

Heat network regulation

Around 500,000 UK customers receive supplies from heat networks and Government intends for them to meet one fifth of the UK's heat demand by 2050. However, until recently, the market was almost entirely unregulated and unlike electricity and gas, anyone could operate a network, become a supplier, tie customers into long-term contracts and charge what they could get away with.

The landscape has now changed with the introduction of the Heat Network Market Framework which requires all existing network operators and heat suppliers to comply with minimum consumer protection standards set out in Authorisation Conditions.

These consumer protection regulations came into force on 27 January 2026. Their key aims are to protect customers, boost investor confidence and decarbonise the sector.

Landowners with existing networks or plans for future ones will need to understand whether they already carry out the role of a regulated operator or supplier. If so, they will need to make sure that they comply with the Authorisation Conditions or otherwise outsource the obligations to a third-party energy services company (**ESCO**).

Future proofing new contracts is relatively simple, but diligence should be carried out on existing contracts to ascertain what changes need to be made, if any, in order to be compliant. See our [paper](#) outlining regulatory considerations for landowner operators and suppliers.

Anticipated timeline

The full suite of regulation is yet to come into force and the bulk of the detail is still subject to public consultation.

27 January 2026

"Launch Date" – the Authorisation Conditions have to be complied with and Ofgem has powers to take enforcement action.

Spring 2026

Ofgem plans that the digital registration platform will go live.

Until January 2027

All existing operators and suppliers are deemed authorised and consumer advocacy and redress schemes apply through the Energy Ombudsman.

26 January 2027

"Registration Date" – the deadline for all existing operators and suppliers to register with Ofgem. For new schemes coming into existence after such date, the network operator will need to apply for authorisation before supplies can be made to customers.

Regulated activities

Two new regulated activities are now in force:

- **Operator** – the party with “control” over the network or responsibility for day-to-day operation and the right to direct maintenance and upgrades.
- **Supplier** – is responsible for supplying heat or cooling to customers under a supply contract or a lease.

A landowner may outsource either role to a third party, such as an ESCO, provided they meet the criteria and are not just acting on the landowner's behalf.

Regulator and ombudsman

Ofgem is the appointed heat network regulator and its principal objective is to protect the interests of heat network customers. It has published guidance to help operators and suppliers implement the new Authorisation Conditions.

Although Ofgem has power to take enforcement actions for failure to comply with the Authorisation Conditions, it has indicated that it wants to support and work with the market to reach compliance, reserving action for the most serious of cases.

Customers can already report disputes to the Energy Ombudsman where they arose after 1 April 2025. Disputes may relate to billing, customer service, delays and loss of service. Citizens Advice has been appointed statutory advocate and advice provider to customers.

Scope

The overriding objective of regulation is to provide consumer protection and so the majority of minimum standards will apply to domestic customers, micro-businesses and small businesses. The scope of the regulations are far more limited for those supplying themselves or making a supply to large commercial or industrial customers.

Regulation will apply to all types and sizes of heat and cooling networks, but single buildings with shared facilities which are not divided into separate premises will not fall within scope. This may include premises such as student accommodation or nursing homes.

Standards of Conduct

The Authorisation Conditions impose Standards of Conduct on both operators and suppliers to ensure that each customer receives “fair”, professional treatment and transparent communication. This principle is to be kept in mind when implementing each

of the Authorisation Conditions. It requires actions such as providing clear and accessible information, providing a good customer service, operating a Priority Services Register and seeking customer feedback. Suppliers and operators will need to identify and accommodate the needs of customers in a vulnerable situation.

Authorisation Conditions

These are the key set of rules that each supplier and operator have to adhere to. Suppliers take the bulk of obligations, particularly in relation to:

- complaints handling processes
- provision of assistance to customers
- billing and price transparency
- back-billing
- priority services registers and treatment of customers in vulnerable situations
- debt handling, payment difficulties and disconnections
- use of prepayment meters

Authorisation conditions specifically for operators are geared towards ensuring a reliable supply of heat or cooling. The Heat Network Technical Assurance Scheme (**HNTAS**) will provide greater clarity as to how networks are to be operated, when introduced in the coming year.

Supply Terms

The Authorisation Conditions require suppliers to ensure that each customer's supply terms are put in writing, either in a Heat Supply Contract or a lease. The Authorisation Conditions stipulate key principles that the supply terms must contain, including billing information, pricing transparency, complaints handling, use of prepayment meters, security deposits, back-billing and disconnections etc.

Existing housing law under the Landlord and Tenant Act 1985 will continue to apply where supply terms are set out in a lease or tenancy agreement.

Suppliers have to act in accordance with the Authorisation Conditions already, but will have a grace period to ensure that the terms of their Heat Supply Contracts are updated to reflect the Authorisation Condition requirements.

Guaranteed standards of service

The regulations do not currently govern supply failure response times or other guaranteed standards of

service and customer compensation payments that are typical in the market. To date, these have been individually negotiated in contracts and standardised through voluntary adoption of the Heat Trust Scheme Rules. Ofgem intends to consult the market on appropriate standards to be enforced and they may be brought within the scope of regulation during 2027.

Fair pricing

The Authorisation Conditions do not introduce price caps because they would be too difficult to apply to an existing market with such a vast variety of network types, sizes and condition. Instead, suppliers and operators will need to ensure that charges are fair and not disproportionate. Industrial heat networks and self-supply networks will not be required to comply with this.

Ofgem has published guidance on how to achieve fairness, by balancing cost recovery with affordability and permitting an element of margin for risk and profit. Collecting pricing data will enable Ofgem to build a transparent picture of market prices and, in due course, will enable customers to better compare their charges to other schemes.

Significant managerial responsibility or influence

Each authorised operator and supplier will need to ensure that any person with "Significant Managerial Responsibility or Influence" over a network within its organisation must be a fit and proper person to carry out that role. This will be someone who makes decision about the management or organisation of either regulated activity. The organisation has to continually monitor whether such person is fit and proper, and have robust processes in place to ensure compliance.

Reporting and audits

Part of Ofgem's role will be to gather data on the characteristics of networks, types of customer, commercial arrangements and pricing. The Authorisation Conditions will require a supplier and operator to provide specific information to Ofgem, as and when requested.

Where an operator or supplier believes that circumstances give rise to a likelihood of customer detriment, it is to report the same as soon as it becomes aware. Ofgem will also spot check compliance through randomised and risk-based audits.

Availability of resources and financial responsibility

Each operator and supplier (except for local authorities, industrial networks and self-suppliers) will have to ensure that it has sufficient resources, including financial resources, to ensure that it can meet its regulatory obligations and anticipated liabilities as they fall due.

Enforcement

As regulatory, Ofgem will have powers to perform enquiries and take enforcement action, which may include issuing directions, requiring remedy of a breach, imposing financial penalties, imposing consumer redress orders and obtaining voluntary redress payments.

Although such powers will be available, Ofgem have gone to lengths to reassure the market that the priority will be collaboration to make sure all schemes achieve compliance. In the first few years at least, enforcement action will only be taken where there is significant customer detriment.

Technical standards

The Heat Networks Technical Assurance Scheme (**HNTAS**) will mandate and codify minimum technical requirements, which build on the existing CIBSE CP1 (2020). The detail is currently under consultation and is due to be launched in late 2026 or early 2027. The standards will apply not only to new build schemes but also to existing legacy networks following a significant transition period.

HNTAS will seek to reduce carbon emissions, increase reliability and reduce capital and operational costs. Network operators will be required to pass assessments over gateway milestones, from feasibility and design, through to construction and operation. Once certified, the operator will need continually submit data to the digital portal to prove ongoing compliance.

Zoning

In order to create customer demand and boost investor confidence, heat zones are being established and will be integrated into development planning requirements. Zones are geographical areas identified as suitable for a heat network to provide the lowest cost and lowest carbon solution, and within which it will be mandatory for residential and commercial buildings to connect to a heat network. Once introduced, heat zoning regulations will sit alongside and will compliment the wider Heat Market Framework regulations.

Freeths heat networks team

Heat networks can be complex projects and involve multiple stakeholders. Our specialist heat networks lawyers have extensive experience of advising on over 50 projects and our clients include property developers, landlords, ESCOs, local authorities, registered providers, commercial property owners and industrial businesses.

Please reach out to the heat networks team below if you have any queries. Further commentary on the heat network regulations can be found [here](#).

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