

Heat Network Zoning

A Citizens Advice
consultation response



Anne Pardoe
anne.pardoe@citizensadvice.org.uk
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About us

We can all face problems that seem complicated or intimidating. At Citizens Advice we believe no one should have to face these problems without good quality, independent advice. We give people the knowledge and the confidence they need to find their way forward - whoever they are, and whatever their problem.

We provide support in approximately 1,600 locations across England and Wales with 16,000 volunteers and 8,800 staff.

Through our advocacy work we aim to improve the policies and practices that affect people's lives. No one else sees so many people with so many different kinds of problems, and that gives us a unique insight into the challenges people are facing today.

As the statutory consumer watchdog for the energy and post industries we have an important role to play in shining a spotlight on the problems consumers encounter, providing solutions to these problems and ensuring their voices are heard when important decisions are made about the future of these essential markets.

As a result of the Energy Act 2023, from April 2025 our statutory consumer watchdog role is expected to be extended to include Heat Networks for the first time. We have been awarded transitional funding from April 2024 to enable us to build capacity and ensure consumer interests are represented as Ofgem begins putting a new regulatory framework in place.

General Comments

Citizens Advice welcomes the opportunity to reply to the Department for Energy Security and Net Zero's (DESNZ) consultation on heat network zoning. In this section we make some general comments about the proposals set out in the consultation document. Our response to the specific questions posed in the consultation document can be found in subsequent sections. We have limited our response to those questions where we feel we can add the most value.

Citizens Advice believes that heat networks have an important role to play in providing sustainable and affordable heat to homes and businesses as the UK moves towards net zero. We also recognise that a lack of certainty over the number of buildings which will be willing to connect to a heat network currently acts as a barrier to investment in building new heat networks.

Overall, therefore, we support the creation of heat network zones to send a clear signal to developers, consumers and businesses that heat networks are likely to be the most sustainable and efficient way to deliver heat in the area and provide more certainty to investors. However, wherever possible the emphasis should be on making a positive case for joining a heat network voluntarily, rather than falling back on the power to compel consumers and businesses to join. This is particularly important due to the fact that once a building is connected to a heat network it is extremely difficult, or even impossible, to leave the heat network and switch to a different heat source.

If the Government does move ahead with heat network zoning it is vital that the policy is designed and implemented with consumer interests and protection at its heart to ensure that consumers don't experience harm and the reputation of heat networks isn't damaged.

Harm to consumers and the reputation of heat networks can be avoided by ensuring that:

- Homes and businesses are only compelled to join heat networks where this is truly the most efficient and cost effective way for them to access decarbonised heating. Even where this is the case, every effort should be

made to encourage voluntary connections through making a positive case before resorting to compulsion.

- Quality, affordability and customer satisfaction are not sacrificed in favour of maximising profits for heat network operators, developers and investors.
- Consumers are able to resolve any problems quickly and with minimum hassle, and receive appropriate compensation.
- No consumer or business is materially disadvantaged by moving to a heat network, in terms of the quality and reliability of their heat supply or the amount they pay for their heat. This is particularly important in cases where they have been compelled to join the heat network. We recognise that this is a complex balance to strike, but it is an important high-level principle.

It is also crucial that new arrangements for heat network zoning are fully aligned with existing and future national and local government policies in relation to energy system planning, decarbonisation and energy efficiency. These policies should compliment each other as part of a cohesive whole rather than forming a complex patchwork of policies which are difficult for industry to navigate and deliver poor outcomes and higher costs for consumers and society as a whole.

For example, the opening section of the consultation document rightly identifies that there is an important interaction between heat network zoning and Local Area Energy Planning (LAEP). LAEP is critical in ensuring that the most cost effective approach to the decarbonisation of heat and reaching net zero is taken in each local area, driven by a full assessment of unique local characteristics and circumstances.

However, the consultation does not contain any detail on how the Government envisages the interaction between heat network zoning and LAEP working in practice. Councils are required to dedicate scarce resources to developing LAEP's. It is important that this effort is not undermined by parallel policies which may contradict the contents of the LAEP without a clear route to resolution, For example, which would take precedence in the event of a dispute between a Zone Coordinator and a LAEP? Similarly, following the introduction of the Regional Energy Strategic Planner (RESP) the interactions between the RESP, LAEPs and heat network zoning will be need to be carefully managed.

There are also clear interactions between heat network zoning and the roll out of the Future Homes Standard, currently out for consultation. Getting these standards right first time is vital if heat networks are going to realise the important role the Government envisages them having in the decarbonisation of heating across the UK.

It is essential that new homes built to these new standards are, and are widely viewed as, cheaper and more reliable to heat than other types of properties, particularly as consumers buying new build properties in heat zone areas which meet the criteria for being compelled to join a heat network will not have the option to switch to an alternative heat source. Damage to the reputation of heat networks, and by extension properties connected to heat networks, will in turn affect the value of, and willingness of consumers to buy, these properties, with knock on impacts for the local housing market, housing developers and investors.

Response to selected questions

Question 1. Do you agree with the roles and responsibilities set out for the Central Authority? If not, please set out a) which ones you disagree with and why, and/or b) additional duties you expect them to perform and why.

AND

Question 2. Do you agree with the housing of the Central Authority within the Department for Energy Security and Net Zero, for the initial period? If not, please set out why not, what alternative you would propose, and what benefits this alternative could bring.

AND

Question 3. Do you agree with the roles and responsibilities set out for the Zone Coordinator? If not, please set out a) which ones you disagree with and why, and/or b) any additional duties you expect them to perform and why.

AND

4. Do you agree with the suggested approach for designating Zone Coordinators? If not, please set out which aspects you disagree with and how to address them *and* 5. Do you agree with the proposed list of Fitness to Operate Assessment criteria set out in Table 1? If not, please explain why.

We agree with the proposals in relation to all 4 of these questions.

6. Do you agree with the Zone Coordinator governance requirements set out above? If not, please set out a) which ones you disagree with and why, and/or b) which additional requirements you consider are necessary.

The consultation document states that the Zone Coordinator 'should always incorporate a representative or expertise from each of the following : a consumer group, local business group, heat network expertise, building developers and any other relevant groups. '

While the inclusion of consumer groups in this list is welcome, the omission of direct engagement with consumers and businesses from the local community is disappointing and should be addressed. As noted in our general comments, if heat network zoning is to be a success it is vital that consumers and businesses are fully engaged with and feel positive and confident about the benefits of being part of a heat network zone and being connected to a heat network. Direct engagement with consumers and businesses throughout the process will be an important part of this. Our [guidance on how to engage consumers in LAEP](#) provides a useful starting point for thinking about how this can be done effectively.

It would also be useful to more fully understand what the Government means in practice by 'incorporating' a representative of these groups. This could usefully be set out in further detail in the planned additional 'best practice' guidance referenced in the consultation document. As Citizens Advice is likely to be one of, and in some potential heat network zones the only, consumer group which is likely to be called on to provide input to the Zone Coordinator we would welcome the opportunity to provide early input to the best practice guidance as it is developed.

We would also welcome greater clarity on the nature and extent of the role that DESNZ envisages Citizens Advice as the statutory consumer advocate playing in heat network zoning more generally. We see the potential for significant demands on our time and expertise from different Zone Coordinators as a greater number of heat network zones come onboard.

It is very important that the consumer voice is fully represented as heat network zones are developed and implemented. Fully integrating Citizens Advice at key stages of the process would be an efficient and effective way to do this and is a role we have played successfully in other markets, for example the Post Office Transformation Programme.

However, depending on the nature of our involvement and the number of heat network zones we would need to engage with at any one time, this could require significant

additional resources. We would welcome further discussion with, and greater clarity from, the Government on this question.

7. Do you agree that, longer-term, heat network developers should pay a greater proportion of the costs of Zone Coordinators related to zones they are formally engaged with? What challenges and opportunities do you see with this approach?

In the longer term it will be appropriate for heat network developers to pay a greater proportion of the costs of Zone Coordinators in the zones they formally engage with. However, as these costs will ultimately be passed through to consumers it is vital that a thorough assessment is made of the proportionality of these costs and the impact this would have on the affordability of consumer bills, particularly for consumers in vulnerable circumstances.

In the short to medium term these costs should be covered by tax-payer funding rather than passed through to gas and electricity bills. This is the most progressive and fair way to recover these costs.

8. Please suggest the features a building must have to be considered “heat network ready”, meaning the characteristics required to enable a future connection to a district heat network.

9. Do you agree that new buildings within a zone should be required to be “heat network ready” if they cannot connect immediately on completion of construction? If not, please provide further detail, including any factors related to cost-effectiveness.

We do not have specific views at this stage on which features are needed for a building to be considered “heat network ready”. We are not against the proposals set out in the consultation in principle. We would, however, urge caution in terms of how this requirement would be utilised in practice. Decisions as to whether new buildings and developments and those undergoing significant refurbishment should be required to be made “heat network ready” should be considered on a case by case basis to ensure that a full assessment is made of the full cost of these works, including any ancillary costs. The likelihood that joining a heat network will still be the most cost effective and appropriate heat source once these costs have been taken into account should also be an important consideration. For example, if this requirement were to be applied to apartment blocks, the situation could quickly become very complex and challenging, particularly in the case of mixed tenure buildings.

Question 10. Do you agree that all existing buildings with communal heating systems should be within the scope of the requirement to connect?

AND

Question 11. What impacts, if any, may this have on building owners, tenants, residents and other communally heated building users? Please provide any mitigations.

We agree with the logic of this proposal and do not oppose it in principle, however, this approach would not be without its risks. A fundamental principle which should be applied in heat network zoning should be that nobody should be compelled to join a heat network if they will be materially disadvantaged as a result. For example, if the quality and reliability of the service they receive will be lower and/or the amount they pay for their heat will be higher than their previous heat source.

We recognise that there is likely to come a time when mains gas will cease to be an option and all homes will need to switch to an alternative heat source, including heat networks. In some cases extensive and costly ancillary works will be required. Many freeholders and leaseholders will be unable to meet these upfront costs unless new forms of specialist financing are developed and made available. We covered these issues, and potential options, in detail in our May 2023 report [Demand: Net Zero](#).

Government could also consider offering time limited transitional funding where consumers may face additional additional costs and/or support with improving the energy efficiency of homes where this will help to ensure consumers are not disadvantaged by moving to a heat network.

Question 21. What types of incentives could encourage connections to heat networks? For each suggestion, describe how the incentive will encourage connection, for instance by specifying which barrier to connecting.

We are not against the idea of providing incentives in principle, however we would urge the Government to be wary of any unintended consequences. All of the incentives considered in the consultation document are focussed around what would incentivise building owners to connect, which is logical as they are ultimately the decision makers. However, we would be concerned about a suite of incentives which benefited the building owner but not the residents who would be impacted the most by joining a heat

network, and/or which incentivised the building owner to connect to a heat network when it would not be in the best interests of residents to do so.

One potential incentive which could benefit residents of newly connected buildings would be a form of temporary price support for residents in the initial period after connecting. This would help to sell the benefits of connecting to a heat network to residents while also helping to mitigate the impact of initial connection/ conversion costs being passed through to end users.

Question 29. Should leaseholders be provided with a route for requesting an exemption? Please provide further details, such as when this may be allowed.

As set out in our response to question 6, we believe that Zone Coordinators and heat network developers should ensure that they are regularly engaging directly with, and listening to the concerns of, the community, including leaseholders throughout the process of designating and implementing a heat network zone. In the first instance it would be appropriate for leaseholders to be required to raise concerns with the freeholder of the building, with the expectation that the freeholder will consider the views of any leaseholders when deciding whether to request an exemption. However, the interests of leaseholders, who will be directly using the heat and paying the energy bills, will not always align with those of the freeholder, who will not be directly affected by the reliability or price of the heat in the same way. In these circumstances it would be appropriate for leaseholders to raise concerns directly with the Zone Coordinator, and there should be a clear and accessible process for doing so.

Question 36. Please provide any comments on the following potential interventions which could increase voluntary connections in zones: a) a duty to provide a simple application process and provide quotes when asked, b) a duty to offer connections to buildings, c) a duty to connect buildings who request it if they pass a fair cost test, d) any other intervention.

We welcome the emphasis throughout the consultation on encouraging voluntary connections in the first instance rather than resorting to compulsory connections wherever possible. We also support the potential interventions set out in this section. The Government, Zone Coordinators and heat network developers must, however, ensure that consumers are given clear and accurate information which gives a full and impartial appraisal of the costs and benefits of joining the heat network. Where possible this should include an indicative estimate how much the resident will pay for their heat.

Clear signposting to sources of further information and advice, and how and when to raise any concerns should also be included.

42. Do you agree with the following proposals? If not, please provide further detail. a. All consumers will be guaranteed transparency on the prices charged by heat networks. b. Standardised templates will set out how pricing should be presented to heat network customers within zones. c. Zone Coordinators will be permitted, but not required, to set pricing conditions on the award of a zone to a developer.

The reliance on Ofgem's regulatory framework, currently under development, to provide sufficient price protection for those consumers who are compelled to connect to a heat network makes it even more crucial that these regulations provide consumers with a sufficient level of protection. We will engage closely with Ofgem, DESNZ and others to ensure that this framework, which is currently under development, provides adequate protections for consumers and is done right first time.

Large businesses fall outside of our remit as the consumer advocate so we will not offer a view on the level of price protection these businesses will need. We do, however, represent micro-businesses and will take on responsibility for representing small businesses later in 2024. We are very concerned at the prospect of small businesses based in a building which is compelled to connect to a heat network being left without any form of price protection. While some small businesses, depending on their size, may have more skills and capacity than micro-businesses to negotiate with heat network operators, or their freeholder if they rent a space within the building, this will not always be the case. In circumstances where a small business is being compelled to join a heat network there is a clear and significant power imbalance, where the business will not always have the ability to simply walk away and choose an alternative heat network operator or heat source.

If the Government decides not to extend the current scope of protections for consumers to include small businesses, at the very least Zone Coordinators should be provided with guidance to help them decide if pricing conditions are needed based on the types of businesses which are being required to connect.

We do not agree with the proposal to exclude microbusinesses from mandatory national standard conditions regarding the allowable cost of connections. Throughout the consultation microbusinesses are, rightly, treated as needing the same level of protection as domestic consumers, and just a few paragraphs above where this proposal is made the consultation states 'we expect non-domestic consumers in zones

will be better able to interrogate and negotiate prices compared to domestic and microbusiness consumers'.¹ There is also a strong body of existing evidence that microbusinesses and small businesses find it difficult to engage with the energy market.² We therefore do not see any logical reason why microbusinesses would be any more able to negotiate connection costs than supply costs. Many microbusinesses will rent rather than own their business premises, or run their business out of their home, in which case they will be reliant on their freeholder to negotiate reasonable terms in the same way as domestic consumers, and will require the same level of protection.

56. Do you agree that a consultation period of 21 days is sufficient for the formal consultation part of heat network zone designation? If not, please provide further detail.

We appreciate that there is a balance to be struck between ensuring all interested parties, including consumers, are given sufficient time to fully participate in consultations and not allowing overly onerous processes to act as an unnecessary barrier to the development. However, we do not agree that 21 days is sufficient for the formal consultation part of the heat network zone designation.

Designation of a heat network has significant ramifications for all consumers and businesses located within the heat network zone and it is vital that they are given sufficient time to respond. For example, as the statutory consumer advocate for heat networks, and one of the tier 2 consultees, we would find it very difficult to respond to consultations which are only open for 3 weeks, and certainly wouldn't be able to input fully. We would be interested in understanding more fully the rationale for choosing a 21 day formal consultation period.

58. What other information do you consider should be published prior to or during the zone designation stage?

We agree with the list of information the consultation proposes should be published prior to or during the zone designation stage. However, there should also be a

¹ DESNZ (2023) Heat Network Zoning p48

² For example: [Ofgem \(2023\) The impact of COVID-19 on microbusinesses](#) and [Ofgem \(2018\) Micro and small business engagement survey 2018](#)

requirement to include signposting information for consumers and businesses on where they can go for more information and how they can access independent advice if they have any concerns or problems.

For example, gas and electricity suppliers are required to include Citizens Advice's phone number on all bills to signpost customers who may be struggling to afford their bills. In theory, this could be replicated in communications about heat network zones for consumers seeking independent advice. However, careful thought would need to be given to whether and how advice services run at a national level, for example the Citizens Advice Consumer Service, will be able to provide appropriate and up to date information and advice on what is going on in individual heat network zones.

There is also nothing in the document relating to how this information should be promoted, by who and in what format. This is a key opportunity to engage and educate local people and businesses on the positive case for heat networks and what network zoning means for this. Not promoting this information effectively, and ensuring this information is presented clearly and in an accessible format will at best be a missed opportunity, or at worst could fuel concern and backlash against the new heat network zone if the local community feel decisions which directly affect them are being made and implemented secretively.

59. Do you agree with the proposed two-tier approach to classify statutory consultees? If not, please describe an alternative approach.

AND

60. Do you agree with the proposed Tier 1 and Tier 2 consultees set out in Appendix 5? If not, please provide any suggested changes.

The 2-tier approach to classifying statutory consultees and the overall list of Tier 1 and Tier 2 consultees seems a reasonable list. However, we note that Citizens Advice is listed as a Tier 2 consultee and that there are no consumer representatives in the list of Tier 1 organisations. This is a concerning omission. As outlined in our response to question 6 above, we would welcome greater clarity on the nature and extent of the role that DESNZ envisages Citizens Advice as the statutory consumer advocate playing in heat network zoning.

Fully integrating Citizens Advice at key stages of the process, including as a Tier 1 consultee, would be an efficient and effective way to do this and is a role we have played successfully in other markets. However, depending on the nature of our involvement and the number of heat network zones we would need to engage with at any one time, this could require significant additional resource to carry out effectively.

On page 79 the consultation states ‘we intend for Zone Coordinators and the Central Authority can be required to provide Ofgem with data they have collected about heat networks within zones. We will ensure that the monitoring functions of the Zone Coordinators, the Central Authority and Ofgem are streamlined to avoid confusion among stakeholders and reduce administrative burdens.’ If Citizens Advice is to play a fuller and more formal role as consumer advocate in relation to zoning, it may be useful for the Zone Coordinator and Central Authority to share this data with us too. If appropriate, data sharing agreements could be put in place to facilitate this.

64. Do you agree that larger heat network zones could be divided into multiple smaller “Heat Network Zone Delivery Areas”? If not, please provide further detail.

We agree with this approach.

71. Do you agree with the intended outcomes for the monitoring and reporting regime in Table 7? If not, please provide further detail.

We agree with the intended outcomes for monitoring and reporting. However, it is not clear whether the metric relating to the 'number of complaints made by stakeholders' includes complaints from consumers. It's important that consumer complaints are included in this metric, and that complaints data is categorised and broken down by different types of stakeholders to give a full picture of the performance of the Zone Coordinator. The scope of this metric should also be expanded to include an assessment of how well these complaints are dealt with. Metrics to measure this could include the average time taken to resolve complaints and the proportion of complaints resolved to the satisfaction of the complainant.

74. Do you agree that the Zone Coordinator and/or the Central Authority should have the power to revoke a zone?

Yes, it is important for the Zone Coordinator and Central Authority to be able to respond and adapt as circumstances and available data change.

78. Should penalties apply to individuals and organisations below £2 million turnover? If not, please provide further detail.

We support the proposal to exempt individuals, microbusinesses and some small businesses from penalties. However, we are concerned about the decision to set the threshold at £2 million turn over. The threshold used to define a small business elsewhere by DESNZ, Ofgem and other regulators including the FCA is an 'annual turnover of £6.5 million or a balance sheet total of £5 million'.³ We are keen to understand the rationale behind choosing a significantly lower threshold in this instance.

³ For example: DESNZ (December 2023) '[New threshold for businesses accessing the Energy Ombudsman](#)' p11

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