

Heat networks regulation – consumer protection.

Informing secondary legislation and authorisation conditions.

The Home Builders Federation (HBF) is the principal trade association for the home building industry in England and Wales. HBF's membership of more than 400 companies builds most of the market sale homes completed in England and Wales, encompassing private developers and Registered Providers. The majority of HBF's private home builder members are small or medium-sized companies (SMEs).

As the main trade association for the home building industry, our members constitute one of the largest bodies of companies that will be affected by the outcome of this consultation.

The document below is the summary of the representative responses from our membership and takes account of the responses of large major housebuilders, SME builders as well as specialist housing providers and companies. While HBF's members largely support the proposals within this consultation, they are concerned that a pragmatic, fair, balanced and considered approach should be taken.

Q1. Do you agree with the scope outlined in this section and which networks the regulatory requirements should apply to? Please provide views and evidence to support your position where you can.

HBF is broadly in agreement with the scope and regulatory requirements outlined within this section that identifies the activities, duties and responsibilities associated with within the Heat Network Operator and Heat Network Supplier roles. HBF understands this was set out previously within the 2020 consultation and 2021 Government response.

Q2. Do you agree with our proposed activity definitions for heat supplier and heat network operator and our assumptions around the organisation of district and communal networks?

HBF agrees with the definitions allocated and identified within this section for the Heat Supplier and Heat Network Operator role in addition to the assumptions associated around the organisation of district and communal networks. HBF believes a clear and transparent relationship is needed throughout this supply chain to make it as simple, clear and affordable as possible for end users in new build housing.

Q3. Do you agree with our proposal for the separate authorisation of entities where there is a 'bulk supply agreement' in place and operation / supply for district and in-building networks is split?



HBF agrees with the separate authorisation of entities where a bulk supply agreement is in place for the operation and/or supply of the district network and ‘in building network’ is separated. HBF believes it is important to identify and differentiate the separate duties and responsibilities in order to recognise the service responsibilities of each entity and to ensure and maintain good quality service and delivery of energy and heat to end users of new build residential properties.

Q4. Do you consider that our approach to regulation is suitable for the large number of small networks in the sector?

HBF agrees that the approach to regulation from Ofgem is suitable for the large number of small and micro networks operating in the sector. HBF also believes that it is vitally important for this sector to be recognised and covered by the same protections as those proposed for larger heat and energy networks. SME developers typically operate on smaller sites, some involving less than 10 units. We believe it is equally important for those smaller schemes to benefit from the same protections as those proposed for larger community heat networks in order to ensure that smaller schemes are not unfairly penalised. It is equally important that new home owners are afforded the same protections and assurances imposed on those network providers responsible for the delivery of heat and energy to homes regardless of the size and scale of development.

Q5. Do you consider there to be any consumer protection rules proposed in this consultation that small networks will struggle to comply with? Please provide rationale.

HBF believes that consumer protection rules for small networks should be of a scale and proportionate such that compliance is achievable. HBF supports consumer protection for new homeowners associated with small networks. Consumer protection rules for heat networks should be extended such that future withdrawal and disconnection from heat networks should be unincumbered for home builders as well as new home owners who choose to do so based on changing and improvements in technology.

Q6. Do you agree with our proposal to not capture very small building conversions and annexes? What would be the advantages and disadvantages of including them? Are there any other similar scenarios that you believe we should not capture? Please provide rationale.

HBF agrees with Ofgem’s proposal not to capture very small building conversions and annexes. Some very small schemes may not be located near to heat networks and should be reserved from having to conform with proposals of large-scale development. HBF believes that in certain instances it would not be realistic nor feasible for very small developments including conversions and annexes to be captured under the same regulations. As such HBF believe they should be exempt from inclusion and normal building regulations would be the appropriate control mechanism applied in this scenario.

Q7. Do you agree with our proposed approaches for the authorisation of existing and new heat networks?

As the representative body for the house building sector, we do not feel we can competently and comprehensively respond to this question and feel this is more appropriate to be responded to by energy companies or those closer to the regulatory, management and supply of energy services themselves.

Q8. What are your views on the potential use of HNMBR notifications data to support the information provision process for existing heat networks? Are there any specific actions around notifications due this year that you feel could further facilitate this process?



As the representative body for the house building sector, we do not feel we can competently and comprehensively respond to this question and feel this is more appropriate to be responded to by energy companies or those closer to the regulatory, management and supply of energy services themselves.

Q9. Do you agree with the proposal to use a mixture of principles and prescriptive rules to protect consumers? Do you agree with our assessment that parts of the sector are likely to want directive rules and supporting guidance to help them comply?

As the representative body of the house building sector, we do not feel we can competently and comprehensively respond to this question and feel this is more appropriate to be responded to by energy companies or those closer to the regulatory, management and supply of energy services themselves. However, HBF does believe that the builders and developers constructing new build properties should be reassured that risks associated with energy purchase of and supply by heat network operators are not passed onto new build residents. The home building industry should be assured that consumers receive a fair price, reliable heat and good customer service where competition is not possible due to the nature of the heat network system. HBF agrees with Ofgem that heat network regulations should aim to build a stronger framework for consumer protection. HBF supports a regulatory approach that allows for innovation via high level principals but also allows for prescriptive rules where minimum requirements should be met regardless of the size of the heat network. These principals should be shared equally amongst home builders such that a level playing field exists regardless of the size of the heat network being utilised.

Q10. Do you agree with the introduction of an overarching Standards of Conduct principle for all heat networks? While we expect all heat networks to identify and support customers in vulnerable circumstances, we would be keen to understand if any networks would find this particularly challenging to deliver.

HBF believe that Ofgem’s current standards of conduct ought to be sufficient however they could be strengthened to include fairness and honest actions towards heat network operations associated towards consumers. Information could be clear and transparent for home builders and developers constructing properties onto new heat networks for information to be passed onto consumers in a clear and understandable way. Quality standards and well run platforms should be in place for new heat networks where new home owners are able to communicate efficiently with networks providers which include vulnerable persons and persons with disabled requirements that may occur on new residential housing schemes.

Q11. Do you think we should further consider requirements on consumer engagement and including the consumer voice in heat networks’ decision making?

As the representative body of the house building sector, we do not feel we can competently and comprehensively respond to this question and feel this is more appropriate to be responded to by energy companies or those closer to the regulatory, management and supply of energy services themselves.

Q12. How often should Ofgem update any public register of pricing data? How often should heat suppliers be required to submit pricing data to Ofgem?

As the representative body of the house building sector, we do not feel we can competently and comprehensively respond to this question and feel this is more appropriate to be responded to by energy companies or those closer to the regulatory, management and supply of energy services themselves.

Q13. What are your views on Options 1, 2, 3 and 4 for centralised price transparency? What combination of options would work best? Please provide detail on why a particular combination could work well.



As the representative body of the house building sector, we do not feel we can competently and comprehensively respond to this question and feel this is more appropriate to be responded to by energy companies or those closer to the regulatory, management and supply of energy services themselves. However, HBF believes that home builders should have access to a full and clear register of heat network operators in order to be able to pass on critical network information to customers and consumers. A full register providing comparison information across the whole of the UK's heat network providers is needed for clarity and fairness in the industry. End customers and consumers should also be able to retain the right to disconnect from a heat network at a point in time in the future should technology permit new homes to pursue independent energy provision off grid or elsewhere.

Q14. What do you foresee as the main challenges of each option for centralised price transparency?

HBF believes that the main issues associated with each approach to the examples given in the centralised information charts lies around providing clear and concise information for home builders and new home owners in order to make decisions and draw comparisons from.

Q15. What are your views on a general obligation on heat networks to provide fair and transparent prices, accompanied by rules and/or guidance, setting out minimum expectations, principles, and good practice? We are particularly interested to hear from leasehold arrangements, not-for-profit networks and small players.

HBF believes Ofgem should provide general obligations on heat networks to provide transparent and fair pricing for new home builders and those looking to connect onto existing heat networks. There should be a strict set of rules and guidance for network providers which should set minimum performance and expectations that new home builders can expect to consistently see delivered on heat networks of all sizes across the UK where they are available.

Q16. Do you agree with the broad set of outcomes (in the bullet point list on page 41) that would define our expectations on fair pricing?

HBF broadly agrees with the set of outcomes set out in the consultation document. HBF believes that prices offered should be reflective of efficient costs of the network and pay due regard to the affordability and consumption levels of customers and new home builders. Expectations on fair pricing should identify where heat network providers charge disproportionate pricing and elevated pricing for customers. HBF also considers heat networks should strive to improve the efficiency of network operating costs and pass on those cost savings to consumers. Heat networks should base their strategic approach to heat networks based on long term efficiencies. Heat Network operators should consider long term decarbonisations improvements of the network and have sufficient finance plans in place which are not passed onto consumers of new build properties in the short term.

Q17. We are interested in stakeholder views on the balance between prescriptive rules (setting minimum standards) and general guidance, that could be introduced across all heat networks. Which areas, in Table 4 above and Appendix 1 Fair Pricing - rules and guidance, should be covered in rules, which should be covered in guidance, and which should be left to the market?

As the representative body of the house building sector, we do not feel we can competently and comprehensively respond to this question and feel this is more appropriate to be responded to by energy companies or those closer to the regulatory, management and supply of energy services themselves.

Q18. Should cost allocation rules be applied uniformly across the sector, or should there be different rules for different segments? If the latter, what segmentations do you suggest? Please cite examples of good practice for your suggested approaches.



As the representative body of the house building sector, we do not feel we can competently and comprehensively respond to this question and feel this is more appropriate to be responded to by energy companies or those closer to the regulatory, management and supply of energy services themselves.

Q19. How are the current tariffs charged by heat suppliers broken down into the components of standing charge and variable charge? What are the variables affecting the cost components and what are their accounting / financial methodologies? We would also be interested to know how very small networks decide how to set standing and variable charges.

As the representative body of the house building sector, we do not feel we can competently and comprehensively respond to this question and feel this is more appropriate to be responded to by energy companies or those closer to the regulatory, management and supply of energy services themselves.

Q20. How prescriptive should these rules be? What are the constraints and issues that need to be considered during the transition period and beyond?

As the representative body of the house building sector, we do not feel we can competently and comprehensively respond to this question and feel this is more appropriate to be responded to by energy companies or those closer to the regulatory, management and supply of energy services themselves.

Q21. What are the main implementation challenges with the different options?

As the representative body of the house building sector, we do not feel we can competently and comprehensively respond to this question and feel this is more appropriate to be responded to by energy companies or those closer to the regulatory, management and supply of energy services themselves.

NB. Questions 22 to 75 is targeted at Heat Network Operators as confirmed in the consultation document. As such, this sits outside of the Home Builder Federation area for response and no further comments are provided.

Q22. What are your main sources of funding for daily operations and general policies for financial management, for example bad debt management and recovering capital expenditures (where relevant/possible)? Please refer to page 98, at the end of the Appendix 1, for a detailed breakdown of information requested. If you operate more than one heat network, do you allow cross-subsidisation between heat networks and if so, what are your policies governing this (where relevant/possible)?

Q23. What gas procurement practices and hedging approaches and strategies do you use (where relevant/possible)?

Q24. What are your views on the proposed benchmarking approaches? Do you agree that Ofgem should develop options 2, 4 and 7? With each approach, what are the main considerations and implementation challenges for the sector that should be considered when developing the methodology?



Q25. What are your views on how Ofgem should approach segmenting the market for price benchmarking? What are the main characteristics that should be considered?

Q26. What are your views on how Ofgem should approach guidance on price investigations? Do our proposals cover the type of content stakeholders would expect?

Q27. What information and evidence should Ofgem be seeking as part of our monitoring activity to identify where there is a case of disproportionate pricing?

Q28. Do you agree that price regulation, such as a price cap or profit regulation, should not be introduced in the near term but that this should be kept under review?

Q29. Do you agree with this approach to regulations related to complaints handling?

Q30. Do you agree with the proposed core elements of the Guaranteed Standards of Performance

Q31. Heat network operators and heat suppliers only: Can you provide us with information on the Guaranteed Standards of Performance (with or without compensation) that you currently have in place? Please include those you have placed on external contractors through contract.

Q32. How should guaranteed standards of performance work for heat networks operating on a cost recovery model? How can we avoid consumers paying for their own compensation through higher prices in the future? How can we further incentivise reliability for these networks?

Q33. Do you agree that Guaranteed Standards of Performance should apply to all domestic and microbusiness consumers, regardless of who operates the network? Do you agree that business consumers larger than microbusinesses should be excluded and allowed to negotiate their own service levels and compensation amounts?

Q34. Do you agree that the proposed Conditions, in Table 6, could be appropriate for heat networks? We are interested in views and evidence on how the Conditions could be adapted for Heat Networks and examples of good practice.

Q35. What are your views on obligations and protections that are currently in place for ensuring continuity of heat supply in the case of failure? If you consider further requirements or a regulatory safety net is required, please expand.

Q36. What are your views on heat networks being contractually required to have a contingency plan in place to ensure the continuity of heat supply? Should this obligation apply to all heat networks, including small networks?

Q37. What are the challenges and costs of placing this obligation on existing heat networks? What timescales or transitional period would be needed?

Q38. How should Ofgem monitor compliance with the requirement for heat networks to have a CSCP in place, recognising the scale of the sector, number of plans that should be in place and the overall approach envisaged for monitoring and compliance?

Q39. Should guidance be provided on the content of the CSCP? What key things should be covered in guidance? Should there be minimum standards and how might these be different for various types of network?



Q40. Do you agree with the proposal to require heat suppliers to operate a Priority Services Register and provide specific services for consumers who need them? As previously stated, we would really welcome views from networks that would find it particularly challenging to deliver this.

Q41. Do you agree with our approach to drive good debt management practices and deter disconnection? Do you agree that assessing ability to pay and offering tailored repayment plans is possible for small heat networks operated/supplied by small entities?

Q42. What is your current policy/process for debt management and disconnection? Please provide us with information on the number of disconnections, and outline whether your approach varies across networks (eg unmetered/metered, smaller/larger heat networks). Is there anything specific you can share on how you approach customers who might be in vulnerable circumstances?

Q43. What do we need to consider when exploring a disconnection ban for the sector? We welcome evidence you can provide on benefits to consumers in vulnerable circumstances (including what groups of consumers should be protected), impacts on wider consumers (including specific financial impacts on other consumers on the network), and impacts on heat suppliers (for example with regard to cashflow and financial stability).

Q44. Do you agree that non-payment of heat charges when part of housing charges should follow housing non-payment protection rules?

Q45. On your heat networks, do consumers on PPMs pay the same amount as consumers on credit meters? If PPM consumers pay more, please provide more detail.

Q46. Do you agree with our approach for ensuring that consumers in vulnerable circumstances do not resort to self-disconnection or self-rationing and that PPMs are only used where appropriate for the consumer?

Q47. Should we include financial vulnerability as a required consideration for whether a PPM is ‘safe and reasonably practicable’?

Q48. Do you consider these measures to be achievable across all segments of the market? Please provide rationale.

Q49. Do you agree with this approach to regulation for ensuring heat networks have sustainable cash flows and only install PPMs involuntarily as a last resort?

Q50. Do you agree with our proposal to increase the rollout of individual AMI heat meters? If you disagree, please indicate why, and provide evidence to support this view.

Q51. If yes, are there any functions not in our specification that should be included? If no, would any changes to the specification have a substantial impact on your answer?

Q52. Is it reasonable or technically feasible to require that dwelling level meters be installed in common/public areas outside of that dwelling? If not, why?

Q53. Do you agree that an equivalent approach implementing standards of accuracy and processes for pattern of construction and manner of installation regulation in the heat meters market is proportionate? If no, please provide an explanation and support with any available evidence.

Q54. Do you agree with our view that accurate consumption tracking with HCAs is effectively impossible?



Q55. Is the cost effectiveness tool fit for purpose, and should we continue using a similar tool for meter installations? If you think we should retain the tool, what changes do you think could be made to the tool? How would these changes increase meter installations in existing unmetered networks?

Q56. Do you agree that the Open class of existing Regulations should be either reformed or revoked? If not, please explain why, if possible, providing evidence to support your views.

Q57. Do you agree with the proposed rules on billing information, frequency, and method?

Q58. Do you agree with the proposed rules on back-billing, price change notifications, and heat supply contracts?

Q59. Do you agree that this package of measures on pre-contractual transparency will provide prospective consumers with sufficient information prior to and during a property transaction? What other information and mechanisms for providing that information should we explore further?

Q60. How can we ensure pre-contractual transparency for prospective consumers in new developments?

Q61. What issues do SMEs connected to heat networks typically face and are issues growing in volume and/or severity? Please provide evidence and reasoning to support your position where possible.

Q62. What consumer protections would you expect to apply to SMEs? Please provide evidence and reasoning to support your position.

Q63. Do you agree with the proposed rules and activities for introduction in the first year of regulation? Are there any that you think should not be introduced in the first year?

Q64. Are there any other rules or activities that we should introduce in the first year of regulation?

Q65. Should we take into account different market segments in our approach to general monitoring and compliance and financial monitoring? If so, what factors should we consider?

Q66. Are these the right metrics to ensure we have a picture of heat networks' performance and consumer service? Are there any which should not be included or others which should be included? If so, why? Is there a frequency of reporting for particular metrics which would provide a clear picture of performance?

Q67. Do you agree with the overall scope of and approach to auditing to support compliance with regulation, including the initial areas of focus?

Q68. Do you consider that the proposed compliance and enforcement framework is appropriate for ensuring that non-compliance is addressed?

Q69. Do you consider that our penalties policy should include Fixed Penalties as an efficient way of addressing certain non-compliance? If so, what are the main benefits and risks that need to be considered when implementing this approach, including how they would apply to different segments of the market?

Q70. Do you agree with our proposal not to implement a payback period if the transition period is funded by the gas and electricity licensees?

Q71. Do you agree with the proposed method of fee apportionment based on consumer numbers, with non-domestic being classed as one customer? Are there any implementation challenges with this approach?



Q72. Do you agree with our proposal not to impose a minimum fee?

Q73. Should a de minimis threshold be imposed to streamline the cost recovery process? If yes, what are the factors to be considered when calculating the optimal de minimis threshold?

Q74. What are the benefits, drawbacks, and possible unintended consequences of imposing a de minimis threshold that we have not considered above?

Q75. Do you have a view on how frequently heat networks should pay Ofgem fees, and how heat networks may wish to pay us (ie the payment method)?

As always, we hope that our comments are received in the spirit in which they are intended and reflect the HBF's overarching desire to support key policy objectives whilst at the same time supporting our members in seeking deliverable and pragmatic solutions to policy changes.

Yours sincerely,

Rhodri Williams

Technical & Sustainability Director – HBF.



