

SHARPE PRITCHARD

Heat Network Authorisation Conditions

What's changing and what to do now

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Why are we here?

- The UK Government has introduced a new regulatory framework for heat networks in Great Britain.
- Ofgem formally began regulating heat networks on **27 January 2026** (i.e. 2 weeks ago).
- The Conditions were published on 13 January 2026, leaving very little time to prepare.
- Changes directly affect **local authorities, landlords, operators and suppliers.**
- **Today's goal:** what has changed and what to do now.

What is Happening?

- Energy Act 2023 and the Heat Networks (Market Framework) (Great Britain) Regulations 2025.
- Authorisation is required before carrying out a regulated activity (operate a relevant heat network or supply heat/cooling/hot water).
- The General Authorisation Conditions are the baseline rulebook, supported by Ofgem guidance on:
 - fair pricing and cost allocation;
 - registration;
 - consumer protection; and
 - financial resilience.

Who does this apply to?

Am I actually regulated?

- Two regulated activities:
 - operating a relevant heat network; and
 - supplying heating, cooling or hot water to consumers.
- An entity may be an operator, a supplier, or both, but engaging in *either* activity requires authorisation.
- Many organisations are “suppliers” without realising it – if you control billing, communications, pricing or complaints, you are likely in-scope.

General Authorisation Conditions

Standards of Conduct

Condition B1 (Supplier Standards of Conduct)

- Treat consumers in a fair, honest, transparent, appropriate and professional manner.
- Provide clear, accurate and non-misleading communications in plain language.
- Design accessible customer-service routes.
- Consider consumers in vulnerable situations and provide tailored support.
- Demonstrate fairness in decision-making and record it.

Condition C1 (Operator Standards of Conduct)

- Treat consumers and occupants of premises connected to heat network fairly.
- Behave in a fair, honest, transparent, appropriate and professional manner.
- Have appropriate resources and processes in place to enable effective cooperation.

General Authorisation Conditions

Pricing and Cost Allocation

Condition A6 (Fair Pricing)

- Charges must be fair and not disproportionate.
- Interpreted by Ofgem's Fair Pricing and Cost Allocation Guidance.
- Focus on cost-reflectivity, efficiency, reasonable returns, consumer impact, regulatory control and transparency.
- Plan to avoid shock bills, link to regular billing.
- Remain accountable even if you outsource.

Condition A7 (Cost Allocation)

- Structure charges and attribute costs in a way that supports Condition A6 outcomes.
- Presumption against passing through compensation, fines, penalties and other redress.
- Anchors diverse tariff structures to costs.
- Complements the fairness test. Ofgem may use comparators and profitability to assess proportionality.

General Authorisation Conditions

Billing, Metering and Transparency

Condition B2 (Heat Supply Contracts)

- Contracts (including leases, tenancies, deemed contracts) must be written, in plain language, provided as a single-pack, and include key pre-contract information.
- Consumers must be able to access historic consumption data free of charge, supporting transparency over time.

Condition B6 (Provision of Billing and Price Transparency)

- Bills must be accurate, timely and easy to understand, with clear explanations of how charges are calculated.
- Where supply meters exist, billing should default to actual consumption.
- Bills must include the minimum required information: consumption, tariff components, relevant charges, and, where applicable, apportionment in multi-occupancy buildings.
- Two billing tracks: Part One (default) and Part Two (Service Charges)
- The supplier remains responsible for billing outcomes even when third-party agents are used.

General Authorisation Conditions

Vulnerable Consumer Protections (Section B, Conditions 8 - 11)

- **Priority Services:** Priority Services Register and provide free, tailored support to households (Condition 8).
- **Payments & Deposits:** Take deposits only when reasonable, offer help for payment difficulties, treat disconnection as a last resort (Condition 9).
- **Prepayment Meters:** Give clear guidance, ensure safe use, check welfare, obtain consent, and handle debt fairly (Condition 10).
- **Self-Disconnection:** Monitor usage and credit, provide emergency support and mitigate and prevent unsafe loss of supply (Condition 11).

Practical Risks if you Delay

- **Enforcement and penalties:** Ofgem has powers to monitor, request information, investigate and impose penalties or consumer redress orders for non-compliance.
- **Ombudsman-escalated complaints:** Weak billing, complaints handling and vulnerability support will escalate cases to the Energy Ombudsman.
- **Pricing challenges:** Lack of fair-pricing evidence and transparent apportionment will drive disputes and pricing challenge.
- **Operational friction:** Gaps in contracts and weak controls create shock bills, disputes and service disruption.
- **Reputational damage:** For authorised persons, delayed alignment with consumer-protection standards undermines trust and confidence.

What should I be doing right now?

Standalone Suppliers

1. Map your roles and responsibilities
2. Review heat supply contract pack
3. Fix billing and transparency as a priority
4. Put contract change notices in place
5. Stand up your complaints and redress pathways
6. Build vulnerability support into frontline processes

Rent-bundled Schemes

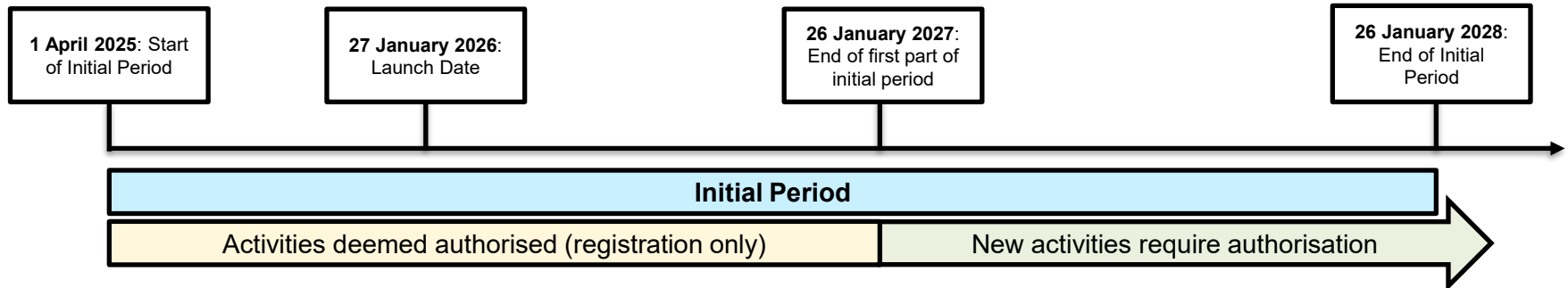
1. Stop treating rent bundling as a safe harbour
2. Create heat terms and a transparency pack – even if you don't unbundle yet
3. Be realistic about billing and transparency duties
4. Plan for what happens when meters arrive

Service-charge Providers

1. Treat the lease as the heat supply contract
2. Understand what changes under the service charge billing track
3. Own the two-tier consequences
4. Reduce friction by over-delivering on transparency

Registration - How do I Comply?

- Ofgem formally began regulating heat networks on **27 January 2026**.
- From the Launch Date, Operators and Suppliers have one year to register with Ofgem, via an online system.
- Registration must detail regulated activities, locations, involved parties and customers.
- Two flexibilities with the obligation to register.



Key Takeaways

- The regime is live – Ofgem regulation started on 27 January, and the Conditions already apply.
- Scope is wider than many expect – if you control billing, pricing, communications or complaints, you are likely regulated.
- Fairness is the organising principle - Pricing, billing, contracts and vulnerability protections all hinge on demonstrable fairness.
- Evidence matters – You must be able to explain and justify yourself.
- Outsourcing doesn't transfer responsibility.
- Delay increases risk so focus on the practical next steps you can take to ensure compliance.

If you have any questions, please get in touch:

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