

Heat Networks Regulation: Implementing Consumer Protections Consultation

Citizens Advice response



January 2025

Introduction

Citizens Advice welcomes the opportunity to reply to Ofgem and Department of Energy Security and Net Zero's (DESNZ) joint consultation on implementing consumer protections for heat networks. Citizens Advice has called for Ofgem to regulate the heat networks sector since 2017. In April 2025 we become the statutory advocate for heat networks consumers. We look forward to working collaboratively with Ofgem, DESNZ, Consumer Scotland, the Energy Ombudsman and the heat networks industry as the regulatory system takes effect.

We support most of the proposals set out in this consultation. Essential consumer protections are needed to ensure heat network consumers have better outcomes. Initial regulations are due to come into effect in January 2026, with further measures to follow. Ofgem must ensure heat network consumers see better outcomes as soon as possible. The ongoing cost-of-living crisis means many households face serious challenges in affording their essential bills, and heat network consumers have waited long enough for consumer protections.

The lack of data about the heat networks sector has made the task of developing regulations difficult, as has the complexity and diversity of the market. Estimates of the number of heat network consumers range from 505,000 to almost 1 million.¹ And only 2 large-scale quantitative surveys examining consumer experiences took place in the last decade. This lack of data means Ofgem and DESNZ should err on the side of creating more and stronger protections to support consumers as the market grows.

Key areas where we agree with Ofgem and DESNZ include:

- The introduction of regulation to establish similar consumer protections as in the rest of the energy market. This is a major step-change for the heat networks sector, which has been largely unregulated until now. Citizens Advice welcomes the broad scope of the regulations, including Bulk Supply providers and Small Business Consumers in relevant consumer protections. The monopoly nature of the heat networks market

¹ Department for Energy Security and Net Zero, [Heat Networks registered under the Heat Network \(Metering and Billing\) Regulations statistics: December 2022, 2023](#); Social Market Foundation, [We can't keep heating like this: A fairer deal for heat networks](#), 2023; Heat Trust, [About heat networks and their consumers](#), 2024.

means consumers need further protections where they don't have any choice.

- Heating and hot water are essential to life. We support the introduction of critical protections against disconnection, self-disconnection and the forced installation of prepayment meters (PPMs). These are important measures protecting consumers against significant risks of physical and mental harm. We welcome the requirement for all heat networks to maintain a Priority Services Register to ensure suppliers can get help to the people who most need it.
- We support introducing Standards of Conduct, new standards for complaints handling and redress opportunities for all heat network consumers through the Energy Ombudsman. Consumers have a right to know what they can expect from an essential to life service and be able to hold providers accountable when problems arise.
- We support the requirement for heat networks to accept referrals from third parties, including Citizens Advice. This is an important way for us to support clients in vulnerable circumstances, and there might be less awareness of Citizens Advice amongst the 14,000 heat network operators compared to the c.20 suppliers in the retail market. We also support offering redress for all heat network consumers through the Energy Ombudsman.

Key areas where we call on Ofgem and DESNZ to make bold decisions to protect consumers include:

Vulnerability and disconnection

While the proposed formal protections against disconnection are stronger than in the gas and electricity sector, this won't necessarily lead to better outcomes. This is because in gas and electricity the use of prepayment meters and voluntary action by suppliers have gone further than the rules - virtually eliminating disconnection for debt.

We recommend Ofgem provides heat networks with clear, strong guidance and establishes proactive monitoring to ensure disconnection is a true last resort. We recommend the same for forced PPM installations. Protections against disconnection should always be stronger than protections against the

installation of PPMs, where the latter is possible. This is critical since heating and hot water are essential to life, so cutting off supply can have very serious consequences. We therefore recommend strengthening year-round disconnection rules to protect the most vulnerable consumers. Alongside new rules to require individual metering we expect to see trends in the heat network sector replicate the gas and electricity market where disconnections are now very rare.

We acknowledge that stronger consumer protections against disconnection could raise costs for other heat network users, especially on smaller networks. It's crucial for the government and Ofgem to develop a fair debt management solution to evenly share the costs of bad debt among consumers.

Unbundling heat charges

Heat network consumers risk falling between the cracks of housing policy and energy policy if these challenging issues aren't tackled now. Citizens Advice strongly recommends DESNZ does everything possible to unbundle heat from rent and service charges. We urge the Ministry of Housing, Communities and Local Government to work with DESNZ on this. The severity of harm that can result from the bundling of heating with rent and service charges means legislative change, if necessary, is warranted. Consumers face shock bills, threats of eviction and threats of mortgage forfeiture. These are incredibly serious harms which must be eliminated from the heat network market.

Back-billing rules and re-calculation of tariffs

Citizens Advice recommends back-billing is limited to 12 months across the heat networks sector from the start of regulation in January 2026. We don't consider it reasonable to allow different standards for back-billing, or to stagger the introduction of a 12-month limit, in different parts of the sector. This would create a 2-tier system and widen the protection gap between heat network consumers and other energy consumers.

It's also vital that Ofgem prohibits the retrospective increase of tariff prices on bills consumers have already paid. Our local advisors have helped some heat network consumers who've been hit with shock debts as a result of re-calculated bills. This practice isn't allowed in the gas and electricity market and heat network consumers deserve the same protection from such poor practice.

Market segmentation

Given the diversity and complexity of the heat networks sector, some kinds of market segmentation might be necessary at first. But the goal should be to reduce or remove it over time, so all consumers receive the same level of protections and experience good outcomes. This might require some policies to be in place, such as the right financial framework to support network upgrades and to manage debt across the sector.

Given the lack of data about heat networks there's a risk in exempting a large group of providers from particular protections. Citizens Advice is particularly concerned by proposals to exempt not-for-profit providers from Guaranteed Standards of Performance fines. Fines are an important tool to incentivise improved standards and it's risky to rule out such a tool for such a large group of providers. It would be unfair if consumers can't hold their network to the same standards and aren't eligible for compensation when they experience problems. We think considering an exemption for small heat networks or a tiered approach to compensation levels would be a better approach.

Standards of Conduct and fair pricing

'Treating customers fairly' and the general obligation to provide 'fair and not disproportionate' prices are good starting points for regulation. Citizens Advice recommends developing a Consumer Duty in energy as a better way to improve consumer outcomes in the longer term. High prices, poor service and failures of accountability have damaged consumer trust in heat networks, as in the rest of the energy market. A Consumer Duty would place the responsibility for delivering good consumer outcomes on heat network providers and make it easier for Ofgem to hold them accountable. It should also build consumer trust by ensuring services deliver promised outcomes and good value. In the short term we look forward to Ofgem implementing proactive monitoring alongside the fair pricing framework. This will allow Ofgem to quickly assess the need for more prescriptive pricing rules. This is crucial to support consumers who experience exceptionally high prices.

Upgrading heat networks

Implementing wide-ranging consumer protections represents a major step-change for the heat networks sector. Some outcomes will only improve with upgrades to physical infrastructure, which will take time and money to

implement. Alongside consumer protection regulation the Government must ensure the sector has the right access to private finance that will fund the majority of investments. This should include mechanisms to limit the risk of large upfront bills for residents.

Some networks are likely to require additional support. The Government should ensure that schemes like the Heat Network Efficiency Scheme are adequate, and explore options to enable delivery by devolved authorities and in a complementary way with other support, like schemes to fund housing energy efficiency upgrades. Without this action consumers on poor performing networks will continue to receive bad outcomes, acting as a reputational drag on the sector.

Referrals from statutory consumer organisations

We support heat networks accepting referrals from third parties, including Citizens Advice, to assist vulnerable clients. However, the proposal doesn't differentiate statutory bodies like Citizens Advice from other third parties, despite their unique legal responsibilities. Referrals from these bodies should be treated separately to ensure a smooth customer journey. Our consumer service has an established approach for supplier referrals which should be mirrored in heat networks. Suppliers and operators should also be required to engage with statutory advocates before establishing referral procedures to ensure a unified, efficient approach, including clear referral criteria and timescales. Without this, a multi-tiered support system could emerge.

Please see our detailed consultation response below. Please note that where we include case studies about clients seeking help from local Citizens Advice offices, all names have been changed to preserve anonymity.

Consultation response

Q1. With reference to the draft authorisation condition 23 on definitions, do you agree or disagree with the definitions for relating to network types (domestic and microbusiness, non-domestic, industrial, self-supply)?

Citizens Advice notes that definitions for 'domestic and microbusiness heat network' and 'non-domestic heat network' aren't included in the draft authorisation condition 23. Please refer to our response to Q7 regarding the consultation's approach to defining non-domestic consumers. Industrial and self-supply heat networks are beyond the scope of our remit at Citizens Advice.

Q2. 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?

Q3. Are there proposed consumer protection measures that in your view should be tailored to suit shared ground loop technology and if so, how?

Q4. 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 networks that utilise other ambient heat sources in addition to boreholes?

Citizens Advice agrees consumer protections should apply to Shared Ground Loop (SGL) networks to prevent poor consumer outcomes since they rely on common infrastructure and are monopolies. Ofgem should consider whether unintended consequences might arise from differentiating consumer protections according to whether an SGL network charges fees for accessing the loop. This could lead to a 2-tier approach to resolving consumer issues with SGLs. It could incentivise businesses to spread fees for accessing the loop across other charges to become exempt from regulation.

Where electricity supplier licensing conditions for heat pumps already provide consumer protections, Ofgem must clearly define the boundaries of responsibility for addressing consumer problems. SGL heat networks should

implement processes to quickly identify where responsibility lies - with the SGL via heat networks consumer protections or with the heat pump via electricity licensing consumer protections. Otherwise consumers risk being caught between two protection frameworks in seeking to address issues.

Q5. With reference to the draft authorisation condition 23 on definitions, do you agree or disagree with the definition for bulk supply?

Q6. 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.

Yes, Citizens Advice agrees with the proposal to apply some consumer protection measures to bulk supply activity. Heat network consumers can't switch supplier and would be directly affected by poor outcomes at the bulk supply stage. DESNZ and Ofgem should do everything possible to incentivise efficient, reliable and fairly priced heating and hot water.

This is particularly important as heat network consumers are more likely to be in vulnerable circumstances.² These might be seen as a riskier investment or the supplier might not have extensive expertise in negotiating the best possible rate for those consumers. This in turn could risk a 'poverty premium' for some heat network consumers. Protections at the bulk supply stage could help mitigate against this.

Q7. 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.

Citizens Advice broadly agrees with the majority of proposed protections for non-domestic consumers. Heat networks are natural monopolies, which makes it harder for consumers of all types to get a fair outcome. We particularly support proposals that align with those set out in the Non-Domestic Market Review. Small businesses and microbusinesses often function similarly to

² Department for Business, Energy and Industrial Strategy, [Heat Network Consumer and Operator Survey](#), 2022, page 17.

domestic consumers in the energy retail market, so they benefit from similar protections.³ There's little data available to understand the needs of small businesses and other non-domestic consumers specifically in the heat network sector. We encourage Ofgem to keep these proposals under review in light of future research.

We agree the Standards of Conduct should apply to all non-domestic consumers, except the protections for consumers in vulnerable circumstances. However, based on learnings from the retail sector, we encourage Ofgem to introduce additional debt protections for small business consumers.⁴ This should include the use of repayment plans, disconnection as a last resort and protections against self-disconnection. Our response to Q21 explains this recommendation in more detail. As noted in Q33, we'd like Ofgem to apply a 12-month limit to back-billing across the heat networks sector, including for small businesses.

We welcome the inclusion of small business consumers in complaints handling proposals and certain Guaranteed Standards of Performance. We encourage Ofgem to consider extending the GSOPs relating to appointments and faulty meters, which may affect microbusiness and small business consumers. While we broadly agree with extending the fair pricing framework to small business consumers, we identify some potential concerns with this approach and with extending the framework to large businesses in our response to Q15.

Q8. Do you agree or disagree with the proposed definition of an SME for the purposes of heat network regulation?

Yes. Citizens Advice agrees with the definition and supports the adoption of an equivalent definition of 'Small Business Customer' introduced by the Non-Domestic Market Review. Our non-domestic remit only extends to small businesses and microbusinesses, and doesn't include medium businesses. The 'Small Business Consumer' definition will help to ensure consistency across regulations, supporting the goal of achieving comparable outcomes for

³ Ofgem, [Micro and Small Business Engagement Survey](#), 2018; BMG Research, [Micro and small business engagement in the energy market](#), 2015; Citizens Advice, [Response to Ofgem's non-domestic market review](#): statutory consultation on licence changes, 2024.

⁴ Citizens Advice, [Risky Business? How the energy debt protection gap is putting the pressure on small businesses](#), 2024.

consumers in the heat networks and retail sectors. It will also help to promote greater clarity for the consumers we represent and advise. We encourage Ofgem and DESNZ to use the terms microbusiness and small business consistently - rather than SME - in future documentation to avoid confusion.

Q9. Do you agree or disagree with the proposed approach to ‘supply to premises’ conditions?

Yes, Citizens Advice broadly agrees with this proposal. DESNZ and Ofgem should keep this under review if the market changes. DESNZ and Ofgem should also monitor whether there’s any discrimination as a result of this proposal.

Q10. Do you agree or disagree with our proposed approach to the Standards of Conduct?

Citizens Advice partly agrees with the proposed approach. ‘Treating customers fairly’ is a good starting point for heat networks regulation, and we’re strongly in favour of overall outcomes that are in line with those for gas and electricity. Over the longer term we think a new Consumer Duty would be a better approach in all energy markets. This would place the responsibility for delivering good consumer outcomes on heat network providers. Monitoring improvements to consumer outcomes would make it easier for Ofgem to hold heat networks accountable and address poor practice quickly. It should also build consumer trust by ensuring services deliver promised outcomes and good value, in social and environmental, as well as monetary terms.

Ofgem has recently signalled interest in applying a Consumer Duty across energy services as part of its Consumer Confidence programme.⁵ And DESNZ includes it as a potential means of improving executive accountability and consumer standards in its review of Ofgem.⁶ We strongly support including heat networks in this approach, putting good consumer outcomes at the heart of regulation.⁷ High prices, poor service and failures of accountability have damaged consumer trust in heat networks, as in the rest of the energy market.

⁵ Jonathan Brearley, [Keynote speech to the 2024 Energy UK Annual Conference](#), 2024.

⁶ DESNZ, [A review of Ofgem: A call for evidence](#), 2025.

⁷ Citizens Advice, [Raising the bar: How a new Consumer Duty could improve standards in the retail energy market](#), 2022.

A lack of robust data on heat networks makes it difficult to evidence the extent of these problems. But clients in desperate situations have turned to Citizens Advice for help with their heat network bills. And there have also been media stories about 450% price increases,⁸ £1,000s worth of retrospective billing,⁹ and bills 60% higher than the Ofgem price cap. These poor consumer outcomes can damage consumer trust.¹⁰ We therefore support building on the ‘treating customers fairly’ approach by developing a Consumer Duty for the energy sector, including heat networks.

Until this can be developed, we support the Standards of Conduct on supplier behaviour, provision of information, customer service, vulnerability and consumer engagement. We support the requirement that all heat networks must meet the Standards of Conduct, to ensure improvement in supplier and operator behaviours across the sector. It wouldn’t be appropriate to apply a segmented approach to such a fundamental part of the regulations.

The proposals’ emphasis on suppliers meeting the Standards of Conduct is largely appropriate, since the majority of consumer interactions fall within supplier obligations. However, we want to emphasise the consumer engagement Standard’s importance for operators. Many decisions regarding infrastructure changes and upgrades could have significant cost implications for consumers. Consumer engagement in such decisions is critical to ensuring good consumer outcomes.

The Standard requiring a proactive approach to identifying and supporting consumers in vulnerable circumstances is particularly important. Consumers on heat networks are more likely to have additional needs than consumers in gas and electricity markets.¹¹ Previous consultations highlighted that some heat networks will find it challenging to establish a Priority Services Register for vulnerable consumers.¹² Nevertheless, this is an essential to life service and it’s

⁸ BBC, [Affordable home families hit by 450% gas price rise](#), 30 June 2024.

⁹ The Guardian, [Tenants with shared heat systems shocked to be ‘back-billed’ for hundreds](#), 8 January 2024.

¹⁰ The Express, [Labour council with energy bills 60 percent higher than Ofgem price cap average](#), 19 July 2024.

¹¹ Department for Business, Energy and Industrial Strategy, [Heat Network Consumer and Operator Survey](#), 2022, page 17.

¹² DESNZ/Ofgem, [Heat networks regulation: consumer protection - government response](#), 2024, page 85.

right that suppliers must treat their vulnerable customers appropriately. Prioritising vulnerability in the Standards of Conduct is therefore welcome.

We support the explicit expectation that the Standards of Conduct apply to any parties interacting with consumers on behalf of their supplier, and that regulated suppliers are responsible for managing their behaviour. We're pleased this protection extends to non-domestic consumers, who aren't protected from unfair treatment by such parties in the mains gas and electricity market.¹³ Around 1 in 3 heat networks subcontract their operation either entirely or in part.¹⁴ This complexity can make it challenging for consumers to resolve a problem - especially for those in vulnerable circumstances. Our local advisors often help consumers caught between billing agents, building managers and landlords. Establishing clear lines of responsibility in the Standards of Conduct to improve the behaviour of these entities in dealing with consumers is important.

To support this objective, Ofgem should also require suppliers to implement appropriate data sharing agreements with sub-contracted parties. This should make all parties dealing with consumers aware of vulnerabilities and reduce the burden on consumers from having to repeatedly supply different entities with the same information.

Q11. Do you currently engage with your consumers on a regular basis?

Q12.If yes, could you provide examples of how you currently engage your consumers, both on the maintenance of the network and more broadly?

N/A

¹³ SLCO.1 applies expectation for licensee *and* representatives to treat domestic customers fairly. But SLCOA.1 applies expectation for licensee only to treat non-domestic customers fairly. Citizens Advice, [Risky Business? How the energy debt protection gap is putting the pressure on small businesses](#), 2024, page 5.

¹⁴ Department for Business, Energy and Industrial Strategy, [Heat Network Consumer and Operator Survey](#), 2022, page 16.

Q13. Do you agree or disagree with our approach to a principle on the security of supply?

Citizens Advice agrees with the principles-based approach to security of supply. This should apply to all heat networks and not be segmented. All consumers deserve a reliable supply, regardless of what type or size of heat network they're on. Equal consumer outcomes should drive DESNZ and Ofgem's approach.

A principles-based approach should help improve practice across the sector. It's good for all heat networks to have a proactive approach to e.g. maintenance and monitoring of consumer issues. This might look different for different heat networks. For example, proactive complaints monitoring might look different for a very large heat network compared to a small one. But all consumers need and deserve reliable heating, cooling and hot water - regardless of what type of heat network they're on - and appropriate support to mitigate risks during maintenance periods.

Melanie* experienced frequent disruptions to her heating and hot water. This made it difficult to care for her 2 children, both under 6 years old. It also made her own health problems worse during cold spells. She had a 4-day outage in January 2021 when it was below freezing and a 6-day outage in March 2021. When she first moved into this property, she'd been without heating and hot water for 4 months. She had to resort to carrying boiling water from neighbours' homes to bathe her children.

Her housing association's attempts to fix things were often slow and created other problems. Exposed wires from attempted repairs and temporary electric heaters created safety hazards for Melanie's young children. The electric heaters cost 4 times more per day to run than her regular heating, and 1 repair attempt led to the removal of the thermostat. This meant Melanie was unable to control the heating and her bills rose sharply. By early 2022, she owed £3,000 to her heating supplier and worried they might send bailiffs to her home.

Q14. 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?

Citizens Advice views the fair pricing framework as a good starting point, given the lack of data on pricing across the diverse and complex heat networks sector. Ofgem must conduct robust pricing investigations and data monitoring to assess whether to introduce more prescriptive price protections or guidance in future. However, we recognise the price of providing heat depends on a complex range of factors and fairer pricing and more affordable heat also relies on action by the government.

Some evidence points to an affordability crisis in parts of the market. This might require swift action once regulation begins. Surveys from 2018 and 2022 found that high pricing wasn't systemic to the sector.¹⁵ But this data predates the 2022 peak in gas prices. This has changed the pricing landscape, despite the best efforts of many heat network operators and suppliers endeavour to deliver cost effective heating to consumers. For example, the cost of supplying some council-run heat networks has increased by 300% to 600% in the last 4 years.¹⁶

Evidence from our frontline advisors shows sharply rising prices have caused severe harm for some consumers. Household energy bills increased for everyone at unprecedented levels in 2022. The average increase was 54% in April 2022 and a further 27% in October 2022.¹⁷ But price rises have been much higher for some heat network consumers, who usually aren't eligible for bill support schemes like the Warm Homes Discount for their heating. Amir's story illustrates this:

Amir* asked his local Citizens Advice to help when his heating prices increased by more than 600% in March 2024. His housing association-run heat network increased the unit prices to 4 and a half times the energy price

¹⁵ Competition & Markets Authority, [Heat networks market study: Final report](#), 2018; Department for Energy Security and Net Zero, [Heat network consumer and operator survey \(2022\)](#), 4 August 2023.

¹⁶ James Riding, "[The heat network bills crisis: how residents are affected and what can be done to help](#)," *Inside Housing*, 7 January 2025.

¹⁷ House of Commons Library, [Domestic Energy Prices](#), 2024.

cap for gas mains consumers. His daily standing charges also rose to 1 and a half times the rate for mains consumers.

Amir is a pensioner and has a serious health condition. He needs to keep his heating on all the time. After ignoring his requests for help for several months, his heating supplier reduced his unit price in November 2024. But the price was still 3 times higher than it had been at the beginning of the year. And 2 and a half times the energy price cap in November 2024.

It's critical for Ofgem to quickly assess the extent, impact and causes of such high pricing in the heat networks sector. Such an assessment will show whether more prescriptive rules or guidance are needed to ensure regulations meet the overall consumer outcome - to 'pay reasonable and fair prices'. This should include scrutiny of heat networks' fuel procurement strategies to ensure they use all best endeavours to get low prices for consumers.

'Disproportionate pricing' is defined in the fair pricing framework as making excess profit or pricing significantly above cost. Some heat networks don't make profits, but their costs can still be very high, due to purchasing energy for heat supply on the commercial market and technical inefficiencies. The pricing framework should ensure consumers of non profit-making heat networks are protected from disproportionate pricing as well.

To mitigate against this, the fair pricing framework should accommodate the potential for cross-subsidy of heat network costs. For example, larger organisations with non-heat network consumers could spread heat network costs across their wider property portfolios to maximise cost efficiencies. Cross-subsidy could allow networks to introduce social tariffs to help low income households, requiring slightly higher prices from ineligible customers to fund such schemes. And they could reduce standing charges for people using prepayment meters with a cross-subsidy from credit customers. Fairness considerations should also inform networks' approaches to funding infrastructure improvements. For example, some consumers may have to pay big upfront costs without benefiting from lower bills for several years.

Ofgem should monitor some particular the risks for heat network consumers in the social housing sector. This might arise from some social landlords being less able to benefit from efficient fuel purchasing agreements, resulting in higher

prices for consumers in low-income households. Older, less efficient network infrastructure is also more common in the social housing sector, resulting in higher use costs. There is a vital role for government in supporting fairer and more affordable pricing by putting in place the right framework for private finance and additional support schemes for some networks in order to enable these upgrades.

Transparency in pricing is fundamental to empowering consumers to challenge unfair practices of monopoly providers of an essential service. Transparency in pricing will also allow Ofgem to implement the robust monitoring needed to assess whether future price regulation should be implemented. We look forward to seeing further proposals on a pricing register, benchmarking and specific rules and guidance in the upcoming pricing consultation.

We encourage Ofgem to ensure those specific rules include prohibitions on particularly harmful practices that aren't allowed in the gas and electricity retail market. For example, consumers should be protected against the retrospective application of price increases to billing periods for which consumers have already been charged. The Heat Trust scheme requires its members to provide a month's notice of price changes and prohibits retrospective price changes.¹⁸ Ofgem and DESNZ must make sure Authorisation Condition 10.1 (a) covers retrospective price increases to ban this practice altogether in the heat networks sector. As with high pricing in general, we don't have quantitative data about how widespread this practice is. However, some evidence suggests the re-calculation of bills that were already paid have led to some consumers experiencing sudden, shock debts.¹⁹

Gordon* contacted his local Citizens Advice office for help in late 2024 after receiving notice he owed over £800 for heating costs in a flat he'd recently left. For the 6 and a half years he lived there, he paid the heating bills he'd received monthly. Each of his monthly bills included a breakdown of energy used, daily standing charges and unit prices. But when he asked to settle his account on moving out, his heat network presented him with a bill for over

¹⁸ Heat Trust Annual Report, 2022-23, page 35.

¹⁹ The Guardian, [Tenants with shared heat systems shocked to be 'back-billed' for hundreds](#), 8 January 2024.

£800. They said they hadn't charged enough for heat network maintenance costs dating back to 2016.

As outlined in our response to Q10, we support the longer-term development of a Consumer Duty for the energy sector, including heat networks. This could build on the fair pricing framework's requirements to ensure prices are transparent, reflect consumer consumption and consider consumer affordability. The consumer outcomes identified in the fair pricing framework should include the ability to make informed choices before buying or renting a heat network property. We note this point here, as although there's a sub-section of the consultation about pre-contractual transparency, it has no specific question.

The complex factors shaping the price of providing heat mean the government should take action to achieve fairer pricing and provide targeted bill support. More than 90% of heat networks are fuelled by gas,²⁰ which is likely to get more expensive as the transition to net zero progresses. The government should reform the Warm Home Discount to make sure it reaches more households, including those on heat networks, and is more effectively targeted to support those who need it most.²¹

Q15. Do you agree or disagree with our proposal to extend the scope of fair pricing to all non-domestic consumers?

Citizens Advice partly agrees with extending a general obligation on fair pricing to all non-domestic consumers. Small businesses and microbusinesses often function similarly to domestic consumers in the energy retail market.²² They are therefore as likely to benefit from fair, transparent and proportionate prices as domestic consumers. Small businesses in energy retail have also been pushed into debt as a result of high energy costs.²³ So it's important for Ofgem to

²⁰ Department for Energy Security and Net Zero, [Heat Networks registered under the Heat Network \(Metering and Billing\) Regulations statistics: December 2022](#), 2023.

²¹ Citizens Advice, [Fixing the foundations: The need for better targeted support for energy consumers](#), 2024.

²² Ofgem, [Micro and Small Business Engagement Survey](#), 2018; BMG Research, [Micro and small business engagement in the energy market](#), 2015; Citizens Advice, [Response to Ofgem's non-domestic market review: statutory consultation on licence changes](#), 2024.

²³ Citizens Advice, [Risky Business? How the energy debt protection gap is putting the pressure on small businesses](#), 2024.

consider how it can protect non-domestic consumers from heat networks obtaining excessive economic benefits.

However, there's little data available about the specific needs of non-domestic consumers on heat networks. Consequently, Ofgem should keep their decision under review to monitor any unintended consequences. For example, some heat networks serving both domestic and non-domestic consumers might differentiate pricing structures to provide greater affordability to domestic consumers. Where such cross-subsidies are beneficial to consumers in vulnerable circumstances, the fair pricing framework shouldn't inadvertently discourage them.

We also recommend Ofgem considers whether it's appropriate to include large businesses in the same fair pricing framework. Larger businesses are more likely than small and microbusinesses to have expert employees and other resources dedicated to negotiating energy contracts. Pricing outcomes for these consumers may be better achieved by direct negotiation with the heat network.

Q16 Do you agree or disagree with our proposed overall approach to vulnerability, adopting existing Ofgem definition for gas and electricity consumers but combining this with targeted protections for heat network consumers, through authorisation conditions.

Definition of vulnerability

Citizens Advice supports the proposed approach to consumer vulnerability. Aligning the definition with the gas and electricity markets will enable future sharing of Priority Service Register (PSR) details between heat networks and electricity suppliers. A broad definition of vulnerability is crucial to capture the many ways people experience it, whether temporary or long-term - a prescriptive definition risks excluding some vulnerable consumers. However, this approach must be carefully managed to ensure heat network users are protected, regardless of the size or type of heat supplier.

Low financial resilience is a significant barrier to energy supply and can lead to harmful outcomes for consumers. We've previously highlighted how Ofgem's vulnerability guidance could be enhanced by incorporating specific categories of

need, including transient and financial vulnerability.²⁴ A similar approach in the heat networks sector would support suppliers to identify vulnerable consumers effectively and increase the responsibility of suppliers to implement targeted interventions and support consumers.

Targeted authorisation conditions

We support adopting the current definition of vulnerability while incorporating targeted authorisation conditions to address the specific challenges of the heat network market. Heat network consumers are disproportionately likely to be in vulnerable circumstances,²⁵ and the lack of protections can be far reaching for these consumers.²⁶ We welcome authorisation conditions requiring all heat network suppliers to operate a PSR, protection for consumers in payment difficulties and social obligation reporting. DESNZ and Ofgem should ensure these conditions deliver consistent outcomes for all heat network consumers, regardless of the size of their supplier.

We agree with the inclusion of a broad vulnerability principle within the Standards of Conduct and the explicit expectation that these standards apply to parties interacting with consumers on behalf of suppliers. Complaints are more common among heat network consumers in households with people in vulnerable circumstances.²⁷ Suppliers must take responsibility for managing the behaviour of their representatives to prevent poor outcomes for vulnerable consumers. Hamza's story illustrates the negative impact when they fail to provide necessary support.

Hamza* has a long-term health condition and is on a low income. He pays for his heating and hot water through a prepayment meter (PPM). Hamza couldn't afford to top up his PPM and was left without heating or hot water for 2 weeks. When he contacted the management company appointed by the heat network, they told him they couldn't help and directed him to the building

²⁴ Citizens Advice, [Citizens Advice response to Ofgem's 'Refreshing our Consumer Vulnerability Strategy'](#), 2024.

²⁵ Department for Energy Security and Net Zero, [Heat Networks Consumer Survey: consumer experiences on heat networks and other heating systems](#), 2017, page 17

²⁶ The Independent, [Council tenants 'forced into debt' and facing eviction over tripling energy bills | The Independent](#), 2024

²⁷ Department for Energy Security and Net Zero, [Heat network consumer and operator survey \(2022\) - GOV.UK,2023](#), page 54

managers. However, neither Hamza nor any other residents knew how to contact the building managers.

Priority Services Register

We support introducing an authorisation condition requiring heat suppliers to operate a PSR as only 4 in 10 currently maintain a register of vulnerable consumers.²⁸ A PSR should help ensure appropriate support for people at risk. For example, heat networks might need to be required to offer alternative heating methods to mitigate risks during maintenance periods.

However, in gas and electricity Ofgem has identified over-reliance on consumers to self-identify as vulnerable leaves many without the support they're entitled to²⁹, and only 1 in 3 people are aware of the PSR.³⁰ To improve identification and uptake of consumers on a PSR, heat suppliers must adequately train staff and implement proactive processes to identify eligible customers during consumer interactions. PSR processes should make sure vulnerability protections reach the end consumer, including domestic consumers who live in dual-use properties like flats above a shop can be hidden behind non-domestic contracts.

Heat suppliers must ensure they have the right systems and processes in place to manage PSRs, given the sensitive nature of the data involved. Consumers must feel comfortable to disclose sensitive information and trust that it will be handled appropriately.

We also support the development of a universal, multi-sector PSR in the future to simplify the process of registering with multiple providers.³¹ This would ensure vulnerable consumers are fully supported with real-time data sharing helping to address the transient and changing nature of vulnerability.

²⁸ Department for Energy Security and Net Zero, [Heat network consumer and operator survey \(2022\) - GOV.UK](#), 2023, page 58

²⁹ Ofgem, [Refreshing our Consumer Vulnerability Strategy](#), 2024.

³⁰ Citizens Advice, [Closing the gap: How to improve customer support in essential services - Citizens Advice](#), 2023.

³¹ Citizens Advice, [Citizens Advice response to the consultation on strengthening the economic regulation of the energy, water and telecoms sectors](#), 2024, page 12

Unbundling of heat charges from housing costs

The consultation says consumers who pay for heat as part of housing charges wouldn't be protected by disconnection and other debt management rules if proposals to unbundle these charges aren't implemented. Consumers in vulnerable situations are at greater risk of high bills and accumulation of debt. Falling behind on these payments means falling behind on housing payments, placing vulnerable consumers at greater risk of eviction or forfeiture of lease. As highlighted in our responses to Q31 and Q32, we strongly support the proposal to unbundle heat charges from other service charges. This change is especially important for vulnerable consumers, as it improves transparency and enables heat suppliers to offer targeted support.

Q17. 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.

Protections from disconnection should apply to all domestic consumers given the significant risk to physical and mental health. Protections against disconnection should always be stronger than protections against the installation of PPMs, since cutting off supply can lead to severe harm. Citizens Advice recommends this as a principle so suppliers never have an incentive to move to disconnection before PPM installation, and are not dis-incentivised to install heat meters.

But, we disagree that disconnection rules should *not* apply to non-domestic consumers. Equivalent disconnection protections should be introduced for domestic customers on non-domestic contracts, such as those who live in dual-use properties like flats above a shop.

Additionally, disconnection might impact the ability of small and micro-business owners to run their business and, subsequently, their ability to repay the debt. It's important that disconnection is used as a last resort, and that suppliers explore other options.

We agree with Ofgem and DESNZ's assessment that heat network consumers are more likely to be in vulnerable circumstances, compared to the broader

energy sector. Additionally, there's limited data currently available to understand the full extent and impact of heat network disconnections.

To mitigate the risk to life in a sector with little data and diverse set of actors, we recommend strengthening the disconnection rules which apply all year around by replicating the Energy UK voluntary commitment on disconnection.³² This already applies to 95% of gas and electricity consumers.³³ The voluntary commitment says providers should:

*"never knowingly disconnect a vulnerable customer at any time of year, where the household has children under the age of 6 (or under the age of 16 during the Winter Moratorium) or where for reasons of age, health, disability, or severe financial insecurity, that customer is unable to safeguard their welfare or the personal welfare of other members of the household."*³⁴

This could be trialled in the initial period and reviewed once Ofgem has a clearer understanding of the prevalence of vulnerability and the extent and impact of disconnections across the sector.

While rules might be stronger in the heat network sector compared to in gas and electricity, this won't necessarily lead to better outcomes. This is because of the use of prepayment metering in gas and electricity alongside voluntary action by suppliers that goes further than the rules.

Ofgem will also need to have clear and strong guidance as well as proactive monitoring to set an expectation that disconnection should only ever be used as a last resort. Additionally, Ofgem should be able to appropriately investigate disconnections. This will necessitate a reporting framework where heat networks that bill less frequently aren't exempt from quarterly reporting on disconnections (see our response to Q13 in Ofgem's authorisation consultation).

Over the longer term, and particularly as more customers are metered, we expect to see trends in the heat network sector replicate gas and electricity, where disconnections for debt are now very rare.

Ofgem should also consider additional protections relating to reconnections. Reconnection fees shouldn't create a perverse incentive for suppliers to

³² Energy UK, [The Vulnerability Commitment](#), 2024.

³³ Energy UK, [Vulnerability Commitment](#).

³⁴ Energy UK, [The Vulnerability Commitment](#), 2024, pg. 2.

disconnect as a means of extracting greater repayment amounts from consumers. Alongside not insisting on substantial upfront payments:

- Suppliers should reconnect heat network consumers within 24 hours if they've paid all the charges - or within 24 hours of the start of the next working day if they make payment out of working hours, as per the Electricity and Gas Standards of Performance.³⁵
- Given the relatively high rates of people with low income, we also recommend that:
 - any charges incurred in the suspension and reconnection process must be reasonable and reflect the actual costs incurred by the supplier
 - the supplier should provide the customer with information explaining the procedure and conditions for resumption of supply
 - and consumers in vulnerable circumstances must not be charged for costs associated with the reconnection of supply.

We acknowledge that stronger consumer protections against disconnection could raise costs for other heat network users, especially on smaller networks. It's crucial for the government and Ofgem to develop a fair debt management solution to evenly share the costs of bad debt among consumers.

Q18. Do you agree or disagree with our proposal to align with gas and electricity PPM protection rules?

Q19. 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.

Citizens Advice agrees with the proposal to align PPM rules with gas and electricity. Forced PPM installation can lead to self-disconnection, which can cause physical and mental harm. It's therefore important that Ofgem apply learnings from the recent forced PPM installation scandal so this can be avoided in the heat network sector.

³⁵ Electricity and Gas (Standards of Performance) (Suppliers) Regulations 2015 - Section 6

Some suppliers might struggle to carry out vulnerability assessments in an effective and timely way. A higher proportion of heat network consumers are on PPMs than mains energy consumers. Ofgem will therefore need to take a cautious approach by setting out clear and strong guidance around PPMs, as well as proactive monitoring. As with disconnections data, Ofgem should be able to proactively monitor PPM installation in order to recognise and respond to trends. This will necessitate a reporting framework where certain heat networks aren't exempt from quarterly reporting on this metric (see response to Q13 in Ofgem's authorisation consultation).

We understand some heat networks operate on a PPM by default model of payment. This is in contrast to the majority of the mains gas and electricity sector, where consumers must be offered a wide range of payment options.³⁶ Ofgem must make sure consumers in vulnerable circumstances who are at risk of self-disconnection are protected regardless of whether they are served by a heat network operating a PPM by default model. For example, suppliers should offer alternative payment options, including payment by benefits and direct debit where they're made aware anyone in the household would fall into either the 'do not install' or 'vulnerability assessment' categories.

When considering technical standards, Ofgem should also consider minimum standards for PPMs. Some consumers struggle to use card top-ups due to physical or mental health reasons. Suppliers should therefore work towards a position where all PPM meters should allow for different methods of pre-payment other than payment by top up cards, i.e. via an app.

Additionally, suppliers should be deterred from making PPM tariffs more expensive than other payment options (see more details regarding cross-subsidies in answer to Q14).

We agree with the proposed protections around emergency credit and friendly-hours credit in line with the gas and electricity sector.³⁷ Heat network consumers are disproportionately more likely to be on a lower income and therefore experience the type of short-term income fluctuations that necessitate access to emergency credit. Where it is technically unfeasible or outside the control of the heat network to offer emergency credit and friendly-hours credit to the consumer, the heat network should be required to take all reasonable

³⁶ SLC 27.1 - 27.2B

³⁷ SLC 27A.2 - 27A.4

steps to provide that consumer alternative short-term support in a timely manner.

We're aware some heat networks have disproportionately large numbers of consumers in the 'do not install category', as well as disproportionately high rates of PPM usage. We acknowledge that stronger PPM consumer protections could raise costs for other heat network users, especially on smaller networks. It's crucial for the government and Ofgem to develop a fair debt management solution to evenly share the costs of bad debt among consumers.

Q20. 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.

Citizens Advice agrees with the proposal to explore options to mitigate the impact of unrecoverable debt. The impact of unrecoverable debt is likely to be a key constraint on the ability of some heat networks - particularly those with smaller numbers of customers - to offer debt forbearance without significant price rises for other customers. It could create issues if people are aware their bills are rising in part due to increased debt built up by their neighbours.

In gas and electricity, the scale of suppliers allows for some costs to be more naturally socialised, therefore limiting the burden of debt. More recently, some costs have also been 'levelised' between suppliers, including some of the cost of supplying prepay customers. Ofgem is currently proposing to introduce a debt relief scheme that will have a similar effect of sharing the debt burden more equitably. However, we recognise there could be challenges in replicating this approach in the heat sector (e.g. operationally in terms of accessing and managing a scheme, and having adequate assurance).

It will be important to make sure that regulations, guidance and monitoring in relation to fair pricing and debt collection are effective prior to implementing debt socialisation. Any gaps in protections could allow for perverse incentives not to properly manage debt.

To mitigate this risk in the short term it is vital that the Government improves the support for energy affordability more broadly, both through better targeted bill support and improved access to energy efficiency.

Q21. Do you agree or disagree with our self-disconnection proposals?

Citizens Advice agrees with the outlined approach to self-disconnection for domestic consumers.

However, it will be important for Ofgem to be able to closely monitor trends in self-disconnection. This will ultimately require a reporting framework where certain heat networks aren't exempt from quarterly reporting on this metric (see response to Q13 in Ofgem's authorisation consultation).

While the Heat Network Technical Assurance Scheme (HNTAS) will ensure improvements in metering, this has a long timeframe and it's hard to rely on self-reporting to monitor self-disconnection. Where it's not technically feasible for the heat network to remotely monitor self-disconnection, the supplier should be really proactive in communicating the ways in which consumers can report self-disconnection.

Self-disconnection protections should be introduced for business customers to protect 'hidden' domestic customers, such as those who live in dual-use properties like flats above a shop. More broadly, our work in the gas and electricity markets has demonstrated microbusinesses can experience harm when they're disconnected due to debt and affect their ability to repay.³⁸ Where prepayment is an option it can reduce this risk, but to avoid self-disconnection repayment rates must be set at affordable levels.

Q22. Can you provide any evidence of the impacts these proposals could have on suppliers, particularly smaller suppliers?

N/A

³⁸ Citizens Advice, [Closing the protections gap](#), 2019.

Q23. Do you agree or disagree with the proposed protections that will be included in the Statutory Instrument that provides for Powers of Entry?

Citizens Advice strongly agrees with Ofgem’s ambition to make sure force-fitting PPM is only used as a last resort. Self-disconnection poses a significant risk to life - as exposed by the recent forced PPM installation scandal. We support Ofgem’s intention to regularly monitor the use of these powers.

However, we recommend further strengthening the additional safeguards associated with Powers of Entry. We agree that an individual warrant should be required where a vulnerable consumer lives in the premises. However, this protection will only work to prevent unsafe installations if suppliers’ vulnerability assessments are effective. Many heat network suppliers are inexperienced in conducting the robust assessments of vulnerability needed to make sure PPMs aren’t installed for people in the ‘do not install’ category. And heat network consumers are disproportionately likely to be in vulnerable circumstances. So this is a significant risk, needing careful management.

Following the PPM installation scandal, Ofgem rightly put in place a more rigorous process to make sure retail suppliers can safely restart forced installations of PPMs. Only 9 gas and electricity suppliers are currently allowed to forcefit PPMs.³⁹ There is an even greater risk of harm from force-fitting of PPMs in the heat network sector. Heat network consumers can’t shop around, meaning reputation plays a much smaller role in incentivising good practice. There’s also a greater concentration of consumers in vulnerable circumstances as well as less data available, compared to gas and electricity. Therefore there’s a case for Ofgem to put in place clear minimum standards regarding forced PPM installations. And, whilst it might not be feasible for Ofgem to have individual checks on every heat network, Ofgem should put in place strict record-keeping requirements so the regulator can investigate any issues that arise.

As noted in response to Q25, Ofgem should also have clear processes in place for accepting referrals from statutory consumer bodies to support its compliance and enforcement work. Ofgem’s enforcement should include the ability to stop further force-fitting by suppliers where it has observed a breach until they’re able to demonstrate compliance. It’d be proportionate for Ofgem to balance risk in favour of consumers.

³⁹ Ofgem, [Check energy suppliers that can install prepayment meters without household permission](#), accessed 30 January 2025.

It'll be very important for Ofgem to have in place strong guidance to stamp out any poor practice related to force-fitting of PPMs. Authorisation Condition 17.4 refers to 'Prepayment Meter guidance'. We encourage Ofgem to publish and consult on this guidance as soon as possible to give consumer organisations plenty of time to feed into it. Early publication would also help send a strong signal to industry of exactly the kinds of steps they'll be required to follow for forced PPM installations from January 2026.

We note the definitions for 'Debt Trigger' and 'Safe and Reasonably Practicable in all the Circumstances of the Case' in the draft authorisation conditions refer to '[19.4] (Prepayment meters)'. It looks like this should be 17.4 rather than 19.4.

Remote switching in the gas and electricity sector has to follow the same contact procedure as when a PPM is force-fitted. This should apply in heat networks too, to give as much parity as possible between all energy consumers. Consumers must be given sufficient notice of the switch taking place. Remote switching might reduce the need for forced PPM installations in the future, but Ofgem is already aware of previous poor practice in the retail sector and should seek to avoid this for heat network consumers.⁴⁰

Q25. Do you agree or disagree with our proposed approach to complaint handling?

We welcome the proposals and their alignment with the rules already applicable in the gas and electricity sector. It's important to set robust complaints processes in the heat networks sector given networks essentially function as a monopoly. As such, there might not be an inherent incentive to drive up standards.

We support the introduction of minimum standards for complaints handling. Everyone deserves good outcomes - regardless of network type. But we recognise this will look different for different heat networks. All heat network consumers should have well-defined complaints processes, so we encourage Ofgem to act quickly to develop minimum standards. This should help drive improvements across the sector sooner rather than later. Given the shared

⁴⁰ For example: Ofgem, [Regulatory expectations letter to suppliers regarding concerns over remote switching of smart meters to prepayment mode](#), 14 November 2022.

infrastructure of heat networks, we also support the introduction of group complaints.

We strongly support offering redress for all heat network consumers through the Energy Ombudsman. We encourage and support close working between the Energy Ombudsman and Housing Ombudsman where complaints relate to consumers living in social housing. Consumers might not file complaints due to fear of eviction if they pay for heating with their rent or service charge. We support the unbundling of these payments (Q31), which could also simplify pathways for consumer redress. It's important to make sure consumers don't fall between the cracks of housing regulations and heat networks regulations.

We support the requirement for heat networks to accept referrals from third parties, including Citizens Advice. This is an important way for us to support clients in vulnerable circumstances, and there might be less awareness of Citizens Advice amongst the 14,000 heat network operators compared to the c.20 suppliers in the retail market. However, the proposed approach doesn't seem to suggest statutory bodies are treated separately to other third parties, despite their different legal responsibilities.

Referrals from Citizens Advice and the other statutory advice bodies should be treated separately to other organisations, in accordance with their unique role and to support a positive and coherent customer journey. Our consumer service has a tried and tested approach to supplier referrals. It provides a clear, unified and timely approach across the retail industry. If this isn't reflected in the heat network landscape, it could lead to confusion for consumers about where to seek appropriate support. It could also hamper suppliers' ability to prioritise their workload based on those consumers most in need.

It's also vital that suppliers and operators should be required to engage with the statutory advocates before designing referral arrangements, as consumer advice services will require firms to use a single procedure in order to provide a quality service and manage operations efficiently. This includes agreeing referral criteria and timescales for action, in the way we currently work with energy retail market suppliers. The absence of this could lead to a multi-tiered approach to the level of support and advice offered to clients.

Finally, we encourage Ofgem to monitor complaints data to ascertain if there are spikes in complaints related to specific issues, such as pricing. The average

response time should also be added to the data that suppliers are required to collect.

Q26. Do you agree or disagree with our proposed compensation levels that broadly align with existing practice in the sector (Heat Trust levels)?

Yes, we agree with the proposed compensation levels. As these compensation payments are lower than in gas and electricity, the transitional period should be ambitious to make sure heat network consumers aren't left with both lower and slower protection.

Q27. 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.

N/A

Q28. Do you agree or disagree that we should extend certain Guaranteed Standards to protect non-domestic consumers? Would the proposed standards be a reduction in protection, and would they reduce a non-domestic consumers ability to negotiate their own standards? We welcome feedback on our proposal to introduce the standards as a minimum for non-domestic consumers, providing the opportunity to go beyond.

Citizens Advice agrees with aligning practice to gas and electricity markets. Any consumer - whether domestic or non-domestic - has very limited choice in their supplier so they have little power to negotiate and incentivise better standards from their supplier. We support introducing these standards for small and micro businesses. We leave it for others to answer regarding large businesses as these fall outside our remit.

Ofgem might need to develop guidance to assist businesses in developing and setting reasonable service levels. Small and micro businesses in particular can find navigating energy supply negotiations challenging.⁴¹ Without an option to switch it's important that negotiated service levels and compensation amounts don't disadvantage smaller businesses.

Q29. 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?

Citizens Advice disagrees with the outlined approach for not-for-profits. Automatic compensation and fines are an important tool to incentivise improved standards and it's risky to rule out such a tool for not-for-profit networks as they might make up a large proportion of the market. We suggest an alternative approach based on segmenting by the size of a heat network.

We recognise the risk that Guaranteed Standard payments could lead to lower spending or higher costs elsewhere within a non-profit given the need for cost recovery (for example, within a housing association or local authority). We do, however, note that this cost could be recovered across any area of an organisation, so it doesn't necessitate higher costs for heat network consumers, particularly for larger organisations. Given this, we believe compensation payments for failing to meet Guaranteed Standards could still incentivise large not-for-profit organisations to invest in improving heat network services.

We're also concerned that the same logic of excluding not-for-profits could be applied to other fines, which could severely limit Ofgem's ability to bring suppliers and operators into compliance. Fines are a vital tool used to incentivise compliance in the gas and electricity markets, so this segmentation could set a bad precedent for the sector. The current proposal - to require improvement plans - doesn't go far enough to incentivise better standards. These plans rely on poorly performing (and often poorly resourced) heat networks to self-identify problems and devise a plan. This doesn't seem feasible and doesn't provide sufficient incentives for improvement.

⁴¹ Citizens Advice, [Response to Ofgem's non-domestic market review](#): statutory consultation on licence changes, 2024.

In general we think it will appear unfair to consumers if they can't hold their network to the same standards and aren't eligible for compensation when they experience problems, simply on the basis by which the network is managed. However, we think that for suppliers or operators with smaller numbers of customers the risk that bills rise to pay for compensation is real, and that this could be more easily explained to customers. As such we suggest Ofgem considers segmentation by network size and/or establish tiered compensation levels.

Q30. 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?

Citizens Advice partly agrees with the proposals to include additional information on consumer bills as a key means of improving transparency for consumers. However, the list of information required is long. This risks making bills confusing for consumers and difficult for suppliers to implement well. We therefore recommend prioritising the inclusion of clear and accurate details of costs, choice of payment methods and contact details for statutory advice, support mechanisms and energy saving advice. Information on net zero targets, fuel sources, carbon emissions and other operational details could be provided annually, via a website, as part of a welcome pack or on request.

We support applying billing rules to microbusiness and small business customers as well as domestic consumers. It's appropriate for these requirements to go beyond the equivalent protections for non-domestic consumers in the retail market due to the monopoly nature of heat network supply and the diversity of suppliers in this sector. We encourage Ofgem to develop clear guidance to manage scenarios where this protection gap between non-domestic customers in the retail and heat network sector might cause confusion to suppliers or businesses.

We're concerned by the absence of concrete proposals for billing unmetered properties. This leaves a significant proportion of consumers - perhaps the majority - without transparent and regular billing information. Some estimates suggest nearly 6 in 10 (57%) heat network consumers don't have their own

meter.⁴² We recommend creating a mandated minimum standard to provide bills at least annually for unmetered properties to ensure these consumers receive adequate information. The current draft authorisation condition 13.24 could mean many consumers in unmetered properties don't receive a bill every year. An annual bill is a reasonable minimum expectation for all consumers. Failing to mandate a minimum standard for annual billing could widen the gap between heat network consumers in metered and un-metered properties.

We support any measures Ofgem can take to accelerate implementation of metering to unlock billing transparency for all heat network consumers. Failing to implement a mandated minimum standard of annual billing for unmetered properties could lead to a perverse incentive for suppliers and undermine Ofgem's monitoring capabilities. This is because Ofgem's concurrent consultation on Authorisation and Regulatory Oversight aligns the requirement to report certain data relating to consumer harm to billing frequency.⁴³ We support the proposal for quarterly reporting of this data to identify indicators of consumer harm early. Over time, moving towards a minimum standard of quarterly billing for all domestic, microbusiness and small business consumers would improve outcomes across the sector.

Regarding timescale, we expect the priority information - cost details, payment methods, consumer advice, support mechanisms and energy saving advice - to be included from the beginning of regulation in January 2026. Most of this information has been a standard requirement for bills in the retail energy sector for over 10 years. Specific guidance for heat suppliers, including a template bill with this information, has been available for over 4 years.⁴⁴ No further delays in implementing these improvements to billing information should be necessary.

⁴² Social Market Foundation, [We can't keep heating like this: A fairer deal for heat networks](#), 2023 page 4.

⁴³ We outline this concern more fully in our response to the Authorisation and Regulatory Oversight consultation.

⁴⁴ DESNZ/OPSS, [Regulations: heat networks \(metering and billing\): Guidance for heat suppliers](#), 2020.

Q31. 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?

Citizens Advice agrees with the proposal to further explore unbundling heat from other service charges. Heat network consumers risk falling between the cracks of housing policy and energy policy if these challenging issues aren't tackled now. Citizens Advice strongly recommends DESNZ does everything possible to unbundle heat from rent and service charges. We urge the Ministry of Housing, Communities and Local Government to work with DESNZ on this. The severity of harm that can result from the bundling of heating with rent and service charges means legislative change, if necessary, is warranted. Consumers face shock bills, threats of eviction and threats of mortgage forfeiture. These are incredibly serious harms. This must be eliminated from the heat network market.

One third of heat network consumers pay for heating and hot water through their rent or service charges. They're 4 times more likely to pay in this way than mains consumers.⁴⁵ They're also more likely to receive infrequent bills as a result of this bundling. This puts them at greater risk than mains consumers of accumulating debt. Bundled heating charges are most common in the social rented sector, where people are more likely to be on low incomes. This means they're more likely to struggle with unexpected and high bills. And because falling behind with these payments means falling behind with housing payments, they're at greater risk of eviction or forfeiture of lease. Arjun's* story shows the impact of these factors:

Arjun* hadn't received a heating bill for almost 3 years when the council sent him a letter threatening court action. The council said his housing arrears included over £5,300 in unpaid heating charges. The council's threat of court action for unpaid debt put him at risk of eviction.

With support from our local advisors Arjun challenged these charges. He asked for a breakdown of how such a large debt accrued. The council and the management company that handles consumers' bills passed his queries

⁴⁵ 32% of heat network consumers pay in this way, compared to 8% of mains consumers. Department for Business, Energy and Industrial Strategy, [Heat Network Consumer and Operator Survey](#), 2022, page 30.

around for 5 months. Arjun's dogged investigation revealed that his heating use over 3 years amounted to £3,100, not £5,300. And he'd already paid for most of this. His debt was actually less than £1,000. He was almost made to pay very dearly for his heat network's mistakes.

Consumers need to know what heating they used, how much it cost, and how their tariffs compared to others. Heat network consumers are at a disadvantage because they often get unclear bills. Half don't include details of what a consumer used or the amount charged for each unit of heat. And a quarter of heat network consumers don't get bills at all. This is almost twice the rate of mains energy consumers who don't receive a bill.⁴⁶ The lack of transparency in billing makes it very hard for consumers to challenge the 'reasonableness' of their charges. Or to challenge an eviction notice on the same grounds.

The severity of harm that can result from the bundling of heating with rent and service charges means legislative change is warranted. The disparity in exposure to harm that heat networks consumers face compared to mains energy consumers also makes it urgent to address. We recognise this is a complex issue, but DESNZ should do everything possible to achieve this change as soon as possible. It is better to fix this difficult issue now while the market is growing, rather than allow ongoing problems to potentially undermine goals for sector growth to 1 in 5 households.

Q32. Do you have any views on options 1, 2 and 3?

Option 1 - no change - is unacceptable. Consumers in vulnerable circumstances can't be left without protections when in payment difficulty. Additionally, as outlined in our response to Q31, bundling heating charges into rent or service charges increases the likelihood that consumers get into payment difficulties in the first place.

Citizens Advice strongly supports Option 2 and recommends swift progress in implementing it. We support Option 3 as a temporary measure while work with government bodies towards Option 2 is ongoing. We recognise this is a

⁴⁶ Department for Business, Energy and Industrial Strategy, [Heat Network Consumer and Operator Survey](#), 2022, page 44-46.

complicated task, but consumers can't be left to fall between the gaps of housing regulations and energy regulations.

Q33. 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?

Citizens Advice recommends back-billing is limited to 12 months regardless of whether legislative change to require unbundling is achieved. The 18-month period allowed in the Landlord and Tenant Act for service charge back-billing doesn't prevent the housing sector from improving their processes to allow for 12-month heat back-billing where needed. As noted in our response to Q30, a mandated minimum standard of annual billing for unmetered properties is essential to ensure all consumers receive transparent information and to support Ofgem's data reporting requirements. Process improvements needed to achieve this should overlap and support improvements needed to adhere to a 12-month limit to back-billing in many heat networks.

Implementing a 12-month limit on backbilling across the heat networks sector has significant advantages. It sets a clear standard and avoids mixed messaging. This lets consumers know where they stand, incentivises heat networks to improve and empowers Ofgem to stamp out poor practice. Our local advisors have seen cases of back-billing taking place over a much longer period than 18 months, indicating the need for a clear, sector-wide message on this issue.⁴⁷

Luca* unexpectedly received 2 bills totalling nearly £7,000 for heating and network maintenance charges in 2023. The bills covered a 4 and a half year period going back to 2019. Confused and alarmed by the high bills, Luca came to his local Citizens Advice office for help. He'd asked the management company running the heat network to provide an explanation and breakdown of the costs, but they were unresponsive.

We support applying this protection to microbusiness and small business consumers as well as domestic consumers. Even with a 12-month limit, the

⁴⁷ See also case studies in Q30 (Arjun*, back-billing over 3 years) and Q14 (Gordon* retrospective increases to bills over 8 years).

impact of catch-up bills on consumers in the mains sector can be severe, given the rising price of energy. That's why, in the retail sector, we've called for a 6-month limit to back-billing for consumers with smart meters and for the 12-month limit to cover small businesses.⁴⁸ Both measures incentivise suppliers to fix billing issues promptly and ideally to prevent them.

We acknowledge the technological capacity of many heat networks makes a 6-month limit to back-billing unfeasible at this stage. Enforcing a 12-month limit across the sector incentivises suppliers to improve billing practices and close the gaps in outcomes between heat network consumers and mains energy consumers.

Our response to Q14 recommends Ofgem prohibits the retrospective increase of tariff prices on bills consumers have already paid. This issue isn't directly covered in the consultation, but it's a top consumer priority. Our local advisors have helped some clients facing shock debts from recalculated bills. Ofgem should ensure Authorisation Condition 10.1 (a) requiring advance notification of price rises stamps out this poor practice from the beginning of regulation.

Q34. Can you provide evidence of any potential impacts of limiting back-billing to 12 months for individual properties? Do you have any concerns regarding communal areas?

Q35. 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?

Citizens Advice disagrees that unbundling heating charges and implementing a back-billing limit of 12 months should align with the HNTAS timeline. We recommend implementing the 12-month limit on back-billing from the onset of regulation (January 2026) and encourage DESNZ to expedite the process of unbundling heating charges as quickly as possible.

The HNTAS timeline allows heat networks until 2029 (for those built since 2014) or 2031 (those built pre-2014) to install meters for all end consumers. Given the

⁴⁸ Citizens Advice, [Risky Business? How the energy debt protection gap is putting the pressure on small businesses](#), page 10; Citizens Advice, [Footing the bill: How the energy bill protection gap is putting strain on households](#), 2024, page 2.

large investment in physical infrastructure this will require, the long timeline for the installation of individual meters seems reasonable.

But heat networks should be able to improve administrative billing processes much more quickly, given how critical accurate and transparent bills are to improving consumer outcomes. Improving processes to calculate charges accurately over 12 months instead of 18 months is not unreasonable. And, as detailed in our response to Q33, some heat networks have backbilled consumers for much longer periods of time, over 3 or 4 years in some cases. That must end.

Annex 2 of the consultation acknowledges the impact of back-billing is 'one of the main problems that consumers face'. Evidence from our local advisors supports this. Heat network consumers can't be left with substantially worse protections than mains users until 2031.

Q36. Do you foresee any potential challenges of creating new contracts or amending existing ones to ensure the information proposed is included?

Q37. What timeframe should we allow heat networks to implement this?

Heat networks should provide consumers with new or amended heat supply contracts at the beginning of regulation in January 2026. The contracts will enshrine and inform consumers of many of the new protections the regulations bring into force for the first time. They're key tools empowering consumers to challenge unreasonable charges, make complaints and address poor service. It's therefore important consumers receive these contracts at the earliest possible point in the new regulatory framework.

In case it takes Ofgem/DESNZ longer than anticipated to finalise the initial authorisation conditions, heat supply contracts should be in place within a minimum agreed period (eg 3 months) after this finalisation.

Q38. 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.

Citizens Advice broadly agrees that existing regulatory arrangements are sufficient to manage the risks of failure for heat networks operated by social housing and local authorities. It's vital that Ofgem and the Social Housing Regulators share information so nothing falls between the cracks.

Ofgem must make sure exempting social housing and local authority providers from these arrangements doesn't result in a 2-tiered system for consumers. These providers should be equally incentivised to improve standards, get good consumer outcomes, and proactively contact Ofgem if they experience financial distress.

It's important to note that another reason for less supplier failure in these sectors could be due to the extensive debt recovery options available. These include the threat of eviction or forfeiture of mortgage where the heat network is also the landlord or freeholder. As consumer protections alter debt recovery pathways available to heat networks, Ofgem should keep the exemption of these providers from financial monitoring and step-in arrangements under review.

We encourage Ofgem to give further consideration to arrangements regarding the business failure of subcontracted parties. Metering and billing agents, for example, play a large role in the heat networks sector and this is likely to increase as heat networks implement new consumer protection standards in these areas. Ofgem should consider whether additional arrangements are needed to protect customers' money, personal data and Priority Services Registry information in the event of such business failures.

Q39. 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.

N/A

Q40. 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.

Citizens Advice agrees with the proposed authorisation conditions on financial responsibility and control over assets.

Q41. 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.

Citizens Advice agrees with the proposed financial monitoring requirements. It's appropriate for heat networks to report this information annually to improve practice in the sector.

Heat networks operate as natural monopolies so financial monitoring is an important disciplining mechanism. This should help to ensure heat networks don't recover inefficiency costs from consumers' bills. We encourage Ofgem to employ a large and well-resourced team to manage monitoring. This will be critical to effectively scrutinise the 14,000+ networks already operating, alongside new providers entering the market as it grows.

We recognise Ofgem won't require heat networks covered by Social Housing Regulators to provide regular financial monitoring data. But it would nonetheless be helpful for Ofgem to have sight of social landlords' fuel purchasing strategies. There's already a high risk of consumers on networks run by social landlords receiving disproportionately high pricing as a result of some heat networks being less able to hedge as effectively as large scale gas and electricity suppliers. And not all social landlords will be familiar with fuel purchasing strategies employed in the broader energy sector. This could widen the gap between consumers on private and social heat networks. Ofgem should monitor this to make sure there's not a 2-tiered market.

Q42. 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.

Citizens Advice agrees operators and suppliers should have a Continuity Plan in place from the beginning of authorised activity. This will help make sure consumers always have access to this essential service. The Priority Services Register customer list is particularly important. Suppliers should ensure there's a robust plan in place to support these consumers so they're not left in the cold. The explicit inclusion of details about subcontracted service providers is welcome, given the major role they play in consumer-facing activities in the heat networks sector. It's also important to protect consumer credit balances and consumer data.

We encourage Ofgem to scrutinise Continuity Plans where any concerns arise about an operator or supplier's financial health. The introduction of consumer protections is a major step-change for the heat networks sector, which is also expected to grow markedly in the coming years. This transition might result in greater financial instability, so it's vital to have a robust process in place to secure heating and hot water to all consumers.

Q43. 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?

Q44. Do you have any feedback on what support could facilitate the implementation of a contractual step-in requirement for an existing heat network? Are there any arrangements that you think would support its introduction?

Q45. 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?

Citizens Advice agrees with the requirement for heat networks to have a contractual step-in arrangement in place. We support Ofgem and DESNZ

exploring the most appropriate way to set out step-in arrangements in the heat networks market. We encourage cooperation where possible to help smaller networks find an appropriate contractual step-in arrangement. This is likely to be quite different to the gas and electricity market, due to the heat network operator's physical assets. But we support the need to have a plan in place where there's a risk of failure so consumers aren't left in the cold.

Q46. 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?

Q47. 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?

Citizens Advice broadly agrees with the suggested approach to Last Resort Direction. However, there's a risk consumers on a failing heat network that's commercially unattractive get left behind. This is likely to be an expensive process. For the sector to fund it risks taking money from consumers' pockets. We encourage Ofgem and DESNZ to continue to cooperate on this issue and assess if the Last Resort Direction scheme is needed, and if so, that it works as intended.

Ofgem and DESNZ should give further consideration to the potential risk where the same entity is both supplier and operator of a heat network. Ofgem's Authorisation and Regulatory Oversight consultation states they expect the supplier and operator to be the same entity in the 'vast majority' of heat networks. The Last Resort Direction proposal outlines the expectation that when a heat supplier fails, the network operator will assume responsibility for supply. However, it's unclear if this would be possible or desirable in a situation where an entity's supplier authorisation is revoked, but it retains its operator authorisation.

Q48. 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?

Citizens Advice agrees with the Special Administration Regime proposal.

Q49. Do you agree or disagree with the proposal for the introduction of transfer schemes?

Citizens Advice agrees with the proposal to introduce transfer schemes.

Q50. Do you agree or disagree with the proposal that heat networks should put in place a funding mechanism to support the regulatory interventions outlined?

Yes, Citizens Advice agrees heat networks should implement a funding mechanism to support step-in arrangements. The diversity of the sector, even when social housing and local authority-run networks are excluded, means it's likely a mix of funding options will be necessary. The cost of any funding mechanism might fall on consumers, so it's important to ensure the need for funds is properly balanced with affordability of consumers' bills.

Q51. Are you aware of any of the proposed funding mechanisms currently being used to mitigate failure risks for existing heat networks?

Q52. Do you have any comments on the feasibility of the proposed funding mechanisms?

N/A

Q53. Do you agree or disagree with the proposed approach to Market Segmentation, including the characteristics we have identified to inform our proposals?

Citizens Advice partially agrees with a segmented approach to regulation. Given the diversity and complexity of the heat networks sector, some kinds of market segmentation might be necessary at first. But the goal should be to reduce or remove it over time, so all consumers receive the same level of protections and experience good outcomes. This might require some policies to be in place, such as the right financial framework to support network upgrades and to manage debt across the sector.

We disagree with exempting not-for-profit networks from fines. Consumer outcomes must remain the same across the sector, even if different types of heat networks might meet their obligations in different ways.

There's very little publicly available data on the numbers of consumers served by different types of heat networks. This means there's an overarching risk that exempting certain types of heat networks (i.e. small or not-for-profit) will result in an unknowable impact on an unknowable number of consumers. We recognise the need for proportionality and the unique characteristics of the sector. But heating and hot water are essential to life services, so Ofgem must err on the side of caution and put consumers first.

For example, the proposed exemption of heat networks that bill less frequently from quarterly reporting of certain metrics could make it much more difficult to monitor consumer harm for a significant majority of consumers. More than half of heat network consumers are in unmetered properties and this rises to 8 in 10 in social housing.⁴⁹ Annual billing or less, and therefore less frequent reporting of consumer harm metrics, could be allowed for a large proportion of heat networks. Exempting so many heat networks from this requirement removes the incentives for them to improve their processes altogether. We're concerned this could create a perverse incentive and delay improved consumer outcomes for a large group of consumers.

Additionally, automatically excluding not-for-profit networks from compensation payments could reduce incentives to improve for some poorly performing

⁴⁹ Department for Business, Energy and Industrial Strategy, [Heat Network Consumer and Operator Survey](#), 2022, page 29.

networks. As noted in our response to Q29, it's risky to remove a key compliance tool for any significant market sector.

In the future, clearer definitions of large, small and not-for-profit networks, as well as information on the numbers of consumers served by each category, will be vital to understanding the full impact of proposals for market segmentation.

Ofgem should also monitor if there are areas where rules aren't segmented but outcomes end up segmented in practice. We would be particularly concerned about these types of scenarios creating or exacerbating a poverty premium in the sector. For example, some smaller suppliers might struggle to socialise costs, leading to increased debt and higher bills. This might be particularly risky for small heat networks, for example, single neighbourhoods managed through local authority housing. Similarly, Ofgem's ability to properly monitor and enforce rules in small networks may be challenging in practice. It should ensure that it has a clear strategy in place for dealing with these challenges.

Q54. Do you agree or disagree with the proposal to develop and implement a minimum standard for regulated providers across some services over time?

Q55. Which services would you find appropriate to be regulated by a minimum standard?

Citizens Advice agrees with the proposal to develop minimum standards. This will be an important way to drive up standards. Heat networks deliver an essential service so it's right to set minimum expectations for consumers.

Minimum standards for domestic consumers should apply where there's a risk of a 2-tier sector, whereby certain consumers are exposed to harm due to not having access to the same protections as other consumers. Outlined below are the key areas where minimum standards should apply as soon as possible:

- Support for consumers in debt, including disconnection and force-fitting of pre-payment meters
- Vulnerability
- Complaints handling
- Billing
- Fair pricing and benchmarking

- Quality of service

We've covered these sections in detail throughout the consultation, please refer to other question responses for our view on the individual areas.

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Published January 2025.

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.