



Consultation response

National Energy Action response to Heat Networks Fair Pricing Protections

About National Energy Action

National Energy Action (NEA), the fuel poverty charity, campaigns so everyone can afford to live in a warm, safe and healthy home. This is something denied to millions because of poor housing, low incomes and high bills. Working across England, Wales and Northern Ireland, everything we do aims to improve the lives of people in fuel poverty. We directly support people with energy and income maximisation advice, and we advocate on issues including improving the energy efficiency of our homes.

Background to this response

National Energy Action is pleased that Ofgem is consulting on the establishment of fair pricing protections for heat network consumers. We recognise the importance and potential for growth of heat networks in providing local, low-carbon heat sources for households. National Energy Action has practical experience in providing support for households supplied by heat networks, and this has led us to believe that the establishment of pricing protections is essential. We believe that these consumer protections should be equivalent to the protections in place for households served by electricity and gas suppliers. Households connected to heat networks require the same protections, particularly given that, unlike conventional gas or electricity consumers, they lack the ability to meaningfully compare pricing or to switch suppliers.

Summary of our response

Our response to this consultation is based around three key themes:

- Vulnerable customers must be prioritised in heat network regulation
- Ensuring the right balance of prescriptive and principle-based regulations
- In the absence of a price cap, existing support schemes must adapt to protect heat network users

Each of these is summarised below, before an expansion of our ideas in the answers to the questions posed in the consultation.

Vulnerable customers must be prioritised in heat network regulation

Heat network users cannot switch supplier, and this group often comprises a higher proportion of vulnerable and low-income compared to gas and electricity. These consumers face particular risks if pricing protections are not applied robustly and consistently from the outset. While Ofgem identifies 'level of vulnerability' as a potential segmentation factor, it must become a core driver of regulatory prioritisation across data reporting, monitoring, enforcement and price investigations.

Vulnerability should not be treated as a contextual detail but as a defining feature of the market that requires earlier and more proactive oversight. This is especially important in social housing or mixed-tenure blocks where affordability concerns are particularly profound, and consumers have limited ability to seek redress.

It is also essential that heat network users are afforded the same protections and standards regarding debt as gas and electricity consumers. This includes requirements around assessments of ability to pay, affordable repayment plans, enhanced protections and support for vulnerable households, regulatory oversight of debt recovery, and protection from disconnection for vulnerable households during hardship. Extending these standards to heat networks will ensure regulatory consistency and guarantee fundamental consumer protections for households with limited choice of supplier.

Publishing pricing data and enabling comparison may support transparency, but these tools alone are insufficient. Many consumers lack the time, confidence or information to interpret headline prices, and cannot act on this data even if they suspect they are being overcharged. Bills must be made as clear, consistent and understandable as possible and, where prices appear high, Ofgem must proactively lead investigations and be ready to intervene. Advice organisations can help interpret pricing, particularly for digitally excluded or vulnerable groups, but the responsibility must not fall solely to consumers.

Before full price investigations come into effect, Ofgem should closely monitor complaints and data trends, and prioritise networks serving high numbers of vulnerable users. Where prices are above average but not judged excessive under current guidance, there must still be a mechanism to explore support. This could include working with or referring suppliers to the Heat Network Efficiency Scheme where cost drivers might be addressed.

Some adaptation of reporting requirements may be justified for small or not-for-profit networks. However, this should not weaken the core protections available to their customers. Segmentation should support proportionate regulation, not create a two-tier system. Over-segmentation risks undermining comparability, reducing accountability and leaving vulnerable consumers less protected. This must be avoided.

Ensuring the right balance of prescriptive and principle-based regulations

To ensure consistently fair outcomes across all networks from the outset, this framework requires more prescriptive and enforceable rules around transparency standards, cost-allocation methodologies, benchmark thresholds, and clearly defined triggers for regulatory intervention. Without a clear and enforceable foundation, there is a risk of wide variation in how protections are interpreted and applied across different networks.

Cost allocation is a central concern. While the diversity of heat networks is recognised, the methods used to allocate operating, maintenance and capital costs must be standardised to a meaningful degree. Prescriptive rules are needed to ensure that consumers can understand their charges and to allow Ofgem and other bodies to assess whether pricing is fair. The lack of transparency in maintenance costs is especially problematic. In some cases, consumers pay twice, once through rent or service charges, and again through their heat bills. Regulations must address this and align with obligations under Section 11 of the Landlord and Tenant Act 1985.

The treatment of efficiency improvement costs must also be clearly defined. Many networks will require investment to meet future technical standards. While this is necessary, it is essential that these costs are not simply passed through to consumers, particularly where historic inefficiencies or poor design are to blame. Consumers have not chosen their heat network and cannot switch. This lack of choice must be reflected in how cost recovery is regulated.

Ofgem's authorisation condition on cost allocation currently sets a broad direction but relies heavily on supporting guidance. Ofgem should use a clearly defined set of permitted allocation models, with rules on which costs can and cannot be recovered from consumers. Without this structure, there is a risk that cost allocation becomes wildly inconsistent and unchallengeable.

Despite being outside the direct scope of this consultation, prescriptive metering requirements and regulations are hugely important for fair pricing rules. In unmetered households, high users benefit from estimated costs while lower usage customers, who are more likely to be low income, pay more than their fair share. This is an issue Ofgem should monitor and work with government to remedy. Accurate and comprehensive metering requirements under the Heat Network Technical Assurance Scheme (HNTAS) remain foundational for both transparent billing and effective targeting of financial support. Without reliable consumption data, billing disputes and perceptions of unfairness will persist.

While principles provide a helpful framework, prescriptive regulation is essential in areas where consumer detriment is likely or where confidence depends on clear, enforceable rules. A balance must be struck, but not at the expense of fairness, clarity or protection.

Case study: Mr A

Mr A, a carer for his elderly mother who suffers from a rare blood cancer, lives in local authority accommodation. Mr A also has heart problems. The family's heating and hot water are provided via district heating, and they began facing high charges under the newly installed metered system. The monthly charges reached nearly £190, which Mr A felt was excessive, especially when his neighbours with similar household compositions paid only £80. Despite several attempts to discuss the issue with the local authority, Mr A received no clear explanation for the disparity, although they had offered to reduce the payment amount by £10 per month. As a result, Mr A was limiting his hot water use, which began to negatively impact his mental health.

Due to limited income, Mr A had not paid his heating bill since April, accumulating a debt of approximately £1,000. Mr A had made numerous enquiries and complaints to the local authority about the heating controls and metering system but had not received a satisfactory response. His adviser from National Energy Action suggested escalating the matter through his housing officer, the local MP and repairs team. To manage the situation, Mr A had reduced energy use by batch cooking or ordering takeaway food.

Mr A received £700 through the Warm Home Prescription scheme to help with energy bills. Additionally, his adviser suggested seeking assistance from an FCA-registered debt advice agency to help manage his ongoing housing and heating debt.

In the absence of a price cap, existing support schemes must adapt to protect heat network users

It is welcome that this consultation seeks to extend many of the key benefits associated with the energy price cap, including transparent pricing, centralised publication of tariff data, cost-reflective billing, and benchmarking. We appreciate the rationale for not introducing a formal cap at this stage, while welcoming that a formal price control mechanism is being held in reserve should market evidence show it is necessary.

However, in the absence of strict price controls, Ofgem must proactively monitor price levels and enforce protections where charges become disproportionate. This includes establishing clear thresholds for when intervention is required, tracking emerging price trends and responding swiftly to consumer complaints. Ofgem's actions should be guided by the principles of fairness and affordability, with particular attention to networks serving high proportions of vulnerable households.

Parallel to this, government should examine how existing fuel poverty schemes can be extended to heat network users. Measures such as the Warm Home Discount and any future social tariff must explicitly include those on heat networks. This will require cross-departmental co-ordination and consultation to adapt eligibility criteria, application processes and payment mechanisms so that heat network users receive the equivalent support available to gas and electricity customers.

Although the detailed design of these schemes lies outside Ofgem's immediate remit, it is crucial that existing support schemes are adapted to protect heat network users from any future price shocks or potential detriment before formal price investigations are in place. By proactively addressing these issues, we can ensure that vulnerable households on heat networks are not left behind.