

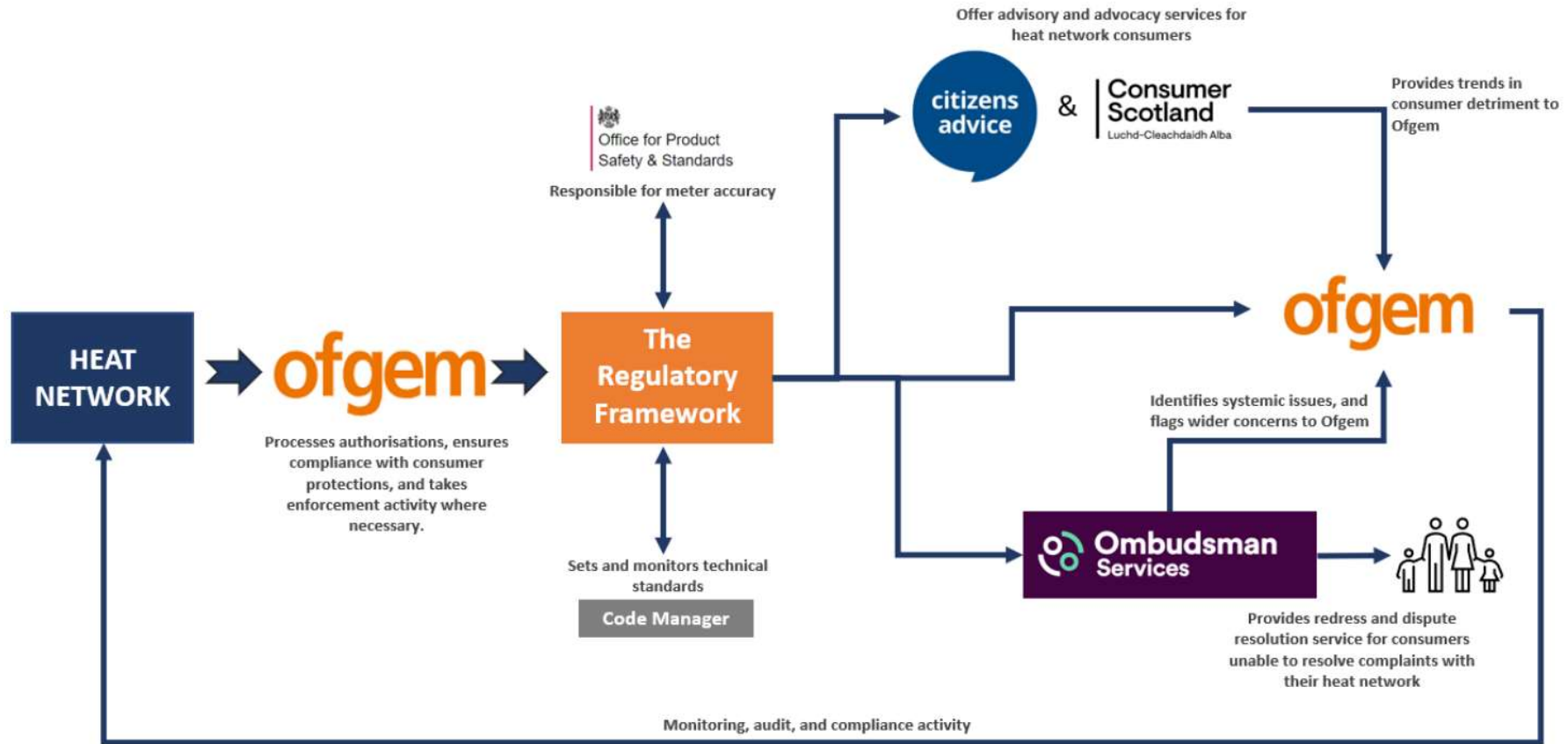


Heat Networks Non-domestic protections

July 2024

- ***Introduction – heat networks regulation***
- ***Consumer protections for non-domestic consumers***
- ***Next steps and Q&A***

- Government expects heat networks will play a crucial role in boosting the UK's energy security and independence, decarbonising heat in buildings, and reducing energy costs for households and businesses.
- Local heat sources already serve 500,000 customers (both domestic and non-domestic) across 14,000 networks. Their future role is set to expand significantly, with the Climate Change Committee **predicting that around a fifth of heat will be distributed through heat networks by 2050.**
- As the importance of heat networks grows, **it is necessary that a regulatory framework is developed** to promote positive outcomes for current and future heat network consumers.
- **The Energy Act 2023** creates the framework for Ofgem to be the future regulator of the heat network sector. We consulted jointly with DESNZ in autumn last year on the consumer protection measures that will be introduced as part of the regulatory framework - **protecting consumers is the primary reason for regulating the sector.**
- **Protections** like fair pricing, quality of service, information transparency and also how we would apply, monitor and enforce these new regulations to protect existing and future energy consumers were included in the consultation.
- We will be consulting in more detail in a number of areas over 2024 and **are particularly keen to engage with the non-domestic sector.**



Previous consultation position on scope:

- Protections to cover microbusinesses and sought views on extending protections to Small and Medium Enterprises (SMEs) too
- View that protections should not extend to larger non-domestic, however,
- Acknowledgement of the monopolistic nature of heat networks, and said we would consider the insights gathered from Ofgem's review into the non-domestic gas and electricity market

Exploring extending non-domestic protections. For example, we are seeking views on whether:

- ***The Standards of Conduct should apply to all non-Domestic Customers:*** All customers deserve fair treatment from their heat network suppliers and operators. This follows a similar change in gas and electricity (SL0A).
- ***The complaints handling proposals should cover Small Business Consumers:*** The evidence from gas and electricity showed that businesses larger than Micro Businesses can also need help to resolve issues with their supplier.
- ***The obligations to provide fair and transparent prices should apply to all non-domestic consumers:*** The evidence from the gas and electricity review shows that customers, regardless of type, want to better understand the contract rates they are paying and why they may change. Monopolistic nature of heat networks.
- ***Certain Guaranteed Standards of Performance (GSOPs) should apply to non-domestic customers to offer a minimum level of protection:*** Some businesses may struggle to negotiate appropriate standards. However, even minimum levels of protections, might reduce a non-domestic consumers ability to negotiate their own standards and compensation levels.

- We are continuing to work with DESNZ to develop the consumer protection regime to provide a similar level of protection for heat networks consumers, while recognising the differences in market structure and development.
- We will continue to develop our thinking about the regulatory approach and will continue to engage and work collaboratively with stakeholders. We are particularly keen to engage with non-domestic consumers.
- We recognise heat network regulation will be a new development for the sector and heat network customers.

Get in touch: HeatNetworksRegulation@ofgem.gov.uk

Questions

Ofgem is the Office of Gas and Electricity Markets. We are a non-ministerial government department and an independent National Regulatory Authority, recognised by EU Directives. Our role is to protect consumers now and in the future by working to deliver a greener, fairer energy system.

We do this by:

- **working with Government, industry and consumer groups to deliver a net zero economy at the lowest cost to consumers.**
- **stamping out sharp and bad practice, ensuring fair treatment for all consumers, especially the vulnerable.**
- **enabling competition and innovation, which drives down prices and results in new products and services for consumers.**