience and step-in provisions
- Technical compliance under the Heat Networks Technical Assurance Scheme

Why this matters for developers

Any **new** heat network that hasn't been 'substantially commercialised' will be required to obtain authorisation from Ofgem.



Licensing

In addition to authorisation, heat network operators will be able to apply for an optional licence. While not mandatory, a licence gives operators certain statutory rights that can support the delivery of infrastructure - similar to those held by other regulated utilities. Notably, operators will not be required to be authorised before obtaining a licence.

A licence may provide:

- Statutory rights to carry out required works in public highways (e.g. excavations and reinstatement)
- Wayleaves and easements for installing and maintaining heat network infrastructure.
- Simplified road and footpath adoption by local authorities

Licenses will generally apply across an operator's activities, rather than being scheme-specific - with the exception of easements, which are tied to specific locations.

Heat Network Zoning (expected from 2026)

Heat network zoning is expected to begin in 2026 and will play a major role in the sector's expansion.

- The Department for Energy Security & Net Zero (DESNZ) will identify areas where heat networks are the most viable that could be designated as a zone, using a national methodology.
- Local authorities will then assess the suitability of the area for zoning and formally designate zones in their areas.
- Local Authorities are also expected to act as Zone Coordinators (ZC).

Pilot projects have already been conducted in several areas to test implementation of zoning, with opportunity reports published by DESZN in March 2025. As of July 2025, we are awaiting the government's formal response to the previous zoning consultation, which concluded in February 2024. This is expected to provide further clarity and final decisions on zoning from Government.

Why this matters for developers

Licensing can remove common infrastructure barriers, helping to streamline delivery on complex or large-scale developments. It's worth checking if your heat infrastructure provider intends to apply for one.

Why this matters for developers

If your development falls within a heat zone, connection won't be optional. This will affect planning, delivery models, and heating strategy - so early understanding is crucial.

Heat Network Technical Assurance Scheme (HNTAS)

HNTAS will introduce a formal set of technical requirements for how heat networks are designed, built and operated.

- **Consultation:** Expected to be released by DESNZ in October 2025
- **Launch:** Anticipated to commence sometime in 2026

Our understanding on how these impacts existing and new heat network schemes are as follows:

Scheme Type	Requirement
New heat networks (no mechanical & engineering (M&E) contractor appointed at the point HNTAS takes effect)	Must demonstrate compliance with HNTAS before starting operation
Existing heat networks (installed from 2014 onwards under the Heat Network Metering and Billing Regulations)	Must ensure compliance within 3-5 years of HNTAS taking effect
Part-built networks (construction started but not fully built before HNTAS starts, with M&E appointed)	Treated as existing and given 3-5 years to comply

Why this matters

The timing of M&E contractor appointment will determine whether your project is treated as new or existing under HNTAS rules - and therefore when compliance must be achieved.



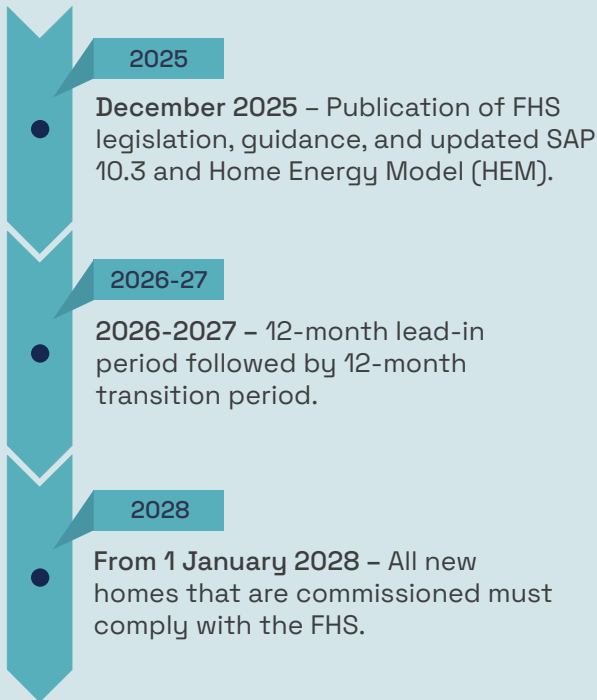
Complementary/Influential Legislation You Should Know About

Alongside the new heat network regulatory framework, there are several other upcoming policies and laws that will shape how heat is delivered in new developments.

Future Homes Standard (FHS)

On 6 June 2025, the Secretary of State for Energy Security and Net Zero announced that the Future Homes Standard – along with supporting documentation and calculation tools – will be laid before Parliament in autumn 2025.

Expected Timeline



What the FHS will do

- Require low-carbon heating systems in all new developments
- Introduce higher efficiency standards for new builds
- Effectively ban gas boilers in new build developments
- Increase electrification of heat provision.

English Devolution & Community Empowerment Bill

This Bill would effectively give mayors and Strategic Authorities (Sas) greater powers over heat networks, which we believe could include:

- Creating and defining heat network zones
- Deciding how these zones operate
- Determining who can operate them within specific SAs

The timeline for the introduction of this Bill is unclear. It had its first reading in Parliament on the 10th July 2025 and the second reading is currently set for the 2nd September 2025, although this is likely to change.

Planning and Infrastructure Bill

Expected to receive Royal assent towards the end of 2025, the Bill has two main purposes:

1. Facilitate the construction of major infrastructure projects
2. Establish new towns

The Bill gives the Development Corporations (DCs) powers to make all strategic decisions on water, electricity, gas, telecommunications, sewerage or other services, including heat networks. It also gives specific permission, via an amendment to the Localism Act 2011, for DCs to own Heat Networks.

Impact on the grid

The move towards electric heating is already creating capacity restraints on upstream networks, particularly for sites using individual Air Source Heat Pumps (ASHPs). Heat networks can reduce these constraints by 30-40% compared to individual ASHPs – helping developers avoid delays from reinforcement works and lowering connection costs.

What Developers Should Be Doing Now

- Check for zoning implications early
- Engage with multi-utility partners as soon as possible
- Choose providers already working to CP1 standards
- Factor the Future Homes Standard into designs to avoid retrofits
- Understand the grid impact of your heating strategy
- Partner with experienced providers who can navigate regulatory change
- Check if your heat network provider is Heat Trust Registered to ensure compliance with consumer protection standards — Metropolitan, part of our wider group, is fully registered and can help guide you through the process

How Power On Can Help

At Power On, we're already working to the standards that future regulation will require.

- CP1-compliant heat network design
- Future-ready infrastructure that aligns with zoning and HNTAS
- Multi-utility delivery including electricity, heat, water, wastewater, and fibre
- Proven experience with low-carbon, large-scale developments

Whether you're building one block or planning a new town, we'll deliver compliant, efficient infrastructure - built to last.

We're not just an Independent Connections Provider (ICP) - we're also an Independent Distribution Network Operator (IDNO), adopting and operating the heat networks we deliver. That means we're invested in building long-term, reliable infrastructure - because we'll be running it for decades to come.

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