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Green Skills For All: Empowering Communities for a Sustainable Future

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Heat Networks: What Are They and Why They Matter

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Heat networks regulation: update Scotland Housing Festival 4 March 2026

An overview of heat network regulation

What changes are coming for heat networks

1

Key milestones and what providers should be aware of

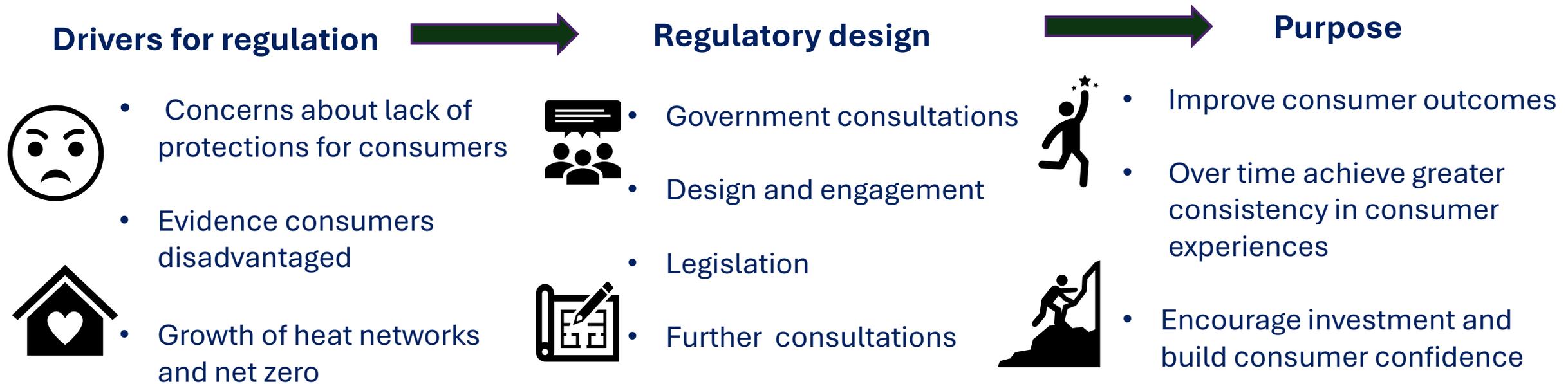
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Complying with regulation

3

1. Why is Ofgem Regulating?

The Heat Networks Market Framework aims to regulate the heat network market in Great Britain, focusing on consumer protection and market development. This framework, implemented through the Heat Networks (Market Framework) (Great Britain) Regulations 2025, establishes an **authorisation regime overseen by Ofgem**.



We believe regulation will create the stable, trustworthy environment that encourages investment in heat networks while giving consumers the confidence they need. However, it is a complex sector and there are challenges when introducing regulations in a sector of this scale and diversity.

What changes are coming and why?

Our aim: The framework is proportionate and delivers a measurable improvement in consumer outcomes, while delivering a stable regulatory framework, supporting investment.



Information

- Consumers receive **clear and accurate** information about the terms of their supply.
- They can **understand** what they are paying for, and what they are likely to pay in the future.



Customer service

- Consumers are treated **fairly**.
- They have recourse to a **complaints** handling process, including an independent escalation provider if things go wrong.



Fair pricing

- Consumers receive a **fair price**, supported by a data-based framework which enables us to identify and take action against disproportionate pricing.

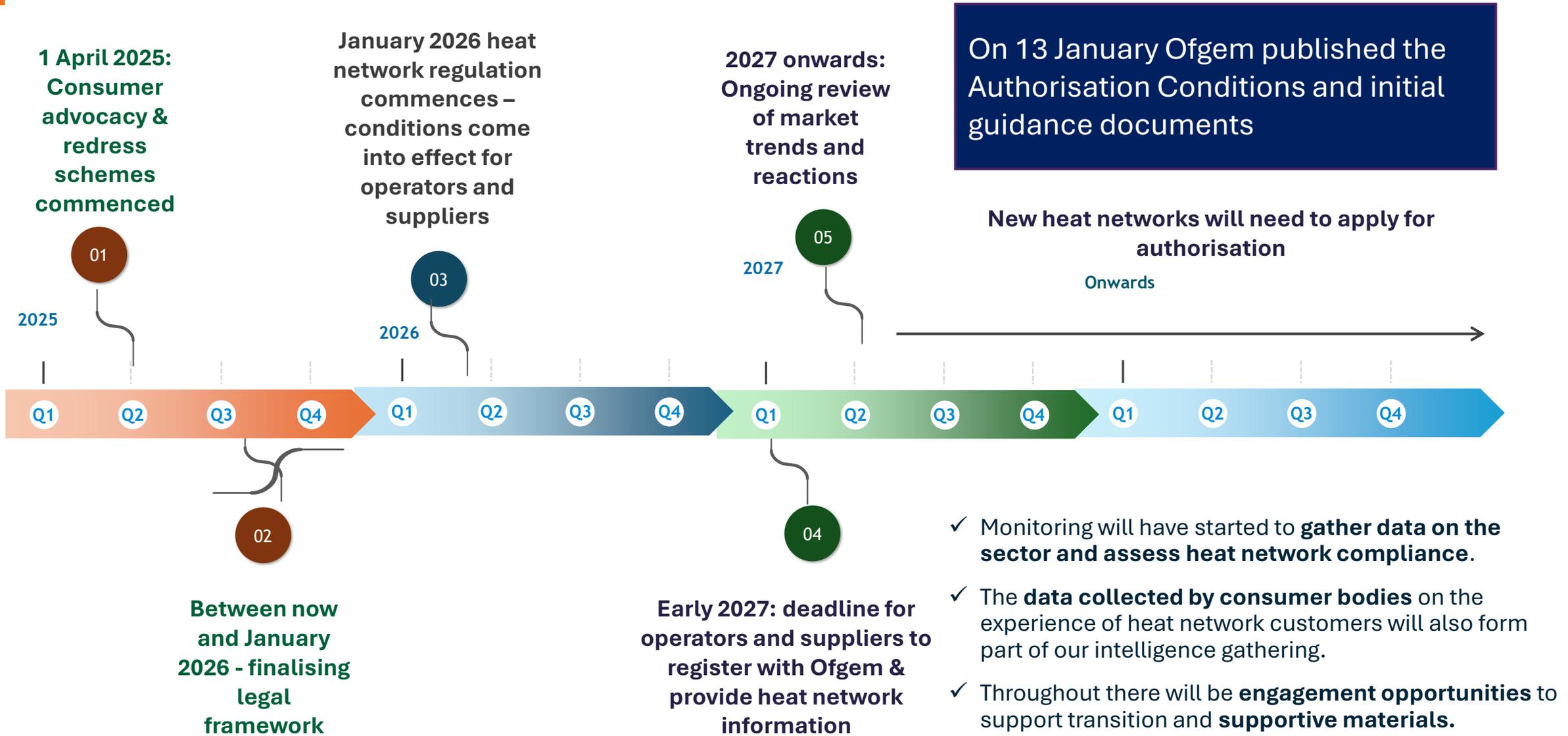


Warm homes

- Consumers receive a **reliable supply** of heat and hot water.
- Interruptions are reduced and when they do occur appropriate support is provided.

The supply and operation of heat networks, for some, is one part of a broader housing service being provided. In these cases, both our authorisation conditions and existing housing legislation will apply.

2. Key regulatory milestones



What providers should be aware of

Heat networks should be preparing for registration and data reporting. We have introduced Authorisation Conditions (ACs). Some ACs apply to supply activity, some to operator activity, and others to both. We set out an overview of some of the obligations the ACs cover below (please note this is not a comprehensive list):

Registration

Ongoing fit and proper

Information provision

Open & co-operative

Independent audits

Operational arrangements
and material assets

Availability of resources
and financial responsibility

Continuity arrangements

Requirements
related to
interactions
with regulator,
processes,
arrangements
and activities

Standards of conduct

Heat supply contracts and changes

Complaints

Assistance and advice

Billing, information transparency
and back-billing

Vulnerability

Fair pricing & cost allocation

Security of supply

Requirements
related to
consumer
protection

Where appropriate interactions with housing have been reflected in the Conditions and guidance, for example, heat supply contracts, billing and transparency, and back-billing.

3. Compliance with regulation

It is the responsibility of suppliers and operators of heat networks to ensure they meet their obligations under the Authorisation Conditions. In complying with regulation the following might be helpful.



Understanding

- Review the Authorisation Conditions and guidance.
- Develop an understanding of the requirements and interactions with existing obligations.



Review

- Review existing processes and practices.
- Identify and discuss where changes might be needed.
- Engage internally and continue to feed into relevant consultations.



Action

- Identify steps that can be taken to ensure requirements are met.
- Focus on consumer outcomes.
- Familiarise with registration guidance and information required.

And beyond..... this is a new regulatory framework we will need to continue to engage with stakeholders for example:

- Where issues arise or guidance needs to be updated, and in the development of more supporting materials
- Input to areas where there will be further regulatory design e.g. Guaranteed Standards of Performance.

Digital service update

The initial release of the digital service expected in spring 2026 will comprise of the following functions:-



Account creation & user management

- GOV.UK One Login Account authentication
- Allows creation of heat network organisation account
- Provides user management functionality



Organisation Details

- Captures details of organisation type & ownership structure.
- Captures details of financial resilience indicators



SMRI Declaration

- Allows submission of Significant Managerial Responsibility & Influence (SMRI) declarations



Registration

- Allows provision of details of regulated activity (operation & supply) on heat networks
- 'Operator led' approach

Prepare for registration

Please familiarise yourself with our registration guidance, check you are in scope, and think about the information you will need to prepare so you can start registering your heat networks:

- Identify who is the operator and supplier on the heat network
- Nominate a ‘regulatory contact’
- Collate information
 - Organisation structure & ownership e.g. parent companies
 - Financial resilience information – company accounts, hedging information
- Understand SMRI obligations ([Section A8](#))
- Collate information on your heat networks

When there are issues...

If we have credible information that a supplier or operator might not be following the new rules and this is impacting customers, we'll aim to engage and understand the issue and circumstances.

We aim to:



- Find out about any non-compliance concerns early
- Have an open and supportive dialogue with heat network operators and suppliers to fix problems for customers caused by non-compliance - we encourage them to self-report issues through our digital service
- Ensure there is a plan to put things right and resolve any issues promptly, (which might, for example, include fair customer compensation)
- Be transparent about the issues we've seen, to support the sector into compliance



We'll take more serious action where:

- An operator or supplier does not work with us constructively
- There is harm to customers
- We need to deter future non-compliance

In some cases, this may mean that we open a compliance case and we may also refer to our enforcement guidelines.

Next steps

- We plan to publish details on the Ofgem website of how to request access to participate in Private Beta during March.
- To be informed of this and all other updates please sign up to our mailing list via this [link](#).
- Look out for details of further engagement activities such as webinars to follow in the coming months.

Useful links

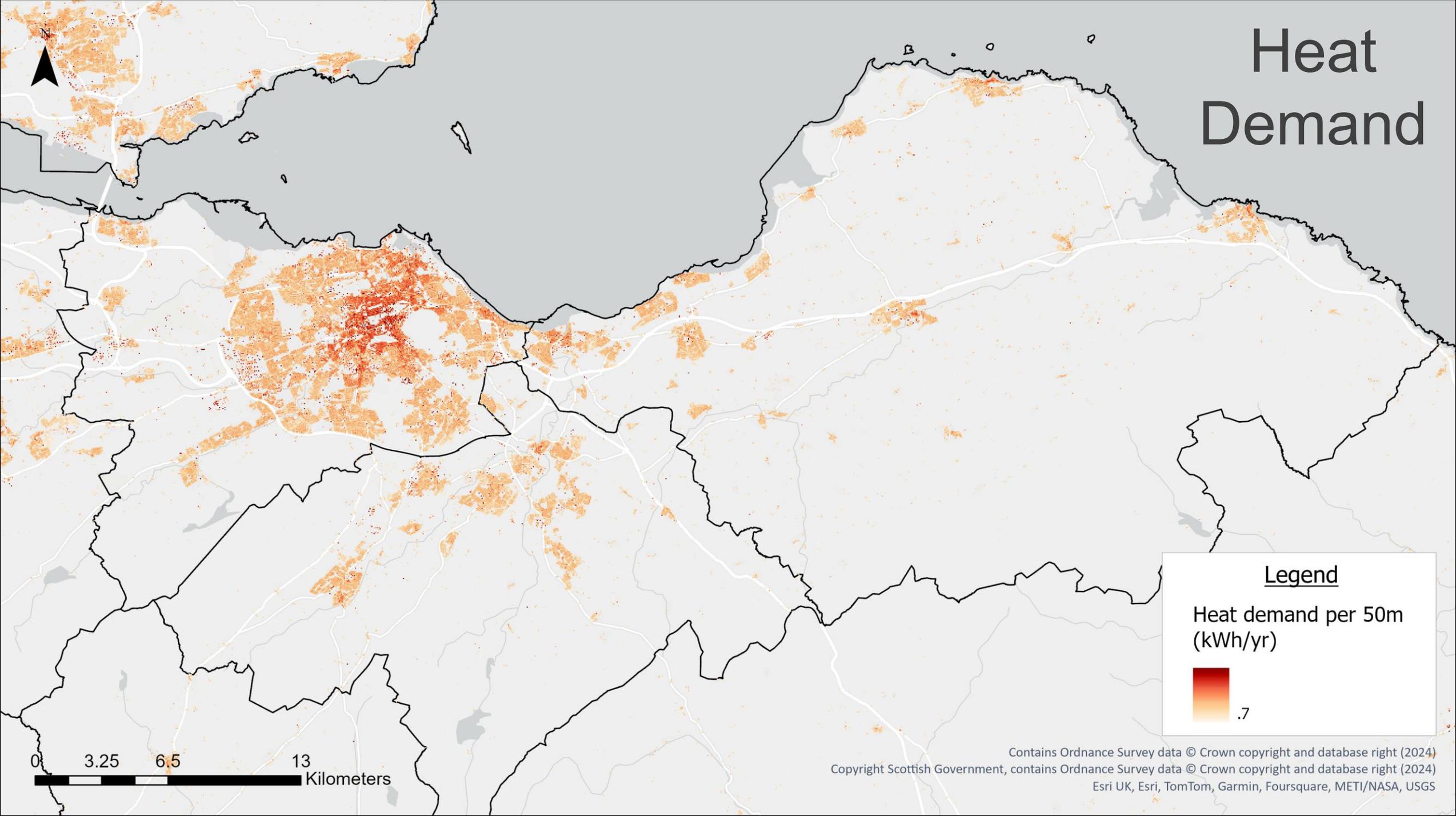
- The initial set of authorisation conditions, available [on the ePR](#)
- Supporting [guidance](#) on consumer protection, pricing and financial resilience and registration guidance
- An overview of our [approach to compliance](#)



Getting Homes Heat Network Ready

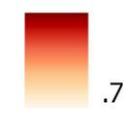
MARTIN HAYMAN, EAST LoTHIAN COUNCIL

Heat Demand



Legend

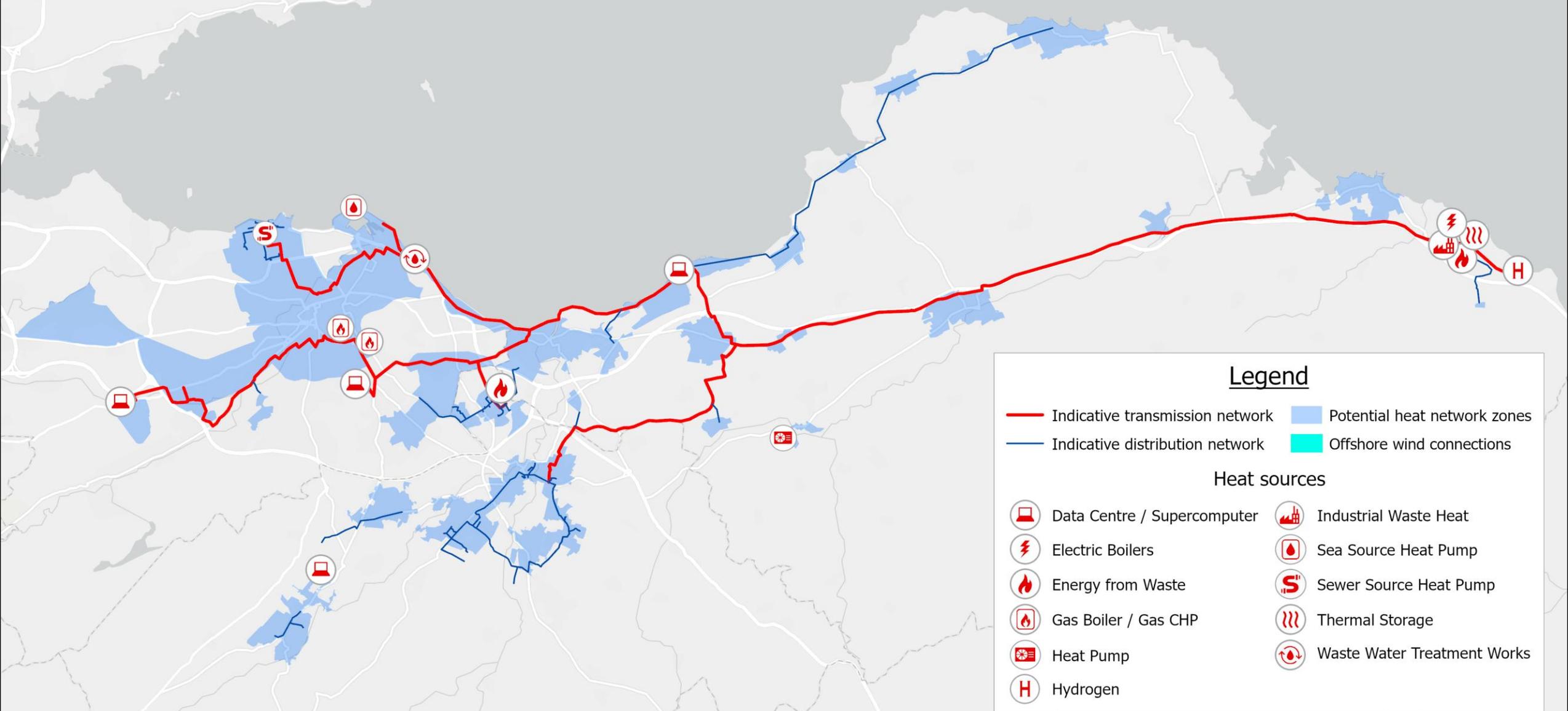
Heat demand per 50m
(kWh/yr)



.7

0 3.25 6.5 13 Kilometers

Regional Heat Network Vision



Legend

- Indicative transmission network
- Indicative distribution network
- Potential heat network zones
- Offshore wind connections

Heat sources

- Data Centre / Supercomputer
- Electric Boilers
- Energy from Waste
- Gas Boiler / Gas CHP
- Heat Pump
- Hydrogen
- Industrial Waste Heat
- Sea Source Heat Pump
- Sewer Source Heat Pump
- Thermal Storage
- Waste Water Treatment Works



Heat Network Benefits

- Decarbonisation of social housing at scale
- Minimal internal disruption for tenants
- Significantly cheaper than ASHP options
- Low-cost and secure heat supply
- Protection against fuel poverty

Heat Network Ready

- Engage early with Local Authority or other project developers
- Make a firm commitment to connect properties – Heat Network Ready Pledge
- Maintain existing heating systems until connection arrives
- Support your Heat Network developers



Housing providers in Edinburgh –
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