

**Consumer
Scotland**

Luchd-Cleachdaidh Alba

Heat Networks Regulation: Authorisation and Regulatory Oversight

Consumer Scotland response to
Ofgem's proposals for authorisation
and regulatory oversight

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January 2025

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1. Introduction

- 1.1 Consumer Scotland is the statutory body for consumers in Scotland. Established by the Consumer Scotland Act 2020ⁱ, our purpose is to improve outcomes for current and future consumers. We are independent of the Scottish Government and accountable to the Scottish Parliament. Our core funding is provided by the Scottish Government, and we also receive funding for research and advocacy activity in the electricity, gas, post, and water sectors via industry levies which are derived from consumers' bills.
- 1.2 Our responsibilities relate to consumer advocacy. In our 2023-2027 Strategic Planⁱⁱ, we have identified three cross-cutting consumer challenges, which guide our work during this period. They are:
 - Affordability
 - Climate change mitigation and adaptation
 - Consumers in vulnerable circumstances
- 1.3 From April 2025 Consumer Scotland will become statutory advocate for heat network consumers in Scotland. As part of this new role Consumer Scotland will carry out research into the issues and experiences heat network users face, using this evidence to advocate for improvements on behalf of consumers. We are currently working to establish this function.
- 1.4 Consumer Scotland welcomes the opportunity to contribute to this this consultation and support Ofgem's ongoing work to establish its role as regulator for heat networks across Great Britain.
- 1.5 Consumer Scotland has previously responded to Ofgem and UK Government proposals for heat networks consumer protection regulation.ⁱⁱⁱ We have worked closely with both UK and Scottish Government's on the development of heat network regulation and plans to introduce the Scottish licensing regime. Consumer Scotland has carried out a programme of work to understand the impact that decarbonising heating in Scotland's buildings will have on consumers. As part of this work we have responded to the Scottish Government's proposals for a Heat in Buildings Bill^{iv} and we recently launched an investigation looking into the green heating market.^v
- 1.6 In addition to this work we have utilised our Consumer Principles. These are based on frameworks that have been developed over time by both UK and international consumer organisations. Reviewing policy against these principles enables the development of more consumer-focused policy and practice, and ultimately the delivery of better consumer outcomes.^{vi}

- 1.7 Consumer Scotland represents heat network consumers on a range of consumer, government and industry forums, including: the Heat Trust Committee, Ofgem’s stakeholder advisory group and the Scottish Government’s Heat in Buildings Strategic Advisory group.
- 1.8 Consumer Scotland has recently published in draft work programme for 2025/26,^{vii} setting out our prospective plans to deliver this new role and our longer term plans for research and advocacy work. Within the work programme we stated that we wanted heat network consumers in Scotland to have access to a market that delivers safe, affordable, reliable low carbon heating. We also want to ensure that consumers are protected from harm, are well informed and have access to advice, support and redress should they need it. For this to happen the authorisation scheme needs to be effective, support operators to engage with the regulatory process and ultimately provide Ofgem with the information it needs to have oversight of the market.
- 1.9 The registration and authorisation process will provide Ofgem with a means to collect essential market and supplier data that has not previously been available. This data will help to provide Ofgem with a better understanding of how the market is working. We look forward to working with Ofgem and others across the consumer landscape to understand this data as it will help us to understand consumer experiences in the market.
- 1.10 Consumer Scotland is generally supportive of the proposals outlined in the consultation. We have not responded to all of the questions asked but have responded where we can add value from our experience in this market and where we identify that proposals will have a direct impact on consumers. We would be pleased to discuss the content of this response in more detail.
- 1.11 The Department of Energy Security and Net Zero’s and Ofgem have published a parallel consultation on proposals for heat network consumer protection.^{viii} Consumer Scotland will respond to this consultation separately.

2. Scope of Authorisation

- 2.1 Consumer Scotland would like to see: Clearly defined authorisation regime including definitions for regulatory activities and responsibilities to support heat network operators and suppliers to comply with upcoming regulations.

Question 1: Do you agree, partially agree, or disagree with our proposed operator-led approach to heat network authorisation? Please explain your answer.

- 2.2 Consumer Scotland broadly agrees with the operator led approach to heat network authorisation set out in the consultation. As the heat network operator will be the heat network asset owner and will have significant control and decision making over the network infrastructure; an operator led approach is sensible.

Question 2: Do you agree, partially agree, or disagree with the need to be able to identify a single party on a relevant heat network to fulfil the role of operator?

- 2.3 Consumer Scotland supports Ofgem’s view that it will be important to identify a single body on a relevant heat network to fulfil the role of operator, particularly given the proposed operator-led approach to authorisation.
- 2.4 From a consumer perspective, having a single entity responsible and accountable for the effective operation of the network will help to quickly resolve and address any issues on the network. Equally, from a regulatory perspective, having one single accountable body will reduce complexity and ultimately support Ofgem to regulate the market. Consumer Scotland is supportive of Ofgem’s proposals for a single body to fulfil the role of operator.

Question 3: Do you agree, partially agree, or disagree with each of the proposed options for our single operator approach? Please provide detail for your response to each option.

- 2.5 We have reviewed each of Ofgem’s single operator proposals outlined in the consultation. We recognise that ownership of the network infrastructure can be complex and therefore action is required to identify a single responsible entity to meet the regulatory requirements.
- Option 1 – A mandatory single operator approach would require agreement from operators on who would be the regulated party in advance of registration. This could be helpful to ensure that the regulatory process is clear and definitive regarding the accountability of operators. However the registration process should also sufficiently capture details on any additional entities involved in the operation

of the network as this information could help to support Ofgem to monitor and enforce should appropriate action need to be taken.

- Option 2 – We recognise that the ‘best endeavours’ approach attempts to mitigate situations where there are complex multi-operator activities on a network. However, in the event that an agreement cant be reached there will effectively be no ‘single operator’ on the network and this could make regulation more challenging for Ofgem and more challenging for consumers should something go wrong. This option may not be supportive of Ofgem’s intention to deploy a single operator approach.
- Option 3 – Having a nominated single point of contact could be a helpful way to manage complex operator arrangements. However it could equally create confusion and create challenges for Ofgem to effectively regulate the market.

2.6 Of the three options, we believe options 1 or 3 could be suitable. Whatever model is deployed, systems will be required to resolve disputes between multiple parties and it will be important that such systems are transparent, efficient and effective to avoid the risk of consumer detriment.

Question 5: Do you agree, partially agree, or disagree with our proposals for regulatory obligations to be assigned to the role or operator or supplier? Please explain your answer.

2.7 Consumer Scotland broadly agrees with the specific regulatory obligations proposed to be assigned to heat network operators or suppliers. We recognise that However, whatever decision is taken on where these responsibilities sit, it is important that either operator or supplier can effectively execute these obligations in order to provide a consistent, high quality of service for consumers on the network.

3. Registration and Authorisation Application

- 3.1 Consumer Scotland would like to see: A process of registration and authorisation that is clear for suppliers and operators to participate and that will provide Ofgem with sufficient information about the network and authorised entities for them to have effective oversight of the market, providing a solid foundation for consumer confidence.

Question 7: Do you agree, partially agree, or disagree with proposals for the process of Registration? Please explain your answer.

- 3.2 Consumer Scotland agrees with Ofgem’s general approach to the registration process. The registration process will provide Ofgem with a means to collect essential market and supplier data not previously available. It is not clear in the consultation the extent of data that Ofgem will collect. If not already captured through this process, Consumer Scotland would also like to see the following:
- As part of the technical details of the network, we expect, if not already captured; that fuel type would also be included here. Understanding the fuel type of the network will help Ofgem to identify heat networks potentially at risk from volatile market changes and the impact this may have on pricing and the implications of this for consumers.
 - It would also be helpful, if not already captured; to include contract supply length. This could help to provide Ofgem with essential data that could help them to identify heat networks that could be vulnerable to price shocks as their contracts near expiration.
- 3.3 Longer term, we would also suggest that Ofgem give consideration to how it identifies heat networks that have not registered with them.

Question 8: Do you agree, partially agree, or disagree with proposals for the process of Authorisation Application? Please explain your answer.

- 3.4 Consumer Scotland agrees with Ofgem’s general approach to the authorisation application process.

4. Making changes to a Heat Network Authorisation

- 4.1 Consumer Scotland would like to see: Processes in place to allow for any changes to authorisation or authorised entities to be quickly updated so that available information about the network and any authorised entities is robust and up to date.

Question 9: Do you agree, partially agree, or disagree with proposals for management and recording of changes to a heat network? Please explain your answer.

- 4.2 Consumer Scotland is generally supportive of proposals for managing and recording changes to a heat network authorisation.

Question 10: Do you agree, partially agree, or disagree with proposals for the transfer of heat network authorisation? Please explain your answer.

- 4.3 We recognise the importance of having a mechanism to transfer authorisation to another authorised person should the need occur. We agree with the proposals for transfer as set out in the consultation but would encourage Ofgem to ensure that there is no disruption or unintended consequences to consumers on the network as a result of the transfer process.

Question 11: Do you agree, partially agree, or disagree with proposals for the revocation of heat network authorisation? Please explain your answer.

- 4.4 Equally, Ofgem's ability to revoke authorisation will be an essential tool to tackle cases of persistent non-compliance in the market. It will be important to ensure that appropriate measures are put in place to ensure there is no disruption to supply or quality of service for consumers on the network should authorisation be revoked.

5. Monitoring

- 5.1 Consumer Scotland would like to see: A robust system of monitoring heat network suppliers and operators that uses a range of metrics captured through the registration process (and also routes to escalation through other external channels) to help to inform Ofgem where authorised entities have failed to meet regulatory standards.

Question 12. Do you agree, partially agree or disagree with the proposed monitoring metrics and the level at which they will be reported?

- 5.2 We recognise the important role Ofgem will take on, monitoring heat network operations and suppliers to ensure compliance with their regulatory obligations. The proposed monitoring metrics outlined in the consultation document look to provide Ofgem with a comprehensive assessment of supplier and operator performance and ultimately aid oversight of the market.

Question 13. Do you agree, partially agree or disagree with the proposed reporting frequencies outlined? If not, how should they differ for segments of the market?

- 5.3 Consumer Scotland welcomes the decision to ensure regular reporting as this will allow Ofgem to track new trends or developing issues in the market. We understand the approach that Ofgem has taken to ensure that obligations on operators and suppliers to provide data is fair and proportionate and broadly in line with requirements in the gas and electricity market. However we would encourage Ofgem to review reporting requirements once regulation is properly embedded and consider whether reporting could be provided more frequently and the potential benefits that more frequent reporting might deliver.

Question 14. Do you agree, partially agree or disagree with the overall approach for implementing the monitoring framework? Please explain your answer.

- 5.4 Consumer Scotland is supportive of Ofgem's overall approach to implementing the monitoring framework. The introduction of the framework will provide Ofgem with a significant collection of market data that has not previously been available. We would encourage Ofgem to work closely with consumer advocacy and advice bodies through quadripartite to analyse and understand this data as it becomes available.

6. Audit

- 6.1 Consumer Scotland would like to see: An auditing process that is independent, robust, balanced and fair. An effective auditing process will provide Ofgem with an accurate reading of compliance in order to ensure that consumers get the best possible standard of service.

Question 15. Do you agree, partially agree or disagree that this is the right approach to the implementation of an audit programme within heat networks? Please explain your answer.

- 6.2 Consumer Scotland is broadly supportive of Ofgem’s approach to the implementation of the audit programme. We recognise that Ofgem may be limited in the way it can execute the auditing function of regulation as it matures into its new role. However, we welcome Ofgem’s expectation for this process to eventually include measures outlined in paragraph 7.14 in the consultation.

Question 16. Do you agree, partially agree or disagree with both a risk-based as well as a randomised sampling approach? What are the main risks and benefits to implementing this approach? Please explain your answer.

- 6.3 Consumer Scotland is broadly supportive of Ofgem’s proposals for sampling; utilising both a risk-based and random sampling method as part of this approach. Sampling different heat network types and segments will help to build up the overall picture of how the market is complying with the regulation.
- 6.4 In our response to the 2023 Consumer Protection consultation^{ix} Consumer Scotland suggested that putting in place a requirement for all networks to be audited at least once every few years. This would mirror existing provisions in the Heat Trust auditing process which necessitates that all heat networks within the scheme must be audited at least once within a 5 year period.^x We encourage Ofgem to mandate a similar measure into the auditing process as this will help to provide assurance to Ofgem that all networks are complying with regulatory requirements. We look forward to Ofgem providing further detail on its approach to identifying how heat networks will be selected for the auditing process.

Question 17. Is the approach to audit proportional? Do you agree, partially agree or disagree with the approach to segmentation to help address this? Please explain your answer.

- 6.5 In reviewing Ofgem’s proposals for approaching the auditing process, Consumer Scotland is satisfied that this approach is proportional.

7. Compliance and Enforcement

- 7.1 Consumer Scotland would like to see: A range of compliance approaches backed up by market monitoring data and wider intelligence which allows Ofgem to take appropriate action (such as financial penalties, revocation of authorisation) to address where authorised entities have failed to meeting regulatory standards.

Question 18. Do you agree, partially agree or disagree with the approach outlined for compliance and enforcement will help ensure heat networks meet their obligations, including the proposed authorisation condition placing a duty on heat networks to take action to come into compliance?

- 7.2 Consumer Scotland welcomes Ofgem’s proposed approach to compliance and enforcement set out in the consultation and in the government’s response to the 2023 consumer protection consultation.^{xi} We welcome Ofgem’s decision to utilise a range of approaches to inform the compliance process. The consultation outlines a range of intelligence services that Ofgem will use to inform its understanding of compliance within the market.
- 7.3 As part of this approach to compliance, Consumer Scotland would also expect to see appropriate routes for consumer advocacy and advice bodies to escalate intelligence or concerns about consumer harm so that Ofgem can consider appropriate action. Consumer Scotland is preparing for its new role as statutory advocate for heat network consumers in Scotland and is developing an intelligence pipeline to inform our advocacy work and help us to effectively represent heat network consumers. This pipeline will help us to bring together available intelligence from across the landscape and help to alert us to any emerging consumer issues. Consumer Scotland will also work closely with our third sector delivery partners to better understand the experiences of heat network consumers.
- 7.4 We would encourage Ofgem as part of its compliance framework to build in appropriate mechanisms for consumer advocacy and advice bodies to feed into this process and share market and consumer intelligence. We also want to ensure that there is a process to escalate issues and concerns to Ofgem outside of quadripartite, so that they can consider appropriate action.

Question 19. Do you agree, partially agree or disagree with the proposed areas of initial focus for compliance activity?

- 7.5 We agree with the areas of initial focus for compliance activity identified in the consultation. It is essential that these areas are prioritised as they directly feed into the auditing, monitoring and compliance process.

8. References

- ⁱ Consumer Scotland Act 2020 [Consumer Scotland Act 2020](#)
- ⁱⁱ Consumer Scotland (2023) Strategic Plan 2023-2027 [consumer-scotland-strategic-plan-2023-2027.pdf](#)
- ⁱⁱⁱ Consumer Scotland (2023) Response to Heat Network regulation – consumer protection consultation [response-to-heat-networks-regulation-consumer-protection-consultation.pdf](#)
- ^{iv} Consumer Scotland (2024) Response to proposals for a Heat in Buildings Bill [scottish-government-heat-in-buildings-bill-consultation-response-8-march-2024.pdf](#)
- ^v Consumer Scotland (2024) Converting Scotland’s Home Heating [consumer-scotland-investigation-converting-scotlands-home-heating.pdf](#)
- ^{vi} Citizens Advice Scotland (2018) Leading by Example: A principled journey through regulation [2018-01-29_leading_by_example.pdf](#)
- ^{vii} Consumer Scotland (2025) Draft work programme 2025-26 [consumer-scotland-draft-work-programme-2025-2026-2.pdf](#)
- ^{viii} Ofgem/Department for Energy Security and Net Zero (2024) Heat Networks regulation – implementing consumer protections consultation [Heat networks regulation - implementing consumer protections: consultation document](#)
- ^{ix} Consumer Scotland (2023) Response to Heat Network regulation – consumer protection consultation [response-to-heat-networks-regulation-consumer-protection-consultation.pdf](#)
- ^x Heat Trust (2020) Audit Guidelines
- ^{xi} UK Government response to 2023 Consumer Protection consultation [Heat networks regulation: consumer protection - government response](#)