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Preparing Your Heat Network Portfolio for Sale

Navigating the New Ofgem Heat Regulation

Electricity Water Wastewater Fibre **Heat** Gas

All Utilities. One Provider.

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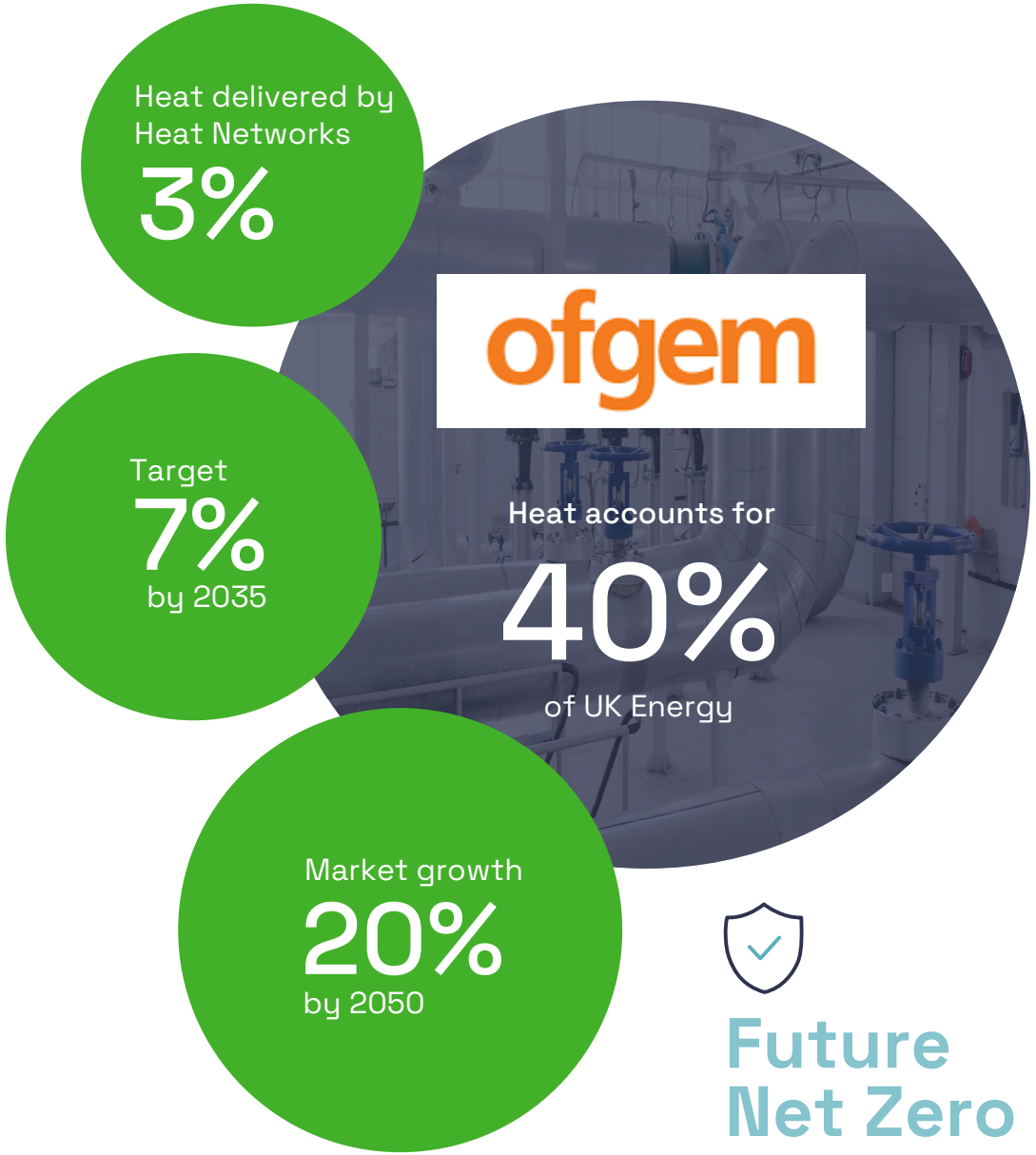
Dawn of a new era?

A Key to Britons Clean Energy Future

- January 27, 2026, Ofgem formally acts as the regulator for heat networks in Great Britain.
- European leaders: Denmark (60%), Sweden (55%) of heat via networks.
- HNTAS – Heat Network Technical Assurance Scheme
- Heat Network Zoning -Secondary Legislation in Spring 2026 (6 advanced, 28 cities)



Future Net Zero

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New way of thinking?

End goal in mind.....

- Before you even start gateway 1 you need to be thinking, who is going to own and operate your heat network at the end

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Webinar Presenters

Meet the panel of experts presenting to you today

Alex Randall
Power On

Business Lead - Sustainable Heat

Hannah Stewart
BUUK

Regulation Policy Manager

Gareth Copeland
Metropolitan

Operations Director

Alistair Moore
Fresh Heat Networks

CIBSE Certified Heat Network Consultant

Louise Singleton
HNES

HNES Programme Manager

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Agenda

- Introduction of the Heat Network Market Framework
- HNES Overview
- Surveying your existing portfolio
- ESCo (Energy Service Company)
- Q&A Panel

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Introduction of the Heat Network Market Framework (HNMF)

Hannah Stewart
Regulation Policy Manager - BUUK

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Introduction of the HNMF

- Formal regulation via the heat network market framework (HNMF) took effect on 27 January.
- During the initial period (until 26 January 2027), Ofgem has indicated it will allow heat network entities a grace period to secure compliance.
- In the initial period, the focus of the framework is on the implementation of consumer protection regulation.

Several areas of the HNMF will not take effect during the initial period

- HN technical assurance scheme (HNTAS)
- Authorisation provisions
- Enforcement provisions
- Profitability analysis
- Benchmarking analysis
- HN Zoning

Registration

- All existing heat network entities will need to register with Ofgem by 26 January 2027.
- Required to ensure individuals with Significant Managerial Responsibility or Influence (SMRI) are ‘fit and proper’.

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Introduction of the HNMF

Much of the focus of the initial stage will be on establishing effective consumer protections

Standards of Conduct

- Behave in a fair, honest, transparent & professional manner
- Provide info that is accurate and not misleading
- Make customer contact easy and act promptly to put things right
- Identify vulnerable customer needs to ensure fair treatment
- Actively engage consumers to understand needs

Supply Contract

- Entities supplying heat, hot water or cooling to a consumer must do so under a heat supply contract

Complaint Handling Procedure

- **Establish** a functioning and appropriate complaint handling procedure in place
- Make consumers aware of the complaint handling procedure not less than annually
- Keep a written, electronic record of complaint data

Billing & Transparency

- Provide bills / billing information that is accurate and based on actual consumption.
- Adhere to the 12 month limit on back-billing

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Introduction of the HNMF

Much of the focus of the initial stage will be on establishing effective consumer protections

Priority Services Register (PSR)

- **E**stablish and maintain a PSR using Ofgem's definition of consumers in vulnerable situations
- Take steps to promote PSR awareness, identify vulnerable consumers and add them to the PSR

Vulnerable Customers

- Actively engage vulnerable consumers and include flags for indicators of payment difficulties
- Provide services including payment plans and prepayment meters

- **Do** not disconnect:
  a) in winter, consumers under 2, over 75, or disabled, terminally ill or chronically sick or
  b) at any time, consumers with medical conditions meaning they need access to a supply of heat or hot water

Involuntary PPM

- **Must not** switch to a prepayment meter (PPM) unless arrangements have been made to ensure it is safe and reasonably practicable

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Introduction of the HNMF

Much of the focus of the initial stage will be on establishing effective consumer protections

Security of Supply

- **E**nsure a reliable supply of heat, cooling or hot water taking steps to minimise outages and disruptions

Fair Pricing

Have regard to the pricing principles:

- Cost reflectivity
- Cost efficiency
- Fair & reasonable returns
- Affordability
- Regulatory control
- Price transparency

- Proactively offer repayment plans appropriate to consumers' ability to pay
- **Do not** pass through guaranteed standards of performance payments (GSoP), compensations, fines, or penalties to customers

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HNES Overview

Alistair Moore, CIBSE Certified Heat Network Consultant - Fresh Heat Networks

Louise Singleton, HNES Programme Manager

Join HNES mailing list

HNES @HNEScheme hnes@gemserv.com

In this section...

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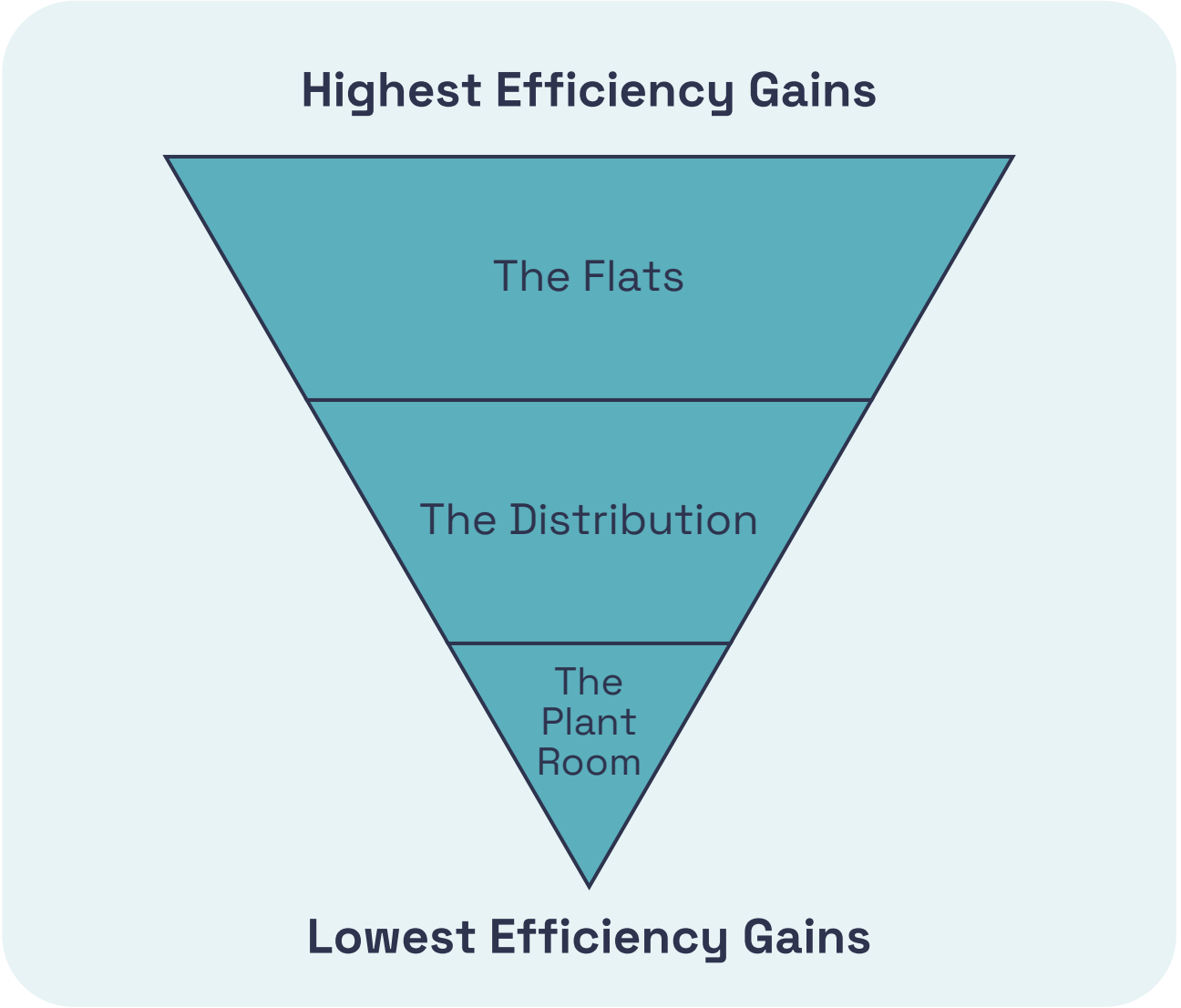
Hierarchy of Heat



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Heat Network Design

01 Base on diversified heating and DHW demand in the ‘zones’

02 Results in primary flow rates and temperature in the Plant Room

03 Just enough supply at the right time to meet demand

04 What happens if I speed it up?

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The Plant Room

What's the key efficiency metric?

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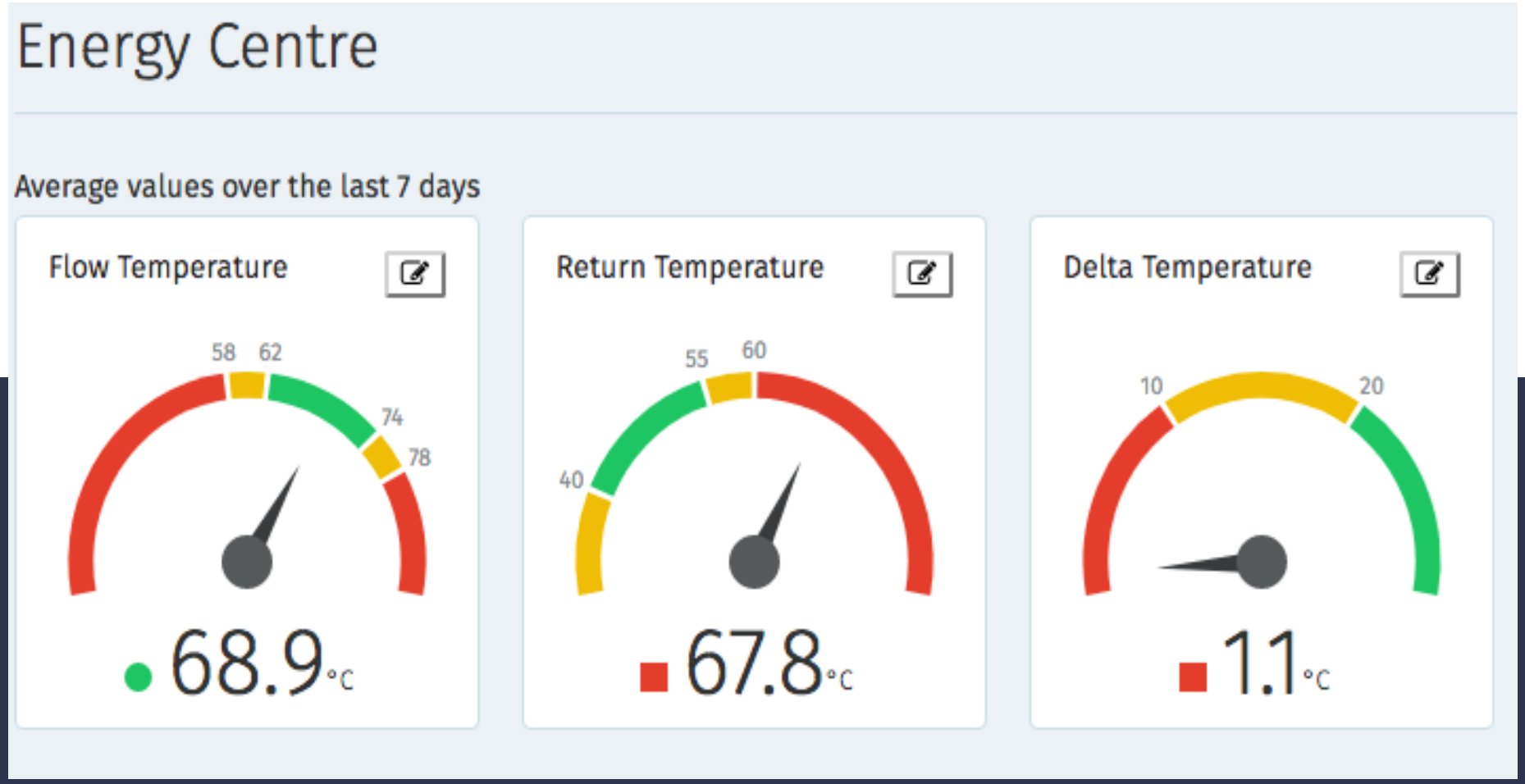
Barriers Plant Room



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HEAT NETWORK EFFICIENCY SCHEME

Department for Energy Security & Net Zero

Aims and Objectives of HNES

01 Reduce carbon emissions by making heat networks more efficient

02 Reduce customer detriment to improve consumer confidence

03 Help prepare the heat network market for sector regulation and technical standards

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HEAT NETWORK EFFICIENCY SCHEME

Department for Energy Security & Net Zero

How much funding is available?

Revenue Grants

Full funding available for procurement or mobilisation of external third-party support to carry out Optimisation Studies.

These studies will assess heat network projects to identify causes of sub-optimal performance and recommend costed intervention or improvement measures

Up to £2m for FY23/24 - 24/25, plus further funding in subsequent years subject to availability

Capital Grants

Part funding
(up to but not including 50%)
available for the delivery (installation) of eligible intervention / improvement measures.

Up to £105m across FY23/24 to FY29/30

- Grant funding must be spent within its allocated financial year
- Match funding does not have to be spent at the same time as grant funding
- Non-Local Authorities must claim the grant retrospectively, providing evidence that the money has been spent before the grant funding can be issued

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HEAT NETWORK EFFICIENCY SCHEME

Department for Energy Security & Net Zero

Capital grants

Eligible costs

Category 1	Category 2	Category 3	Category 4
Energy centre/ plant room	Primary/secondary distribution network	Tertiary network	Metering

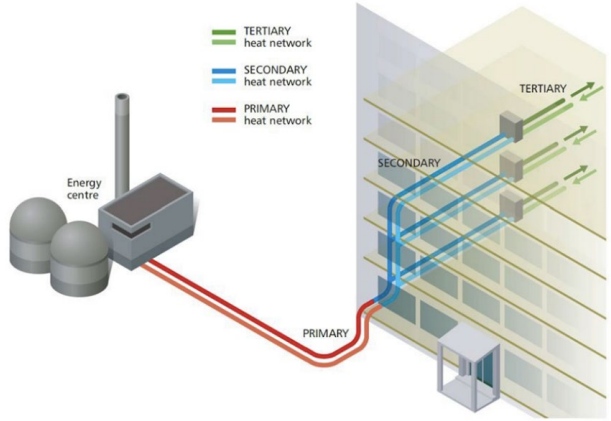

Image: Heat networks CP1: 2020

Ineligible costs

- Any capital costs already **incurred prior** to an HNES award having been made
- Any capital costs **unrelated** to heat network infrastructure, e.g. improvements to building fabric
- Any costs relating to **engagement activities** (e.g. stakeholder management and internal project management)
- Energy centre / plant room – costs for **replacement** of the primary heat generation source and **fuel costs** for temporary energy supply
- Tertiary systems – costs for **buying or replacing pipework and heat emitters** (e.g. radiators) within buildings or dwellings
- Metering – costs for metering that is required under the **HNMBR**

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HEAT NETWORK EFFICIENCY SCHEME

Department for Energy Security & Net Zero

Revenue grants

Eligible costs

Optimisation Studies delivered according to the outline specification provided in Annex A of the Guidance for Applicant document

Ineligible costs

- Work **already commissioned** or incurred before the application
- Internal applicant staffing or secondment staff or charged agencies within applicant organisations, including for **project management** of the third party support/Optimisation Studies.
- **Construction, operation and maintenance** of a heat network

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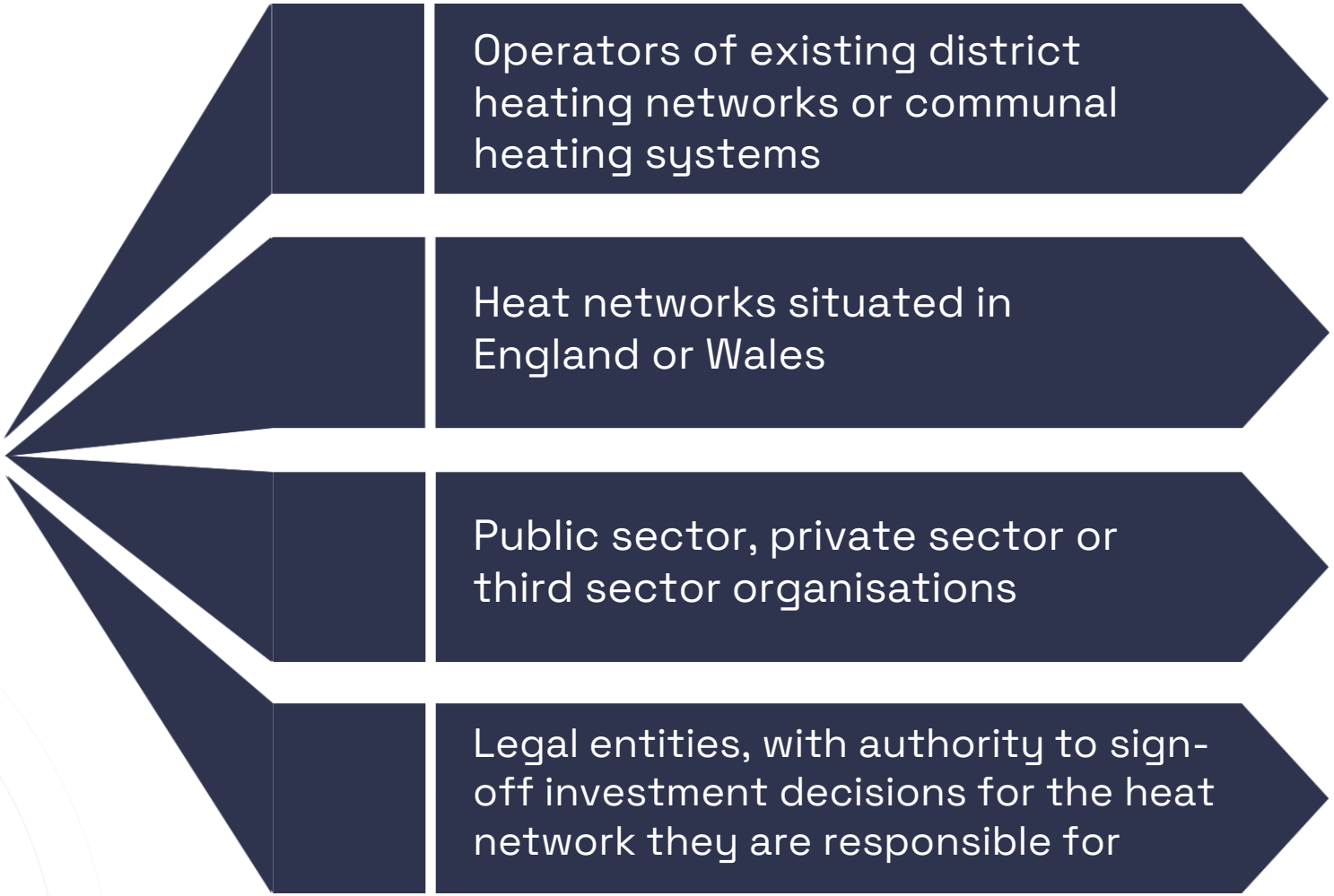
HEAT NETWORK EFFICIENCY SCHEME

Department for Energy Security & Net Zero

Who can apply?



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HEAT NETWORK EFFICIENCY SCHEME

Department for Energy Security & Net Zero

Funding round closing dates

Round	Opening Date	Last Day to Request an Application Form	Closing Date for Applications
Round 12*	Expected to open on 30th March 2026	8th May 2026	Expected to close on 22nd May 2026
Round 13*	August 2026	Two weeks before closing date	October 2026

*subject to budget availability

Guidance for Applicants document can be accessed here

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HNES Funded Projects

Louise Singleton,
HNES Programme Manager

HNES @HNEScheme hnes@gemserv.com

In this section...

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HEAT NETWORK EFFICIENCY SCHEME

Department for Energy Security & Net Zero

What HNES has achieved so far...

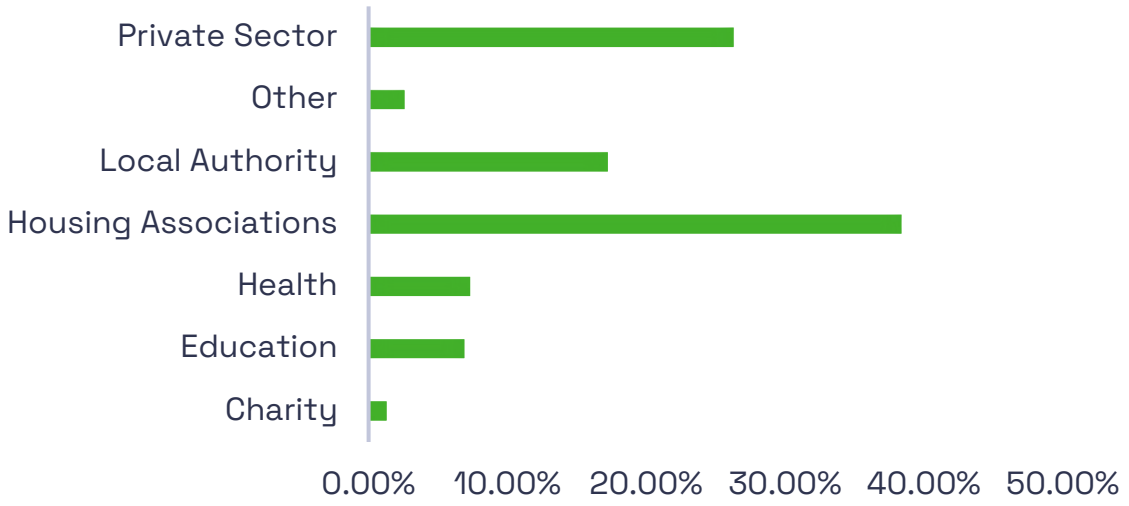
397 Heat network projects funded

Capital and revenue funding awarded **£65.6M**

70,000 Residents benefitting

One-way flights from London to New York worth of carbon emissions saved **106,480** Averaged over 40 years

Percentage Of Funded Sectors



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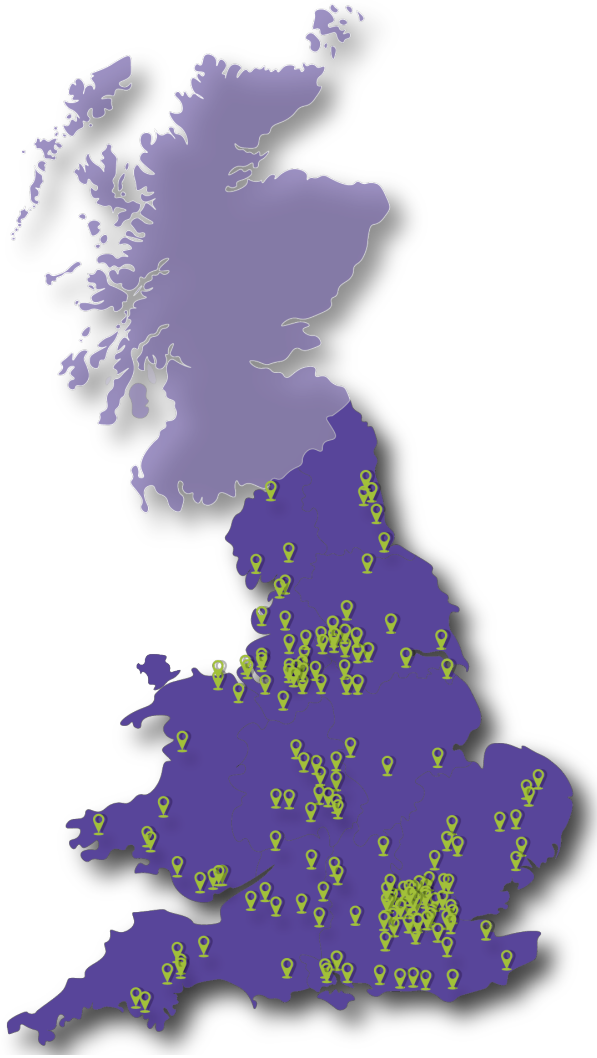
HEAT NETWORK EFFICIENCY SCHEME

Department for Energy Security & Net Zero

What has been funded and where?

Upgrading pipework	Improving insulation
Updating controls	Replacing HIUs
Improving water quality	Reducing leaks



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HEAT NETWORK EFFICIENCY SCHEME

Department for Energy Security & Net Zero

Round 9 Successful Projects

£8.4 million awarded

69 heat networks

Set to benefit 8,200 residents

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Surveying your existing portfolio

Gareth Copland,
Metropolitan

In this section...

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Key considerations

Design Documents

- Copies of all design and as built drawings
- Operating procedures
- Acoustic testing results (ASHP/CHP)
- Cold Plume testing and validation (ASHP)

Asset Data

- Prepare a full asset register including key data points.
- Make – Model – Manufacturer
- Serial Number
- Location
- Installation date
- Commissioning date
- Remaining warranty

Commissioning certification

- Commissioning certification of all major assets
- Asset safety certificates (in date)
- Primary and secondary network pressure testing, flushing and water quality certificates

PPM & Maintenance

- Collate a history of asset PPM via a tracker or current reporting software
- Provision of in date PPM certificates for all major assets
- Maintenance records of all assets
- Operational run time hours and production (elec/heat)

Customer Data

- Plot vs Postal address list
- Priority Service Register
- Customer details and contact information
- Final bill reads
- Data logger/meter software access

Operational performance & Gap Analysis

- Conduct a Meter gap analysis against HNMB regs 2015
- Preferably complete a full HNTAS meter/sensor gap analysis
- Conduct an efficiency review against design criteria

Common causes for delay or decline

- Lack of preparation
- Failure to assign designated project managers to support assessment and handover processes
- Safety critical defects
- Security of supply design issues
- Missing documentation – Poor file naming and organisation
- Variations in design leading to poor network performance
- Poor PPM leading to asset damage or failure

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ESCo (Energy Service Company)

Alex Randall
Power On

In this section...

Selecting the right ESCO Partner

Role of a SECO

The Process

Criteria for reliability, financial resilience, and technical capability

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ESCO Heat Tariffs

And adoption risk

01 ESCO will provide a heat tariff based on an electricity import tariff of XX p/kWh (blended to include all DUoS, TUoS and Metering costs) inline with market prices.

02 Check all charges will be fully inclusive for all maintenance, replacement and emergency call out.

03 Tariffs will be reviewed in line with the maximum heat price formula set by Ofgem.

04 Check Standing Charges will be indexed annually to CPI.

05 ESCO contract can range from 25-40 years, or in perpetuity

06 ESCo should take on the following risks:

- Fuel costs
- Energy market changes (Carbon Price support, Capacity mechanism etc.)
- Carbon emissions taxes (ETS, CCL etc.)
- Lifecycle replacement
- Heating demand
- Occupancy
- Thermal losses
- Security of supply
- Bad debt

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Selecting the Right ESCO Partner: Key Criteria

Financial Resilience & Stability

A partner with a strong balance sheet ensures long-term funding for 25-year lifecycle replacements, preventing "stranded assets" or mid-contract insolvency.

Specialist Technical Capability

Expertise in complex hydraulics and low-carbon tech is vital to prevent "system drift," ensuring the network operates at peak efficiency rather than wasting energy.

Operational Reliability & Response

Robust 24/7 monitoring and local supply chains are essential to guarantee "uptime"; slow repairs during winter create immediate safety risks and resident backlash.

Customer Service & Brand Reputation

As the face of the utility, the ESCO's billing and complaint handling directly reflect on you; poor service leads to disputes that damage your professional standing.

Regulatory & Ofgem Compliance

Your partner must be ready for 2025/26 Ofgem regulation; choosing a non-compliant operator will force a costly and disruptive transition later.

The Bottom Line

A high-performing ESCO turns your heat network into a sustainable asset; a poor one turns it into a reputational liability that makes the network impossible to sell.

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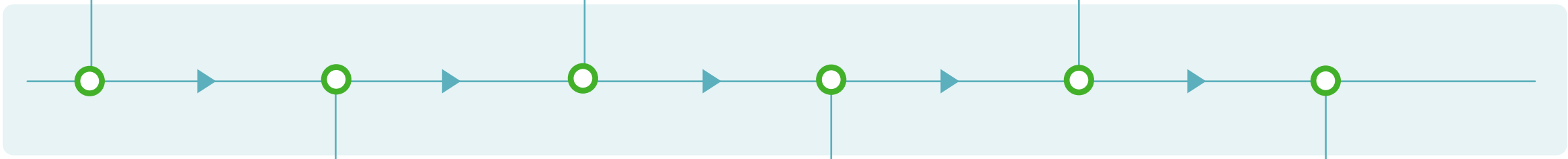
Heat Networks

Regulated from 2026



Professional Audit & Valuation

The current owner (LA/HA) commissions a technical and financial review to determine the "sellable" value and identify any performance gaps.

Market Engagement OR Tender

Formal procurement to select an ESCO partner; evaluating their ability to provide a capital receipt or take over future debt/liabilities.

Commercial Negotiation

Defining the Energy Service Agreement (ESA) terms, focusing on resident protections, price caps, and the final

Financial Close & Sale

The transaction completes: the developer/owner receives the asset value payment or capital contribution, transferring the infrastructure to the ESCO

Technical & Billing Handover

The "switch-over" phase where data, metering, and plant-room control are migrated to the

Operation & Maintenance

The owner moves from "operator" to "supervisor," holding the ESCO to account via KPIs to protect residents and the organisation's reputation

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Q&A

Panel

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