



HAMMAR MIDLANDS – 9<sup>TH</sup> OCTOBER 2024

# HEAT NETWORK REGULATION

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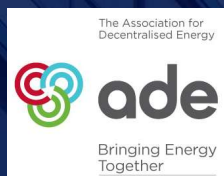
Rachael Mills – Director

# About Us

Certified



Corporation



## Services

- **Compliance:** notifications, cost-effectiveness assessments, regulation readiness reviews/plan
- **Customers:** communications, vulnerable customer policies, complaints support, satisfaction monitoring
- **Cost:** heat tariffs, financial performance monitoring
- **Contracts:** specification, procurement, management support for metering & billing and repairs & maintenance
- **Carbon:** performance monitoring, optimisation studies, decarbonisation options appraisals
- **Capacity:** strategic management review, training, call off contracts
- **Connection:** acting client side on district heat network connections
- **Construction:** via sister company – Uniti Heat

## Clients include

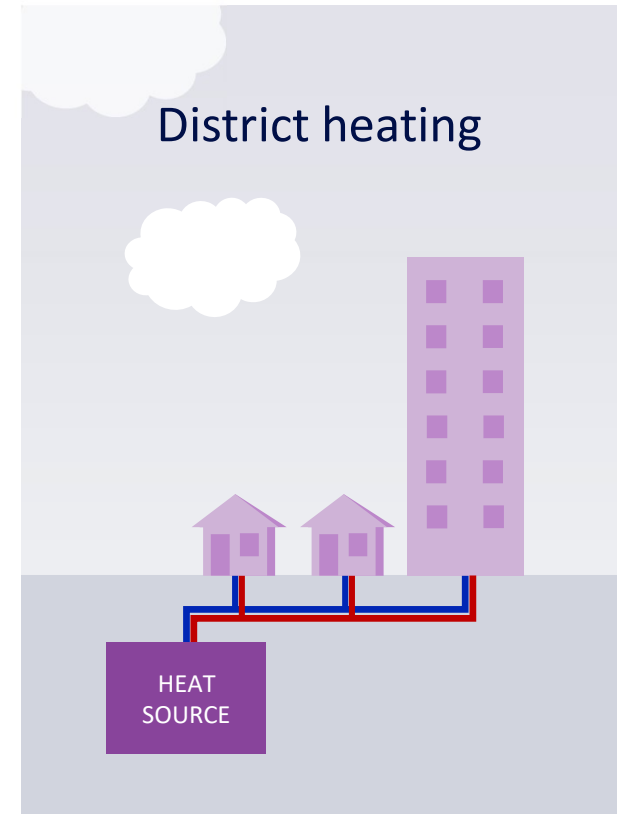
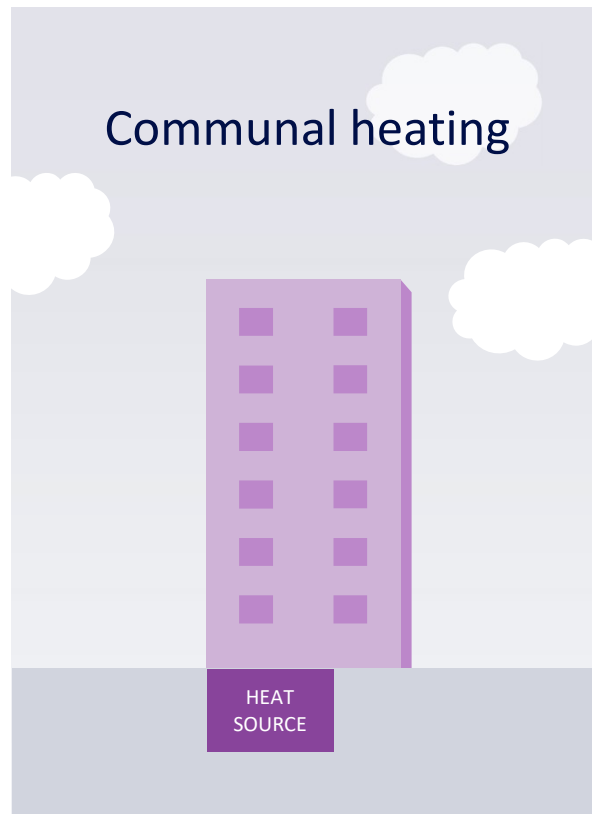


Brent

Basildon Council  
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## What is a heat network?



Local authority  
housing, 19%

Private market,  
35%

LA +  
HA =  
66%

Social housing,  
47%

# Heat networks in the UK

## 01 Where are we currently?

- 14,000 heat networks in the UK
- 3% of UK buildings currently on a heat network
- 500,000 customers live on a heat network
- Only ~2,000 schemes are metered

## 02 The future

- Low carbon heat networks listed in Government's Net Zero Strategy
- 20% of UK heat demand by 2050 to meet UK carbon reduction targets
- 5 million customers on a heat network
- Government funding (GHNF, HNES), regulation and zoning (more to come on this)

## The promise

### 01 Low carbon

Flexible heat sources:

- Gas
- Biomass
- Geothermal
- Heat pump
- Waste heat

### 02 Low cost

Promoted as lower cost heating alternatives in high density urban areas through the use of locally generated heat

### 03 Low hassle

Should be easier for landlords to manage

- Easier access (plant room, external HIU's)
- One energy centre/ plant room





## The reality

01 'From accidental energy suppliers to fully regulated energy suppliers'

02 Fire fighting and costs

- Poorly designed, developed and delivered schemes by supply chain
- Limited internal knowledge & experience
- Pick & mix of technologies and suppliers
- Financial losses and ongoing operational issues

**Lambeth Council tenants fear eviction over unpaid heating bills**

**Tenants in Tunbridge Wells claim they are paying a 'hidden charge' for energy to landlord**

But Town and Country Housing said the charge was for how much heat they lost to their home

Residents are not certain of the cause of the problem, but as more issues occur in the winter months, they believe the communal boiler cannot withstand high levels of demand.

**People are paying energy bills of £2,300 a month because they are stuck on controversial 'heat networks'**

'Massive hardship': Tenants in Poplar charged four times national average for their heating

## A changing role for the sector

>2014: Landlord

Housing  
Associations  
providing  
communal heating



**Landlord and Tenant Act 1985**

2015 > 2024:  
Landlord and  
'accidental  
energy supplier'

Light Regulation:  
Heat Network  
Metering and  
Billing



**GUIDANCE**

HEAT NETWORK (METERING AND BILLING) REGULATIONS  
2014 (AS AMENDED IN 2015 AND 2020)

November 2020

2025 >:  
Landlord and  
fully regulated  
energy  
company

Full Regulation:  
Heat Network  
Regulations



# 01

## Current Heat Network Regulation





# Current regulation

## Heat Network Metering and Billing Regulation (HNMBR)

Released in 2014, updated in 2015 & 2020

01

Duty to  
notify

02

Duty to  
install

03

Duty to operate  
and maintain



# 02

## Forthcoming Heat Network Regulation



## Full regulation – Spring 2025

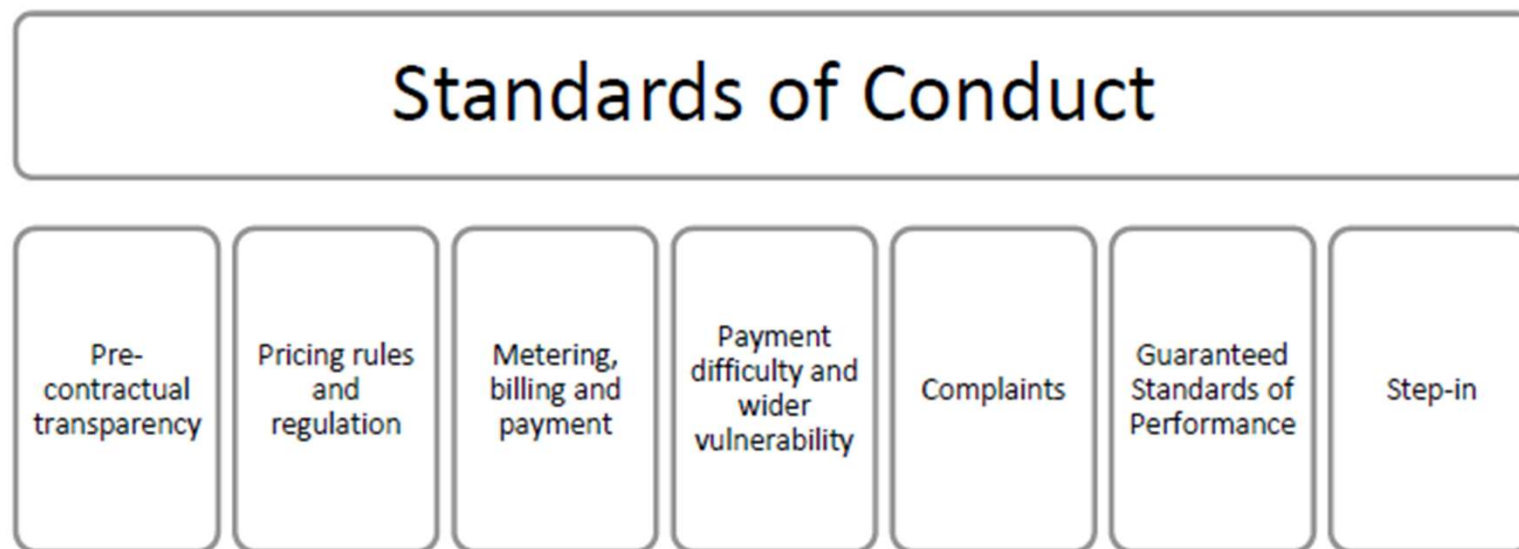
Mirrors regulation of gas and electricity suppliers by Ofgem but to also address a natural monopoly with no consumer choice

1. **Customer protection** - transparency, pricing, quality, vulnerability
  2. **Technical & performance standards** – new & existing schemes
  3. **Step-in arrangements**
  4. **Heat network zoning**
- Integration of current regulations – drive to individual meters
  - Monitoring and reporting to Ofgem - efficiency, performance, management and finance
  - New developments will have to be authorised before commissioning

**Applies to all communal and district heat networks**

# Consumer protection

**Figure 9: Illustration of the consumer protection framework**



DESNZ, August 2023

[www.gov.uk/government/consultations/heat-networks-regulation-consumer-protection](https://www.gov.uk/government/consultations/heat-networks-regulation-consumer-protection)



## Data & reporting

General	Type of network, type/number of consumers
Metering	Numbers, type, smart meters assessments
Financial	Capital, debt, investment, trading, hedging, continuity plans
Billing	Payment methods and frequency
Pricing & tariffs	Tariff structure, average price, reliability
Quality of service	PSR, complaints, payment difficulties
Interruptions	Frequency, length, GSoP payments

DESNZ, August 2023

[www.gov.uk/government/consultations/heat-networks-regulation-consumer-protection](https://www.gov.uk/government/consultations/heat-networks-regulation-consumer-protection)





# Heat Network Technical Assurance Scheme (HNTAS)

- **Outcomes orientated** with focus on performance outcomes rather than process.
- **Preventative:** preventing performance issues rather than taking punitive approach.
- **Proportionate:** balance effectiveness of assurance against the cost of compliance.
- **Deliverable:** based on established processes that fit with existing contractual and delivery processes, taking into account market capacity and regulatory framework.
- **Adaptable:** able to adjust as market changes and adapt to regulatory changes.
- **Enforceable:** clear rules and required actions in the case of non-compliance.

<https://www.gov.uk/government/publications/heat-networks-regulation-technical-standards/heat-network-technical-assurance-scheme-hntas>

## Proposed elements for certification

01

Energy centre

02

District distribution network

03

Communal distribution network

04

Thermal substation

05

Consumer connection\*

06

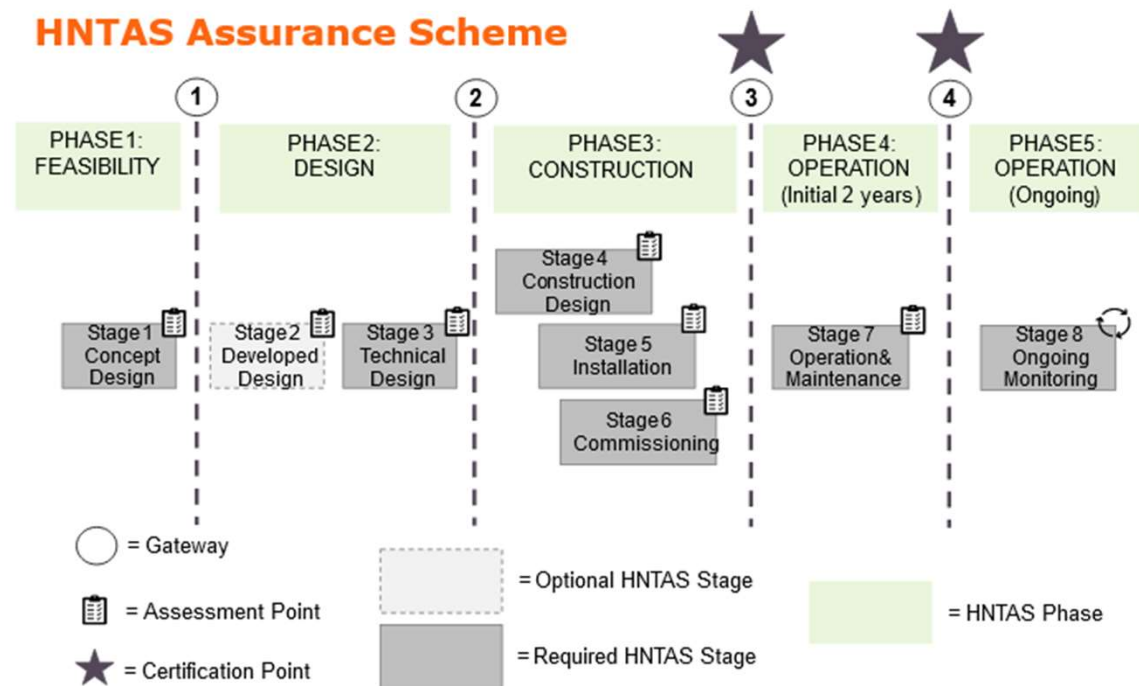
Consumer heat system\*

\* domestic, commercial, industrial



# New heat networks

## HNTAS Assurance Scheme



<https://www.gov.uk/government/publications/heat-networks-regulation-technical-standards/heat-network-technical-assurance-scheme-hntas>

# Tentative timeline for existing networks

## 2015 or newer networks (already metered)

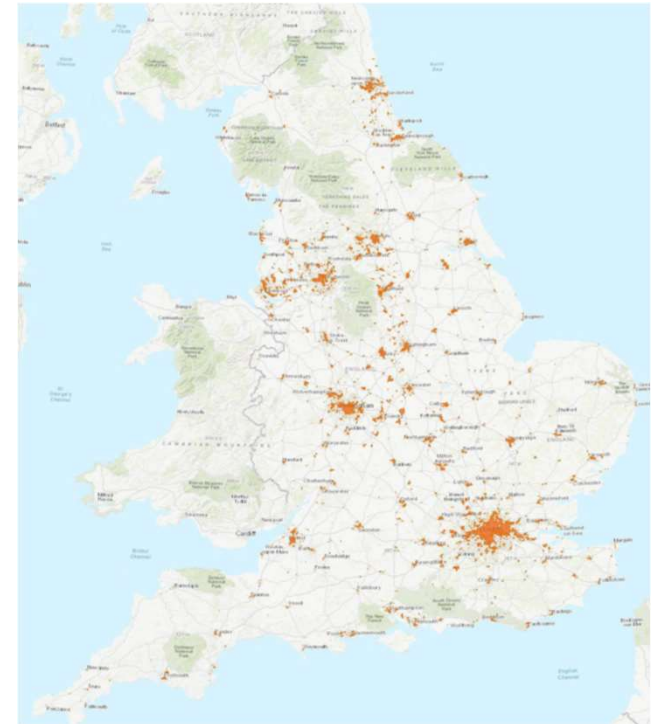
Milestone	Year	Requirement
1	1	Register heat network
2	3	Demonstrate meeting minimum metering & monitoring requirements, including dwelling metering. Demonstrate meeting threshold performance.
3	3	Submit Heat Network Improvement Plan (to reach certification)
4	6	Certification 1
5	8	Certification 2 (O&M)

## 2014 or older networks

Milestone	Year	Requirement
1	1	Register heat network
2	3	Demonstrate meeting minimum metering & monitoring requirements, with full plantroom & network monitoring & reporting. Demonstrate meeting threshold performance.
3	4	Submit Heat Network Improvement Plan (to reach certification)
4	8	Certification 1, including metering & monitoring for all end user connections
5	10	Certification 2 (O&M)

## Zoning

- Heat network zoning will designate areas where heat networks are expected to provide the **lowest-cost, low carbon heating**
- Part of the Energy Act alongside full regulation. Consultation closed 26.2.24
- Central authority will identify indicative zones through a national methodology.
- Zoning coordinators (usually local authorities) will refine the zone and appoint the developer





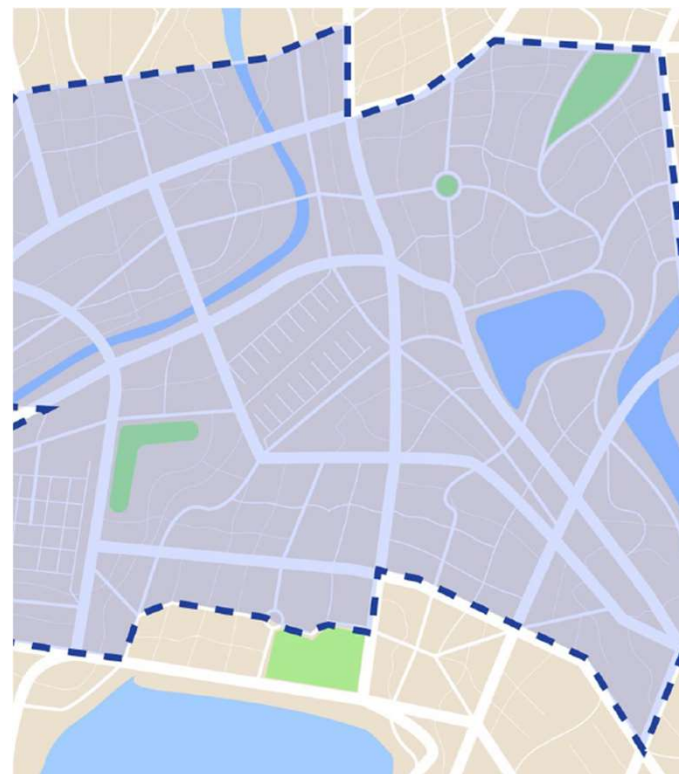
# Who will have to connect?

- 01 New buildings
- 02 Communally heated buildings
- 03 Non-domestic buildings that exceed a threshold



# Social landlords will be ‘required to connect’

- Statutory consultee as the zone is being developed
- The lead-in time will be relatively long but it’s critical to engage
- Consumer protection & technical standards will be in place
- Temporary exemptions on basis of time & cost
- Developers likely to demand buildings meet ‘low heat return’ standards, requiring you to make in-building improvements
- Zoning Coordinator will enforce with fines:
  - Requirement for buildings to physically connect
  - Requirement for heat sources to connect
  - Requirement to provide information for zoning purposes
- You need to think strategically about:
  - Your assets
  - Your costs
  - Your customers



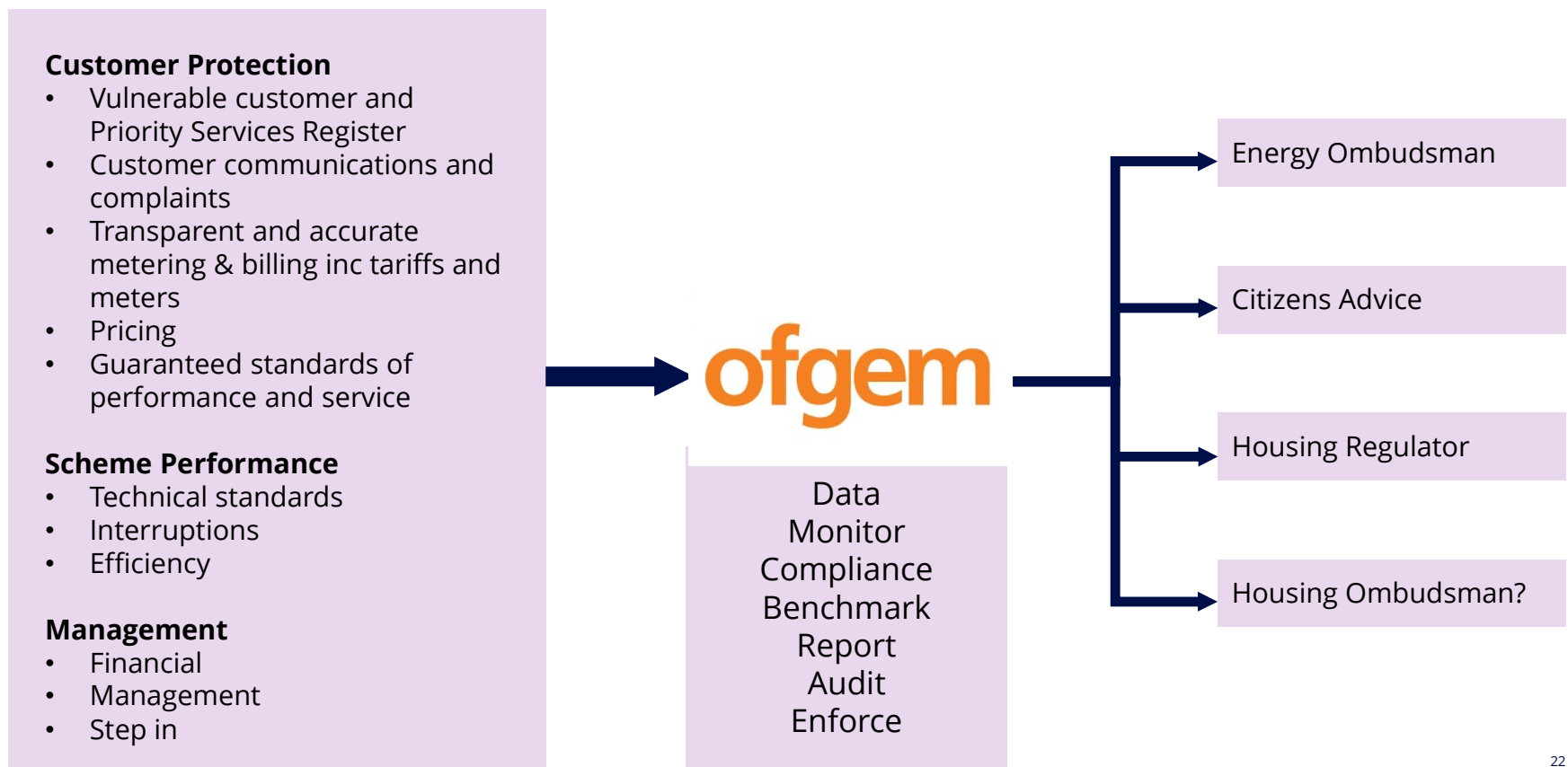
<https://www.gov.uk/government/consultations/proposals-for-heat-network-zoning-2023>

# 03

## Responding to the challenge



# The regulated Enerco Role



## AN Other HA energy business

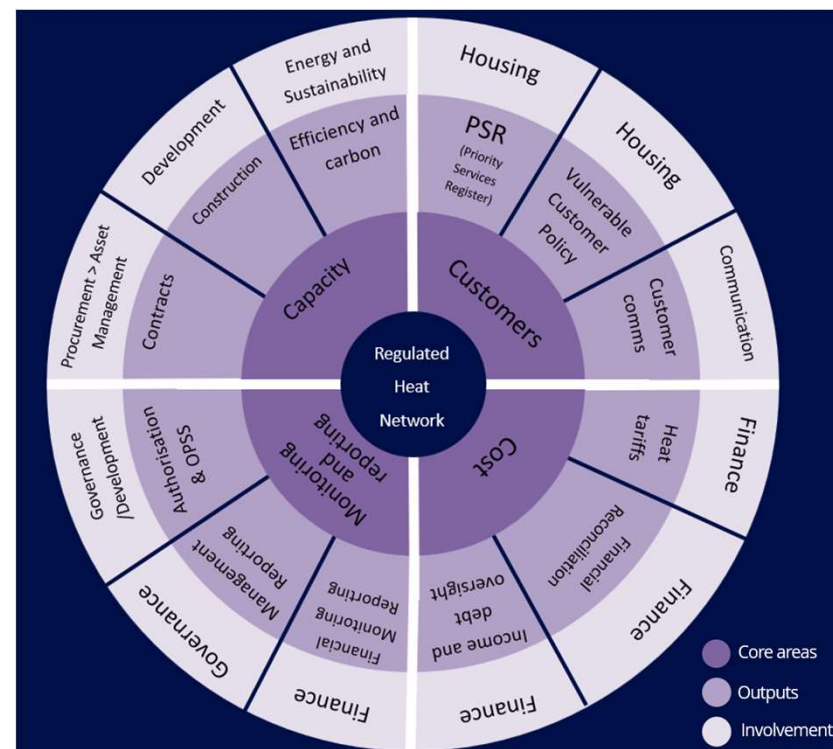
### Your Energy Business

Total housing stock	55,000
Percentage of homes on a heat network	6%
Total number of heat network homes (direct management)	3530
Annual turnover	£453,786,000
Total annual heat network operational costs	£4,171,352
Percentage of turnover	1%
Capital value of heat network assets	£14,120,000
Total annual collected funds	£1,970,605
Heat network annual financial operational risk (debt & tariff under-recovery) <sup>1</sup>	£285,095



# Management considerations

- **Compliance:** Existing and future regulation, reporting
- **Customers:** Communication, Protection & Support (vulnerabilities), complaints
- **Costs:** Tariff setting, debt management, reconciliation
- **Contracts:** Metering & Billing, Repairs & Maintenance, Energy procurement, Technical/Management Support
- **Carbon:** Performance monitoring, optimisation and decarbonisation options
- **Capacity:** Resourcing, roles & responsibilities
- **Capability:** Training and/or upskilling



## 01 Understand

Understand your challenges and objectives to create the route map to better heat networks. The analysis will identify what your current position is including the scale and opportunities that you have in your portfolio.

## 02 Respond

Identify the immediate issues that you and your team are dealing with. This will help to reduce the management time and resources that are being used to fire fight issues and creating issues for your organisation and customers .

## 03 Plan

Create a comprehensive plan, that will deliver for your customers and your team. Build your long-term strategy that encapsulates all aspects of your heat networks including costs, optimisation, compliance, contractors, and customers

## 04 Deliver

Building on the foundations of tackling immediate issues, create the strategy and business case, to create a delivery programme that is affordable, achievable and will ensure that heat networks meet the high standards expected across your portfolio



## Becoming an informed Social Housing Energy Provider

### 01 Understand your current position

- Where do you stand?
- Identify the issues that specifically affect your portfolio
- Establish your baseline – schemes, performance, regulations

### 02 Get the right people in the room

- What are the current gaps in resources
- What are the skills and knowledge internally and externally
- Get senior/ director/ board-level buy-in

### 03 Have a plan

- What drives the rest of the organisation – values, KPIs and SLAs
- [chirpyheat.com/regulation-and-compliance-report/](https://chirpyheat.com/regulation-and-compliance-report/)
- Engage with consultation and help shape the regulations



## Benefits of strategic management

### 01 Costs

- Reduced costs for customers – tariffs and repairs
- Reduced management costs – staff and services (Metering etc)

### 02 Performance

- Improved scheme performance: efficiency & carbon
- Improved reliability and reduced replacement costs

### 03 Operations

- Shift away from firefighting and managing complaints
- Clear roles avoiding duplication and omissions
- Consistency across the portfolio



# 04

## Summary & Resources



## Summary

Heat networks are complex with multiple organisational touch points with cost, service and supply chain challenges.

However, they will be regulated as one entity – a fully regulated energy business within an organisation.

The priority is to be regulation compliant, but it is an opportunity to create the focus to ensure they deliver on their promise of providing low cost, low carbon heating for housing providers and customers.

Many are now beginning this journey







## Resources

### **Free Regulation and Compliance Insight Report**

Provides your own report on where you are in relation to current and future regulation and how to prepare their plan accordingly. Ten minutes to complete. [chirpyheat.com/regulation-and-compliance-report/](https://chirpyheat.com/regulation-and-compliance-report/)

### **Government funding: Heat Network Efficiency Scheme (HNES)**

- Stage 1: fully funded optimisation studies to identify measures to improve existing heat networks
- Stage 2: 49% capital funding to implement measures
- Next funding window – November 8th
- Chirpy Heat submit application at no cost for stage 1
- Capacity for applications in November window

**Join The Heat Network - [theheatnetwork.org.uk](https://theheatnetwork.org.uk)**



# Chirpy Heat webinar

**Understanding the cost of heat network regulations**  
Wednesday 6<sup>th</sup> November 10-11am



<https://www.tickettailor.com/events/chirpyheat/1408036>





# Any Questions



# Thank you



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