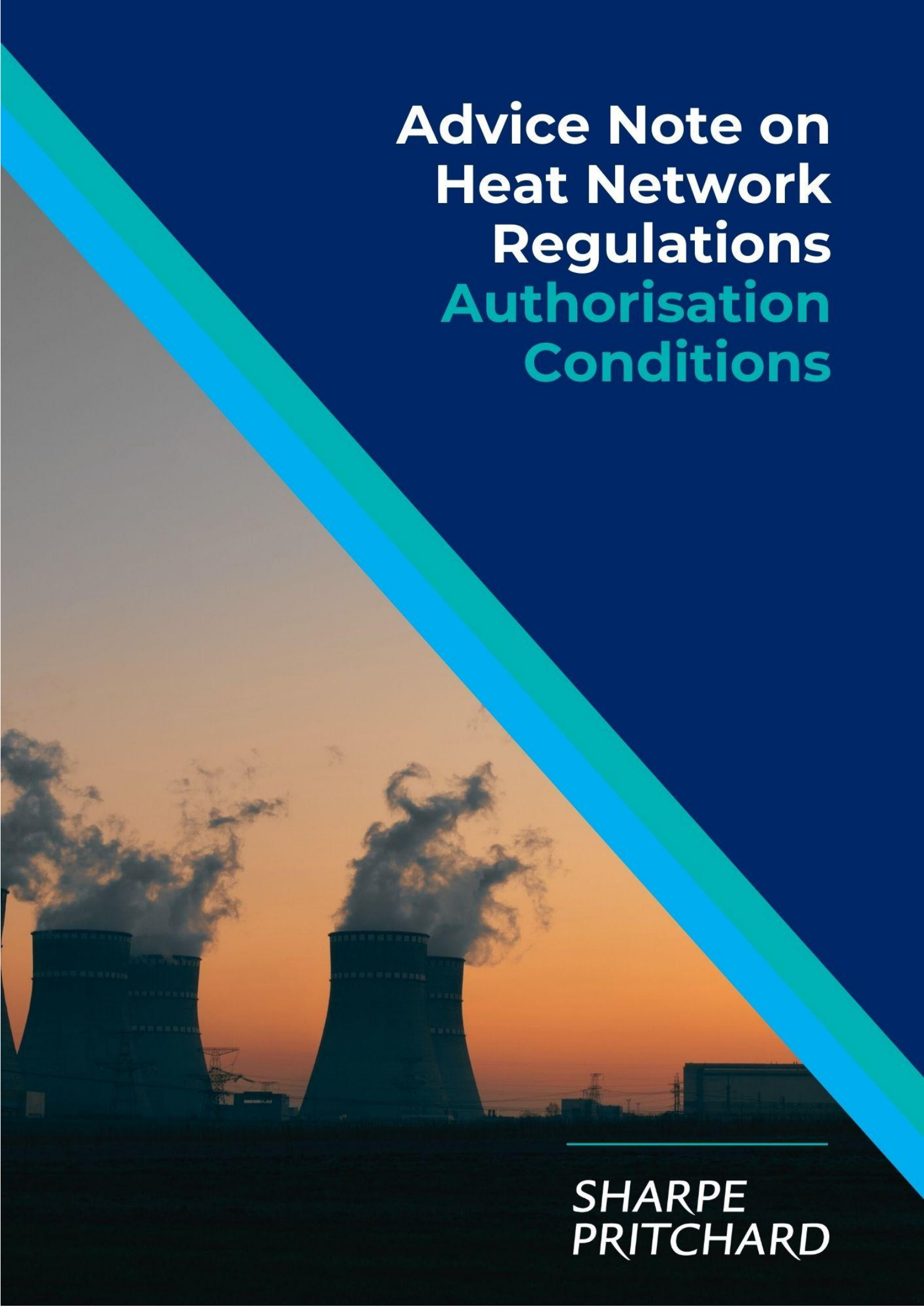
Advice Note on Heat Network Regulations Authorisation Conditions



SHARPE PRITCHARD

Contents

Part 1:
Heat Network Models

SHARPE PRITCHARD

1. HEAT NETWORK MODELS

1.1 There are a range of heat network models in the market. **Together, Models A–G (below) cover most typical scenarios** of heat network delivery.

1.2 Models mainly differ in whether the heat supplier is the site landlord or an external entity, and whether the network extends beyond a single site (district vs. communal).

1.3 In practice, many projects are variants or hybrids of these models. For example, a housing association scheme might start as Model A (landlord-supplier), then later outsource operation to an ESCo (shifting toward Model B or C).

1.4 Please note that the following distinctions are relied upon in the tables below:

1.4.1 Primary network means the energy centre (boilers/CHP/HPs, headers). This can be on-site or off-site relative to where heat is supplied.

1.4.2 Secondary network means network assets serving multiple dwellings/blocks (mains, pumps, PHEs, valves, etc.). This can be on-site or off-site relative to where heat is supplied.

1.4.3 Tertiary means in-home kit (HIU, emitters, controls). This is excluded from recovery tables as responsibility often sits with the owner of the property (i.e. landlord or long-term leaseholder). However, we note this is not always the case. In particular, responsibility may differ where tertiary systems are not hydraulically isolated.

1.4.4 A communal heat network means that all primary and secondary networks are onsite.

1.4.5 A district heat network means some of the primary and/or secondary networks are offsite (bulk/network elements).

Model A – Landlord and Tenant Model

1.5 This is common in multi-occupancy buildings (flats, offices) where the landlord owns and operates the heat network. In summary this Model has the following features:

1.5.1 Traditional model for single-building or estate networks where the landlord owns, operates, and supplies heat directly to tenants/leaseholders.

1.5.2 There is no external heat supplier.

1.5.3 The landlord is both the asset owner and the heat supplier.

1.5.4 Common in multi-occupancy residential buildings.

1.6 **Features of this Model are as follows:**

Table 1: Likely Approach to Network Ownership

Network Element	Ownership	Description
1. Primary and Secondary (off-site/communal plant – to the extent there is any. If it is communal heating there may not be any offsite infrastructure.)	Landlord (may be limited to one site)	Energy centre or communal boiler plant.
2. Secondary (on-site/in-building)	Landlord	Internal pipework, risers, HIUs, meters.

Table 2: Likely Approach to Charging and Cost Recovery

		Sub-asset	Tenants – Recovery Method	Leaseholders – Recovery Method	Notes
1.	Offsite Capex (Recovery of initial spend)	Primary	N/A	N/A	Likely Communal: no offsite assets.
		Secondary	N/A	N/A	Likely Communal: no offsite assets.
2.	Offsite Repex (Lumpy Capex including Lifecycle)	Primary	N/A	N/A	Likely Communal: no offsite assets.
		Secondary	N/A	N/A	Likely Communal: no offsite assets.
3.	Onsite Capex (Recovery of initial spend)	Primary	Rent or heat tariff (fixed element). Rent is most common. As the network is part of landlord premises, capital cost should not really be recovered from tenants other than in fixed rental.	Service charge or embedded in sale price.	Assumption of a communal plant room.
		Secondary	Rent or heat tariff (fixed element). Rent is most common. As the network is part of landlord premises, capital cost should not really be recovered from tenants other than in fixed rental.	Service charge or embedded in sale price.	Risers, PHEs, block headers.
4.	Onsite Repex (Lumpy Capex including Lifecycle)	Primary	Rent or heat tariff (fixed element). Rent is most common. As the network is part of landlord premises, capital cost should not really be recovered	Service charge reserve.	Lifecycle replacements or unexpected major capex.

			from tenants other than in fixed rental.		
		Secondary	Rent or heat tariff (fixed element). Rent is most common. As the network is part of landlord premises, capital cost should not really be recovered from tenants other than in fixed rental.	Service charge reserve.	Lifecycle replacements or unexpected major capex.
5.	Opex Onsite	Primary	Rent / fixed charge uplift. Primary network is not always recovered.	Service charge or a fixed charge.	Routine O&M, metering admin.
		Secondary	Rent / fixed charge uplift. Secondary network costs should not generally be recovered.	Service charge or a fixed charge.	Routine O&M, metering admin.
6.	Opex Offsite	Primary	N/A	N/A	Likely Communal: no offsite assets.
		Secondary	N/A	N/A	Likely Communal: no offsite assets.
7.	Fuel Inputs	Primary	Variable heat tariff (p/kWh)	Variable heat tariff (p/kWh)	Metered consumption.
8.	Billing		Landlord → Residents	Landlord → Residents	Landlord is the supplier/contract counterparty. Landlord also recovers under the service charge for leaseholders.

Model B – Concession Agreement – Bulk Supply to Landlord and Landlord is Heat Supplier

1.7 This model is common with a lot of public sector buildings. In summary, it works as follows:

1.7.1 Public body grants a concession.

1.7.2 Concessionaire owns/operates offsite network and sells bulk heat to landlord.

1.7.3 Landlord maintains onsite secondary and on-supplies residents.

1.7.4 Landlord is the heat supplier.

1.7.5 Concessionaire is upstream/wholesale.

1.8 This is often a district arrangement with some Primary/Secondary offsite.

1.9 Features of this model are as follows:

Table 3: Likely Approach to Network Ownership

Network Element	Ownership	Description
1. Primary & Secondary (off-site)	Concessionaire	Energy centre + district mains to building boundary.
2. Secondary (on-site)	Landlord	In-building distribution, HIUs, meters.

Table 4: Likely Approach to Charging and Cost Recovery

	Sub-asset	Tenants – Recovery Method	Leaseholders – Recovery Method	Notes
1. Offsite Capex (Recovery of initial spend)	Primary	Via rent (bulk rate passthrough). Potentially also via heat tariff although this is unlikely.	Via heat tariff passthrough.	Capex recovered in bulk tariff.
	Secondary	Via rent (bulk rate passthrough). Potentially also via heat tariff although this is unlikely.	Heat tariff passthrough.	Where offsite secondary exists.
2. Offsite Repex (Lumpy Capex including Lifecycle)	Primary	Via rent (bulk rate passthrough). Potentially also via heat tariff although this is unlikely.	Via heat tariff passthrough.	Lifecycle priced into wholesale.
	Secondary	Via rent (bulk rate passthrough). Potentially also via heat tariff although this is unlikely.	Via heat tariff passthrough.	Lifecycle priced into wholesale.
3. Onsite Capex (Recovery of initial spend)	Primary (If any. Unlikely to be applicable unless communal heat network.)	Rent	Service charge or embedded in sale price	Depends on who owns the plant room.
	Secondary	Rent	Service charge or embedded in sale price.	Landlord-owned onsite network.
4. Onsite Repex (Lumpy Capex including Lifecycle)	Primary	Rent	Service charge reserve.	
	Secondary	Rent	Service charge reserve.	
5. Opex Onsite	Primary	Rent	Via heat tariff passthrough or service charge.	Landlord O&M for onsite plant it owns.
	Secondary	Rent	Via heat tariff passthrough or service charge.	
6. Opex Offsite	Primary	Via rent (bulk rate passthrough). Potentially	Via heat tariff passthrough.	Concessionaire O&M.

		also via heat tariff although this is unlikely.		
	Secondary	Via rent (bulk rate passthrough). Potentially also via heat tariff although this is unlikely.	Heat tariff passthrough.	
7. Fuel Inputs	Primary	In bulk rate → rent/tariff	In bulk rate → tariff	Fuel procured by concessionaire.
8. Billing		Concessionaire → Landlord → Residents	Concessionaire → Landlord → Residents	Two-tier chain: Landlord is the retail supplier.

Model C – Concession Agreement – Concession Agreement (Supplier Direct to Residents)

1.10 This model is common with a lot of public sector buildings. In summary, it works as follows:

1.10.1 Concessionaire owns/operates primary and secondary networks and enters into a contract with the landlord to operate, maintain, and take risk in the secondary network. Concessionaire then bills residents directly.

1.10.2 The result is a single accountable supplier with clearer consumer protections.

1.10.3 Also common for district/campus networks with direct-retail models.

1.11 Features of this model are as follows:

Table 5: Likely Approach to Network Ownership

Network Element	Ownership	Description
1. Primary & Secondary (off-site)	Concessionaire	Energy centre + offsite district mains.
2. Secondary (on-site)	Landlord owns but Concessionaire adopts (with access/ops agreement with landlord).	In-building distribution, risers, HIUs, meters; concessionaire holds O&M/risk under contract with landlord.

Table 6: Likely Approach to Charging and Cost Recovery

	Sub-asset	Tenants – Recovery Method	Leaseholders – Recovery Method	Notes
1. Offsite Capex (Recovery of initial spend)	Primary	Tariff fixed/standing charge.	Same	Supplier amortises energy-centre capex in tariff.
	Secondary	Tariff fixed element.	Same	If offsite secondary mains exist, recovered in tariff.
2. Offsite Repex (Lumpy Capex	Primary	Tariff fixed/standing charge.	Same	Lifecycle provision within fixed charge.

including Lifecycle)				
	Secondary	Tariff fixed/standing charge.	Same	
3. Onsite Capex (Recovery of initial spend)	Primary	As a general rule this should not be recovered from Tenant.	Tariff fixed/standing charge	Concessionaire holds O&M/risk; recovery via tariff. Landlord may pay Standing Charge equivalent for Tenants.
	Secondary	As a general rule this should not be recovered from Tenant.	Tariff fixed/standing charge	Concessionaire operates/maintains secondary under contract with landlord. Landlord may pay Standing Charge equivalent for Tenants.
4. Onsite Repex (Lumpy Capex including Lifecycle)	Primary	As a general rule this should not be recovered from Tenant.	Tariff fixed/standing charge	Concessionaire holds O&M/risk; recovery via tariff. Landlord may pay Standing Charge equivalent for Tenants.
	Secondary	As a general rule this should not be recovered from Tenant.	Tariff fixed/standing charge	Concessionaire operates/maintains secondary under contract with landlord. Landlord may pay Standing Charge equivalent for Tenants.
5. Opex Onsite	Primary	As a general rule this should not be recovered from Tenant.	Tariff fixed/standing charge	Routine plant-room O&M by concessionaire.
	Secondary	As a general rule this should not be recovered from Tenant.	Tariff fixed/standing charge	Routine building-side network O&M by concessionaire.
6. Opex Offsite	Primary	As a general rule this should not be recovered from Tenant.	Tariff fixed/standing charge	Offsite network O&M by concessionaire.
	Secondary	As a general rule this should not be recovered from Tenant.	Tariff fixed/standing charge	
7. Fuel Inputs	Primary	Variable tariff (p/kWh)	Variable tariff (p/kWh)	Transparent pass-through of fuel costs.
8. Billing		Supplier → Residents (direct)	Supplier → Residents (direct)	Single accountable supplier: landlord provides access/consents per contract.

Model D – Developer-Led and Owned Model

1.12 This model is common with a lot of public sector buildings. In summary, it works as follows:

1.12.1 Developer/estate SPV builds and operates.

1.12.2 Often a communal heat network (all onsite).

1.12.3 The developer (or estate company) is the supplier.

1.12.4 Continuity and governance of reserves are frequent issues.

1.13 Features of this model are as follows:

Table 7: Likely Approach to Network Ownership

Network Element	Ownership	Description
1. Primary & Secondary (off-site)	Typically, N/A (communal)	If any campus offsite exists, treat like Model C.
2. Secondary (on-site)	Developer/Estate Co.	In-building distribution, HIUs, meters.

Table 8: Likely Approach to Charging and Cost Recovery

	Sub-asset	Tenants – Recovery Method	Leaseholders – Recovery Method	Notes
1. Offsite Capex (Recovery of initial spend)	Primary	N/A (or tariff if campus)	N/A (or tariff if campus)	Most new-builds keep assets onsite.
	Secondary	N/A	N/A	Most new-builds keep assets onsite.
2. Offsite Repex (Lumpy Capex including Lifecycle)	Primary	N/A (or tariff if campus)	N/A (or tariff if campus)	Most new-builds keep assets onsite.
	Secondary	N/A	N/A	Most new-builds keep assets onsite.
3. Onsite Capex (Recovery of initial spend)	Primary	Rent or heat tariff (fixed element). Rent is most common. As network is part of landlord premises capital cost should not really be recovered from tenants other than in fixed rental.	Service charge or embedded in sale price	Estate plant room.
	Secondary	Rent or heat tariff (fixed element). Rent is most common. As network is part of landlord premises capital cost should not really be recovered from tenants other than in fixed rental.	Service charge or embedded in sale price	Risers/PHEs.

4. Onsite Repex (Lumpy Capex including Lifecycle)	Primary	Rent or heat tariff (fixed element). Rent is most common. As network is part of landlord premises capital cost should not really be recovered from tenants other than in fixed rental.	Service charge reserve	Lifecycle funding needs discipline.
	Secondary	Rent or heat tariff (fixed element). Rent is most common. As network is part of landlord premises capital cost should not really be recovered from tenants other than in fixed rental.	Service charge reserve	—
5. Opex Onsite	Primary	Rent / fixed charge uplift. Primary network is not always recovered	Service charge or a fixed charge.	Routine O&M.
	Secondary	Rent / fixed charge uplift. Secondary network costs should not generally be recovered	Service charge or a fixed charge.	Routine O&M.
6. Opex Offsite	Primary	N/A	N/A	Unless campus.
	Secondary	N/A	N/A	—
7. Fuel inputs	Primary	Variable heat tariff (p/kWh)	Variable heat tariff (p/kWh)	Metered consumption.
8. Billing		Developer/Estate Co. → Residents	Developer/Estate Co. → Residents	Developer/estate as supplier.

Model E – Merchant Model (Bulk Supply to Landlord – Landlord is Supplier)

1.14 Under this Model the private merchant owns/operates district assets; sells bulk heat to landlord. It works as follows:

1.14.1 Landlord maintains the onsite secondary network and supplies residents.

1.14.2 This is a purely private arrangement with a wholesale/retail split.

1.15 Features of this model are the same as Model B.

Model F - Merchant Model (Supplier Direct to Residents)

1.16 Under this Model the private merchant owns/operates district assets. It enters into an agreement operate and maintain the on-site network and make direct supply. It works as follows:

1.16.1 Merchant owns primary/secondary offsite.

1.16.2 Merchant takes risk and control of secondary onsite.

1.16.3 Merchant bills residents directly.

1.16.4 Single accountable supplier with clear tariff structure

1.17 Features of this model are the same as Model C. Note the merchant under this model may be structured as a joint venture or may be a corporate provider.

Model G – Public Sector Operated

1.18 It should be noted that a possible variant of the Merchant Model is a wholly public sector owned, district wide model. The risk allocation is broadly similar to the previous models, but there are some differences owing to the fact that the public body may act as both heat provider and landlord.

1.19 In this model, a public-sector entity (such as a local authority or a municipally-owned company) develops, owns, and operates the heat network, directly supplying consumers. The council or public authority acts as the heat supplier, often on a **not-for-profit or cost-recovery basis,** rather than contracting a private concessionaire. This is essentially a publicly-owned district heating utility. It may apply to city-wide networks or large campus systems owned by the public sector. The public operator typically handles everything from generation to customer billing, using any revenues to cover costs and maintenance. This model is driven by public ownership objectives (local control, reinvestment of surplus into the community, etc.) and is common in countries with municipal energy companies. In the UK it's less common but exists in some cities and housing estates.

1.20 **Features of this Model are as follows:**

Table 9: Likely Approach to Network Ownership

Network Element	Ownership	Description
Primary & Secondary (off-site)	Local authority or municipal company (public ownership)	Central energy centre and any district mains/pipes outside buildings are owned and operated by the public entity. The council may run this through an internal department or an arm's-length wholly-owned company.
Secondary (on-site/in-building)	Typically the property owner (landlord) for internal systems; public operator may manage via agreement	For council-owned buildings (e.g. social housing blocks), the council also owns the in-building heat distribution (risers, HIUs, etc.). If the network connects to third-party buildings (e.g. private buildings or other organisations), the point of supply is usually at a building's heat exchanger. Beyond this point, the building owner owns and is responsible for the internal heating system. The public network operator may still install and maintain the heat interface units at customer properties as part of the service.

Table 10: Likely Approach to Charging and Cost Recovery

	Sub-asset	Tenants – Recovery Method	Leaseholders – Recovery Method	Notes
1. Offsite Capex (Recovery of initial spend)	Primary	If serving council housing only: capital is often funded by the council (or grants) and not charged separately to tenants. If it is to be recovered it may be implicit in rent or covered by housing investment funds. If the network serves mixed customers and makes direct supply, capital costs are primarily recovered via the heat tariff (typically a fixed standing charge component).	Assuming direct supply recovered via the heat tariff (standing charge) or connection fees. In some cases, a portion might be subsidised by public funding, but generally external customers pay through ongoing charges.	Public sector projects often use government grants or low-interest loans for initial capex, aiming to keep tariffs low. Any unrecovered capital for council-owned stock might be accounted for in the housing budget rather than direct billing.
	Secondary	If serving council housing only: capital is often funded by the council (or grants) and not charged separately to tenants. If it is to be recovered it may be implicit in rent or covered by housing investment funds. If the network serves mixed customers and makes direct supply, capital costs are primarily recovered via the heat tariff (typically a fixed standing charge component).	Assuming direct supply recovered via the heat tariff (standing charge) or connection fees. In some cases, a portion might be subsidised by public funding, but generally external customers pay through ongoing charges.	Public sector projects often use government grants or low-interest loans for initial capex, aiming to keep tariffs low. Any unrecovered capital for council-owned stock might be accounted for in the housing budget rather than direct billing.
2. Offsite Repex (Lumpy Capex including Lifecycle)	Primary	For council-only networks, lifecycle renewals may be budgeted by the authority (similar to other public infrastructure) and not directly itemised to tenants. Otherwise, provisions for future replacement of the plant/network are included in the standing charge or a sinking fund.	Included in the tariff (part of standing charge or a specific "maintenance reserve" component in the heat price). The public operator may maintain a reserve fund for asset replacement, funded by all customers via charges.	Public operators are generally expected to plan for long-term asset renewal; in social housing contexts, a *reserve fund* for the communal heating system might be built into service charges (for leaseholders) or into rent calculations (for tenants).

	Secondary	For council-only networks, lifecycle renewals may be budgeted by the authority (similar to other public infrastructure) and not directly itemised to tenants. Otherwise, provisions for future replacement of the plant/network are included in the standing charge or a sinking fund.	Included in the tariff (part of standing charge or a specific "maintenance reserve" component in the heat price). The public operator may maintain a reserve fund for asset replacement, funded by all customers via charges.	Public operators are generally expected to plan for long-term asset renewal; in social housing contexts, a *reserve fund* for the communal heating system might be built into service charges (for leaseholders) or into rent calculations (for tenants).
3. Onsite Capex (Recovery of initial spend)	Primary	For council-owned buildings, initial installation of on-site equipment (heat interfaces, internal piping etc.) is usually covered by the project capital budget (council expenditure or grants). Tenants typically are not charged upfront; costs are effectively in the landlord's capital costs (and could indirectly be reflected in rent or not at all).	For leaseholders in council blocks, contributions to communal heating capital costs can be recovered via one-off charges or incorporated into the property sale price/service charge. For other (non-council) buildings connecting to the network, usually the building owner funds any necessary internal modifications, or the public network operator includes those costs in a connection fee or recovers via the tariff.	In new-build council developments, the cost of communal heating infrastructure is part of construction costs. In existing buildings connecting to a municipal network, there might be a connection charge (which could be waived or subsidized by the council to incentivise connection).
	Secondary	For council-owned buildings, initial installation of on-site equipment (heat interfaces, internal piping) is usually covered by the project capital budget (council expenditure or grants). Tenants typically are not charged upfront; costs are effectively in the landlord's capital costs (and could indirectly be reflected in rent or not at all).	For leaseholders in council blocks, contributions to communal heating capital costs can be recovered via one-off charges or incorporated into the property sale price/service charge. For other (non-council) buildings connecting to the network, usually the building owner funds any necessary internal modifications, or the public network operator includes those costs in a connection fee or recovers via the tariff.	In new-build council developments, the cost of communal heating infrastructure is part of construction costs. In existing buildings connecting to a municipal network, there might be a connection charge (which could be waived or subsidized by the council to incentivise connection).

4. Onsite Repex (Lumpy Capex including Lifecycle)	Primary	For council housing, "lumpy" replacements of in-building equipment are planned via a housing investment program or a sinking fund (for example, a portion of rent or service charge goes into a reserve for replacing HIUs or pipes at end-of-life). Tenants would not pay a separate fee at the time of replacement.	Leaseholders typically contribute to these lifecycle replacements through ongoing service charge reserves or specific billing when replacements occur (subject to consultation). External customers (e.g. a private building on the network) would bear their own in-building asset replacement costs unless covered by a maintenance contract with the network operator.	The key is that the public supplier coordinates lifecycle maintenance to ensure reliability (a regulatory requirement). They may include a depreciation element in the heat tariff or set aside funds similar to how Models C and F handle it.
	Secondary	For council housing, "lumpy" replacements of in-building equipment are planned via a housing investment program or a sinking fund (for example, a portion of rent or service charge goes into a reserve for replacing HIUs or pipes at end-of-life). Tenants would not pay a separate fee at time of replacement.	Leaseholders typically contribute to these lifecycle replacements through ongoing service charge reserves or specific billing when replacements occur (subject to consultation). External customers (e.g. a private building on the network) would bear their own in-building asset replacement costs unless covered by a maintenance contract with the network operator.	The key is that the public supplier coordinates lifecycle maintenance to ensure reliability (a regulatory requirement). They may include a depreciation element in the heat tariff or set aside funds similar to how Models C and F handle it.
5. Opex Onsite	Primary	Routine operation and maintenance of any on-site communal equipment (e.g. a plant room in a housing block, HIU servicing, or meter reading) is covered by either the housing service charge (for multi-tenant buildings) or by an allocated portion of rent. In some cases, the public operator might include these costs in a fixed heat charge to tenants.	For leaseholders in council blocks, routine O&M is charged via service charges (or a fixed heat fee). For other customers, these costs are covered in the tariff's fixed charge.	Day-to-day maintenance tasks (pump servicing, flushing, meter maintenance) are typically performed by the council's team or a contractor. The costs for council properties are often pooled into maintenance budgets, while third-party connections simply pay for it through their bills.

	Secondary	Routine operation and maintenance of any on-site communal equipment (e.g. a plant room in a housing block, HIU servicing, or meter reading) is covered by either the housing service charge (for multi-tenant buildings) or by an allocated portion of rent. In some cases, the public operator might include these costs in a fixed heat charge to tenants.	For leaseholders in council blocks, routine O&M is charged via service charges (or a fixed heat fee). For other customers, these costs are covered in the tariff's fixed charge.	Day-to-day maintenance tasks (pump servicing, flushing, meter maintenance) are typically performed by the council's team or a contractor. The costs for council properties are often pooled into maintenance budgets, while third-party connections simply pay for it through their bills.
6. Opex Offsite	Primary	The operating costs for the energy centre and distribution network (fuel handling, staff, repairs, admin) are not charged to tenants as a separate line item; instead, they are recovered through heat charges. If tenants pay a heat bill, the fixed portion covers these costs; if heat is included in rent, the rent is set to account for expected operating costs.	All customers paying the heat tariff cover these off-site operating costs via the standing charge or usage charges.	Publicly run schemes may have an incentive to keep operating costs low (to pass on affordable heat prices). Any inefficiency is effectively borne by the council or reflected in higher tariffs subject to regulatory oversight on price fairness.
	Secondary	The operating costs for the energy centre and distribution network (fuel handling, staff, repairs, admin) are not charged to tenants as a separate line item; instead, they are recovered through heat charges. If tenants pay a heat bill, the fixed portion covers these costs; if heat is included in rent, the rent is set to account for expected operating costs.	All customers paying the heat tariff cover these off-site operating costs via the standing charge or usage charges.	Publicly run schemes may have an incentive to keep operating costs low (to pass on affordable heat prices). Any inefficiency is effectively borne by the council or reflected in higher tariffs subject to regulatory oversight on price fairness.

7. Fuel Inputs	Primary	Usually charged based on metered consumption via a variable heat tariff (pence per kWh) for both tenants and leaseholders. Even if tenants do not receive a separate bill (in cases of rent inclusion), the landlord would internally allocate fuel costs proportionally.	Same as tenants: a metered usage charge for heat consumption (per kWh). In a public network, fuel costs are often passed through at cost to consumers.	The fuel (gas, biomass, electricity, etc.) is a pass-through cost. For example, a council might procure fuel in bulk for the network; customers pay for what they use, similar to any utility.
8. Billing		The municipal operator (the council or its heat network company) bills residents directly for heat in most cases. For council tenants, there are two possible approaches: (a) Direct billing – tenants receive a heat bill from the council's heat network unit (or prepayment meters are used), or (b) Heat included in rent – the council pays the network costs and recovers them as part of rent or a flat service charge.	The public supplier bills leaseholders and private customers directly (as any utility would). Leaseholders in blocks might see heat charges on their service charge bill if the council aggregates it, but typically each dwelling has its own meter and account with the supplier.	

Part 2:
Existing Laws in Respect of the Interface of Property Law and Heat

SHARPE PRITCHARD

2. EXISTING LAWS IN RESPECT OF THE INTERFACE OF PROPERTY LAW AND HEAT

Laws for Residential Leaseholders (Service Charges)

2.1 **The Landlord and Tenant Act 1985 (LTA 1985) lays down the fundamental rules on residential service charges. It defines a "service charge" as any amount payable by a tenant (including a long-leaseholder) in addition to rent for services, repairs, maintenance, improvements, insurance, or management, where the amount varies according to costs.**

2.2 Under LTA 1985 the following provisions apply:

2.2.1 **Reasonableness Requirement:** All service charges must be reasonably incurred and for a reasonable standard of work/services. Leaseholders have the right to challenge service charges they believe are unreasonable by applying to the First-tier Tribunal (Property Chamber) (or Leasehold Valuation Tribunal in Wales). The tribunal can determine if a charge is payable and if so, in what amount, and can even decide who is responsible to pay and to whom. In short, a landlord cannot make a profit on services and can only recover actual costs that are reasonable and permitted by the lease. If a cost or work is not provided for in the lease, the leaseholder is not obligated to pay it

2.2.2 **Consultation for Major Works ("Section 20"):** The landlord must consult leaseholders before carrying out any major works that would cost an individual leaseholder over £250, or before entering a long-term contract (over 12 months) that would cost any leaseholder over £100 per year. This is commonly called a Section 20 consultation. If the landlord fails to properly consult leaseholders, their recovery of the cost from leaseholders is capped (at £250/£100 per leaseholder, unless the tribunal dispenses with the consultation requirement). This statutory consultation process ensures leaseholders have advance notice and input on large expenditures.

2.2.3 **18-Month Limitation ("Section 20B"):** Landlords must demand payment for a cost within 18 months of incurring that cost, otherwise the charge is not recoverable (unless the leaseholder was notified in writing within that 18 months that the cost was incurred and would be charged later). This protects leaseholders from surprise "late" charges for older costs.

2.2.4 **Transparency and Information:** Every demand for a service charge must be in writing and must include the landlord's name and address, as required by law. If the demand lacks the landlord's address (an address in England/Wales for service of notices), the leaseholder can legally withhold payment until the information is provided. In addition, each demand must be accompanied by a Summary of Rights and Obligations (a statutory notice summarising the leaseholder's rights) – this requirement was introduced by the Commonhold and Leasehold Reform Act 2002. Leaseholders also have statutory rights to receive an annual summary of service charge accounts and to inspect supporting documents/receipts on request. If a landlord fails to provide a

requested summary or access to accounts without reasonable excuse, they commit a summary offence and could be fined.

2.2.5 Trust Accounts for Service Charges: Under Section 42 of the Landlord and Tenant Act 1987, any service charge funds paid by leaseholders (including money collected for reserve or "sinking" funds) must be held on trust by the landlord. This means the landlord is merely a trustee of the funds, which are to be used only for the maintenance/services for the property. Commingling with the landlord's own money or misuse of these funds is not permitted. Often landlords hold these in designated client or trust bank accounts for the building.

2.3 In addition to the trust account provisions noted above, the Landlord and Tenant Act 1987 (LTA 1987) provides other protections related to charges. Section 47 of the LTA 1987 requires that any written demand for rent or service charges include the name and address of the landlord. Section 48 requires landlords to notify an address in England or Wales at which the tenant may serve notice on the landlord. If these details are not provided, the amount demanded is not due until the information is given. The LTA 1987 also gave jurisdiction (now largely superseded by the 1985 Act as amended) to tribunals to determine service charge disputes and provides that if leaseholders collectively are dissatisfied with the management of the building (including how charges are spent), they can seek the appointment of a new manager by the tribunal (Part II of LTA 1987).

2.4 The Commonhold and Leasehold Reform Act 2002 strengthened leaseholder rights further. It amended the 1985 Act to add many protections. For example, Section 153 of the 2002 Act inserted the requirement for the Summary of Rights and Obligations to accompany each service charge demand (as noted above). The 2002 Act also clarified leaseholders' rights to apply to tribunal for determination of whether a service charge is payable and the reasonableness of any future or proposed charges

2.5 The 2002 Act introduced separate regulation of administration charges (under Schedule 11 of the Act). These are charges under the lease that are not service charges, but fees for approvals, consents, or penalties for defaults, etc., for example, a landlord's fee for giving consent to sublet, or a late payment fee. The Act mandates that any "administration charge" must be reasonable and gives leaseholders the right to challenge admin charges at tribunal just like service charges. In the context of heat networks, a separate admin charge might arise if, say, a lease permits the landlord to charge an admin fee for processing energy bills. Such a fee would have to be reasonable and accompanied by a summary of rights for admin charges. The 2002 Act also introduced the Right to Manage for leaseholders of flats, which, while not directly about charges, allows leaseholders to take over management of their building (including control of service charge budgets) without proving fault on the landlord's part, which can be a way to gain control over how communal heating or other services are run and charged.

2.6 The key takeaway for leasehold owners is that the lease agreement itself is the starting point for what can be charged – the landlord can only recover costs if the lease includes a clause allowing

that type of cost to be recovered from the leaseholder. Even then, the above laws ensure those charges are limited to what is reasonable, subject to consultation for large expenses, and transparently accounted for. Leaseholders can withhold payment of invalid demands and can challenge unfair charges through a tribunal. In practice, charges for communal heating systems (for example, boiler maintenance, repairs, fuel costs, etc.) would typically be covered as a service charge item in the lease (often under general maintenance or heating provisions). The landlord cannot introduce a new heat network charge to leaseholders unless the lease already allows it (or the lease is formally varied), and any such charges must comply with the statutory protections above (reasonableness, etc.).

Laws for Residential Tenants (Renters)

2.7 **For residents who are tenants under rental agreements (such as assured shorthold tenancies), the legal framework for charges is different from long-leaseholders, focusing on protecting tenants from improper fees and ensuring landlords fulfil repair obligations:**

2.7.1 **Tenant Fees Act 2019 (England):** This Act (applicable in England) prohibits private landlords and letting agents from charging tenants any fees or charges on top of rent, except for a short list of permitted payments. Permitted payments include the rent itself, tenancy deposits (capped), certain defaults or late fees, and utilities or council tax if the tenancy agreement requires the tenant to pay those. Utilities are defined in the Act to include electricity, gas or other fuel, water/sewerage, and communication services. In a heat network context, this means a landlord can only charge a tenant separately for heating or hot water if it falls under a permitted utility payment. In practice, if each tenant has their own energy supply contract (e.g. paying a third-party heat supplier or paying for gas/electric directly), the Tenant Fees Act isn't violated because the tenant is paying the utility company. But if the landlord is the one billing the tenant for heat provided via a communal system, it must be structured carefully. The Act's utility exception assumed traditional utilities with external suppliers and existing price controls – it did not clearly anticipate communal heat networks. Notably, enforcement guidance has taken the view that a landlord's separate charge to a tenant under an assured shorthold tenancy for "communal heating" could fall outside the permitted fees (since "heating" from a communal boiler wasn't explicitly listed). In one case, Trading Standards advised that an extra monthly fee for heating a flat via a communal boiler was not a permitted payment, meaning the landlord had to refund it and instead include that cost within the rent. As a result, many Build-to-Rent landlords who provide district or communal heating will advertise the flats as "rent inclusive of heating/hot water", or charge for it at cost under the utility exception, to avoid breaching the Tenant Fees Act.

2.7.2 **The Tenant Fees Act ensures tenants are not overcharged** – if heat is separately billed by a landlord, it should be at cost and clearly a "utility" charge, otherwise the safest course is to factor it into the rent to comply with the fee ban. Violating this Act can prevent the service of a Section 21 eviction notice and lead to fines. (For Wales, a

similar law – the Renting Homes (Fees etc.) (Wales) Act 2019 – applies; and Scotland and Northern Ireland have their own prohibitions on most tenant fees as well.)

2.7.3 For short-term residential tenancies, Section 11 of LTA 1985 implies an obligation on the landlord to keep in repair the structure and installations for heating and hot water in the property. This means the landlord must maintain communal heating systems serving the tenant's dwelling (so far as it's under the landlord's control) in working order. The cost of repairs and maintenance is generally borne by the landlord (often recovered indirectly through rent). A landlord cannot demand an additional "repair charge" from an assured shorthold tenant for fixing a boiler or network issue that's already the landlord's legal duty and part of what the rent covers. If tenants do contribute to maintenance via a separate service charge (which is uncommon in ASTs, but possible in some cases), those charges would likely be considered "variable service charges" and even AST tenants could then benefit from the reasonableness and consultation protections of LTA 1985 (since the Act's definition of service charge covers amounts paid in addition to rent for services). However, most often a periodic tenant pays only rent and perhaps reimbursement for utilities, not a formal service charge for communal areas – the landlord (or head landlord) usually handles those costs.

2.7.4 **Other Tenant Protections:** It's worth noting that if a tenant is directly buying heat or energy from a supplier (for instance, in Models C or F where a concessionaire or merchant supplies residents directly), the tenant is protected by general consumer law. The Consumer Rights Act 2015 would require any contract terms about charges to be fair and transparent. Additionally, Ofgem's rules on resale of electricity/gas (discussed below) ensure tenants cannot be overcharged for sub-metered gas or electricity.

Utility Resale and Heat Network Specific Regulations

2.8 **In addition to landlord-tenant law, there are specific regulations governing the resale of energy and the operation of heat networks, which affect how charges can be passed on:**

2.8.1 **Maximum Resale Price (Gas and Electricity):** Even before heat networks had dedicated regulation, the resale of mains gas and electricity to residential end users has long been controlled. Energy resale rules (set by Ofgem under the Gas Act 1986 and Electricity Act 1989) impose a Maximum Resale Price (MRP) for gas and electricity resold to tenants. In essence, a residential landlord or other "reseller" cannot charge a tenant more for gas or electricity than the amount the landlord paid the utility supplier (plus pro rata VAT and standing charges). This prevents profiteering on essential utilities. For example, if a landlord pays the energy company 15p per kWh for electricity, they cannot charge their tenants 20p per kWh – the most they can charge is 15p per kWh (plus the tenant's share of any daily standing charge). These rules ensure that where tenants are on a common supply (or the landlord passes through bills), the charges are fair and at cost. (Note: MRP rules historically applied to gas and electricity,

but not heat generated on-site. If the landlord is generating heat from a communal boiler, they are not "reselling" an external supplier's energy in the same way).

2.8.2 **Heat Network (Metering and Billing) Regulations 2014 (as amended):** These UK-wide regulations implement EU Energy Efficiency Directive requirements for communal heating. If a landlord or any entity supplies heating, hot water or cooling through a communal/district network to more than one final customer, they are deemed a "heat supplier" under these regulations. These regulations impose several duties: the heat supplier must notify the government of their network (providing details such as the number of customers, energy output, etc., to the Office for Product Safety and Standards) and critically, must assess the feasibility of installing individual meters or heat cost allocators for each final customer. Where technically and economically feasible, meters must be installed so that each customer's consumption can be measured. The regulations also mandate that billing be based on actual usage and that any bills provided to a final customer must be accurate and founded on the customer's actual consumption (where meters are installed). Bills must also include certain minimum information such as the amount of energy consumed, cost, and tips for energy efficiency, as set out in Schedule 2 of the regulations. In practice, this means that in a modern heat-network setup, each flat should have its own heat meter, and the residents' bills for heat should reflect how much heat they actually used, rather than a flat apportionment. These regulations promote fairness and energy saving: customers who use less heat will pay less. Landlords operating communal heating must comply, or risk enforcement action. There are exemptions - for example, in some converted houses with shared facilities or where metering is not cost-effective – but the general principle is to meter and bill by usage wherever possible. For our context, these regulations back up the "charging provisions" in the models: e.g. in Models C or F (direct supplier models), the concession or merchant supplier would be billing residents per kWh of heat consumed. Even in Models A or B (landlord as supplier), if falling under these regulations, the landlord should charge based on metered usage. In summary, the Heat Network Metering & Billing Regulations ensure transparency and accuracy in charging on heat networks, requiring that charges correlate to consumption and that residents have metering in place whenever feasible.

Part 3:
Regulated Activities

3. REGULATED ACTIVITIES

What it does in plain English.

3.1 Regulation 13 of the Heat Networks (Market Framework) (Great Britain) Regulations 2025 establishes the legal boundary for the new regime. It declares that two types of activity are regulated: operating a relevant heat network, and supplying heating, cooling, or hot water through such a network.

3.2 Entities are treated as operating a network where they control the movement of thermal energy through that network for the purpose of supplying heating, cooling, or hot water. Control denotes decision-making powers over the system, beyond mere ownership of physical assets such as pipes. The regulations make clear that if several parties have control, operator status follows the control they actually hold: if one party alone is entitled to decide on network modifications, that party is the operator; if different parties can decide on modifications to different parts, each is the operator of the part they control. In other words, operation tracks control of the asset in practice, and can be split between entities where control is split.

3.3 The second regulated activity is the supply of heating, cooling, or hot water by means of a relevant heat network. This is the retail side: contracting with and billing end users, setting and applying tariffs, and otherwise providing the heat service to final customers through the network. An entity may both operate and supply (a single communal-plant landlord is a common example), or the roles may be separated (for instance, a concessionaire operating the primary/secondary network while a landlord supplies residents). An entity that carries out either of these activities – operating the network or supplying through it – is carrying out a regulated activity regardless of the commercial model used.

3.4 Any person carrying on either of those activities must hold, or be treated as holding, a heat-network authorisation from the Regulator (Ofgem). Carrying on the activity without authorisation becomes an offence from 1 April 2025 under Regulation 14.

3.5 The SI also carves out two narrow exclusions. A system falls outside regulation if it only serves a single house in multiple occupation (HMO). Separately, a system is also excluded if it only serves a single converted building (as that term is defined in section 254(8) of the Housing Act 2004), and it has just one heat source, the thermal capacity of which does not exceed 45 kW. The SI defines “source appliance” as an appliance the main purpose of which is to heat or cool the liquid or gas distributed by the network. Beyond those small-scale cases, communal and district systems are in scope.

What is uncertain or still evolving.

3.6 **The regulations intentionally anchor “operation” in practical control.** However, complex projects often split control between a landlord inside the building and an external concessionaire offsite. Ofgem will need to set out how “operator” status is allocated across boundaries and what evidence of control it expects.

3.7 There is also a grey area where heat costs are recovered through a residential service charge rather than a retail heat contract. The entity may be "supplying" in substance, but recovery runs through property law rather than utility billing, so the interplay between the supply limb and a "Relevant Lease" remains to be clarified in guidance.

3.8 Finally, because "relevant heat network" is imported from the Energy Act 2023, campus-style or mixed-use estates may need worked examples to confirm when a cluster is one network or several.

3.9 The test for who is the operator turns on who is entitled to make decisions about modifying the network. This is a very narrow and oddly chosen criterion. Operational control day-to-day—deciding set-points, dispatch, fault response, or scheduling maintenance—is not necessarily the same thing as being able to authorise capital modifications. In most concession or landlord models, the party responsible for operation is not the one empowered to approve major changes. Using "modification" as the hinge risks capturing owners and funders rather than those actually running the system. Where different people can modify different parts, each becomes an operator for their part. While theoretically tidy, in practice this could produce three or four separate "operators" for one network, each with overlapping or ambiguous duties. Ofgem will then have to decide who files returns, who ensures continuity of supply, and who bears liability for breaches of the operator conditions. Without detailed guidance, compliance gaps and finger-pointing are inevitable.

Impact on customers (tenants, leaseholders, non-domestic).

3.10 The wide scope means most communal and district users gain the benefit of authorisation-condition protections, including fair and proportionate charges, accurate metering and billing, clear information, and standards around continuity and disconnection.

3.11 For tenants and microbusinesses on direct retail models the classification guarantees access to redress and the Energy Ombudsman. Leaseholders on service charges benefit differently through the authorisation framework on the supplier/operator and, separately, through existing leasehold service charge protections, but the definition still ensures their scheme is within Ofgem's oversight. Only very small HMO or single-converted-building systems with one small heat source are outside scope, so protections will not automatically extend to those cases.

Impact on suppliers and operators.

3.12 Regulation 13 is the trigger for authorisation, registration, and compliance. Landlords, estate companies, ESCos, merchants, and municipal bodies must map which party actually controls the transfer of heat and which party actually supplies consumers, allocate these roles clearly in contracts, and ensure the named entities are authorised.

3.13 During the initial period beginning 1 April 2025 they are deemed authorised if already operating or supplying, but they still need to provide information, prepare for the launch date conditions, and avoid the risk of misclassification, which could expose them to enforcement for unauthorised activity. The immediate practical burden is governance and documentation, organograms of

control, asset registers by network part, and alignment of billing models with the “supply” limb, followed by systems work to meet the general conditions once live.

Model-specific notes (A–G).

3.14 **Models A and D:** In landlord-run communal blocks and developer-owned estates, the landlord or estate company will usually be both operator and supplier and should seek a single authorisation covering both limbs.

3.15 **Models B and E:** In concession or merchant structures selling in bulk to the landlord, the concessionaire or merchant will be an operator offsite, and the landlord will be the retail supplier; each has distinct authorisation responsibilities.

3.16 **Models C and F:** In single-supplier direct-retail models, the concessionaire or merchant is both operator and supplier, sometimes with adopted control of onsite secondary networks under contract. Authorisation should reflect that unified role.

3.17 **Model G:** In public-sector utilities, the council or its arm’s-length company is typically both operator and supplier, and should be authorised accordingly, noting the political sensitivity around compliance and continuity.

Part 4:
Section A
Condition 4

4. SECTION A CONDITION 4

4.1 **This condition translates the legal status of "deemed authorisation" into the practical requirements to register each heat network and to provide Ofgem with a full account of what the business does. The obligation sits at the start of the new regulatory life-cycle and anchors the information base on which all subsequent supervision, enforcement, and policy analysis depend.**

What it does in plain English.

4.2 Every authorised person must, before the end of the first part of the initial period, that is, by the first anniversary of the launch date in January 2027, submit a registration return through Ofgem's online system or other arrangements published in its guidance. The return must identify each regulated activity the entity carries on and give detailed information about how and where those activities are conducted, other parties involved, and the customers served. In effect it is a full disclosure of the authorised person's portfolio: its networks, contractual structure, ownership, finances, customer composition, and the arrangements that underpin compliance.

4.3 The condition then adapts to two special situations. If a heat supplier does not operate the network, its duty to register is delayed until an operator has registered the same network; the supplier must co-operate and share data with that operator to allow the operator-led registration to be completed first. Where there are several operators of different parts of one network, they may agree that one of them will file the information on behalf of all, and once that filing is made the others are treated as having complied.

What is uncertain or still evolving.

4.4 Although the obligation is clear in principle, Ofgem has not yet set out exactly what information must be uploaded, how much financial detail will be required, or how confidentiality will be protected where operators and suppliers are separate commercial entities. There is also uncertainty about how far the registration will have to drill down into sub-networks, secondary plant, or tertiary systems, and whether updates will be required annually or only when material changes occur. The operator-led registration mechanism depends on good co-operation between companies. It is unclear what happens if relations break down or one party fails to register in time. Further guidance will also be needed on how the rule interacts with local-authority-owned schemes and with public-sector data-handling requirements.

4.5 An important unresolved point concerns how the Authority will interpret regulation 13(4) of the 2025 Regulations in relation to concession and merchant structures. The drafting of regulation 13(1)–(4), read together with the definition of "relevant heat network" in section 216 of the Energy Act 2023, implies that a single heat network may have several "operators", each responsible for a "relevant part". On its face, this treats the entire connected hydraulic system—from energy centre through distribution mains to building risers—as one relevant heat network operated jointly by different entities. However, many existing concession models are built around a technical and contractual break at a plate heat exchanger and a wholesale supply agreement to a landlord. In

such cases, it is arguable that the concessionaire's district system and the landlord's in-building system are two distinct relevant heat networks, linked by a commercial interface rather than forming one continuous network. Ofgem has not yet said whether it will follow the literal reading of regulation 13(4) (single network with multiple operators) or recognise distinct networks where a hydraulic and contractual separation exists.

4.6 A related ambiguity lies in what constitutes sufficient separation to create a new "relevant heat network". The Regulations themselves do not define "network boundary" or "relevant part", nor do they set out evidential criteria. Under the Energy Act 2023 the test appears to turn on whether the system "supplies heating, cooling, or hot water to premises through a network of pipes from one or more sources of thermal energy". That wording could cover both an integrated district system and a secondary loop downstream of a bulk-supply interface. In practice, the distinction may hinge on whether there is a hydraulic break (e.g. a heat exchanger isolating primary and secondary circuits), separate operational control over flow and temperature, and independent billing or metering. Where these conditions are met, the landlord's internal distribution might be treated as a separate relevant heat network; where energy transfer remains physically continuous, the Authority may view it as a single network with multiple operators under regulation 13(4)(b). The absence of published guidance leaves operators uncertain how to document and evidence these boundaries for registration purposes under Condition 4.

4.7 Finally, it is unclear how Ofgem will administer registration where parties hold conflicting classifications. Condition 4.3 allows multiple operators of one relevant heat network to nominate a lead operator to file on behalf of all, but it is silent on how the Authority will resolve inconsistent or competing submissions. The Regulations also do not state whether Ofgem will adjudicate network boundaries, rely on self-certification, or require an engineering declaration confirming the presence (or absence) of hydraulic separation. Until detailed procedural guidance or a statutory instrument under regulation 20(1)(d) (technical standards for design and operation) is issued, there remains genuine uncertainty as to whether concessionaire–landlord systems are to be treated as one regulated network with multiple authorised operators, or as two legally distinct heat networks, each requiring its own authorisation and separate registration.

Impact on customers.

4.8 For customers this condition is largely invisible but important. It establishes the transparency and accountability framework that will underpin all consumer protections. Once registered, each network and its authorised supplier or operator can be identified on a public list, allowing residents and businesses to know who their regulated counterpart is and who Ofgem can hold to account. A complete register should reduce confusion about responsibility for faults or billing disputes. The main risk for customers lies in delay or non-compliance by networks, which could leave some schemes in regulatory limbo during the early stages.

Impact on suppliers and operators.

4.9 For the regulated community this is the first administrative test of readiness. Every entity that operates or supplies through a network must collate detailed information on ownership, governance, finances, contractual arrangements, customer profiles, and billing practices. Networks with complex concession or joint-venture structures must determine who will submit what, ensure consistency across filings, and secure data-sharing agreements between the operator and supplier. The process will create a standing disclosure duty, so systems should be put in place to keep information up to date. Although the obligation is administrative, failure to register properly could amount to a breach of an authorisation condition, exposing the entity to enforcement or financial penalty. The provision also makes clear that the operator of a network is expected to take the lead in multi-party systems, which may require revisions to concession contracts or memoranda of understanding to formalise information-sharing and responsibility for filings.

Model-specific notes A to G.

4.10 **Models A and D:** In single-entity landlord or developer models, registration will be straightforward: the landlord or estate company registers once for each network it owns and operates.

4.11 **Models B and E:** In concession and merchant arrangements, the operator, typically the concessionaire or merchant, must take the lead, with the landlord-supplier obliged to provide data and wait until the operator files.

4.12 **Models C and F:** Direct-retail models are simplest because the same company acts as both supplier and operator. Only one registration is required.

4.13 **Model G:** Public-sector schemes must navigate the added complexity of local-authority governance, public-data rules, and potential overlaps with housing or corporate registers, but otherwise follow the same pattern.

Part 5:
Section A
Condition 5

SHARPE
PRITCHARD

5. SECTION A CONDITION 5

5.1 **This applies only where regulation 13(4)(b) bites i.e., a single relevant heat network has multiple operators of different "relevant parts." Every such operator is in scope.**

What it does in plain English.

5.2 This condition requires all co-operators of the same network to use reasonable endeavours to agree one "nominated operator" as the Authority's primary contact and to notify the Authority who that is. The nominated operator must promptly relay the Authority's communications to the other operators, funnel other operators' notifications back to the Authority, and coordinate so each operator can meet its own obligations efficiently. Any operator that is not nominated must still provide information promptly to the nominated operator when reasonably required. The condition expressly sits "without prejudice" to the Operator Standards of Conduct.

What is uncertain or still evolving.

5.3 The condition is silent on deadlock. If operators cannot agree a nominee, there is no explicit tiebreaker, timetable, or fallback designation process.

5.4 "Promptly" and "reasonable endeavours" are not quantified, so expectations on turnaround times, formats, and evidence trails will need to be clarified in guidance or in inter-operator protocols.

5.5 It does not state:

5.5.1 Whether an operator can be replaced as nominee mid-year.

5.5.2 How disputes over the completeness or accuracy of relayed information are resolved, or whether a campus with sub-networks can have different nominees for different relevant parts.

5.5.3 Most importantly for liability, the text does not say (and should not be read as saying) that a nomination reallocates compliance risk. It creates a communications role, not a transfer of legal duty.

Impact on customers (residential tenants, residential leaseholders, non-domestic).

5.6 Customers should see smoother communication and fewer "who's responsible?" delays when Ofgem engages a multi-party network, particularly around outages, continuity arrangements, or consumer redress activity. The risk to customers arises if operators fail to agree or the nominee fails to relay information in time. In that case, regulatory interventions or remedial actions could be slower, though the Authority can still pursue each operator directly. Overall, customers benefit from a single accountable contact point, but their protections do not depend on nomination being perfect, as each operator remains directly accountable to the regulator.

Impact on suppliers and operators.

5.7 Practically, this creates an immediate governance task: identify all co-operators, agree and document who will be the nominee, set service levels for "prompt" relays, and define data formats and escalation paths.

5.8 The Condition does not reduce anyone's compliance burden: each operator retains full, independent obligations under the authorisation conditions, and nomination is not a liability shield.

5.9 The nominated operator will bear extra coordination workload and reputational visibility, but the others must still supply timely, accurate information and cannot point to the nominee to excuse their own breaches.

Model-specific notes (A–G).

5.10 **Models B and E:** In landlord-plus-concession models, both the concessionaire/merchant (off-site/primary) and the landlord (on-site/secondary) are operators of different parts. One of them, often the concessionaire, should be nominated, but the landlord's in-building obligations persist unchanged.

5.11 **Models C and F**: In direct-retail single-entity models there is usually only one operator, so this condition will not bite.

5.12 **Models A and D:** In pure landlord communal models it typically will not bite unless operation is split by contract.

5.13 **Model G:** Public sector utilities may have arm's-length entities operating different parts. They should nominate one entity but keep clear internal accountability lines.

Part 6:
Section A
Condition 6

SHARPE
PRITCHARD

6. SECTION A CONDITION 6

6.1 **This applies to any authorised company that sets or influences the prices paid by people and businesses connected to a heat network. This will normally include the retail supplier. It can also include the operator where the operator's costs or internal transfer prices shape what end users are charged. The rule is principles based and must be read through Ofgem's fair-pricing and cost-allocation guidance, which must be published before the rule starts.**

What it does: plain English.

6.2 It creates a standing duty to ensure every price element levied on end users is fair and not disproportionate. It anchors interpretation in Ofgem guidance that will sit alongside the rule. Ofgem has already issued a draft that sets out the core principles and a fairness test. Ofgem must consult before first publication and before any later revisions. In practice this means tariffs and any cost-allocation approach need to be designed, documented, and kept under review so that the authorised company can show they meet the principles and would pass the fairness test.

What is uncertain or still evolving.

6.3 The rule does not set numeric caps or hard thresholds for returns, mark-ups, or specific cost allocations. The draft guidance introduces six principles: cost reflectivity, cost efficiency, fair and reasonable returns, affordability, regulatory control, and price transparency. It also describes a fairness test that will use benchmarking, profitability analysis, and a reasonableness standard.

6.4 Until the guidance is finalised and Ofgem has sector data, networks must work case by case. Expect the approach to tighten after Ofgem's first monitoring cycles.

6.5 There is a live interface with housing law when heat costs are bundled into rent or service charges. The draft guidance recognises this. It expects bundled arrangements to remain reasonable under the Landlord and Tenant Act while following the pricing principles as far as practicable. That still leaves open questions about how to evidence cost reflectivity where the bill is bundled and which parts must be unbundled into a heat line to support transparency and back-billing rules.

6.6 Technical dependencies will shape early decisions. Metering duties still sit under the Heat Network (Metering and Billing) Regulations. Technical standards are due to land through the Heat Network Technical Assurance Scheme. The pricing guidance already expects accurate meter data where available and the use of sensible proxies where it is not. Until metering coverage and HNTAS standards are fully in place, there will be judgement calls on proxies, baseline efficiency, and depreciation choices. The market-segmentation approach is also new. The draft acknowledges cost-recovery models, price-promise models, unmetered schemes, and shared ground loops. It sets expectations but deliberately avoids prescribing one allocation for every cost type. One rule is prescriptive from day one: the authorised company must not pass through fines, penalties, guaranteed standards payments or redress.

Impact on customers: tenants, leaseholders and non-domestic.

6.7 Prices should become more defensible and more comparable. Cost reflectivity pushes fixed system costs into a fixed charge and usage-driven costs into a unit rate. Affordability steers suppliers to plan for and soften shock bills with advance notice and instalment options. Transparency work will require clear tariff explanations and a plain link between consumption and bills. Domestic users should see better handling of bad debt and repayment plans that reflect their ability to pay. Leaseholders who meet heat costs through service charges keep their statutory protections on reasonableness and consultation. They also gain the benefit of Ofgem scrutiny over the heat element where it can be identified and evidenced. Microbusiness and other non-domestic users sit within the same fairness framework. Ofgem's benchmarking and profitability checks should deter exploitation of local monopoly power.

Impact on suppliers and operators.

6.8 The authorised company will need a robust "cost-to-tariff" model. This should include mapping every material cost onto either the fixed charge or the unit rate and using meter data (or clear proxies where meter data is unavailable). The authorised company will need to document why each choice meets cost reflectivity and affordability requirements.

6.9 The authorised company will need policies that it can give to an auditor. These policies should set out how the authorised company buys fuel and how it hedges risks. The authorised company should record the options it considered when making these policies, and why its choice is suited to its customer base. For example, larger entities may justify more open risk positions, while smaller, communal schemes will usually prefer stability. These policies should also set out the authorised company's depreciation approach and asset lives. Straight-line is the simplest and most transparent, but a different approach can be justified if it is better aligned to asset wear or planned technology change.

6.10 The authorised company should treat returns with care. While the guidance does not set a margin or a weighted-average cost of capital, it does say that monopoly power must not be used to earn returns beyond what the risk would justify. Therefore, the authorised company should expect Ofgem to monitor profit levels and to look at gearing. It should be prepared to explain year-on-year movements.

6.11 The authorised company must not pass through enforcement costs. Fines, penalties, guaranteed standards payments, and redress must be absorbed by the company. The authorised company should ensure that its general ledger and tariff model segregate these items, so they never feed into the bill.

6.12 Legacy contracts will not excuse poor outcomes forever. If a concession deed or lease wording forces a different allocation in the short term, record the constraint and a path to converge on the guidance. Ofgem says it will consider legacy constraints in investigations, however, it also expects progress over time.

6.13 Interdependencies are tight. Billing and transparency rules, back-billing limits, the standards of conduct, cost allocation guidance, and any central price-transparency requirements all sit on top of this. Technical standards under HNTAS will become the reference point for efficiency claims.

Model-specific notes A to G.

6.14 **Models A and D:** Landlord communal and developer-owned schemes are usually both operator and supplier. Build one cost model, then apply both lenses. If heat is bundled into rent or service charges, keep a clear heat ledger that can be shown to residents and tribunals and that tracks to the principles.

6.15 **Models B and E:** Concession or merchant bulk to landlord models will need a two-layer view. The wholesale tariff to the landlord must be evidenced against efficiency and fuel procurement choices. The landlord's retail tariff to residents must then be shown to be fair in its own right. Parties should agree a data-sharing system so that the retail side can evidence cost reflectivity, shock-bill planning, and returns.

6.16 **Models C and F:** Direct-retail concession or merchant models have a single accountable entity. Expect full scrutiny of cost efficiency, returns, and affordability across the whole chain from plant room to customer bill.

6.17 **Model G:** Public-sector utilities often run on cost recovery or low returns. However, the same documentation still applies. Transparency and clear explanations of fixed versus variable elements are critical as budget decisions and political expectations add pressure on affordability.

Part 7:
Section A
Condition 7

7. SECTION A CONDITION 7

7.1 **This Condition applies to every authorised entity that sets or influences the structure of charges, including retail suppliers. It also reaches operators where their internal transfer prices or recoveries shape what end users pay. The rule ties cost allocation to the outcome in Condition 6. Prices must be fair and not disproportionate. It must be read through Ofgem's cost-allocation guidance that is to be consulted on and then published. It creates a presumption against passing enforcement and redress costs to customers.**

What it does in plain English.

7.2 This condition requires the authorised entity to design the tariff structure and choose cost drivers in a way that leads to fair and not disproportionate prices. The authorised entity must attribute each charge to real costs and must have regard to Ofgem's guidance when it does so. Charges not supported by real costs are therefore strongly presumed to be inappropriate. In particular, any amount relating to the following items must not be included in the charges:

7.2.1 Penalties.

7.2.2 Redress to customers.

7.2.3 Guaranteed standards or service-level compensation.

Only very narrow exceptions can be set in guidance. Ofgem must publish the guidance before the condition starts and will consult on any revisions.

What is uncertain or still evolving.

7.3 The guidance is currently in draft form. It is expected that Ofgem will refine how the authorised entity should apportion portfolio overheads and shared services. Examples include finance teams that serve heat and non-heat functions and corporate IT and management. The draft points toward:

7.3.1 Activity-based proxies.

7.3.2 Customer numbers.

7.3.3 Meter points.

7.3.4 MWh supplied.

7.3.5 Peak kW.

7.3.6 Time-writing for shared staff.

7.4 It does not yet fix a single approach. The authorised entity will need to justify its chosen bases and keep evidence.

7.5 Unmetered and bundled contexts still need working detail. Where homes are not individually metered the draft expects reasonable proxies for usage. These may include floor area, bedroom count, or EPC band. The authorised entity must explain why its chosen proxy fits its stock. Where

heat is bundled in rent or a service charge, the authorised entity must still follow the cost-allocation principles as far as possible and keep a heat ledger that can be shown to customers and to the regulator.

7.6 Capital and risk treatment is principle-based for now. The authorised entity will need to put in place depreciation and asset lives policies that reflect wear and service potential. It must avoid capital recovery methods that load disproportionate risk onto early users. Connection-charge policies should recover at least the incremental cost of connection. Corporate risk and returns remain judgement calls that Ofgem will test with profitability monitoring and benchmarking.

7.7 There is guidance on bad debt but it is not prescriptive. The authorised entity should recover efficient bad-debt costs in a way that reflects their nature. For example, it should use fixed elements through fixed charges on metered networks. For unmetered dwellings, it should use equal apportionment unless it can justify a better proxy. The authorised entity must show that its own processes are efficient before it passes anything through.

7.8 "Exceptional circumstances" under the ban on passing penalties and redress are not yet defined. However, the default position is simple: do not pass penalties and redress through. The authorised entity should plan its chart of accounts and tariff model on that basis.

Impact on customers.

7.9 Bills should better reflect what drives costs. Fixed system costs should appear in a fixed element and usage-driven costs should sit in a unit rate. This improves predictability and makes saving heat visible.

7.10 Customers should not fund penalties, fines, guaranteed standards payments, or redress. Where a site is unmetered the chosen proxy method should be clear and credible.

7.11 For leaseholders who pay through service charges there is a double protection. Housing law on reasonableness remains and the fair-pricing and cost-allocation lens now overlays the heat part.

7.12 Non-domestic users benefit from the same structure. The affordability principle weighs most for households but transparency and cost efficiency apply to all customers.

Impact on suppliers and operators.

7.13 The authorised entity needs to have a defensible cost-to-tariff model which maps every material cost line to a tariff component, i.e., fixed charge or unit rate. It should show the driver for each mapping, using meter data where possible and simple proxies where there is not data available. It should keep a narrative that links the mapping to fair outcomes.

7.14 The authorised entity must embed "no pass-through" controls. It should create accounts that capture penalties, redress, and guaranteed-standards payments and block them from any allocation process that feeds into tariffs or services charges. This should be audited quarterly.

7.15 Set policies and stick to them. Policies should be provided on:

7.15.1 Fuel procurement and hedging.

7.15.2 Depreciation and asset lives.

7.15.3 Bad-debt recovery.

7.15.4 Connection-charge calculation.

7.15.5 Overhead allocation across a portfolio.

7.16 For each policy the authorised entity should document: the method, the data sources, the review cadence, and an explanation as to why this method aligns with its customer base and network design.

7.17 Concession deeds and leases the authorised entity have in place may hard-wire unusual or suboptimal allocations. The authorised entity should record both the constraint and its plan to converge toward the guidance at the first lawful opportunity. Use side letters and change-control where you can.

7.18 Cost-allocation choices must line up with Condition 6 on fair pricing. This includes:

7.18.1 With billing and transparency duties.

7.18.2 With back-billing limits.

7.18.3 With the standards of conduct.

7.18.4 With any central price-transparency reporting.

7.19 Technical standards under the forthcoming assurance scheme will be the reference for efficiency claims that sit behind allocations.

Model-specific notes A to G.

7.20 **Models A and D:** Landlord communal and developer-owned models. The authorised entity acts as both operator and supplier. It should build a single model that separates heat from estate services. It should ensure that internal recharges for estate staff do not creep into heat charges unless they are time-written and evidenced. If heat is entered into the service charge the authorised entity must keep a clear sub-ledger for it.

7.21 **Models B and E**: Concession or merchant with bulk sale to landlord. The authorised entity should build and run a two-step model. The first step should show how wholesale prices reflect efficient costs and risk allocation. The second step should show how the retail landlord allocates to residents. The authorised entity should agree a data sharing system with the landlord to that they can prove cost reflectivity and affordability. Neither party may recover penalties or redress in any layer.

7.22 **Models C and F:** Direct-retail concession or merchant. The authorised entity controls both the plant and the retail. It should expect full scrutiny of overhead allocations across its portfolio. The authorised entity must maintain clear divisions between networks, and between heat and any non-heat business lines.

7.23 **Model G:** Public-sector operated. Such models are often run on cost recovery. However, the authorised entity still needs a full allocation model with grants and public funding must be shown clearly. It must not cross-subsidise in a way that produces disproportionate prices for any customer group.

Part 8:
Section A
Condition 8

8. SECTION A CONDITION 8

8.1 **This applies to every authorised person.** It bites regardless of whether that authorised person acts as Operator, Supplier, or both. It covers anyone inside the authorised person who makes or shapes major decisions or manages a substantial part of the activity.

What it does in plain English.

8.2 The authorised person must not appoint, or keep in post, any key decision-maker unless that individual is fit and proper. The authorised person must operate a standing vetting process before appointment and must repeat checks on a regular cycle. In making the assessment, the authorised person must take account of:

8.2.1 Serious misconduct or serious mismanagement in regulated activities.

8.2.2 Relevant unspent criminal convictions with emphasis on dishonesty and money laundering.

8.2.3 Insolvency events and unsatisfied judgments.

8.2.4 Any director disqualification.

8.2.5 Senior involvement in an energy supplier that required a Last Resort Supply Direction.

8.2.6 Senior involvement in a heat or energy entity that entered Special Administration.

8.2.7 Housing red flags such as tribunal appointment of a manager, entries on the rogue landlord or agent database, and properties subject to serious housing enforcement orders.

8.3 The authorised person must give particular weight where prior energy or housing roles led to real detriment for consumers or the market.

What is uncertain or still evolving.

8.4 The condition does not fix how often “regular” reassessment must occur or what evidence standard applies. Annual reassessment with event-driven checks for promotions, acquisitions, and incidents is a sensible baseline but formal guidance on reassessment cadence would help.

8.5 The condition does not set out how to balance rehabilitation against risk or how to treat spent convictions and sensitive data. The authorised person will need a fair process that respects the Rehabilitation of Offenders Act 1974 and data protection standards while still protecting consumers.

8.6 The text is silent on key individuals at outsourced providers who exercise real influence. In practice, the authorised person should ensure that equivalent vetting applies to those individuals through contractual terms, including audit and removal rights. The condition does not state what to do if an individual fails the test during the contract term. The natural reading is removal or reassignment of that individual without undue delay. An escalation route that also manages employment-law risk is needed. Additionally, there is no explicit duty to notify the Authority of a

failure. The authorised person should be able to evidence its decisions and should consider proactive engagement where a case presents material risk.

Impact on customers.

8.7 Customers should benefit from stronger governance and better decisions that support reliability, sensible procurement, responsible financial choices, and fairer pricing over time. The condition also lowers the likelihood of distress events that could interrupt service. The main customer risk is delay if the authorised person hesitates to act once a senior individual is no longer fit and proper. Clear internal timelines, documented escalation, and interim cover reduce that risk.

Impact on suppliers and operators.

8.8 This is a live compliance duty rather than a one-off gateway test. The authorised person will need to define which roles are in scope. That will usually include the board and the most senior people in operations, engineering, finance, risk, procurement, customer service, and billing. The authorised person should build a written policy, a screening checklist, and a record of outcomes with reasons. Public sources should be searched for director status, disqualification, and insolvency. Structured declarations and references should be taken, and conflicts and outside appointments should be logged and monitored. Change control should ensure that material events in an individual's external portfolio trigger a re-check. The process should extend to key people at contractors through contract terms, audit rights, and the ability to require removal. This condition does not shift liability to another group company or to a nominated operator. Each authorised person remains responsible for the fitness of its own decision-makers.

8.9 Interactions are strong with the Supplier and Operator Standards of Conduct, continuity planning and any Special Administration arrangements.

Model-specific notes A to G.

8.10 **Models A and D:** In landlord-run communal schemes and developer estates the authorised person is usually the landlord or estate company. Policies and compliance checks are managed by the authorised person from start to finish.

8.11 **Models B and E:** In concession and merchant bulk-to-landlord structures there are usually two authorised persons: the network company and the landlord retailer. Each needs its own fit and proper framework.

8.12 **Models C and F:** In direct-retail concession or merchant models one authorised person covers operation and supply so the same policy applies across the whole leadership team.

8.13 **Model G:** In public-sector operators existing officer and director checks should be mapped to this condition and expanded to cover the energy and housing detriment triggers.

Part 9:
Section A
Condition 9

SHARPE
PRITCHARD

9. SECTION A CONDITION 9

9.1 **This applies to every authorised person. It bites whether that authorised person acts as Operator, Supplier, or both.**

What it does in plain English.

9.2 The Authority may ask for information it considers necessary or expedient for its functions. Once a request is received the authorised person must provide the information. It must be provided in the form the Authority specifies, by the means the Authority specifies, and to the timetable the Authority specifies. If the request points to any published guidance the response must follow that guidance.

9.3 There is a single statutory limit. If the authorised person could not be compelled to give the information in evidence in civil proceedings before a court, the authorised person does not have to provide it. The Authority's power here sits on top of its other information powers in the Regulations and in other conditions.

9.4 There is a second duty. If the Authority proposes to publish information under the Regulations and asks for reasoned comments on accuracy and text, the authorised person must give those comments in the requested form and by the requested deadline.

What is uncertain or still evolving.

9.5 The breadth of "necessary or expedient" is wide. In practice, the Authority's requests will need to be proportionate, but the condition itself does not define limits on scope.

9.6 As for the timelines are set by the Authority, reasonableness is implied but not specified. Authorised persons will need to engage early if a deadline is not achievable. The definition of "information" is broad and will include technical, commercial, and customer data. This raises questions about personal data handling and confidentiality.

9.7 The Regulations include safeguards on prejudicial publication and consultation before publication. Even so, authorised persons should expect to justify redactions and to mark commercially sensitive content clearly. The civil proceedings carve-out mirrors litigation privilege concepts but it is not a complete privilege code.

9.8 Legal review will be needed where privilege is claimed. The condition is silent on information held by contractors and group companies. If the authorised person relies on third parties for billing, metering, fuel procurement, or operations it will still be expected to deliver. Therefore, contract rights to obtain data and audit access may need strengthening. The condition does not state how requests interact with multi-operator networks. Condition 5 on a nominated operator eases coordination requirements but does not remove each operator's own duty to respond fully and on time.

Impact on customers.

9.9 Customers benefit from faster and better-targeted regulatory oversight. This should improve reliability and consumer protection where the Authority needs data to intervene or monitor. However, there is a privacy dimension when customer data is involved. The Authority is required to avoid publishing sensitive material in a way that would seriously and prejudicially affect customer interests. If the authorised person applies sound data-minimisation and redaction practices the residual privacy risk for customers is low.

Impact on Suppliers and Operators.

9.10 This condition imposes an ongoing governance duty. The authorised person will need:

9.10.1 Clear ownership for information requests.

9.10.2 A process to triage, gather and quality-assure data.

9.10.3 A legal check for privilege and confidentiality.

9.10.4 A records system that can produce information in the formats the Authority will specify.

9.11 Suppliers and operators should expect repeated requests for:

9.11.1 Metering and billing data.

9.11.2 Technical performance reports.

9.11.3 Outage and continuity records.

9.11.4 Pricing and cost-allocation models.

9.11.5 Customer outcomes, complaints, and redress statistics.

9.11.6 Corporate structure and finance data.

9.12 Where information is dispersed across contractors, the authorised person must have contract rights and interfaces that allow prompt access to data. Failure to respond in the requested form, or to do so on time, risks enforcement. On the positive side, building a clean data pipeline reduces ad hoc effort and dispute risk over time. Interdependencies are strong with Condition 4 on registration, Condition 5 on nominated operator, billing and transparency duties, and any central price transparency reporting the Authority rolls out.

Model-specific notes A to G.

9.13 **Models A and D:** In landlord communal and developer-owned schemes the authorised person usually holds both Operator and Supplier roles, so requests will span technical and retail data.

9.14 **Models B and E:** In concession or merchant bulk-to-landlord structures there are typically two authorised persons. The Operator will be asked for plant and network information. The landlord as Supplier will be asked for retail pricing, cost allocation, and customer outcomes. Condition 5 allows one party to act as contact point, but it does not remove either party's obligations.

9.15 **Models C and F:** In direct-retail concession or merchant models one authorised person carries the full response burden.

9.16 **Model G:** In public-sector operators there are extra considerations around public records and transparency duties. Those do not displace this condition. However, they do influence how records are stored and disclosed.

Part 10:
Section A
Condition 10

SHARPE
PRITCHARD

10. SECTION A CONDITION 10

10.1 **This applies to every authorised person. It bites whether that authorised person acts as Operator, Supplier, or both.**

What it does in plain English.

10.2 The authorised person must be open and co-operative with the Authority. This includes a proactive duty to disclose any circumstance the Authority would reasonably expect to be informed of so it can perform its functions.

10.3 Priority goes to actions or omissions that create a likelihood of detriment for heat network consumers. Disclosure should happen as soon as the circumstance arises or as soon as the authorised person becomes aware the likelihood has increased. There is a limit that mirrors civil proceedings. If the authorised person could not be compelled to give the information in evidence in a civil court, the duty does not apply.

10.4 The condition also sets a conduct principle. The authorised person must act so that it can comply with all obligations under the Energy Act 2023, the Regulations, and the authorisation conditions. That means:

10.4.1 Maintaining appropriate internal resource.

10.4.2 Identifying compliance risks and taking action to mitigate them.

10.4.3 Establishing suitable systems and processes.

10.4.4 Nominating a point of contact for the Authority.

10.4.5 Having regard to any guidance the Authority issues.

What is uncertain or still evolving.

10.5 The phrase “would reasonably expect notice” is broad. Materiality, timing and scope will need to be set in practice. Examples include prolonged or widespread outages, serious billing errors, suspected breaches of pricing or back-billing rules, solvency concerns, cyber incidents that affect metering or billing, and governance failures. The line between a developing issue and a disclosable circumstance is not defined. Conducting a short internal triage is prudent, but delay increases the risk of non-compliance. The civil-proceedings carve-out protects information that could not be compelled in court. However, it is not a general shield.

10.6 Legal advice privilege and litigation privilege require careful handling. The condition allows disclosure orally or in writing. A better approach would be to follow an agreed template and confirm oral disclosures in writing, especially given that multi-operator arrangements add complexity.

10.7 Condition 5 helps coordination through a nominated operator, but each Operator remains responsible for disclosure where its part of the network is affected. The benchmark for

"appropriate internal resource" is not quantified. The Authority will likely expect a named liaison, a compliance risk register, tested incident procedures, and auditable records of disclosures.

Impact on customers.

10.8 Early and candid disclosure should lead to faster regulatory engagement and targeted remedies. This supports continuity of supply, fewer shock bills, and clearer communications during incidents. The privacy risk from sharing data with the Authority is low if the authorised person minimises personal data and redacts data that is not needed. Consumers benefit from a culture of self-reporting rather than defensive silence.

Impact on Suppliers and Operators

10.9 This condition creates a standing governance duty. The authorised person needs the following:

10.9.1 A written openness policy.

10.9.2 A disclosure decision tree.

10.9.3 A short list of trigger events.

10.9.4 A named liaison for the Authority and cover arrangements for that individual.

10.9.5 Processes to detect, assess, and escalate issues quickly.

10.9.6 Records that show what was disclosed, when, by whom, and why.

10.10 Contracts with outsourcers should compel rapid access to incident information so that the authorised person can meet its duty. The duty interacts with information requests under Condition 9. The requirements of openness and co-operation mean engaging early if a deadline or format is not achievable and proposing an alternative. Failure to disclose promptly where consumers are at risk can escalate compliance exposure and undermine credibility during any investigation.

Model-specific notes A to G.

10.11 **Models A and D:** In landlord communal and developer-owned models, the authorised person is usually both the Operator and Supplier. Therefore, most disclosures will be internal to one entity, which simplifies triage.

10.12 **Models B and E:** In concession or merchant bulk-to-landlord models there are two authorised persons. The Operator will lead on plant and network incidents. The landlord as Supplier will lead on billing, pricing, and customer harm. They should agree a shared playbook for joint disclosures, so that the Authority receives a coherent account.

10.13 **Models C and F:** In direct-retail concession or merchant models one authorised person carries the full duty across technical and retail issues.

10.14 **Model G:** In public-sector models existing public-law transparency duties sit alongside this condition. However, they do not remove the need to disclose to the Authority promptly.

Part 11:
Section A
Condition 11

11. SECTION A CONDITION 11

11.1 **This applies to every authorised person. It bites whether the authorised person acts as Operator, Supplier, or both.**

What it does in plain English.

11.2 The Authority can decide that an independent audit is necessary or expedient for it to carry out its functions. It may then require the authorised person to commission an Independent Audit or it may instead appoint an Independent Auditor itself. If told to commission, the authorised person must do so without delay in line with any terms of reference. The authorised person must give the Authority the full report in the form and by the date requested. Whether the audit is commissioned or appointed, the authorised person must cooperate fully. The authorised person must also take reasonable steps to make Affiliates cooperate. Information that could not be compelled in a civil court does not have to be produced. After the report is delivered to the authorised person, senior management must consider it within four weeks. The authorised person must keep a written record of decisions made and actions taken in response.

What is uncertain or still evolving.

11.3 The condition does not define the triggers the Authority will use to decide whether an audit is necessary or expedient. In practice, this could cover pricing and cost allocation, billing accuracy, continuity and outage handling, complaint handling, governance, and financial resilience. The condition does not set independence criteria beyond being an Independent Auditor.

11.4 The authorised person will need to avoid conflicts and agree scope with the Authority. The condition does not state who pays where the Authority appoints. If the authorised person commissions, cost sits with the authorised person. Where the Authority appoints, cost allocation may follow from other powers or directions. The carve-out for material that cannot be compelled in civil proceedings will need legal judgement. The line between privileged material and factual working papers is not defined here. The condition is also silent on how the Authority will use or publish audit findings.

11.5 Regulation 12 publication duties and safeguards still apply but process detail is not set in this clause and multi-operator networks are not expressly addressed. Condition 5 on a nominated operator can streamline logistics, yet each Operator remains responsible for cooperation and any follow-up actions on its part.

Impact on customers

11.6 Independent scrutiny should improve outcomes for customers via:

11.6.1 Surfacing systemic billing errors.

11.6.2 Putting pressure on timely fixes to price fairness issues.

11.6.3 Strengthening continuity planning and complaint handling.

11.6.4 Expediting corrective action, which in turn reduces the risk of detriment and improves trust.

11.7 However, there is a cost dimension. Audit effort and remediation will create costs for the authorised person. These costs are not penalties or redress so they can be recovered, but only to the extent recovery is efficient, cost-reflective, and consistent with fair pricing. Customers should not fund inefficient or duplicated work.

Impact on Suppliers and Operators.

11.8 This condition imposes a readiness obligation. The authorised person needs audit-ready records for pricing, cost allocation, billing, outages, metering, complaint handling, and governance.

11.9 Contracts with Affiliates and service providers must include data-access and cooperation clauses that meet this condition.

11.10 A single manager should own audit liaison. There should be a clear internal timetable to meet terms of reference, evidence requests, and management interviews. The four-week review deadline for senior management is challenging. Any actions identified during the review must be tracked and monitored.

11.11 Suppliers and Operators should expect an interlock with Condition 6 on fair pricing, Condition 7 on cost allocation, Condition 9 on information provision, and Condition 10 on openness.

11.12 Where audits identify failings, follow-on enforcement is possible if actions stall.

Model-specific notes A to G.

11.13 **Models A and D:** In landlord communal and developer-owned schemes the same authorised person usually covers Operator and Supplier roles. The audit will span both technical and retail areas.

11.14 **Models B and E:** In concession or merchant bulk-to-landlord structures there are usually two authorised persons. The audit may examine the Operator's network performance and the landlord Supplier's pricing and billing separately or together. Cooperation duties apply to both authorised persons.

11.15 **Models C and F:** In direct-retail concession or merchant models one authorised person carries full scope.

11.16 **Model G:** In public-sector operators, existing public audit and scrutiny processes can help, but this condition still requires sector-specific cooperation, rapid management review, and action tracking.

Part 12:
Section A
Condition 12

12. SECTION A CONDITION 12

12.1 **This condition applies to every authorised person that is not a Local Authority or an Excepted Company. It does not apply where the authorised person only carries on activities for Industrial Heat Networks or Self-Supply Networks. In mixed portfolios, it applies to the non-industrial and non-self-supply parts only. It bites whether the authorised person acts as Operator, Supplier, or both.**

What it does in plain English.

12.2 The authorised person must organise its business so that if it stops carrying on a regulated activity a successor can step in and run that activity efficiently and effectively. This includes in the case of insolvency, revocation, transfer of the authorisation, or any other cessation.

12.3 The authorised person must keep all Material Assets in a state where they can be legally transferred to a successor without fresh third-party consents and without the successor being unreasonably disadvantaged or pushed onto materially different terms.

12.4 Limited relaxations exist where a third party is already legally obliged to consent on reasonable conditions or where true transferability is not reasonably practicable and continuity can still be achieved.

12.5 The authorised person must not grant Security Interests over Material Assets unless they are Permitted Security Interests. It must always have Sufficient Control over the Material Assets. It must not dispose of Material Assets where that would create a significant risk that it cannot deliver its regulated activities or meet its legal and regulatory duties. By the end of the first part of the initial period it must create and then maintain a register of all Material Assets and provide it to the Authority on request.

What is uncertain or still evolving.

12.6 The term “Permitted Security Interest” is a closed list in the definitions. It allows six categories.

12.6.1 First, security that was already in effect at the launch date. This “grandfathering” preserves older financings, but it does not bless later enlargements or restructurings that change the economic effect. Any refinancing should be treated as new security that must fit another limb.

12.6.2 Second, interests that arise by operation of law. Examples include statutory liens and repairers’ liens. These are incidental and should not be used to engineer de-facto control over Material Assets.

12.6.3 Third, any security type the Authority later specifies as permitted or to which the Authority has given consent. This is a safety valve for unusual deals, but it is discretionary and time sensitive.

12.6.4 Fourth, security granted as a condition of finance to the authorised person on arm’s-length terms. This is the main route for bankable project finance. Arm’s-length means

pricing and covenants consistent with independent-party transactions. To be effective and compliant the finance documents should also promise co-operation with any regulatory transfer and should not block assignment on distress.

12.6.5 Fifth, security granted by a third-party occupier under a lease from the authorised person. This allows a tenant to mortgage its own fit-out or movable assets without encumbering the authorised person's Material Assets.

12.6.6 Sixth, wayleaves and easements. These are not security in the economic sense, but they are recorded here so they do not fall foul of the prohibition.

12.7 Two areas of potential ambiguity will need careful consideration. Firstly, the catch-all phrase in the prohibition covers "any agreement having the same economic effect". Retention-of-title clauses and sale-and-leaseback arrangements can create an economic encumbrance. If they touch Material Assets, they risk being out-of-bounds unless brought within a permitted limb or cleared with the Authority. The arm's-length finance limb supports bankability, but lenders will look for effectiveness at enforcement. To keep security effective while preserving transferability, the package should rely more on share security over an asset SPV, receivables and account security, and fixed charges that include a covenant to consent to a regulatory transfer on defined triggers. Intercreditor terms should hard-wire co-operation, short-form transfer mechanics, and step-in for a Special Administrator or the Authority. The "arises by law" limb should not be relied on to replicate full project security. It is a backstop for incidental liens only. Finally, "not reasonably practicable" in the transferability test requires evidence. The authorised person should record why a particular asset cannot be made transferable and why continuity is still achievable without it.

12.8 There is real ambiguity in the words "subject to any Permitted Security Interests" in condition 12.2. One reading indicates a carve-out that lets a permitted security narrow the transfer duty. The better reading, taken with conditions 12.3, 12.4, 12.1 and 12.6, is that transferability must still be achievable and that the presence of a permitted security only means the security holder sits in the chain and must be pre-obliged to consent on reasonable terms. Because the text could be argued either way, there is uncertainty until guidance or practice settles it. The prudent course of action is to treat "subject to" as a process qualifier, not a relaxation, and to hard wire lender consent, non-disturbance, and cooperation with regulatory transfer into the security and intercreditor documents.

Impact on customers.

12.9 The condition is designed to protect continuity. Customers should see lower risk of interruption during failure or exit because assets, rights, and data can be transferred quickly. Well-structured security and refinancing should reduce the cost of capital over time, which can support fair pricing. Poorly structured security that blocks or delays transfer can create consumer detriment during distress. A robust register, and pre-agreed step-in and transfer paths, reduce that risk.

Impact on suppliers and operators.

12.10 The authorised person should audit existing security packages now. If a lender holds security over Material Assets that is not clearly a Permitted Security Interest the authorised person should agree amendments or confirmations so that the position is compliant. On refinancing the authorised person should structure security so it qualifies as a Permitted Security Interest and is compatible with regulatory transfer. Common approaches are share security over the shares of the asset SPV, receivables and account security, and fixed or floating charges that include a covenant to consent to a regulatory transfer on defined triggers. Intercreditor agreements should include step-in rights for a Special Administrator, short form deeds of transfer, and an obligation on secured creditors to cooperate with a transfer that preserves service.

12.11 The condition does not ban secured finance. Instead, it requires that any new security sits within the Permitted Security Interest definition and does not frustrate transfer. Therefore, future security should avoid absolute prohibitions on assignment or change of control that would catch a regulatory transfer. It should include undertakings to provide consents on reasonable conditions and acknowledgements that the Authority's continuity objectives prevail on defined triggers. The authorised person should favour security over shares and receivables, security over non-critical assets or asset security with explicit regulatory transfer carve-outs. In cases of direct retail where the concessionaire is the Operator but does not own the assets, the authorised person must demonstrate Sufficient Control through enforceable rights rather than ownership. This should include the following:

12.11.1 Long-term operating and access agreements with the asset owner.

12.11.2 Exclusive or priority control over plant rooms and network rooms.

12.11.3 Rights to control set points and dispatch.

12.11.4 Rights to use SCADA and billing systems.

12.11.5 Rights to collect and use customer data.

12.12 These agreements must be assignable to a successor and must oblige the asset owner to cooperate with transfer on distress or revocation. If the concessionaire needs finance, it will secure this over its contractual rights, receivables, bank accounts, and equipment it owns. Lenders will require collateral to be transferable to a successor Operator so the operating agreement should include lender step-in and assignment on regulatory transfer. The authorised person remains responsible for the asset register for the items and rights it relies on, even if it does not own the physical plant.

Model-specific notes A to G.

12.13 **Model A and D:** Landlord communal and developer-owned models. The authorised person usually owns and operates. The focus is on clean title, assignable land rights, metering and billing systems, and data and lender packages that respect regulatory transfer.

12.14 **Models B and E:** Concession or merchant bulk to landlord. Here, asset ownership is split. Therefore, each authorised person needs its own transfer paths and each must ensure its security and contracts enable regulatory transfer for its part.

12.15 **Models C and F:** Direct retail concession or merchant. The concessionaire is the Operator and Supplier, but the landlord often owns the in-building assets. The concessionaire must secure Sufficient Control through contract rights and ensure that those rights can transfer to a successor. Security will sit over the concessionaire's rights and receivables rather than the landlord's assets.

12.16 **Model G:** Public-sector operators are carved out. Many councils will still apply the spirit of the condition through corporate continuity plans and asset registers.

What about security over buildings.

12.17 If a building is mortgaged, the lender's charge will usually bite on the fabric of the building and on its fixtures. Secondary network assets in risers and plant rooms are often treated as fixtures. On a strict reading of the condition, these can fall within the lender's security. Condition 12 still requires the authorised person to keep those Material Assets transferable and to maintain Sufficient Control. The solution is not to strip lenders of protection but instead to structure the mortgage and the project documents so that regulatory transfer can happen smoothly.

12.18 A pre-existing mortgage at the launch date fits under the grandfathering limb of a Permitted Security Interest. A new or refinanced mortgage can also be Permitted where it is granted as a condition of arm's length finance to the authorised person. Either way, the effectiveness of Condition 12 depends on the covenants in that mortgage and on the direct agreements around it. The mortgage should include promises to cooperate with any regulatory transfer. It should also acknowledge that, on defined triggers, the lender will consent to assignment or novation of plant room licences, O&M contracts, metering and billing platforms, and data. It should commit to release or re-issue security so a successor can step in on equivalent terms. Absolute prohibitions on assignment or change of control should be carved out for a regulatory transfer. These points can sit in the mortgage, in a separate deed of consent, or in intercreditor terms.

12.19 If the lender already holds a building mortgage that captures secondary assets, the authorised person should agree a consent letter now. This letter should state that the lender will grant all consents needed for a regulatory transfer on reasonable terms. It should state that the lender will honour any step-in by the Authority or a Special Administrator. If a refinancing is planned, the term sheet should bake in those acknowledgements from the outset. Any material amendments or restatements should be treated as new security for compliance purposes and assume it must fit the "arm's length finance" limb and include the regulatory transfer package.

12.20 Where protecting Sufficient Control when the network is inside a mortgaged building titles and contracts matter as much as metal and pipe. The authorised person should hold an assignable licence or lease for each plant room. It should have documented rights of way, riser and cupboard access, and 24/7 emergency entry. It should control BMS and SCADA credentials and be able to grant those to a successor. These rights should be registered where possible and should be

recognised by the lender through a non-disturbance and recognition letter. That letter should say the lender will not terminate those rights on enforcement and will accept assignment to a successor.

Part 13:
Section A
Condition 13

SHARPE
PRITCHARD

13. SECTION A CONDITION 13

13.1 **This applies to every authorised person that is not a Local Authority or an Excepted Company. It does not apply where the authorised person only serves Industrial Heat Networks or Self-Supply Networks. In mixed portfolios it applies only to the other networks. It bites whether the authorised person acts as Operator, Supplier, or both.**

What it does in plain English.

13.2 The authorised person must always run the business responsibly so that it has the resources and rights it needs to operate properly and comply with the law. It must be able to meet reasonably anticipated liabilities as they fall due, including in severe but plausible stress situations. It must identify and manage risks. Money collected from customers for maintenance, repair, or replacement must be available for that purpose. If directors or senior managers do not, or should not, have a reasonable expectation that the business will have those resources or will be able to meet liabilities as they fall due, they must notify the Authority immediately.

What is uncertain or still evolving.

13.3 The trigger uses a “reasonable expectation” test. That is an objective standard. It captures situations where leadership ought to know resources will be insufficient even if they have not yet acknowledged it. The phrase “severe but plausible stress” is open. The Authority will likely expect a documented scenario set, i.e., Fuel price spikes/Plant failure/Bad-debt surges/Outage compensation/Refinancing shocks.

13.4 The most difficult judgement is in 13.3. It restricts payments when the trigger bites. It allows only those payments, loans, or asset transfers that are essential to the carrying on of regulated activities. It also creates a risk test. If making a payment would create a significant risk of failure to deliver or to comply, it must not be made. That could mean deferring some due payments even if that creates a technical default. The clause does not define “essential”. The right approach is a structured triage that weighs the operational consequence of paying against the operational consequence of not paying. There is also overlap with insolvency duties. Once financial distress is clear, directors’ duties lean toward creditor interests. That direction of travel is consistent with 13.3 but the exact handoff point will depend on facts.

Impact on customers.

13.5 Customers should benefit from a clear priority on continuity. Cash is protected for fuel, operations, repairs, core staff, insurance, and billing systems. Funds collected for maintenance are ring-fenced in practice. All this reduces the chance of sudden collapse or long outages. The risk for customers is disruption if key counterparties react to a deferred payment. That is why engagement and standstill arrangements matter once the trigger is met.

Impact on Suppliers and Operators.

13.6 The heart of the question is whether 13.3 forces default. It can require deliberate non-payment where paying would significantly raise the risk of operational failure. That will include dividends,

Shareholder loan repayments, Intra-group cash sweeps, Discretionary bonuses, Non-critical capex, and Some management fees. It can extend to finance or lease payments if paying them would deplete cash needed for fuel or urgent repairs.

13.7 Equally, a debt-service payment can be “essential” if non-payment would trigger acceleration or enforcement that would immediately threaten operations. The test is not formal legal ranking. It is practical continuity. Leadership should document each call. Essential examples include:

13.7.1 Fuel and grid power.

13.7.2 Operations and maintenance.

13.7.3 Emergency repairs and spares.

13.7.4 Insurance that is a condition of access.

13.7.5 Plant room access and security.

13.7.6 Control systems and billing platforms.

13.7.7 Statutory testing.

13.7.8 Wholesale heat purchases where the landlord is the Supplier.

13.8 Likely non-essential examples include distributions, shareholder loan service expansion capex, and group recharges without a direct service.

13.9 There are a number of grey areas that need case-by-case assessment. These include debt service, rent, leases on non-critical space, and IT programmes that can be paused.

13.10 Condition 13.1.4 adds a hard edge. Sums collected for repair or replacement must be kept for that purpose and cannot be diverted to other creditors.

13.11 Clause 13.2 requires immediate notification to the Authority once the trigger is met. This should be paired with a payment standstill plan and a communications plan for lenders and key suppliers. Expect interlock with Condition 10 on openness, Condition 12 on no disposal of Material Assets, and the fair-pricing and cost-allocation rules that ring-fence penalties and redress.

Model-Specific Notes A to G.

13.12 **Models A and D:** In landlord communal and developer-owned models the same authorised person usually acts as Operator and Supplier. The priority list should protect fuel, O&M, plant room access, metering and billing. Service charge maintenance funds are already protected by housing law and by 13.1.4.

13.13 **Models B and E:** In concession or merchant bulk-to-landlord structures the landlord as Supplier may face stress while the concessionaire is the Operator. Wholesale heat or network fees are usually essential because non-payment would jeopardise supply to residents. A standstill or payment plan with the Operator should be a first move rather than unilateral non-payment.

13.14 **Models C and F:** In direct-retail concession or merchant models the single authorised person carries both roles. The same triage applies across the chain.

13.15 **Model G:** In public-sector operators the condition is carved out. Many will follow the spirit through treasury rules and political oversight.

Part 14:
Section A
Condition 14

SHARPE
PRITCHARD

14. SECTION A CONDITION 14

14.1 **It applies to every authorised person that is not a Local Authority or an Excepted Company. It does not apply where the authorised person only serves Industrial Heat Networks or Self-Supply Networks. In mixed portfolios it applies only to the other networks. It bites whether the authorised person acts as Operator, Supplier, or both.**

What it does in plain English.

14.2 The authorised person must keep a live continuity plan once the first part of the initial period ends. The plan must show how each regulated activity will continue if the authorised person stops that activity. The plan must be accurate, maintained, and provided to the Authority on request. It must contain everything a successor would reasonably need to run the activity efficiently and effectively. This includes key service providers and staff, consumer records, metering and billing access, management structures, and Material Assets. The plan can point to other documents if the authorised person maintains them or has a legal right to them at all times. The plan must also explain the expected handover process and how the authorised person complies with Condition 12 on Operational Arrangements and Material Assets.

14.3 If there is a consented transfer, a revocation request, a revocation notice, or any other intention to cease, the authorised person must take all reasonable steps to keep service going on the same or similar terms and to minimise disruption and detriment. Where supply and operation are split and the authorised person is the Operator, it must have arrangements so it or a third party can supply if the Supplier ceases. If the Supplier does cease. the Operator must supply itself or ensure a third party does.

What is uncertain or still evolving.

14.4 There is real ambiguity in 14.8 regarding timing and scope. The trigger phrases are broad. It is not clear exactly when the duty to take all reasonable steps starts during an insolvency or an accelerated revocation. It is also unclear whether the authorised person must continue trading if that means short term losses. The better view, read with Condition 13, is that continuity is required within the limits of essential spend and prudent cash preservation. Guidance on when the duty starts and how it interacts with the cash-prioritisation duty would help.

14.5 The phrase ‘same as or as similar as possible to the terms in place’ is outcomes focused but leaves hard questions. Some tariff structures, wholesale contracts, and lease-based recovery models cannot be replicated by a successor on day one. The clause does not say how to reconcile those constraints with the aim. The prudent approach is to prepare short bridging terms in the plan and to explain where identical replication is not lawful or practicable. The clause also assumes cooperation by third parties. In practice handover can be blocked by non-assignable contracts, lender controls, plant room licences tied to a building mortgage, managing agent practices, or data controllers who hesitate to release records. Conditions 12.2 to 12.4 and 12.6 point to pre-agreed transfer paths and Sufficient Control, yet 14.8 does not set a remedy where consents are refused or an insolvency practitioner prioritises creditor recoveries.

14.6 It would be helpful for the Authority to clarify what counts as 'all reasonable steps' where third-party refusals or insolvency law constraints arise.

14.7 Finally, the scope of 'all information a successor would reasonably require' is wide. It extends beyond the listed items to software licences, BMS and SCADA credentials, escrowed code where needed, IP in tariff models, outage procedures, warranties, insurance, and land rights. A documented annual drill with lessons learned looks prudent.

Impact on customers.

14.8 Customers should see stronger protection against service collapse. A prepared plan shortens handovers, avoids data loss and keeps metering and billing functioning. The same or similar terms aim reduces bill shock at transfer. The special Operator duty in split models lowers the risk that a Supplier failure leaves residents without a biller or a service channel. Residual risk remains where legal constraints make identical terms impossible. Clear communications and temporary bridging terms reduce that risk.

Impact on suppliers and operators.

14.9 This condition creates a standing readiness obligation. The authorised person needs a plan that a successor can pick up and use. This plan must:

14.9.1 Align with the asset register under Condition 12.

14.9.2 Name people and vendors.

14.9.3 Show access paths to data and systems.

14.9.4 Include contract extracts that prove step-in and assignment rights.

14.10 For split models 14.9 is the operational kicker. An Operator must be able to switch on retail functions quickly or have a standby Supplier ready. That means pre-agreed consumer terms, a tariff approach that fits fair pricing, a billing engine that can ingest the meter set, Priority Services processes and consumer communications. For a Supplier that relies on a third-party Operator the plan must include the Operator's cooperation commitments and a route to keep wholesale heat flowing during transfer. Interdependencies are tight with Condition 12 on transfer rights, Condition 9 on information provision, Condition 10 on openness, and Condition 13 on cash preservation during stress. All must line up so the plan is real and executable.

Model-specific notes A to G.

14.11 **Models A and D:** the same entity is usually both the Operator and the Supplier. The plan should focus on successor handover for plant, access to BMS and billing, and clear consumer communications.

14.12 **Models B and E:** the Operator has the 14.9 duty. The Operator should hold a drawer-ready retail kit or have a third party on contract to step in. The landlord as Supplier should plan a managed handover of consumer data and service channels to the stepping-in Supplier.

14.13 **Models C and F:** one authorised person carries both roles. The focus is on a smooth single transfer and a robust data handover, so billing and support continue.

14.14 **Model G:** the carve-out applies. Councils often keep a plan anyway and align it with corporate emergency planning.

Part 15:
Section A
Condition 15

15. SECTION A CONDITION 15

15.1 **This applies to every authorised person, whether acting as Operator, Supplier, or both. It gives the Authority set powers to revoke an authorisation in whole or in part on notice. It also provides short-notice routes where the authorised person is insolvent or where there has been a material misstatement.**

What it does in plain English.

15.2 The Authority can revoke an authorisation on 30 days' written notice. The period can be shorter if the authorised person agrees. Grounds for revocation include:

15.2.1 Agreement to revoke.

15.2.2 Non-payment of sums due to the Authority that remain unpaid after reminder.

15.2.3 Failure to comply with a confirmed provisional or final order.

15.2.4 Failure to pay a penalty after the appeal window.

15.2.5 Failure to comply with a consumer redress order after the appeal window.

15.2.6 Failure to comply with specified competition and consumer orders.

15.2.7 Inactivity.

15.2.8 Not starting the regulated activity within one year or ceasing it.

15.3 There is a faster route on insolvency events. The Authority can revoke on 24 hours' notice if the authorised person is unable to pay its debts or enters insolvency processes or equivalent events. A carve-out applies where a statutory demand is contested in good faith or satisfied within the period in the Authority's notice. There is a 7-day route for material misstatement of fact in the authorisation application.

15.4 Revocation can be in part. For example, supply can be removed while operation remains, or the vice versa.

What is uncertain or still evolving.

15.5 The test for "unable to pay its debts" is fact sensitive. Although the carve-out provides some relief, careful judgement will be needed in situations of liquidity stress.

15.6 The Authority has broad discretion to use revocation rather than other enforcement tools. This clause does not impose an explicit duty on the Authority to consider continuity before serving notice. In practice, however, the Authority will expect the authorised person to maintain continuity under Condition 14 and ensure transferability under Condition 12. Timing can be critical, particularly where only 24 hours' notice is given.

15.7 The term "material misstatement" is not defined. Determining thresholds and evidentiary standards will require experience or guidance. Partial revocation is a powerful tool for safeguarding continuity, but its effectiveness depends on proper sequencing with 14.8 and 14.9.

No formal supplier-of-last-resort scheme currently exists, so continuity depends on the authorised person's plan and on the Operator's step-in duty if supply ceases. Customer credit balances and prepayments are not expressly protected here and would generally fall under insolvency law unless planned for. Finally, the phrase "ceased to carry on" could unintentionally catch mothballing if not documented carefully.

Impact on customers.

15.8 Clear revocation routes help remove persistently non-compliant or insolvent providers. Partial revocation can keep networks running while a new Supplier is put in place. Risks are short-notice change, and disruption to billing and service channels on a 24-hour notice as tariff continuity and repayment plans are harder to replicate overnight. Additionally, customer credit balances may be at risk if insolvency occurs. Where residents are tenants, section 11 of the Landlord and Tenant Act 1985 continues to apply. The landlord remains responsible for keeping installations for space heating and hot water in repair and proper working order, so far as this is under the landlord's control. Revocation does not displace that duty. A tested continuity plan, a clean data pack, and bridging terms limit harm and help the landlord meet section 11 while a successor steps in.

Impact on Suppliers and Operators.

15.9 Revocation ends the affected activity. The authorised person should assume the Authority will use revocation where orders, penalties, or redress have been ignored or where insolvency is live. Partial revocation makes the Operator step-in duty under 14.9 real. If supply is revoked and operation remains, the Operator must supply or ensure a third-party supplies (in the gap the Operator would lose the ability to bill). Boards should expect the Authority to consider openness under Condition 10, resources under Condition 13, and readiness under Conditions 12 and 14 when deciding how to proceed. The 30-day route supports a managed handover if the authorised person engages early. The 24-hour route does not. Drawer-ready assignments, lender consents, and step-in mechanics are needed. Non-payment to the Authority can trigger revocation. Therefore, ledger controls are needed so fees and penalties do not drift. Misstatement risk means tight governance over what is said in applications and updates is essential.

15.10 Interaction with section 11 of the Landlord and Tenant Act 1985 matters. If the landlord is also the authorised person, any revocation of supply or operation does not relieve the landlord's repair and maintenance duty for installations within its control. If a third-party Supplier or Operator is revoked, the landlord still needs to facilitate access, temporary works, and safe operation to meet section 11 while the successor is appointed. That includes plant-room access, in-dwelling HIU works, and emergency repairs.

Model-specific notes A to G.

15.11 **Models A and D:** The landlord is usually both Operator and Supplier. Revocation would commonly affect both roles. However, partial revocation could remove supply only, for example. The landlord would continue to operate and must arrange a compliant supply route. Section 11

duties continue throughout. The landlord must keep the heating installations within its control in repair and must cooperate with the successor to minimise disruption.

15.12 **Models B and E:** The landlord is the Supplier. The concessionaire or merchant is the Operator. If the landlord's supply authorisation is revoked, the Operator's 14.9 duty bites. The Operator must supply or put in a standby Supplier. The landlord's section 11 duty persists for installations under its control. The landlord should provide access, approvals, and information so the stepping-in Supplier and the Operator can keep heat flowing and complete repairs.

15.13 **Models C and F:** The direct-retail concessionaire is both Operator and Supplier. Therefore, revocation affects both roles (unless partial). A single clean transfer to a successor with working billing and customer support is key. The building owner's section 11 duty still applies for tenant installations. The successor must be given access to meet that duty in practice.

15.14 **Model G:** Public-sector Operators and Suppliers can still be revoked under this condition. Corporate housing duties and public-law processes run in parallel. The same continuity outcomes are expected.

Part 16:
Section B
Condition 1

16. SECTION B CONDITION 1

16.1 **This applies to every authorised person that acts as a Supplier. It also reaches a Supplier's Representatives. It sets a Consumer Objective for Suppliers that people in Domestic Premises connected to the Supplier's network must be treated fairly. It extends that objective to people affected by the Supplier's activities on connected networks.**

What it does in plain English.

16.2 The Supplier must achieve the standards in a way that meets the Consumer Objective for Suppliers. Conduct must be fair, honest, transparent, appropriate, and professional. Information must:

16.2.1 Be complete and accurate, and not misleading.

16.2.2 Be in plain language with the key points made prominent.

16.2.3 Fit the recipient and not create a material imbalance in rights or interests in favour of the Supplier.

16.2.4 Be sufficient for informed choices about the heat supply.

16.3 Customer service must be easy to contact, and prompt and courteous when putting things right. Processes must be thorough, fit for purpose, and transparent.

16.4 People in a Vulnerable Situation must be identified in an effective and appropriate way. The standards must then be applied with those circumstances in mind. Additional support must be provided, including Priority Services where relevant.

16.5 The Supplier must communicate proactively about maintenance and events that may cause outages or other disruptions. The Supplier must engage to understand the needs and expectations of customers. This includes feedback on service and on proposed decisions with long term impact, including decarbonisation and retrofit. There must be transparency about how infrastructure change may affect price or service.

16.6 The Supplier must cooperate with other authorised persons where its activities affect theirs and must have the resources and processes to do so. When a Complaint is routed through another authorised person acting as the single point of contact, the Supplier must use all reasonable endeavours to investigate and resolve it in line with that other party's Complaints Handling Procedure. If this condition conflicts with a more specific rule about fair treatment, the specific rule wins.

What is uncertain or still evolving.

16.7 The scope in condition 1.1 reaches "occupants" as well as Consumers. This creates questions in landlord recovery models. The Supplier may have to deliver fair treatment and communications to tenants and leaseholders even where the contractual payer is a landlord under a Relevant Lease. The test for "material imbalance" and "appropriate" information will need practice. Terms

and conditions, debt practices, prepayment rules, and consent wording may need reworking to avoid imbalance.

16.8 The engagement duty on decarbonisation and retrofit is principles based. It does not fix how much consultation is enough or what evidence will satisfy the Authority that views were sought and considered.

16.9 Cooperation duties with other authorised persons raise data protection and confidentiality issues. The Supplier will need lawful bases and structured data-sharing routes.

16.10 “Appropriate resources” and “all reasonable endeavours” are not quantified. The Authority will likely look for evidence of adequate staffing, training, systems capacity, and measurable response times.

Impact on customers.

16.11 Domestic customers should see clearer, more honest, and more useful information. They should find it easier to get issues fixed and to get support where there is a Vulnerable Situation. They should get proper notice of planned works and outages, and better involvement in big changes such as heat source replacement. People on connected networks who are affected by the Supplier’s works should also see fair treatment. Complaint journeys should be simpler when more than one authorised person is involved because there will be a single point of contact and a duty to cooperate behind the scenes.

Impact on suppliers and operators.

16.12 Suppliers will need to codify the standards in policies, scripts and training. They will need QA for all customer communications. Contracts and tariffs may need revision to remove terms that create a material imbalance. Customer service must be resourced and measured against promptness and courtesy. A working process to identify and record Vulnerable Situations is required, linked to a Priority Services Register and to practical support such as additional communications, Alternative Heat Arrangements in an outage, and safe prepayment use.

16.13 Proactive outage communications need template messages, channels, and data feeds from the Operator. Engagement on decisions with long-term impact demands a consultation plan with feedback capture and a way to evidence how feedback influenced the decision.

16.14 Cooperation duties with other authorised persons require data-sharing agreements, defined interfaces, and SLAs.

16.15 Complaints handling must map to who is the single point of contact and how escalations work. Interdependencies are strong with Billing and transparency, Priority Services, Complaints, Fair pricing, Cost allocation, Back-billing and Continuity arrangements.

Model-specific notes A to G.

16.16 **Models A and D:** landlord-run communal or developer estates. The authorised person is both Supplier and often Operator. The focus is on fair terms in leases and resident packs, robust Vulnerable Situation identification, and proactive building-level outage communications.

16.17 **Models B and E:** concession or merchant bulk to landlord. The landlord is the Supplier and must meet the standards. The Operator must feed accurate outage and work information so the landlord can communicate promptly. The cooperation and complaint-referral provisions are critical here. The concessionaire or merchant is upstream, and the landlord is the downstream Supplier. The upstream must run plant and works in a way that is Fair to the landlord's residents where they are affected. The upstream must feed the landlord with good information quickly. The landlord remains the retail face and must meet the full set of Supplier Standards with its residents.

16.18 **Models C and F:** direct-retail concessionaire. One entity carries supply and often operation. The same standards must be embedded across field operations and the contact centre. Engagement on decarbonisation and retrofit will be closely scrutinised because the Supplier controls those programmes.

16.19 **Model G:** public-sector Supplier. The standards still apply. Public-sector complaints and equality duties help, but the Supplier must still meet the heat-specific standards on information quality, outage communications, and vulnerability support.

Part 17:
Section B
Condition 2

SHARPE
PRITCHARD

17. SECTION B CONDITION 2

17.1 **This applies to every authorised person that acts as a Supplier. It governs when a Supplier must offer and provide a supply, what exceptions can be relied on, what must be given to a Relevant Consumer before and during the contract, how Deemed Contracts work, and the basic rules on term and termination. It also sets transitional expectations for existing arrangements.**

What it does in plain English.

17.2 The Supplier must, within a reasonable time after a request, offer a written Relevant Supply Contract to a Relevant Consumer for supply on that relevant heat network. If the Relevant Consumer accepts, the Supplier must supply under that contract and follow all authorisation conditions.

17.3 Where heat is supplied through a Relevant Lease, the duty to offer a contract does not apply provided the Supplier complies with applicable housing legislation for the terms of that supply.

17.4 The Supplier must not refuse unreasonably. It may refuse only if:

17.4.1 The premises are not connected;

17.4.2 The supply would or might involve public or property danger and reasonable steps have been taken to prevent it;

17.4.3 It is not reasonable in all the circumstances to supply and at least seven Working Days' notice is given before stopping an existing supply; and/or

17.4.4 A required Security Deposit is not paid, and the deposit itself complies with the separate condition on deposits and payment difficulties.

17.5 Before any Supply Contract or Relevant Lease is agreed the Supplier must bring a clear statement to the Relevant Consumer that it is seeking a binding arrangement. This statement must set out the Principal Terms in plain and intelligible language. Every Supply Contract must be in Writing in a single pack. There must be no hidden terms set out on a website incorporated. The Supplier must give the Relevant Consumer a complete copy at the outset, on request, and when any change is sent. If the Supplier is supplying under a Deemed Contract, it must take all reasonable steps to give Relevant Consumer the Principal Terms and to tell them that other Supply Contracts may be available and where to find them.

17.6 A copy of a Deemed Contract must be provided free on request within a reasonable time. On request the Supplier must pass Historic Consumption Data to the Relevant Consumer or to another person free of charge as soon as reasonably practicable.

17.7 Every contract or lease covering heat must:

17.7.1 Include the full terms for heat.

17.7.2 It must separate charges for heat from other charges.

17.7.3 It must include Billing Information.

17.7.4 It must show the Supplier's identity and contact routes.

17.7.5 It must include the Complaints Handling Procedure.

17.7.6 It must list which party provides which services, including operation, maintenance, metering and billing.

17.7.7 It must show key performance indicators such as network efficiency. It must explain how to access available tariffs and how changes to charges will be notified and justified.

17.7.8 It must set out dispute resolution rights.

17.7.9 It must signpost consumer advocacy bodies.

17.7.10 It must explain the heat source and environmental impacts. It must signpost energy efficiency help.

17.7.11 It must explain how Historic Consumption Data can be requested.

17.7.12 It must include anything else other conditions require. Terms must not be unduly onerous.

17.8 The Supplier must not include or enforce any term that conflicts with the authorisation conditions.

17.9 For Domestic Consumers, a Deemed Contract or Supply Contract must end no later than the move-out date if the Supplier was told at least two Working Days before. If not told, then it must end by the earlier of two Working Days after notice is later given or the date a new occupier begins to be supplied. Any Relevant Consumer must be able to terminate on no more than 30 Working Days' notice. A Deemed Contract must roll into a Supply Contract without any prior notice requirement. A Deemed Contract must not impose a fixed term or termination fee. Staff and Representatives must not tell any person that a termination fee applies, that a fixed term applies, or that notice is required before moving from a Deemed Contract to a Supply Contract.

17.10 For existing contracts and leases the Supplier must use reasonable endeavours to vary them to meet these requirements and should behave as if they already meet the requirements wherever appropriate. The Authority will publish transitional guidance.

What is uncertain or still evolving.

17.11 The meaning of "Within a reasonable period of time" for making an offer is not fixed. The Authority will expect prompt action and may benchmark by network type and connection status. "Not reasonable in all the circumstances" is open. The Supplier should document why refusal is justified and why it does not harm continuity or fairness. "Danger to the public and or property" invites technical judgement. The Supplier must show it took all reasonable steps to prevent danger before relying on this exception.

17.12 The carve-out for Relevant Leases raises interface questions, including:

17.12.1 How to evidence compliance with housing legislation?

17.12.2 How to disclose Principal Terms of the heat element when the recovery sits in the lease and service charge?

17.12.3 What level of itemisation is needed to satisfy the information and fairness standards?

17.13 The duty to include key performance indicators and network efficiency is new for many portfolios. Definitions, measurement, and update frequency will need guidance. The ban on unduly onerous terms interacts with the Supplier Standards of Conduct test against material imbalance. Terms for price changes, back-billing, debt, entry for HIU works, and liability caps may need rewriting. The Deemed Contract information duty must be delivered without personal data misuse in multi-occupancy buildings. The rule that contracts must be a single pack with no website incorporation has practical limits for complex schemes.

17.14 The Authority's transitional guidance will be important. Finally, the obligation to pass Historic Consumption Data free of charge will need secure processes and timelines. Third party requests require a lawful basis and verification to avoid data breaches.

Impact on customers.

17.15 Customers should get clear offers quickly when they ask to be supplied. They should see contracts they can read. They should have the Principal Terms up front and the full pack at the start and on request. They should not be locked into Deemed Contracts or charged to exit them. They should see separated heat charges rather than bundled lines where possible, and they should get better information about network performance, energy source and environmental impacts. They should be able to get their Historic Consumption Data easily. When moving out they should not be trapped by long tail notices. Overall, this reduces surprises and strengthens the ability to make informed choices inside the constraints of a heat network.

Impact on Suppliers and Operators.

17.16 Suppliers will need a suite of compliant contract templates for Domestic Consumers, Microbusiness Consumers, and Small Business Consumers. They will need a plain language rewrite and a single-pack format. They must pull heat terms out of general estate documents and ensure the heat element is identifiable and not unduly onerous. They will need a front-end process for offer and onboarding that provides the mandatory statements and Principal Terms. They will need a data process to provide Historic Consumption Data securely and quickly. They must redesign Deemed Contract letters to include Principal Terms and signpost available Supply Contracts. They must remove termination fees and fixed terms from Deemed Contracts and purge scripts that suggest otherwise. They must include required disclosures:

17.16.1 Complaints Handling Procedure

17.16.2 Service responsibilities split

17.16.3 KPIs

17.16.4 Tariff access and change notices

17.16.5 Dispute rights

17.16.6 Advocacy bodies

17.16.7 Fuel source

17.16.8 Environmental impacts

17.16.9 Energy efficiency signposts

17.16.10 Data access routes.

17.17 Suppliers must ensure exceptions to supply are used sparingly and documented. They must align the security deposit process to the separate condition on deposits and payment difficulties. They must prepare transitional plans to vary legacy contracts and leases.

17.18 Operators must feed KPI data, outage notices, and metering and billing records so the Supplier can meet the information and contract duties.

17.19 Interdependencies are strong with Supplier Standards of Conduct, Fair pricing, Cost allocation, Billing and transparency, Back-billing, Security Deposits, and Priority Services.

Model-specific notes A to G.

17.20 **Models A and D:** landlord communal or developer-owned. The landlord is the Supplier and often recovers through a Relevant Lease. The carve-out in condition 2.3 means that the duty to offer a contract does not apply where the lease governs supply and housing legislation is followed. The landlord still needs to meet the pre-contract information standards for the heat element, the single-pack clarity for any separate heat contract, and the Deemed Contract rules where tenants are billed directly. KPI and tariff disclosure duties still apply.

17.21 **Models B and E**: concession or merchant bulk to landlord and landlord as Supplier. The landlord must operate the full Suite of Supply Contract and Deemed Contract duties at retail. The Operator must provide data and clarity on responsibilities, so that the contract pack correctly shows who maintains what. Historic Consumption Data requests will require Operator cooperation.

17.22 **Models C and F:** direct-retail concessionaire. One authorised person carries all duties. The single-pack contract and KPI disclosures are squarely on the Supplier. Transitional variation of legacy customer agreements may be a large task.

17.23 **Model G:** public-sector Supplier. The same duties apply. Public-sector procurement and communications standards will help with plain language and transparency. The Supplier must still meet the heat-specific obligations on Deemed Contracts, move-out end dates, and data portability.

Part 18:
Section B
Condition 3

SHARPE
PRITCHARD

18. SECTION B CONDITION 3

18.1 **This applies to every authorised person that acts as a Supplier. It requires advance, stand-alone notices before price rises or other disadvantageous changes and it limits how often prices can be increased. It does not apply where heat is recovered through a lease under housing law.**

What it does in plain English.

18.2 The Supplier must give each customer at least 31 days' notice before any disadvantageous change to the contract or any price increase. Cutting or removing a discount counts as a price increase.

18.3 The Supplier may not raise a customer's price more than once in any six-month period in the charging year.

18.4 The notice must:

18.4.1 Stand on its own.

18.4.2 Be visible and not tucked inside a bill or mixed with marketing.

18.4.3 Tell the customer they can end the contract within a period of no longer than 30 days.

18.4.4 Explain the practical consequences of ending, including any site rules that limit alternatives.

18.4.5 Show prices with VAT included and say that bills may display VAT differently.

18.4.6 Be sent in a way and at a time that genuinely helps the customer decide.

18.4.7 Explain what is changing and why.

18.4.8 Set out what happens if the customer does nothing.

18.4.9 Give the date the change takes effect.

18.4.10 List the customer's rights and options.

18.5 The Supplier must consider any Vulnerable Situation and, where appropriate, the customer's preferred channel for notices.

What is uncertain or still evolving.

18.6 What counts as a disadvantageous change is broad. Price, payment method, billing frequency, indexation rules, and liability caps are obvious. Changes driven by law or technical standards may still be disadvantageous in effect and should be noticed.

18.7 The six-month limit will force a rethink of common monthly or quarterly indexation. Even where an index formula already sits in the contract, a rise under that formula looks like a price increase and should be noticed with 31 days. The right to end within 30 days is real in contract law but many sites have no physical alternative supply. The Authority appears to expect a practical exit path such as moving to a different tariff or ending a fixed term without a fee. VAT-only changes

must be managed carefully. If the gross price rises due to a rate change, a short clear notice is prudent even if the net price is unchanged.

18.8 Reasonable adjustments for people in a Vulnerable Situation are not listed. Larger print, alternative formats, phone follow ups, or longer decision windows may be sensible. Where heat is recovered through a lease, this condition does not apply, and housing law routes must be used. Internal governance must keep the two regimes distinct, so no change is implemented without the right route.

Impact on customers.

18.9 Customers get earlier and clearer warning of price rises and disadvantageous changes. Prices are shown with VAT included. The stand-alone notice reduces the chance of missing an important change. The six-month limit on increases reduces volatility and helps budgeting. People in a Vulnerable Situation should receive notices in a way that actually works for them and with enough time to make decisions. For on sites with limited alternatives, the explicit explanation of consequences helps set expectations and supports fair challenge.

Impact on suppliers and operators.

18.10 The Supplier needs a disciplined change calendar that enforces the six-month cap per customer and starts the 31-day clock on every increase or disadvantageous change. A tariff governance notice must include the following:

18.10.1 A plain-language notice template with VAT-inclusive price tables.

18.10.2 The reason for the change.

18.10.3 Implications if no action is taken.

18.10.4 The effective date.

18.10.5 The customer's options and rights.

18.11 The customer relationship management and communication systems must record customer channel preferences and Vulnerable Status flags and must send stand-alone notices. Scripts must explain the practical meaning of the right to end within 30 days on monopoly sites. The Operator must provide early, accurate inputs where technical or wholesale factors drive retail changes so that the Supplier can give notice on time.

18.12 Interactions are strong with fair pricing, cost allocation, billing and transparency, back-billing, Supplier Standards of Conduct and Priority Services.

Model-specific notes A to G.

18.13 **Models A and D:** Where residents are billed directly, this condition applies in full. Where recovery is through a lease, use the housing-law route instead.

18.14 **Models B and E:** The landlord as Supplier must run the notice process. The upstream Operator should feed timely and accurate drivers for change so the 31-day rule and six-month cap can be met.

18.15 **Models C and F:** The direct-retail entity must redesign any monthly or quarterly indexation to respect the six-month cap and must send full 31-day notices.

18.16 **Model G:** The public-sector Supplier follows the same rules. Public-sector communication standards help but stand-alone notices, the cap, and vulnerable-aware delivery are still required.

Part 19:
Section B
Condition 4

19. SECTION B CONDITION 4

19.1 **This applies to every authorised person that acts as a Supplier. It sets out what a complaints procedure must look like, how fast and through which channels complaints are handled, when to signpost to the ombudsman or tribunal, how to record and retain data, and how to work with another authorised person while remaining the single point of contact.**

What it does in plain English.

19.2 The Supplier must have a written complaints procedure and follow it for every complaint.

19.3 The Supplier must take account of the customer's situation. For example, if someone is vulnerable, the Supplier must take extra steps so that the issue is fixed promptly and appropriately.

19.4 The Supplier must give the complaints procedure to a customer before a supply contract starts and on request for free. The Supplier must send the procedure to all customers in writing at least once a year. The Supplier must make the complaints procedure easy to find in each building it supplies. Where appropriate, the complaints procedure should be on the website and it can also be on in-home displays.

19.5 The complaints procedure must:

19.5.1 Be in plain language.

19.5.2 Allow complaints and all stages of escalation by phone, face to face, in writing, and online.

19.5.3 Describe the steps and likely timescales.

19.5.4 Include an internal review route if the customer is dissatisfied with how the matter is handled.

19.5.5 List independent sources of help.

19.5.6 Explain the right to go to the ombudsman or the housing tribunal. This right starts when the Supplier says it cannot resolve the matter or when a set time passes.

19.5.7 List the remedies the Supplier can offer. This includes an apology, an explanation, practical fixes, and/or compensation where appropriate.

19.6 If a complaint is not remedied by the end of the next working day, the Supplier must direct the person to the procedure and offer them a copy for free. If the customer asks for a specific format, the Supplier must provide it for free and act in line with equality law and the customer's characteristics and needs.

What is uncertain or still evolving.

19.7 The condition uses broad words like prompt, appropriate, and reasonable. However, the Authority will expect measurable targets such as the first response within a short window, updates at set intervals, and closure targets for simpler issues.

19.8 The line between a complex complaint and a simple request for information can blur. The safer course is to treat doubtful cases as complaints and apply the rules.

19.9 Two clocks exist for signposting to the ombudsman or housing tribunal: eight weeks for the energy route and twelve weeks for the housing route. The condition also requires signposting as soon as the Supplier knows it cannot resolve the matter. This can be much earlier than eight or twelve weeks. Therefore, staff will need clear triggers, so that the notice is sent at the right time.

19.10 The duty to tailor for vulnerability is strong but open. Reasonable adjustments can include larger print, translation, audio, phone calls rather than letters, and longer response windows.

19.11 The database duties are detailed and strict. Time stamping, channel, identity, account, summary, action taken, status, and preferred contact must be recorded and kept for five years. Systems must be able to link later contacts to the original case. Where another authorised person is involved, the Supplier must share enough information to allow a full investigation but must remain the single point of contact. This creates a need for channel agreements and a lawful data sharing basis.

19.12 Finally, the definition of resolved says there is no outstanding action and the customer is satisfied. If they come back unhappy, the case is not resolved. This will increase open-case counts and needs careful MI and governance.

Impact on customers.

19.13 It becomes easier to complain and to get a fair answer. Customers can use the channel that suits them. They get a clear process in plain language. They get free access to the procedure before they sign up and every year. They get timely signposting to independent redress if the Supplier cannot fix the problem or the clock runs out. People in a Vulnerable Situation should see better adjustments and quicker practical help.

Impact on Suppliers and Operators.

19.14 The Supplier needs a modern complaints policy, trained staff, and a system that captures and tracks everything the condition lists.

19.15 The complaints intake system must accept all common channels, and escalation must work in each channel.

19.16 The system must time stamp receipt using the working-day rules and must link later contacts to the same case. The system must record actions, status, and outcomes, and enforce the five-year retention duty.

19.17 The Supplier must build a signposting trigger so that signposts in the energy route are sent by week eight and those in the housing route by week twelve if still unresolved, and earlier if the Supplier knows it cannot resolve the case.

19.18 Templates must explain rights, independence of the process, that it is free of charge, and that outcomes bind the authorised person but not the customer. Remedies must include apology, explanation, practical fixes, and compensation. The Supplier must put referral routes in place for third-party advice bodies and for cases where the person cannot reasonably pursue the matter alone.

19.19 If an Operator is involved, the Supplier must share enough information and keep ownership with a single point of contact for the customer. This needs a cooperation protocol with clear service levels and a lawful data-sharing basis. Management information must show volumes, ageing, status changes, reasons, vulnerability flags, and ombudsman referral points. Staff need authority to fix things and budget for compensation in appropriate cases.

Model-specific notes A to G.

19.20 **Models A and D**: The authorised person is the Supplier and often the Operator. Keep the single point of contact simple. Use direct feeds from the plant team for faster fixes and better updates. Put the procedure in building lobbies and welcome packs.

19.21 **Models B and E:** The landlord is the Supplier and a concessionaire or merchant is the Operator. Build a two-way casework interface. Set timelines for fault investigation, updates, and closure. The Supplier remains the single point of contact and owns the relationship with the customer.

19.22 **Models C and F:** The direct-retail entity carries both roles. It should be simpler to hit the timers and keep updates flowing. The same database and signposting duties apply.

19.23 **Model G:** A public-sector Supplier must still meet the same standards. Existing public-service complaint frameworks and equality-duty tools help, but the heat-specific timelines, data capture, and ombudsman signposting must be added.

Part 20:
Section B
Condition 5

20. SECTION B CONDITION 5

20.1 **This applies to every authorised person that acts as a Supplier. It sets what information customers must get, what enquiry service must exist, what must be published or signposted, and how emergencies are handled. Where an Operator is different from the Supplier, both must make the interface work for customers.**

What it does in plain English.

20.2 The Supplier must give each customer information often enough and in a format that lets them quickly understand three things:

20.2.1 How to contact the Supplier and, if different, the Operator for queries, complaints and emergencies.

20.2.2 How to reach independent advice bodies and, where relevant, how to use dispute routes such as the ombudsman or a tribunal.

20.2.3 How to get practical help on debt prevention and management, energy efficiency, and any social or financial programmes that could help with bills.

20.3 The Supplier must consider customers' circumstances and preferred channels when doing this. The Supplier must run an enquiry service with channels that fit customer needs. It must answer at times that suit the customer base. It must be able to receive calls twenty-four hours a day for interruptions. It must prioritise people in vulnerable circumstances and make the service free for anyone in payment difficulty or anyone who may be vulnerable.

20.4 The Supplier must publish or signpost to relevant publications and guidance from the regulator and independent advice bodies. The Supplier must do this on-site where networks serve a building. It must do this on a website where appropriate. It may also do this by email, text, or hard copy.

20.5 The Supplier must tell new customers how to access this guidance and do the same on request. It must send or signpost a copy each year free of charge and provide accessible formats on request.

20.6 Every customer must know that emergencies or suspected emergencies must be reported immediately and must have a phone number for that purpose.

What is uncertain or still evolving.

20.7 "In a format and at a frequency that is sufficient" leaves room for judgement. The regulator will expect more than a one-off leaflet. A cadence linked to billing, seasonal use, and outage risk is sensible.

20.8 This clause does not fix what is required of the Supplier in relation to people who are not named customers but occupy the home. Good practice is to make on-site notices clear and to allow any occupier to use the emergency and interruption line.

20.9 What “times that meet the needs of customers” means outside the twenty-four-hour interruption line is not defined. Evening and weekend cover will likely be expected for normal enquiries in residential schemes. Prioritising vulnerable customers requires a working identification process and a route to flag and route their calls. This has data protection and equality implications.

20.10 The duty to publish or signpost “reviews collated by third parties” can be tricky. Linking to independent reviews is doable. The curating or moderating of reviews needs clear rules to avoid bias.

20.11 Making the enquiry service free for those in payment difficulty requires a screening policy that avoids deterring callers. In split responsibility models the line between Supplier and Operator can confuse customers if each advertises different numbers. The interface needs a single emergency number and a clear escalation path.

Impact on customers.

20.12 Customers get clearer routes to help and a live twenty-four-hour line for interruptions. People who struggle with bills or who are vulnerable should find it easier to reach someone who can help and to get information in a format that works for them. Better signposting to independent guidance and dispute routes raises confidence and reduces the run-around when things go wrong. Publishing guidance on site and online helps occupiers who are not the named bill payer.

Impact on Suppliers and Operators.

20.13 The Supplier must build an information pack and a communication plan that is refreshed throughout the year.

20.14 As part of this, the Supplier must do the following:

20.14.1 Stand up an enquiry service with multiple channels and a twenty-four-hour interruption line.

20.14.2 Add priority routing for vulnerable callers and a free-to-caller route for people in payment difficulty.

20.14.3 Agree with the Operator who owns which messages, which number fronts emergencies, and how faults are handed off.

20.14.4 Publish or signpost regulator and advice-body publications on site and online and must mail or message customers about them at start-of-supply and at least annually.

20.14.5 Track customer preferences and send accessible formats on request.

20.14.6 Train staff to give practical debt and efficiency pointers and to signpost help (without giving regulated financial advice).

20.14.7 Keep audit trails showing what was published, when messages went out, and how the service met the “times that meet needs” test.

20.15 Interactions are tight with Supplier Standards of Conduct, complaints, priority services, continuity, and outage communications.

Model-specific notes A to G.

20.16 **Models A and D:** the landlord is usually both Supplier and Operator. Keep it simple: one emergency number on every notice. Put building-level posters at entrances and lifts. Add a short "how to get help" card to move-in packs.

20.17 **Models B and E**: the landlord is the Supplier and a concessionaire or merchant is the Operator. Publish one shared emergency number. Agree service levels for outage notifications and call hand-offs. Make sure both parties' staff use the same scripts.

20.18 **Models C and F:** a single direct-retail entity carries both roles. The same number can front all contacts with clear options in the interactive voice response.

20.19 **Model G:** public-sector Supplier. Existing corporate contact centres help. Add the twenty-four-hour interruption line if not already in place. Use council websites and noticeboards for publication and signposting and add accessible formats as standard.

Part 21:
Section B
Condition 6

SHARPE
PRITCHARD

21. SECTION B CONDITION 6

21.1 **This applies to every authorised person that acts as a Supplier. Part One sets the default rules for metered, frequent, and transparent billing. Part Two modifies those rules where recovery is through a lease.**

What it does in plain English.

21.2 The Supplier must bill on actual use wherever meters are installed. Bills and the supporting information must be accurate and based on meter reads. Estimates are allowed only where the customer has not provided a read that is needed, or where the Supplier cannot pull a smart read despite reasonable steps. At least once a year there must be a bill based on actual use for every metered home. The Supplier can depart from actual-use billing only where it is not reasonably practicable in the round or in two narrow classes of premises. One class consists of supported housing, alms-houses, and purpose-built student blocks. The other class consists of older leases that began before 27 November 2020 and contain a clause that prevents consumption-based billing until the lease is changed or ends.

21.3 The Supplier must not charge separately for sending bills or billing information, except for extra copies. In multi-occupancy buildings the reasonable, no-profit costs of producing and sending bills can be passed through, and if a third party is used then that third party's reasonable costs can be passed through.

21.4 Billing information must include the current prices, the customer's use, comparisons to the same period last year, a plain explanation of the terms, where to get independent advice, how to contact the Supplier and the emergency handler, tips on saving energy, signposts to support, the Supplier's regulator ID, and how to reach the Energy Ombudsman. Where available, it should also explain fuel type and source, environmental impacts, what heat networks are and how they help net zero, and that supply is a monopoly on that site with a plain explanation of what that means.

21.5 If the customer wants e-billing or asks for it, billing information must be issued at least quarterly. Otherwise at least twice a year and with every bill.

21.6 For smart-read meters, the Supplier must take all reasonable steps to pull a monthly read and bill on that basis. Bills must cover the agreed period and must be sent promptly at period end. Planned billing dates cannot be changed without at least 31 days' notice.

21.7 The Supplier must offer different payment methods and must not unreasonably refuse a switch. For prepayment users there must be at least one annual statement with last year's use, a forward projection, and the same information set as above.

What is uncertain or still evolving.

21.8 "Accurate and based on actual use" is clear, but the safety valve "not reasonably practicable" in Part One will need judgement. The Supplier should record the obstacle, the steps taken, and a date to fix it.

21.9 Part Two tightens and clarifies the lease position with a bright-line £100 per home per year test for technical and economic justification. Only the following listed cost elements count toward that threshold:

21.9.1 Collecting reads.

21.9.2 Storing and processing reads.

21.9.3 Preparing and issuing bills and billing information.

21.9.4 Processing payments.

21.9.5 Chasing unpaid bills.

21.10 Other costs should not be loaded into the £100 test.

21.11 The multi-occupancy pass-through in Part One allows recovery of billing production costs without profit. Where recovery is through a lease, Part Two removes the Part One charging rules and replaces them with a simple bar on specific charges for sending bills except for extra copies. It also says that nothing stops a landlord treating the provision of billing facilities as part of management costs in a service charge budget. However, this must still meet housing-law reasonableness and consultation requirements.

21.12 The “comparisons to last year” rule becomes “last service charge period” under Part Two, and the ombudsman signpost becomes the Housing Ombudsman. The “monopoly notice” is not defined in detail. A short, non-alarmist explanation that there is no competitive switch on the site and what choices do exist is prudent.

21.13 Finally, frequency rules are lighter under Part Two. Billing cadence follows the lease. The Supplier should still lean toward quarterly information where it is easy to do so, as this supports fairness and transparency.

Impact on customers.

21.14 People get clearer, more regular, and more comparable bills. Prices and fixed versus variable elements must be explained in plain terms. Actual-use billing reduces cross-subsidy inside a building. Estimates are bounded. For prepayment users, an annual statement gives a proper record and a forward look. Where recovery is through a lease, the customer still gets the core information set with adjustments for the lease period and the Housing Ombudsman route. The £100 test prevents claims that billing is “too expensive” where the true costs are small. Energy-saving tips and signposts to help should make it easier to manage costs.

Impact on Suppliers and Operators.

21.15 The Supplier needs:

21.15.1 A metering and billing discipline that defaults to actual use.

21.15.2 A read strategy for smart and manual meters.

21.15.3 An estimate policy that is transparent and sparing.

21.15.4 A yearly hard reset to actuals for every metered home.

21.15.5 A content checklist for every bill and statement that pulls in the required items.

21.15.6 A no-profit cost model for multi-occupancy pass-through under Part One, and a clean service charge treatment under Part Two without specific per-bill fees.

21.15.7 A process to deliver quarterly information on request or by e-billing and at least twice a year otherwise.

21.15.8 A monthly smart-read pull and bill where possible.

21.15.9 To give a 31-day notice when billing dates change.

21.15.10 Accessible formats on request and channels that match customer preferences.

21.15.11 For leases, billing cadence and comparisons switch to the service charge period.

21.16 The Supplier must keep a secure route to share billing information with an energy-services provider if the customer asks. The Operator must supply timely meter readings, outage information, asset data and efficiency data so the Supplier can meet the content and timing rules.

21.17 Interactions are tight with fair pricing, cost allocation, contract changes, complaints and the priority-services rules.

Model-specific notes A to G.

21.18 **Models A and D:** The landlord is often both Supplier and Operator. Keep the default in Part One for direct billing. Where recovery is through a lease, follow Part Two. Use the £100 test and the service charge period framing. Keep the heat element distinct in the budget and do not double-recover between bills and service charges.

21.19 **Models B and E:** The landlord is the Supplier. The concessionaire or merchant is the Operator. The Supplier needs a strong meter-data feed and outage feed from the Operator to hit accuracy and frequency targets. In a lease block, apply Part Two and keep to housing-law reasonableness.

21.20 **Models C and F:** The direct-retail entity carries both roles for many sites. It should be straightforward to meet monthly smart reads, quarterly information and the full content set.

21.21 **Model G:** A public-sector Supplier follows the same rules. Public-sector publishing standards help with the “where to find guidance” duties and accessible formats. Many homes will still be lease-recovered. Part Two applies there.

Part 22:
Section B
Condition 7

SHARPE
PRITCHARD

22. SECTION B CONDITION 7

22.1 **This applies to every authorised person acting as a Supplier. It limits how far back the Supplier can recover unpaid amounts from households and microbusinesses. It also sets out when the cap does not apply and what must be written into contracts.**

What it does in plain English.

22.2 The Supplier must not try to recover for more than 12 months of past use when sending a catch-up bill or taking any other recovery step. That includes issuing a new bill, pushing debt through a prepayment device, and/or increasing a direct debit to collect arrears. The 12-month cap covers units of heat. It also covers other bill items linked to supply if those amounts built up in the same 12-month window. If the Supplier already took a proper recovery step inside the 12 months and the customer did not pay, the Supplier can continue chasing that same debt. If the customer blocked accurate billing through obstructive or manifestly unreasonable behaviour, the cap does not protect that blocked period.

22.3 The cap does not apply where heat charges are recovered through a lease. In that case, the Supplier must follow housing law on service charges. The Supplier must also make sure new and varied retail contracts respect these rules. The Supplier must not use or rely on any clause that cuts across them.

What is uncertain or still evolving.

22.4 The trigger is the date the recovery step is taken. The Supplier needs a clear definition of that event in its systems. For example, this could be the date a catch-up bill is issued, the date a prepayment debt load is applied, or the date a direct debit is raised.

22.5 “Obstructive or manifestly unreasonable” is a high bar. The Supplier should hold evidence before disapplying the cap. Examples include denied access for reads after reasonable appointments., meter tampering, or repeated refusal to engage on metering faults. In mixed sites the lease carve-out creates a split.

22.6 Leaseholders fall under housing law, including the 18-month notification rule, in England and Wales. Tenants on retail billing and microbusinesses are protected by the 12-month cap. The Supplier must be able to tell which route applies for each home. There will be edge cases around long estimates followed by a large correction. The safer course is to correct within the 12-month window and write off older use unless an exception applies. The Authority may add further exceptions after consultation. Contract drafting must be checked so no terms allow longer back-billing through small print.

22.7 It is not crystal clear on the face of the condition what counts as “other charges” or when they “accrue”. Therefore, the authorised person should adopt and publish a simple interpretation to avoid doubt. For example:

22.7.1 Treat all fixed elements on a bill as “other charges” for 7.1.2.

22.7.2 Treat each such element as accruing daily within the billing period or, at the latest, on the last day of that period.

22.7.3 Never take a recovery step for any part of those fixed elements that accrued more than 12 months before the recovery date.

22.7.4 Price capital recovery prospectively in the standing charge so it is a future price change, not a recovery step.

22.7.5 Hard code system checks so any bill, prepayment debt load, or direct debit uplift cannot include fixed sums older than 12 months unless a listed exception is evidenced.

22.8 Where recovery is through a lease, rely on 7.3 and apply the housing law 18-month rule instead, using reserve funds prospectively or timely notices for incurred costs. This keeps the Supplier within 7.1.2 while preserving a workable path for fixed cost recovery.

Impact on customers.

22.9 Households and microbusinesses are protected from large historic bills landing out of the blue. Where a meter fault or billing system error hid use for years, only the last 12 months can be recovered.

22.10 People who pay by prepayment are protected because debt loads through the device count as a recovery step.

22.11 People billed through a lease are protected differently. They keep both the right to challenge reasonableness and the 18-month notification rule in England and Wales. The rule does not shield anyone who has blocked access or acted unreasonably.

22.12 Clear explanations in back-bill letters should reduce shock and disputes.

Impact on Suppliers and Operators.

22.13 The Supplier needs a hard back-billing gate in billing, debt, and prepayment workflows. There must be no recovery older than 12 months unless an exception is evidenced. Every catch-up letter must explain the cap and any exception relied on. The Supplier should segment arrears. Evidence packs must be kept for any exception.

22.14 Amounts inside the window are collectible. Older amounts are written off unless an exception applies.

22.15 Operators must supply timely reads and fix metering quickly, so the Supplier does not hit the cap by its own delay.

22.16 The Supplier should run root-cause checks on every back-bill over a set size, every system error, every meter failure, and all access problems. The Supplier should then fix the root-cause.

22.17 Contract templates must remove any clause that seeks to allow longer back-billing. Staff scripts must not threaten recovery outside the rules.

22.18 For lease recovery the retail cap does not apply. The Supplier must follow service charge law including reasonableness, consultation, and the 18-month notification rule.

Model-specific notes A to G.

22.19 **Models A and D:** Landlord acts as Supplier and often as Operator. For direct retail billing the 12-month cap applies. For lease recovery the housing route applies. Keep the two routes clearly separated in systems and letters.

22.20 **Models B and E:** Landlord is Supplier. Concessionaire or merchant is Operator. The Supplier carries the cap at retail. The Operator should provide reads and fault fixes quickly to avoid back-billing exposure. Wholesale settlement between the parties is not covered by the retail cap but must still be timely so retail does not get stuck.

22.21 **Models C and F:** A single entity is Supplier and usually Operator. Put the gate in both billing and prepayment systems and train the contact centre.

22.22 **Model G:** Public-sector Supplier follows the same rules. Many homes will still be lease recovered. Use the housing route there and the 12-month cap for direct retail.

Part 23:
Section B
Condition 8

23. SECTION B CONDITION 8

23.1 **This applies to every authorised person that acts as a Supplier. It also requires cooperation from any Operator on the same network so the services can actually be delivered in homes.**

What it does in plain English.

23.2 The authorised person must set up and keep a priority services register for households that may need extra help because of health, disability, age, language, finances, or other circumstances.

23.3 The authorised person must actively promote the register and the services. During day-to-day contact, the authorised person must look out for needs and offer to add the minimum details to the register. The authorised person must record, use, and share those details only in ways that comply with data protection law. The authorised person must offer and provide the priority services free of charge where they are reasonably required.

23.4 The core services are simple and include:

23.4.1 Help to recognise staff and contractors.

23.4.2 A nominee scheme so a trusted person can receive account communications.

23.4.3 Help with meter reads where no one in the home can do it.

23.4.4 Making any prepayment arrangement safe and reasonably practicable in the circumstances.

23.4.5 Communications in formats and channels that are actually usable for the person.

23.5 The authorised person can and should add other non-financial services where they are appropriate and practicable.

What is uncertain or still evolving.

23.6 The condition does not list every qualifying circumstance. The authorised person should publish a plain test and train staff to apply it with empathy.

23.7 The words “reasonably require” and “reasonably practicable” are open. The right approach is to record why a service is needed and to provide the least burdensome fix that works.

23.8 The rule to share minimum details through industry mechanisms assumes secure and standardised channels. Those channels may still be maturing. The authorised person should use secure interim routes and keep a record of what was shared and why.

23.9 Prepayment suitability needs careful judgement. Safe and reasonably practicable must consider mobility, cognitive, and financial limits in the home.

23.10 Data protection runs through every step. A lawful basis and data minimisation are essential. Consent is helpful for nominees and special formats but is not the only lawful basis.

23.11 Finally, networks with a separate Operator need clear hand-offs. The condition places the duty on the Supplier, but many services require the Operator to act on site. That interface must be written down.

Impact on customers.

23.12 People who need extra help should have an easier time. They can nominate someone to receive letters and calls. They can get letters in larger print or another language. They can get meter reads done if nobody in the home can manage it. Prepayment will only be used where it is safe and workable. Staff and contractors will be easier to recognise. Support should turn up without repeated chasing because the register exists and is used. These services are free.

Impact on Suppliers and Operators.

23.13 The Supplier must build a register that stores the names, contact routes, and needs of customers and of any nominee.

23.14 The Supplier must promote the scheme in welcome packs, on bills, on site, and during calls and visits. It must train staff to spot signs of vulnerability, to ask questions respectfully, and to offer to add minimum details.

23.15 The Supplier must put a simple form and consent flow in place and store evidence of the lawful basis. It must configure systems such that the register actually changes the service provided. This system should include the following:

23.15.1 Letter formats.

23.15.2 Preferred channels.

23.15.3 Flags to route calls.

23.15.4 Triggers for meter visits.

23.15.5 Blocks or checks before switching to prepayment.

23.16 The Supplier must also publish how to join the register, how to update details, and how to leave.

23.17 The Operator must be tied into the process. It must receive register flags for outage calls, access for meter reads, and safe-use checks. It must prioritise jobs in homes on the register. Both parties must agree a secure data-sharing route, role descriptions, and timelines.

23.18 Interactions are strong with complaints handling, assistance and advice, contract-change notices, prepayment rules, and outage communications.

Model-specific notes A to G.

23.19 **Models A and D:** One entity is usually both Supplier and Operator. Keep it simple with one register and one owner. Provide a short list of priority actions for field teams.

23.20 **Models B and E:** The landlord is the Supplier and a concessionaire or merchant is the Operator. The register sits with the Supplier. The Operator must receive timely flags for meter reads, safe-use checks, and outage support. Agree a data interface and service levels.

23.21 **Models C and F:** A single direct-retail entity carries both roles on most sites. The same register can drive both contact-centre and field actions.

23.22 **Model G:** A public-sector Supplier can reuse corporate equality and safeguarding tools. It must still meet the heat-specific duties on prepayment suitability, meter reads, and accessible communications.

Part 24:
Section B
Condition 9

24. SECTION B CONDITION 9

24.1 **This applies to every authorised person acting as a Supplier. Some duties also reach an upstream Supplier that sells heat in bulk to a downstream network.**

What it does in plain English.

24.2 The Supplier must use deposits fairly and only where suitable. No deposit can be taken if a safe and workable prepayment set-up is agreed. No deposit can be taken where it would be unreasonable. Any deposit must be a sensible amount.

24.3 The Supplier must help when a household is, or is likely to be, in payment difficulty. That help must be free and include instalment plans set to what the person can afford or a safe and workable prepayment option.

24.4 The Supplier must make early contact after clear missed-payment triggers.

24.5 The Supplier must assess the customer's ability to pay on a case-by-case basis and set repayment rates that fit the person's circumstances. The Supplier must explain the arrangement clearly and then monitor and adjust if the plan fails.

24.6 Disconnection is a last resort. The Supplier must try all reasonable recovery steps first, including a safe prepayment route. The Supplier must not disconnect in the winter months where very young children, older people, or people with serious health conditions live in the home. The Supplier must not disconnect at any time if a medically dependent person needs heat or hot water year-round. The Supplier must actively check for these risks before any cut-off. A bulk Supplier must make the same checks before cutting a downstream network.

24.7 The Supplier must publish a plain-language statement of these duties. The Supplier must keep households informed of the statement of duties each year and on request.

24.8 Where customers pay by fixed direct debit, the Supplier must explain clearly how the amount was set and updated. The amount must be based on the best and most current information the Supplier has or should have.

24.9 If a credit balance builds up and the customer asks for it back, the Supplier should refund it promptly unless it is fair and reasonable not to. If it is not refunded, the Supplier must explain why.

What is uncertain or still evolving.

24.10 Safe and workable prepayment needs judgement. The Supplier should use a written checklist that covers health, mobility, literacy, income patterns, and access to top-up.

24.11 Early-contact triggers are defined for monthly and quarterly schedules, yet "earliest opportunity" invites earlier outreach if risk is visible.

24.12 Ability-to-pay evidence varies. The Supplier should record what it asked, what it saw on visits, what trusted third parties said, and how that set the rate.

24.13 “Winter” means October to March. Staff need that date range baked into the system.

24.14 Verifying who lives in a home raises privacy and practical issues. The Supplier should combine register flags, medical evidence where offered, self-declaration, and visits where proportionate. For bulk cut-offs, an upstream Supplier may not know who lives downstream. However, it must still take reasonable steps to find out. That means asking the downstream Supplier for risk flags and pausing if there is any doubt.

24.15 The refund test on direct-debit credit balances uses fairness. Clear criteria and time limits will reduce complaints.

24.16 Finally, there is an overlap with tenancy law on unlawful deprivation of services. The Supplier’s cut-off process must guard against that risk where the Supplier is also a landlord.

Impact on customers.

24.17 Households get earlier contact and more humane options when money is tight. Instalments fit their ability to pay. Prepayment is not forced where it would be unsafe or unworkable.

24.18 Disconnections are pushed to the edge. Strong protection applies in the winter months and for medically dependent people year-round.

24.19 People who pay by direct debit should see sensible amounts and easy refunds of built-up credit.

Impact on Suppliers and Operators.

24.20 The Supplier needs the following:

- 24.20.1 A deposit policy. This policy must define “unreasonable” and “safe and workable” for prepayment.
- 24.20.2 An early-contact engine tied to missed-payment markers.
- 24.20.3 An ability-to-pay playbook, staff training, and MI that shows rates, durations, failures, and re-sets.
- 24.20.4 A disconnection gate that enforces the winter rule and the medical-need rule.
- 24.20.5 A single screen that shows risk flags before any cut-off is scheduled.

24.21 The Supplier must publish the plain-language statement of rights and push it yearly.

24.22 For fixed direct debit, the Supplier must document the basis, keep it up to date, and process refunds quickly unless there is a fair reason not to.

24.23 A bulk Supplier must add a downstream-risk check before any upstream cut-off. The Operator must support with site visits, meter checks and safe-use assessments so the Supplier’s decisions are grounded.

Model-specific notes A to G.

24.24 **Models A and D:** The same entity is Supplier and often Operator. Build one joined-up process for early contact, ability-to-pay, safe prepayment, and the winter and medical rules.

24.25 **Models B and E:** The landlord is Supplier and a concessionaire or merchant is Operator. Set a two-way protocol. The Supplier owns contact, assessments, and decisions. The Operator provides meter evidence, site observations, and outage mitigation. If the landlord also holds tenancies, add checks for unlawful deprivation of services.

24.26 **Models C and F:** A single direct-retail entity carries both roles. This should make early contact, safe prepayment checks, and disconnection gates simpler to run.

24.27 **Model G:** A public-sector Supplier can reuse corporate vulnerability, safeguarding and income-collection frameworks. It must still add the heat-specific winter and medical protections, the bulk-cut-off check, and the refund and fixed direct-debit rules.

Part 25:
Section B
Condition 10

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25. SECTION B CONDITION 10

25.1 **This applies to every authorised person that acts as a Supplier. Many of the safeguards need the Operator's help on the ground so the two must coordinate.**

What it does in plain English.

25.2 If the Supplier proposes a pay-as-you-go meter, or a household asks for one, the Supplier must first give clear, practical information. That includes pros and cons, how top-ups work, where to get help if the meter or key fails, what emergency or friendly-hours credit looks like, and how and when the meter can be removed or reset. The Supplier must not install or remotely switch a meter into pay-as-you-go mode if using it would not be safe or reasonably practicable for that household.

25.3 If a pay-as-you-go set-up later becomes unsafe or unworkable, the Supplier must offer to move or replace the device, put in place other support that makes it safe to keep using it, or offer a different way to pay. The Supplier must check at least once a year that a household on pay-as-you-go is still safe and able to use it. When prices or repayment rates change the Supplier must reset the device in good time.

25.4 The Supplier must publish a plain-English statement of these duties. This statement should be kept on the Supplier's website if it has one, and the Supplier should remind households of it each year and provide a copy on request free of charge.

25.5 If a fitter needs to go inside the home, the Supplier must have the householder's express recorded consent before installing or switching to pay-as-you-go. If a remote switch is technically possible and consent is not given, the Supplier can only go ahead after meeting the following strict tests:

25.5.1 There must be a regulator-defined arrears trigger.

25.5.2 The Supplier must have tried repeatedly to make contact and offered help under the payment-difficulty rules.

25.6 It must carry out welfare checks at the property. It must decide, using a precautionary approach and by checking the priority-services flags, whether pay-as-you-go is safe and workable. It must give reasonable written notice in advance that explains what will change. Extra red lines apply regardless of customer consent. In winter there is a ban on remote switching where the home includes a very young child, an older person, or someone who is disabled, chronically, or terminally ill.

25.7 At any time, there must be a tailored vulnerability assessment, and no remote switch if it would significantly harm the wellbeing of someone who relies on heat or hot water for medical reasons, someone with a serious mental or developmental disability, a child under five years, or someone who is pregnant or otherwise temporarily vulnerable. For now, there is a narrow transitional carve-out from the winter ban for very small schemes with ten or fewer dwellings.

25.8 If a remote switch goes ahead after all checks, the Supplier must accept any relevant evidence offered by the household or their representative, must not reward staff for doing installations, must record welfare visits with audio or body-worn video, must provide aftercare, and must keep the assessment record and recordings for a sensible period. Where these rules clash with other conditions, these pay-as-you-go protections win.

25.9 Debt collection must be proportionate to the amount owed. When a household has cleared a debt that was being repaid through the device, the Supplier must offer a review of whether pay-as-you-go is still the right option, explain other ways to pay and other tariffs, and offer a move off pay-as-you-go. If the household chooses to move, the Supplier must action it promptly, only take a reasonable deposit if truly needed, and may run normal credit checks.

What is uncertain or still evolving.

25.10 “Safe and reasonably practicable” will be guided by the regulator but still needs case-by-case judgement. The Supplier should define and publish its test and train staff to use it.

25.11 The arrears trigger for remote switching without consent needs to be lifted from the regulator’s figure and kept current.

25.12 “Multiple attempts to engage” should be defined in policy so teams know how many channels and how often to try.

25.13 The scope of “welfare visit” and the standard for body-worn recording will need clear instructions and data-protection controls.

25.14 The winter window should be hard coded into systems, so that no remote switches slip through.

25.15 The proportionality test for debt recovery needs a simple matrix so charges for visits or device work never exceed the debt.

25.16 Finally, many of these steps require Operator input. The division of tasks and the timing of site checks and resets must be written down and rehearsed.

Impact on customers.

25.17 Households get clear information before they agree to pay-as-you-go. They are protected from being pushed onto a device that is unsafe or unworkable for them. If their situation changes, the Supplier must reassess and offer alternatives. There are strong seasonal and medical safeguards against remote switching without consent. Prices and repayment changes are reflected quickly on the device. Households in difficulty should be offered affordable plans or safe pay-as-you-go, not immediate disconnection.

Impact on Suppliers and Operators.

25.18 The Supplier needs a full life-cycle process: pre-install information packs, a documented safety and practicality assessment, annual reviews, rapid reset after tariff or repayment changes, and a published statement of rights.

25.19 It also needs a consent capture for any in-home work. For remote switching without consent, it needs a gated workflow that checks arrears thresholds, contact attempts, payment-difficulty steps taken, welfare visit completed, priority-services flags, medical and vulnerability risks, and advance notice sent.

25.20 It must configure systems to block remote switching in winter for protected groups and at any time for medically dependent or otherwise specified vulnerable households unless the required assessment clears it.

25.21 It must equip and train field staff for welfare visits and recording, and set retention rules.

25.22 It must align all this with the payment-difficulty and disconnection rules and with the priority-services process.

25.23 The Operator must support welfare assessments, meter moves, meter replacements and resets, and must prioritise cases from the register.

Model-specific notes A to G.

25.24 **Models A and D:** One entity is both Supplier and often Operator. Build a single end-to-end prepayment journey with clear go/no-go gates and strong field protocols.

25.25 **Models B and E:** The landlord is Supplier and a concessionaire or merchant is Operator. Agree a service protocol: who does welfare visits, who decides safe use, how resets and meter moves are scheduled, and how priority-services flags flow.

25.26 **Models C and F:** A single direct-retail entity can integrate contact-centre checks with field execution. Use that to shorten the time between assessment and action.

25.27 **Model G:** A public-sector Supplier can reuse corporate safeguarding and equality processes. Add the pay-as-you-go specifics: annual reassessment, winter and medical bans on remote switching without consent, and body-worn recording on welfare visits.

Part 26:
Section B
Condition 11

SHARPE
PRITCHARD

26. SECTION B CONDITION 11

What it does in plain English.

26.1 The authorised person must look for signs that a household using a prepay meter has gone off supply because they ran out of credit or has been cutting back on heat to an unhealthy level. If that is happening the authorised person must offer support that fits the situation. That support includes the payment-difficulty help in Condition 9, the information help in Condition 8, and the specific prepay protections in Condition 10.

26.2 If the meter cannot report drops in credit or usage, the authorised person must provide easy ways for the household to tell them they are off. The authorised person must offer emergency credit and “friendly hours” credit unless that is technically impossible or outside their control. If that is impossible, the authorised person must put in place fast short-term alternatives.

26.3 When emergency or friendly credit is later repaid the repayment must be set by looking at ability to pay. If a vulnerable person in the home has self-disconnected or is self-rationing the authorised person must also offer extra support credit quickly. The size of that extra credit and the repayment must again depend on ability to pay. In a rare case where extra credit would harm the household the authorised person can choose a different form of support but must still help.

26.4 If a prepay meter was installed or remotely switched without express consent under the strict test in Condition 10 the authorised person must load a starter block of credit unless that is technically impossible.

26.5 If that starter credit cannot be loaded the authorised person must still prevent interruption to supply. Every household on prepay must get clear, regular information about the emergency, friendly, extra support and starter credits. This information must include what these credits are, when they can be used, and how repayment will work.

What is uncertain or still evolving.

26.6 “Reasonable amount” and “timely” are not numbers. The authorised person should set simple internal bands for emergency, friendly and extra support credit, and set target timeframes for loading them.

26.7 “Technically unfeasible or outside control” needs evidence. Document vendor limits and platform outages rather than using this as a convenience clause. Detecting self-disconnection needs a defined method. For smart meters use low-credit alarms and vend gaps.

26.8 For non-smart meters, use inbound channels and pattern spotting on top-ups and complaints.

26.9 The link to ability-to-pay in Condition 9 is strong. Staff need tools and training to assess income and costs and to set realistic repayment plans.

26.10 Data sharing about vulnerability must follow data-protection law and the register process in Condition 8.

26.11 Coordination with the Operator is essential for site visits and meter fixes. Set out who does what and by when.

Impact on customers.

26.12 Households are less likely to sit without heat because they ran out of credit. There is a safety net of emergency and friendly credit. Vulnerable people who are off supply or are cutting back too far get extra support. Repayments are tailored so they do not fail at the first shock. If a meter was switched to prepay without consent, there is a starter credit and aftercare.

Impact on Suppliers and Operators.

26.13 The Supplier should build a live dashboard for:

26.13.1 Prepay risk.

26.13.2 Missed vends.

26.13.3 Long no-usage flags.

26.13.4 Repeated emergency-credit use.

26.14 The Supplier should put in place a triage and outreach script and add one-click loads for emergency, friendly and extra support credit with audit trails. The Supplier must hard-wire the rule that repayment amounts follow an ability-to-pay assessment.

26.15 There must be alignment with Condition 9.

26.16 The Supplier should publish simple explainer content on the credit types and repayments.

26.17 The Supplier should audit cases monthly.

26.18 The Supplier should agree with the Operator how welfare visits, meter moves, meter resets, and urgent restorations will be coordinated.

Model-specific notes A to G.

26.19 **Model A and Model D:** In landlord-run schemes where the authorised person is also the Operator the same team can run detection and site action.

26.20 **Model B and Model E:** In concession or merchant models the authorised person must push flags and jobs to the Operator quickly and track completion.

26.21 **Model C and Model F:** In direct-retail models use combined contact centres and field forces to shorten time off supply.

26.22 **Model G:** Public-sector schemes can plug this into existing welfare and safeguarding routes.

Part 27:
Section B
Condition 12

27. SECTION B CONDITION 12

What it does in plain English.

27.1 The authorised person must send regular statistics to the regulator and to the national advice bodies about how it treats households. The regulator will say what to include, how to format it, and how often to send it. The report can cover:

27.1.1 How people are paying.

27.1.2 How many people miss payments.

27.1.3 How many cut-offs happened.

27.1.4 What energy-efficiency help was given.

27.1.5 How many people are on the priority register and what services are offered to them.

What is uncertain or still evolving.

27.2 The exact fields and definitions will come in the guidance. Clarity on what counts as a disconnection will need to be covered, especially where credit-limiting stops supply. It will need rules for counting missed payments where customers pay by top-up, fixed direct debit, or rent-inclusive arrangements. It will need to segment by site and by customer type without over-collecting personal data. The frequency of reporting and any audit standard will be set later. Data-protection and privacy must be built in from the start.

Impact on customers.

27.3 Better transparency supports better outcomes. The regulator and the advice bodies can see where payment problems, disconnections or lack of support are concentrated. That helps them target guidance and challenge poor practice. It also makes it easier for residents to compare how their Supplier is performing in the areas that matter.

Impact on Suppliers and Operators.

27.4 The Supplier will need a clean data pipeline. They should:

27.4.1 Define the datasets, owners and refresh cycles.

27.4.2 Build extracts that match the regulator's schema.

27.4.3 Track how many households use each payment method. Track arrears and missed-payment milestones.

27.4.4 Track cut-offs and restorations.

27.4.5 Track energy-efficiency contacts and kits issued.

27.4.6 Track priority-register counts and services delivered.

27.5 The Operator must feed the Supplier field data for cut-offs and restorations and for on-site support actions.

27.6 The Supplier must put quality checks in place and keep an audit trail of changes. It should expect the regulator to benchmark against peers.

Model-specific notes A to G.

27.7 **Model A and Model D:** In landlord-run schemes most data sits in one place, which helps.

27.8 **Model B and Model E:** In concession or merchant arrangements parties must agree data interfaces so the Operator's field events flow into the Supplier's report.

27.9 **Model C and Model F:** In direct-retail models the reporting can come from one system but still needs clear definitions.

27.10 **Model G:** Public-sector schemes should align this with existing statutory returns and equality monitoring.

Part 28:
Section C
Condition 1

28. SECTION C CONDITION 1

28.1 **This applies to every authorised person acting as an Operator. It covers people living in homes on the network the Operator runs and, where they are affected by the Operator's activities, people on other heat networks that are directly or indirectly connected. If this condition clashes with a more specific rule about fair treatment, the specific rule takes priority.**

What it does in plain English.

28.2 The Operator must run the network and make decisions in a fair, honest, transparent, and professional way. The Operator must give information and co-operate with any other authorised person that needs it to meet their own duties. The Operator must put in place enough people, skills, systems, and processes so that co-operation actually works in real time.

28.3 If a complaint is being handled by another authorised person who is the single point of contact, the Operator must use all reasonable efforts to investigate its part quickly and help resolve it, following that party's complaints process.

What is uncertain or still evolving.

28.4 "Insofar as affected" is broad. The Operator will need a clear rule for when its outages, temperature reductions, hydraulic changes, metering issues, or planned works are likely to affect households on a connected network.

28.5 "Appropriate resources and processes" is not defined. The Operator should agree service levels and escalation paths with each relevant authorised person and review them at least yearly.

28.6 "All reasonable endeavours" on complaint support needs a documented playbook so teams know what to do and how fast.

28.7 Sharing information raises privacy and security questions. The Operator should use a simple data sharing agreement with lawful bases, minimum data principles, and audit trails.

28.8 This condition sits alongside the Supplier standards and the nominated operator rule in Section A. The hand-offs between Operator and Supplier for outages, maintenance programmes, and complaint handling must be written down to avoid gaps.

Impact on people who use the heat.

28.9 Households should see better day-to-day behaviour from the Operator. Maintenance and outage work should be planned and explained clearly. When something goes wrong the Operator should work with the Supplier behind the scenes so the single point of contact can sort issues quickly. Where an upstream network change would affect a downstream block, the Operator should help protect those households by warning early and by coordinating fixes.

Impact on Suppliers and Operators.

28.10 The Operator needs an "operator code of practice" that turns this duty into routines.

28.11 This code should:

28.11.1 Define how and when to notify other authorised persons of faults, planned works, temperature or flow changes, and energy-centre issues.

28.11.2 Build a live contact matrix with named people and cover.

28.11.3 Set response times for acknowledging incidents and for providing technical detail that the Supplier can use in messages to households.

28.12 As part of this code, the Operator should give the Supplier access to metering and telemetry views or send regular feeds so bills and outage messages are accurate.

28.13 The Operator should also create a complaint-support run book. This should include what evidence to gather, who signs off root-cause, and how to deliver goodwill fixes on site. The Operator should resource the function so that engineers and customer teams can act quickly. The Operator should track simple KPIs, time to notify, time to isolate and restore, first-time fixes, and repeat faults by site. It must keep records so the authorised person can show the regulator that the processes exist and are used.

Model-specific notes A to G.

28.14 **Model A and Model D:** the same authorised person is both Operator and Supplier. Fold these duties into one customer operations playbook and remove internal hand-offs that slow things down.

28.15 **Model B and Model E**: an upstream Operator feeds a landlord acting as Supplier. Put a formal interface in place. Outage and planned-works notices. Data feeds for metering and efficiency. A complaint handover path where the Supplier remains the single point of contact and the Operator investigates promptly.

28.16 **Model C and Model F:** one authorised person is both Operator and Supplier. Use that to shorten diagnosis and communication cycles.

28.17 **Model G:** a public-sector Operator should align this condition with existing corporate incident response and tenant-facing standards. Make sure priority-services flags and safeguarding channels influence operational decisions.

Part 29:
Section C
Condition 2

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29. SECTION C CONDITION 2

29.1 **This applies to every authorised person acting as an Operator. It requires the Operator to run each network so that heat, hot water and cooling are reliable and consistent, and to take all reasonable steps to minimise outages and disruption.**

What it does in plain English.

29.2 The Operator must maintain each network to manufacturer guidance and good industry practice. It must fix or replace failing parts quickly. It must review reliability on a rolling basis and upgrade or modify assets in time, so that the network stays robust. It must monitor performance and supply reliability, report internally and externally in line with good practice, and act on issues as they arise.

What is uncertain or still evolving.

29.3 “Reliable and consistent” and “good industry practice” are broad phrases. The Operator should define target availability, response and restoration times, return-temperature and ΔT ranges, and minimum redundancy levels for critical plant.

29.4 “Periodically reviewing” needs a stated cadence. Annual asset-health reviews plus seasonal readiness checks are a sensible baseline, with mid-life reviews for major plant.

29.5 “Promptly repairing or replacing” should be tied to service levels and spares policies. The clause does not spell out what to report or to whom.

29.6 The Operator should align its dashboards and incident metrics with the information duties in Section A: Condition 9, the outage-comms needs of the Supplier in Section B:1 and 3, and any guidance the Authority issues.

29.7 Where networks interconnect, “reasonable steps to minimise outages” can require formal operating boundaries, isolation and restart procedures, and load-shedding rules agreed with other Operators and with any Supplier.

29.8 Cyber resilience and control-system security are not named but sit within “good industry practice” for reliability.

Impact on people using the network.

29.9 Households and other users should see fewer and shorter outages, steadier temperatures and clearer notice when maintenance is planned. Reliability reviews and upgrades reduce the risk of repeated plant failures. Active monitoring and faster repairs mean problems are spotted early and dealt with before they escalate.

Impact on Suppliers and Operators.

29.10 The Operator needs a documented asset-management system: equipment hierarchy, maintenance plans, condition monitoring, water-treatment regime, spares strategy and vendor SLAs.

29.11 The Operator must build in redundancy where proportionate: N+1 on key pumps and heat sources, backup power for controls, freeze and over-temperature protection, and options such as thermal storage or temporary plant.

29.12 The Operator must set reliability KPIs: network availability, outage frequency and duration, mean time to repair, response times, leak rates, ΔT and return-temperature compliance, energy-centre efficiency. It should also implement 24/7 monitoring of plant and alarms, with clear on-call arrangements. It should run seasonal readiness checks and stress tests.

29.13 It must agree written service levels with every affected Supplier: outage notification timings, planned-works calendars, data feeds for metering and billing accuracy, and a joint incident playbook with roles and escalation.

29.14 For interconnected networks, put in place operator-to-operator protocols for isolation, pressure and temperature changes, and emergency support.

29.15 The Operator must tie monitoring and reporting into the openness duty in Section A:10 and the social-obligations reporting in Section B:12 where relevant.

Model-specific notes A to G.

29.16 **Models A and D:** building-centric communal plant. Focus on boiler or heat-pump reliability, water quality, air removal, expansion control, HIU maintenance, and building access and security so engineers can reach risers and plant rooms quickly.

29.17 **Models B and E:** upstream Operator with estate mains feeding a landlord as Supplier. Agree firm SLAs for outage notice, temperature and pressure envelopes, isolation at building interfaces, and hand-back conditions. Share performance data so the Supplier can meet its contract-change and outage-comms duties.

29.18 **Models C and F:** direct-retail entity is also the Operator. Integrate control-room telemetry with the contact centre so customer messaging tracks plant status in near real time.

29.19 **Model G:** public-sector Operator. Align C2 with corporate resilience planning. Budget for lifecycle renewals, emergency spares and temporary plant. Build links to housing teams for access to dwellings and safeguarding during cold-weather events.

Part 30:
Core Weaknesses for Consumers

SHARPE PRITCHARD

30. CORE CHALLENGES FOR CONSUMERS

30.1 These include:

30.1.1 **No true "supplier of last resort".** Revocation and continuity planning push the authorised person to keep heat flowing while a successor is found, but there is no hard back-stop that guarantees one. If an operator or Supplier collapses, continuity still relies on "all reasonable steps", lender cooperation and contract assignability, which can fail in a messy insolvency. Customer credit balances are not ring-fenced and could be at risk.

30.1.2 **Principles not hard caps.** Fair pricing and cost allocation are deliberately principles-based. There is no tariff cap, no standardised return, no mandatory social tariff. That gives flexibility but also leaves consumers exposed to sharp step-changes that are lawful if "explained" and noticed, even when there is no alternative to switch to.

30.1.3 **Uneven time-bar protection.** The 12-month back-billing cap protects directly billed households and microbusinesses. Leaseholders sit outside it and rely on the 18-month service charge rule and tribunal routes. In mixed blocks, neighbours can be treated differently for the same historic error. That feels arbitrary and is hard to explain.

30.1.4 **Prepayment safeguards still depend on judgement.** Remote switching without consent is heavily gated, but it remains possible and there is a carve-out for very small schemes. "Safe and reasonably practicable" and "ability to pay" are open tests. Without strong audit, households can still be pushed onto arrangements that don't work for them.

30.1.5 **Upstream–downstream grey zone.** An upstream Supplier or Operator owes only a general fairness and cooperation duty to people on a connected network. If the upstream party runs hot-end changes badly, the downstream Supplier carries the consumer-facing fallout. That can leave residents with delays and finger-pointing.

30.1.6 **Lease route complexity.** Where heat is recovered through a lease, many consumer-facing rules do not apply. Protection shifts to housing law. It is real protection, but it is slower, legalistic and unfamiliar to many residents. The system assumes landlords will itemise heat cleanly and consult on big spends. Some will not without pressure.

30.1.7 **Assumed metering and data that may not exist.** Billing rules say "actual use where feasible", but feasibility carve-outs and unmetered stock mean proxies will persist. Without good data, fair allocation and back-billing controls are harder to police.

30.1.8 **Complaints and ADR only go so far.** The single-point-of-contact model relies on Suppliers and Operators cooperating. If they don't, cases can drift. Ombudsman outcomes bind the authorised person, but awards are modest and timing can be slow compared to the impact of a heat outage.

30.1.9 **Disconnection rules focus on households.** The strongest winter and medical protections are for Domestic Premises. Microbusinesses do not get equivalent explicit bans, even though some are heat-dependent.

30.1.10 **Continuity vs lenders' rights.** "Subject to Permitted Security Interests" creates uncertainty. Unless consents and step-in mechanics are pre-agreed, a building mortgage or plant charge can still slow or block a transfer at the worst moment.

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