

Chartered Institute of Housing (CIH) response to Ofgem and DESNZ consultation on heat network consumer protection

Introduction and summary of our response

The Chartered Institute of Housing (CIH) is the professional body for people who work or have an interest in housing. A significant proportion of CIH members work in social housing, and social housing organisations manage approximately half of all heat networks that currently supply households with heat and power. [1 in 12 social housing residents](#) are part of a heat network, compared to 1 in 25 households nationally.

The work undertaken by Ofgem and DESNZ to design the structure of heat network regulation is therefore both hugely welcome and vitally important for social housing, as well as the wider housing sector. In its [Sixth Carbon Budget](#), the Climate Change Committee (CCC) estimates that around one fifth of domestic heat will be supplied by heat networks in 2050. The introduction of consumer protection regulations will be critical to ensuring the needs and respective roles of households, social housing providers and heat networks are defined as more and more people are connected to networks.

This is a significant challenge. Most domestic heat networks have never been subject to prior regulation, and the absence of price protection has often led to energy price shocks being passed quickly to bills and service charges. For example, one study reported that some heat network customers [experienced price increases of 700 per cent](#) during the energy crisis, increases that hit the worst-off particularly hard. In social housing, with [higher levels](#) of financial vulnerability, ill-health, and disability than other tenures, these price increases were and continue to be especially detrimental.

Simultaneously, there are specific challenges faced by heat network operators/suppliers in relation to regulation, especially in social housing. Social housing providers are already heavily regulated, and have a social imperative to provide warm, safe housing to those who need it most. Many heat networks supplying social housing residents are run on a not-for-profit or cost recovery basis, and heat network teams within social housing organisations tend to be small, with relatively low budgets and staff resource. They are also less well capitalised than traditional energy retail suppliers, increasing the risk of failure if costs cannot be recovered. These challenges exist in the broader context of more general financial burdens on the sector, with the ongoing [LUHC inquiry](#) into the finances and sustainability of the social housing sector highlighting the [pressures](#)

associated with decarbonisation, building safety, and forthcoming social housing regulations.

Accordingly, it is vital that heat network regulations provide the greatest possible protection to customers and create a stable, financially viable regulatory environment for heat networks to operate. CIH is pleased to have the opportunity to contribute to this work. In preparing this response, we have consulted with some of our members who work with or have an interest in heat networks, and we have also consulted with housing organisations and experts from across the sector.

We have answered only the questions to which we can give an informed view. In addition to our responses to individual consultation questions, our key points are:

- **The proposed regulations represent a considerable shift for the social housing sector, and will create additional requirements - both financial and non-financial - that will be burdensome for providers to meet.** Many heat networks in the social housing sector are operated on a cost recovery or not for profit basis. The significant costs of regulation will inevitably be passed through to customers for these heat networks to remain viable. In addition, the social housing sector has limited staff capacity and resources when it comes to heat networks, with responsibility for heat networks dispersed across different parts of the organisation. Responding to these regulations will take time, and the sector will need as much clarity as possible as soon as possible to begin preparing for compliance.
- **Awareness of the regulations, their implications, and the amount of work they will require is still low in the social housing sector. The sector requires clear guidelines, adequate support, and reasonable timeframes to be able to comply.** A phased approach with an initial period is welcome, but more needs to be done to streamline the process for social housing providers and enable the sector to implement some elements more rapidly due to its obligations under the Social Housing Regulator. CIH has been collaborating with other housing organisations (the National Housing Federation, the Local Government Association, the National Housing Maintenance Forum and The Heat Network) to amplify messaging across the sector, and we would welcome the opportunity to engage further with Ofgem and DESNZ.
- **Proposed regulations need to take into account, and be streamlined with, existing social housing regulations to avoid duplication of work.** It is critical that the heat network regulations complement the ways in which the social housing sector is already undertaking consumer protection, and do not create unnecessary administrative burdens through duplication. For instance, social housing providers are already required to comply with the Regulator of Social Housing in relation to complaints handling, and have existing legislative responsibilities in relation to (e.g.) back billing. Streamlining heat network regulations with existing social housing regulation will be key to a smooth transition to compliance.

- **Given the considerable shift that these regulations represent and the growing number of people who will be connected to heat networks in the coming years, it is essential that people in or at-risk of fuel poverty, and/or who have cold-related vulnerabilities, are adequately protected.** We welcome the evident work that Ofgem and DESNZ have undertaken to ensure that vulnerable customers and those in or at-risk of fuel poverty are protected through regulation. In the likely absence of a price cap, Ofgem needs to be prepared to closely monitor price points and take swift enforcement action if necessary to protect people from disproportionately high prices. DESNZ also needs to begin thinking about how a growing number of heat network customers might be better included in fuel poverty schemes in the future. In addition, we would welcome further clarity and confirmation that existing rules in the energy retail market, especially in relation to the involuntary installation of prepayment meters, will apply to heat networks, as this is not currently clear from the consultation document.

Responses to consultation questions

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.

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?

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 inbuilding networks is split?

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

Yes, we agree with the scope and proposals outlined in these questions. We would note two additional considerations.

Firstly, social housing providers are already subject to tight regulation by the Regulator of Social Housing, and the introduction of these regulations will mean that social housing providers are regulated by two entities: Ofgem and the Social Housing Regulator. There is a risk that this could lead to a duplication of administrative duties and additional costs. Wherever possible, areas of overlap between social housing compliance and Ofgem compliance should be leveraged to reduce the possibility of duplication.

Secondly, there are a range of different roles and responsibilities regarding social homes connected to heat networks managed or owned by third parties (e.g.

ESCOs or managing agents). In such cases, clarity is required on precisely who is responsible for what when the regulations come into force.

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.

Resourcing heat network compliance is likely to be a challenge for all social housing providers. While we do not have a view on any specific rules proposed in the consultation that might be difficult, smaller networks may generally be less likely to have the resources, staff, and capacity to understand and comply with the regulations in their entirety.

We welcome the intentions stated elsewhere in the consultation to produce detailed guidance, and would encourage this guidance to try and address the specific needs and challenges of smaller networks as much as possible.

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?

This is an appropriate proposal, and we agree that regardless of the eventual balance between prescriptive rules and principles, direction and supportive guidance/templates will be essential to support the sector in complying.

We would add that while the use of principles could support innovation and the design of different solutions that work best for individual heat networks, we feel that prescriptive rules are more appropriate for parts of the regulations that apply to consumer vulnerability. This is because it minimises the possibility of vulnerable people receiving different levels of protection or service from different heat networks.

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.

We agree with the introduction of this principle.

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

Yes. With specific reference to social housing, resident engagement and tenant voice are already critical parts of how social landlords currently design and deliver their services. New consumer standards will also place several new obligations on social housing providers to engage with residents.

We feel that further requirements on consumer engagement should be outcome focused and based on principles, giving social landlords adequate scope to design and deliver engagement activities that will work most effectively for their residents. Consumer engagement is delivered differently in the sector depending on several factors, such as the size of the landlord (e.g. above or below 1000 units), geography (e.g. urban/rural), and the type of housing (e.g. supported and/or older people's accommodation vs. general needs). The establishment of high-level principles, with accompanying guidance for engaging residents in heat networks' decision making, would be welcome, and would allow social landlords to adapt existing methods of engagement as they see fit.

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

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?

In response to these three questions, while we agree that some form of centralised price transparency will help to inform Ofgem and the sector of wider market trends, as well as secondary markets, we are unsure about the value of enabling existing customers to compare prices against an average price or range of prices for similar networks. In the energy retail market, one of the primary purposes of price comparison has historically been to enable consumers to switch to better and/or cheaper deals. This will not be possible for existing heat network customers because heat networks are natural monopolies (although it has clear value for new renters or buyers). We are also not convinced that any challenge would lead to significant redress or corrective action by the heat network because costs may not be alterable. This could lead to situations where consumers are querying higher than segment average bills, but being told (not unreasonably) that there is little that can be done, potentially leading to dissatisfaction and alienation.

We are therefore not sure of the value or purpose of enabling consumers to compare prices, beyond fulfilling a necessary principle of public transparency. The onus should not be on heat network customers to identify and challenge

disproportionate pricing; this role should be played by the regulator. Ofgem and the Energy Ombudsman should play a central role in identifying and investigating pricing that significantly deviates from the segment average, and in cases where prices are higher than the segment average, but costs cannot feasibly be reduced, Ofgem should be able to work with or refer the heat network to appropriate government schemes or support that could reduce prices (e.g. by increasing efficiency, such as through the Heat Network Efficiency Scheme).

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.

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?

We support the broad principle and outcomes in these two questions.

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?

We support the adoption of more prescriptive rules for any matter concerning fuel poverty and customer vulnerability, for the reasons stated in our response to Q9 above.

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?

While we acknowledge the practicalities and difficulties of introducing a price cap, we have three comments that we would hope to be addressed if a price cap was not implemented.

Firstly, a fair price, whether defined through a price cap or a not-for-profit cost recovery model, is not and has never been the same as an affordable price. Even a price that is the lowest possible a heat network can offer while remaining financially viable may be unaffordable for some residents, especially those with cold-related health conditions or vulnerabilities who have a higher-than-average need for energy. During the energy crisis, some heat network customers [experienced price increases of 700%](#), increases that hit the worst-off particularly

hard. Simultaneously, [government estimates](#) from June 2023 showed that only 17,710 applications to the Energy Bills Support Scheme Alternative Fund by heat network customers had been successfully accepted and paid, highlighting the challenges of delivering energy-related support to these customers. In the possible absence of a price cap, DESNZ should give immediate consideration to how existing fuel poverty support schemes might need to be adapted to serve the growing number of vulnerable energy consumers connected to heat networks.

Secondly and relatedly, [CIH supports the introduction of a social tariff](#) in the energy market. We note that some proposals for the introduction of a social tariff see it as a possible replacement for the current energy price cap. We would support the extension of a social tariff to the heat network market to ensure that heat network customers can afford the energy they need to maintain good health and wellbeing. However, given the differences between the heat network sector and the energy retail sector, this will require consideration, deliberation and consultation. We would therefore encourage DESNZ to commit to releasing its consultation on consumer protection in the energy market as soon as possible, with proposals on how a social tariff could be implemented for heat network customers.

Thirdly, as in our response to Q14, Q26, and Q27, pricing must be kept closely under review and Ofgem must be prepared to take appropriate action should any evidence emerge of disproportionate profits or systematic unfair pricing.

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

In social housing, providers already have regulated complaints mechanisms and processes in place. To minimise unnecessary duplication, Ofgem should consider how existing complaints processes in the sector can be used as a starting point.

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

Yes, we agree.

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?

While we cannot give an informed view in response to Questions 34-38, we agree that the provision of CSCP guidance will be essential for the social housing sector to fulfil any obligations on continuity of supply.

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.

Yes, we agree with this proposal. We would note that in social housing, some relevant vulnerabilities are often captured through other systems (e.g. respiratory conditions may be noted on asset management systems to aid the prioritisation of responses to damp and mould reports). However, many will not be. The design of the Priority Services Register should therefore aim to strike a balance between making best use of available data held by social landlords on vulnerability, and ensuring that any additional energy-related vulnerabilities that may not be typically captured by social housing providers can be integrated.

We would also be interested in the potential role that cross-utility registration could play in supporting social housing providers with a Priority Services Register (PSR). In the electricity, gas, and water sectors, welcome work has been undertaken to streamline PSR registration across different utility companies (e.g. through www.thepsr.co.uk). Extending this collaboration to heat networks, including social housing providers, could support the sector to implement what will be a significant new and unfamiliar area of responsibility.

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?

Yes, we agree with this approach. We especially agree with the importance of introducing rules that require providers to be proactive regarding non-payment and implementing affordable repayment plans.

We also support further consideration of a wider disconnection ban for consumers outside of the heating season, and encourage Ofgem and DESNZ to explore this further.

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).

CIH has responded in detail to a [previous Ofgem consultation](#) on the integration of the Involuntary PPM - Supplier Code of Practice into supplier license conditions, in which we set out evidence on the specific harms associated with involuntary PPM installations and subsequent self-disconnection from heat supply. These harms are equally applicable to disconnection.

At minimum, we would support the extension of a full disconnection ban to consumer groups who are referenced in existing SLCs (e.g. SLC 28B) and who are referenced in Ofgem's Supplier Code of Practice. The harms of disconnection for these groups are not limited to winter months.

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?

It is difficult to agree with the stated approach without further clarification and information. In Appendix 4, the second stated desired outcome is that "*a domestic consumer is only put or kept on a PPM where it is appropriate for that consumer*". Desired outcomes three and four discuss the circumstances in which a PPM can be installed, or an existing smart meter remotely switched to PPM, involuntarily. CIH has set out [elsewhere](#) why we feel that the *involuntary* installation of a prepayment meter under warrant can never be appropriate for a consumer, especially for vulnerable consumers. Put differently, it should always be the consumer's choice to use a prepayment meter, and no one should be forced to use one involuntarily. In Appendix 4, we feel there is therefore a contradiction between the desired outcomes; achieving one makes the achievement of another impossible.

It is not clear if the current consultation has the remit to implement a ban on involuntary prepayment meter installations in the heat network sector, which may require specific legislative change. As above, we would therefore as a minimum support the adoption of relevant existing SLCs (e.g. SLC 28B) and the Involuntary PPM - Supplier Code of Practice in the heat network sector.

We would add one further comment. These provisions alone are unlikely to minimise self-disconnection and self-rationing, which are more widely dependent on the energy efficiency of the home, the household income, and heat price provided by the heat network (which itself is dependent on efficiencies and other factors). Closely monitoring the extent of self-disconnection and fuel poverty across the heat network market will be important because it will inform wider DESNZ and government policies on heat networks, retrofit, energy efficiency, and fuel poverty. We would welcome early consideration of how government fuel poverty and energy efficiency schemes might be adapted to better support the growing number of households that will be connected to heat networks in the future, and how this will interact with heat network regulations.

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

Yes. This is especially important in the social housing sector, where the intersection of financial vulnerability, ill-health, and disability is significant. Figures from the [latest English Housing Survey](#) show that 54 per cent of social rented households had at least one occupant with a long-term illness or disability, and that almost half are in the lowest income quintile.

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?

See our response to Q46.

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

On back billing, there is a difficult discrepancy between the proposed 12 months and the existing Landlord and Tenant Act of 1975, which has an 18 month back billing requirement for service charge reconciliation. One CIH member who we consulted with noted that in addition to this discrepancy, they can be back billed for up to six years if they have been sending incorrect reads because of the terms of their commercial contracts.

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?

In response to these two questions, the additional administrative time and cost burden in meeting the full package of regulations will be very significant for social housing providers. A phased approach with an initial period is welcome, but more needs to be done to streamline the process for social housing providers and enable the sector to more rapidly implement some elements because of its obligations under the Regulator of Social Housing.

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?

In response to these two questions, the metrics set out are appropriate for the implementation of the regulations. For some social landlords, these metrics will present a significant challenge to collate, especially if data is dispersed across different systems or directorates, or not collected at all. The requirements should incorporate a degree of flexibility to reflect the diversity of heat network operators, their resources, and their existing systems.

About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple - to provide housing professionals and their organisations with the advice, support, and knowledge they need. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: www.cih.org.

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