



Local authority roles in heat network development – Early insights and recommendations

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Who we are

The Carbon Trust's mission is to accelerate the move to a decarbonised future. As climate pioneers for more than 20 years, we partner with leading businesses, governments and financial institutions to accelerate their route to Net Zero. We are your expert guide to turn your climate ambition into impact. To date, our global network of 400 experts has helped set over 200 science-based targets and guided more than 3,000 organisations and cities across five continents on their route to Net Zero.

What we do

We provide solutions to the climate crisis. We support organisations globally as they accelerate towards Net Zero. From target setting, Net Zero pathways, assurance and footprinting, to policy advice, strategy setting and programme delivery, we seek smarter ways to turn intent into impact, where sustainability and economic realities go hand in hand.

This document

This Insights piece on “Local authority roles in heat network development – Early insights and recommendations” has been developed through the Net Zero Living Programme. The programme is funded by Innovate UK and aims to help regional authorities and businesses accelerate the transition to Net Zero, across the UK and internationally. This document sits alongside another insight document: “Preparing for heat network regulations: key considerations for local authorities”, which provides more detail on the regulatory framework and key consumer protection requirements. Together, the two documents are designed to give local authority officers both a policy grounding and practical perspectives on their evolving roles.



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1. Introduction

This document presents a pre-regulatory summary and initial recommendations to support local authorities across the UK in preparing for a changing heat network delivery landscape. It aims to help local authorities consider their future role in enabling, developing, or coordinating heat networks, particularly in light of anticipated zoning regulations¹ in England and related developments across the UK.

The recommendations reflect lessons from the Advanced Zoning Programme (AZP)², insights gathered through workshops with local authorities under the Innovate UK Net Zero Living programme, and current policy proposals from DESNZ, Ofgem, and devolved administrations. Content is based on the latest available information at the time of writing.

To help local authority officers navigate the material, the document introduces five typical local authority roles, from early exploration to strategic coordination. A decision support tool is included to help readers identify which role best reflects their current position and to signpost relevant thematic sections.

Thematic guidance then follows, covering seven core areas of emerging relevance:

1. **Planning tools and spatial strategy**
2. **Anchor engagement and public estate levers**
3. **Delivery models and governance options**
4. **Funding pathways and early-stage risk management**
5. **Preparing for consumer protection and service standards**
6. **Becoming (or supporting) a Zone Coordinator**
7. **Understanding incumbency rules and Zone refinement**

Each thematic section includes a dedicated Policy Watch box to flag aspects of the regulatory framework that are still under development. These highlight areas where local authorities should track forthcoming policy announcements, and where current advice may need to be revised.

Note: This document is not formal guidance. It offers early recommendations and reflections to help local authorities begin preparing for policy and regulatory change.

¹ DESNZ (2024) [Heat network zoning: overview](#)

² DESNZ (2023) [Heat network zoning: consultation summary](#)

2. Purpose of this document

This document provides a pre-regulatory summary and a set of initial recommendations for local authorities across the UK involved in the development and delivery of heat networks. It is intended to support early thinking, strategic planning, and internal/cross departmental coordination in advance of forthcoming regulatory changes. This includes the introduction of heat network zoning in England, but the themes covered – relating to how councils can position themselves as enablers, partners, or developers in the evolving heat network market - are relevant across the UK.

Drawing on currently available information, including early policy proposals and pilot programmes, the document highlights the kinds of roles, decisions, and delivery models local authorities may need to consider as heat networks become a more prominent part of local energy and net-zero strategies.

It is intended to support:

- **Role identification** – helping local authorities recognise where they currently sit on the spectrum from Curious & Exploring to Public-led Developer or Facilitator & Oversight. 
- **Delivery choices** – providing options for delivery models, partnerships, and governance structures, and signposting what these mean for risk and influence. 
- **Strategic alignment** – showing how planning tools, estate strategies, and anchor engagement can be used to shape local heat network opportunities. 
- **Forward planning** – highlighting where forthcoming policy (e.g. zoning rules, technical standards, and incumbency arrangements) may create new responsibilities or levers for local authorities. 

While the zoning policy in England is a major driver of current developments, the broader themes addressed here, such as governance, delivery models, local authority functions, and stakeholder coordination, are relevant across the UK.

Importantly, the official policy and regulatory framework is still under development. As such, this document should be treated as an interim summary. Specific issues, especially those related to regulation, may need to be revisited once final policy and statutory instruments are published.



3. Local authority engagement in heat network developments

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3.1 Common local authority roles in heat networks

Local authorities across the UK will engage in heat network development in many different ways, depending on their level of ambition, local capacity, existing assets, and policy context. To help readers navigate this document, five simplified roles have been developed to reflect the typical positions a local authority may find itself in:

- 1. **Curious and exploring** – beginning to understand the opportunity and options
- 2. **Anchor and enabler** – offering land, estate, or convening power
- 3. **Delivery partner** – helping bring a network forward in collaboration with others.
- 4. **Public-led developer** – leading or investing in delivery
- 5. **Facilitator and oversight role** – providing strategic oversight, often across multiple sites or boroughs

A local authority may consider themselves to fall into multiple roles.

Note: Some roles will bring direct regulatory obligations under Ofgem’s framework (from January 2026), while others are more focused on enabling or oversight functions.

Curious and Exploring	Anchor and Enabler	Delivery Partner	Public-led Developer	Facilitator and Oversight Role
Initial interest in heat networks	Supports and facilitates projects	Coordinates and shares risk	Leads and controls delivery	Advise and ensures compliance

3.2 Decision Support Tool: What best describes your role?

To help local authorities identify the most relevant guidance, the following decision support tool presents five commonly observed roles in heat network development. These roles reflect how local authorities typically describe their position, whether just starting, supporting others, delivering a project, or coordinating across multiple areas.

By selecting the role that best matches their current situation, users can quickly identify which thematic sections in this document are most applicable. This tool is designed to facilitate easier navigation and support more targeted, role-specific engagement with the guidance that follows.

03 Local authority engagement in heat network developments

Are you beginning to understand the opportunity and options?

Curious and exploring

See thematic sections on:

- Delivery models and governance options
- Anchor engagement and public estate levers
- Planning tools and their strategic role
- Funding pathways and early-stage risk management

Are you offering land, estate, or convening power?

Anchor and enabler

See thematic sections on:

- Understanding incumbency rules and Zone refinement
- Anchor engagement and public estate levers
- Planning tools and their strategic role
- Preparing for consumer protection and service standards

Are you helping bring a network forward in collaboration with others?

Delivery partner

See thematic sections on:

- Delivery models and governance options
- Anchor engagement and public estate levers
- Planning tools and their strategic role
- Funding pathways and early-stage risk management

Are you leading or investing in delivery?

Public-led developer

See thematic sections on:

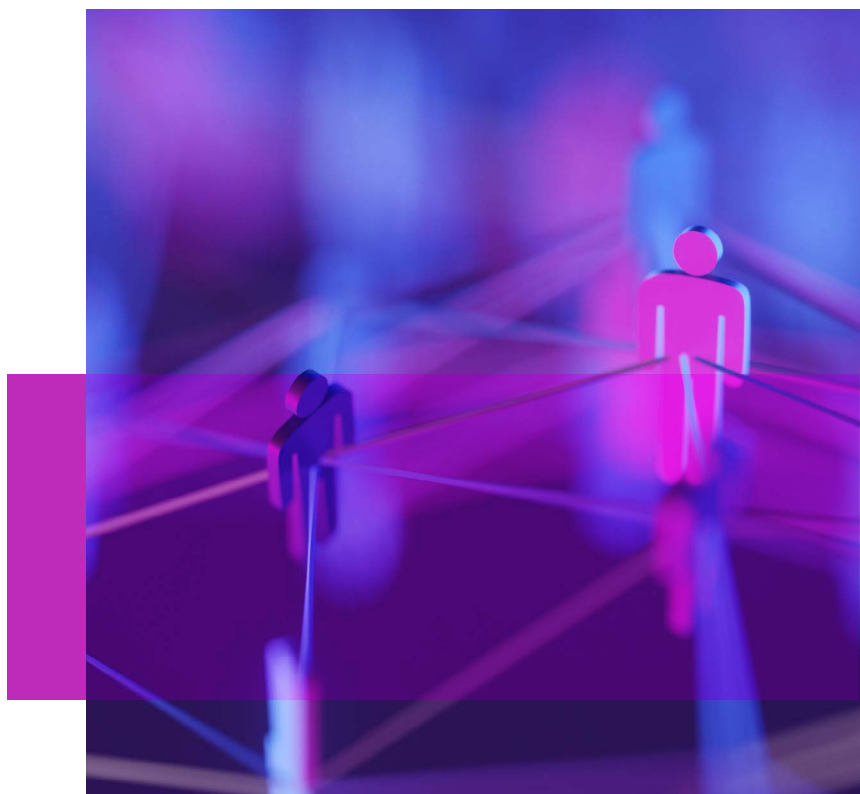
- Delivery models and governance options
- Anchor engagement and public estate levers
- Funding pathways and early-stage risk management
- Preparing for consumer protection and service standards

Are you providing strategic oversight, often across multiple sites or boroughs?

Facilitator and oversight role

See thematic sections on:

- Becoming (or supporting) a Zone Coordinator
- Understanding incumbency rules and Zone refinement
- Planning tools and their strategic role
- Preparing for consumer protection and service standards





4. Thematic summaries and recommendations

4. Thematic summaries and recommendations

Note on evolving policy: As of mid-2025, DESNZ is still formalising the details of the heat network zoning policy framework for England³. Key aspects such as the criteria and processes for determining incumbent networks remain under development. A formal consultation response is expected in Autumn 2025. Therefore, the actions and recommendations outlined in this section are based on the best current understanding and should be revisited once updated guidance is published.

Each of the thematic sections that follow provides practical recommendations aligned to the different roles that local authorities may play in heat network development. These themes cover key areas including delivery models, planning, funding, anchor strategy, and regulatory readiness.

The decision support tool in the previous section can be used to identify which topics are most relevant, based on the local authority's current role or ambition. There is no need to read the document front to back. Users are encouraged to focus on the sections most applicable to their situation.

Each thematic section sets out current policy expectations, practical considerations, and recommended actions. Where applicable, the sections include summaries of emerging delivery models, regulatory proposals, and risk management strategies. "Policy Watch" boxes are used to flag areas of ongoing national policy development that may affect local authority roles and decisions.

4.1. Planning tools and spatial strategy

UK-wide relevance: Spatial planning remains one of the most powerful tools available to local authorities for enabling heat networks. While the zoning framework will introduce new statutory functions in England, many planning levers can be used across the UK, especially where energy strategy, housing growth, and regeneration are aligned.

Overview

Heat networks require careful spatial coordination, including routing, site access, and integration with development and regeneration programmes. Local authorities hold powerful levers through planning policy, land allocation, and long-term estate strategies that can accelerate or hinder network delivery. These levers are relevant whether or not formal heat network zoning is in place.

Local planning teams should coordinate with energy, estates, and regeneration colleagues to embed heat network priorities into policies such as Local Plans, Supplementary Planning Documents (SPDs), Local Area Energy Plans (LAEPs), and retrofit strategies. This ensures alignment between planning decisions, zone boundaries, and infrastructure investment

³ UK Government (2024) [Heat network zoning](#)

Planning tool	Delivery function
Local Area Energy Plans (LAEPs)	Whole system energy plans designed to identify the most cost-effective routes for local area decarbonisation. Used to overlay heat demand clusters with existing / planned infrastructure to identify and shape long-term heat network pipelines / priorities.
Local Heat and Energy Efficiency Strategies (LHEES) (Scotland)	Statutory strategy for identifying Heat Network Zones and energy efficiency priorities. Sets out long-term plans for decarbonising heat in buildings across a local area. LHEES provide the foundation for zoning, guiding where networks are most viable and aligning with planning and retrofit strategies.
Warm Homes Plan (England)	Coordinate communal retrofit and network extension around public estate or fuel-poor areas. (Target retrofit areas for communal heat integration).
Masterplans / Strategic Development Frameworks	Embed network options into large regeneration areas or estate retrofit strategies.
Local Plans (England)	Allocate sites for energy centres and safeguard pipe routes; influence connection policy (i.e. require or incentivise heat network connections).
Local Development Plans (Wales)	Allocate land and embed planning policies that support low-carbon heat networks. Should reflect Wales' National Development Framework (Future Wales: the national plan 2040 ⁴) and align with the Heat Strategy for Wales' aims for retrofit and low-carbon heat deployment in heat priority areas ⁵ . Can require or incentivise network connections through planning conditions and policy frameworks.
Local Development Plans (Scotland)	Designate Heat Network Zones based on LHEES findings. Development proposals within or adjacent to zones will only be supported where they are designed and constructed to connect to an existing heat network or allow for cost-effective connections at a later date to new heat networks.
Supplementary Planning Documents (SPDs)	Set expectations for technical standards, connections, and retrofit thresholds.
Local Development Orders (LDOs) (England only)	Can grant permitted development rights for specific types of infrastructure in a defined area, removing the need for repeated planning applications. LDOs can accelerate delivery of heat network infrastructure (e.g. energy centres, pipe routes) where aligned with regeneration or zoning priorities.
Section 106 Agreements (England & Wales)	Secure developer contributions to heat network infrastructure; require connection to existing or proposed networks as a planning condition.

⁴ Welsh Government (2019) [Future Wales: the national plan 2040](#)

⁵ Welsh Government (2024) [Heat strategy for Wales](#)

Key considerations by local authority role

Curious and exploring

- Use Local Plans, Local Development Plans, LHEESs and LAEPs to identify long-term network opportunity areas.
- Begin gathering spatial data on public estate, anchor loads, and pipe corridors.

Anchor and enabler

- Review planning powers and explore LDOs to protect routes or sites critical to third-party network proposals.
- Use planning policy to signal support and define expectations for delivery partners.

Delivery partner

- Embed heat network delivery assumptions in Local Plans, estate strategies, SPDs, and LDOs.
- Coordinate planning permissions, phasing, and regeneration timelines.

Public-led developer

- Secure long-term control over land and routing through Local Plan policy or development frameworks.
- Use SPDs to define connection standards and reduce commercial risk.

Facilitator and oversight role

- Work with constituent authorities to ensure consistent planning policy across zones or boroughs.
- Coordinate Local Plan updates with energy and infrastructure strategies.

Recommended actions

Map heat demand clusters against land ownership and development pipelines

Allocate land for heat networks and associated infrastructure in Local Plans / Local Development Plans.

Embed heat network connection expectations and technical standards into SPDs.

Coordinate LAEPs, LHEES, Local Development Plans, Local Plans, and Warm Homes Plans to reflect heat network zones or opportunity areas.

Develop suitable planning policy to support heat network business cases in heat network opportunity areas identified through LAEPs, LHEES, or zoning.

Work across borough boundaries to align regeneration, land allocation, and retrofit strategies.

Support stakeholder engagement through planning consultations, mapping tools, and community briefings.





POLICY WATCH: Spatial role still evolving under zoning

The Warm Homes Plan (England) is expected to formalise spatial coordination between retrofit activity and district-scale heating. This opens opportunities to align communal retrofit areas with emerging heat network zones.

Additionally, zoning regulations will include mandatory connection readiness for certain buildings, likely enforced through planning and building control routes. Local authorities should prepare to adapt their planning frameworks accordingly.

POLICY WATCH: Zoning and permits in Scotland

Under the Heat Networks (Scotland) Act 2021, local authorities (or Scottish Ministers) can designate Heat Network Zones (HNZs) to provide greater visibility and confidence to the heat network market. These zones are intended to:

- Signal the most viable areas for investment;
 - Enable targeted actions to reduce demand risk for developers (e.g. anchor engagement, planning support, procurement alignment); and
 - Support delivery of strategically located large-scale heat networks.
- Once a zone is designated, Scottish Ministers may also choose to issue a Heat Network Zone Permit, granting a developer exclusive rights to operate within the zone, following a competitive process. While designation alone does not guarantee exclusivity, the potential for permit-based exclusivity is a powerful tool that should influence both:
- Decisions to designate; and
 - How zone boundaries are drawn.

LHEES must be considered when designating HNZs. Local authorities should therefore review how strategic zoning and spatial planning interact, particularly where Local Development Plans, land allocations, or cross-authority delivery are involved.

[Read the Scottish Government HNZ Guidance⁶](#)



⁶ Scottish Government (2023) Heat Network Zone (HNZ) guidance

4.2. Anchor engagement and public estate levers

UK-wide relevance: Local authorities hold critical levers through their role as major landowners, building operators, and conveners of anchor heat demand. This section applies across the UK and is central to all delivery models, regardless of zoning designation or regulatory context.

Overview

Securing heat demand from anchor buildings is one of the most effective ways to improve the viability of a heat network. Local authorities can influence anchor uptake both directly (e.g. through their own estate and procurement choices) and indirectly (e.g. through planning, convening, or lease conditions).

Many schemes depend on long-term, phased demand from public buildings such as schools, leisure centres, hospitals, or housing blocks. Coordinating anchor connections across ownership types and decision-makers is essential to successful delivery.

Authorities can prepare for this role by auditing building heat demand, understanding retrofit timelines, revisiting property terms, and engaging early with internal stakeholders and third-party occupiers.

Key levers for anchor engagement

Lever	Function
Public building ownership	Control heat supply decisions, retrofit timing, and funding alignment. Use long-term energy service contracts or concession frameworks to commit anchor demand.
Estates and facilities management	Specify heat network readiness in refurbishment and maintenance plans. Embed heat network opportunities in asset management plans, regeneration programmes, and housing retrofit plans.
Landowner role	Provide energy centre locations, routing access, or land swap options
Tenant or leaseholder agreements	Include heat connection clauses in leases or heads of terms
Anchor convening power	Coordinate across NHS, education, commercial or housing partners

Key considerations by local authority role

Curious and exploring

- Begin auditing heat demand across the public estate, especially sites >100 MWh/year.
- Map upcoming refurbishments or boiler replacement cycles to identify early anchor sites.

Anchor and enabler

- Establish engagement protocols with internal departments (e.g. facilities management (FM), housing, education).
- Develop draft lease or procurement terms that include network-readiness or connection clauses.
- Regulatory context: Where local authorities act only as anchor customers or landowners, they are not directly authorised by Ofgem. However, their contracts and estate agreements must enable the regulated operator/supplier to comply with Ofgem's consumer protection and pricing requirements. Where councils supply heat to tenants through communal systems, they are regulated as suppliers – with full obligations on billing, complaints, and protections for vulnerable consumers. This is particularly relevant for housing teams. Further detail on these scenarios is provided in a separate document, Preparing for heat network regulations: key considerations for local authorities, which sets out the key considerations for different local authority roles and use cases under the 2026 heat network regulations.

Delivery partner

- Phase anchor building connections alongside infrastructure buildout.
- Secure internal approvals for energy centre siting, routing, or contract commitments.

Public-led developer

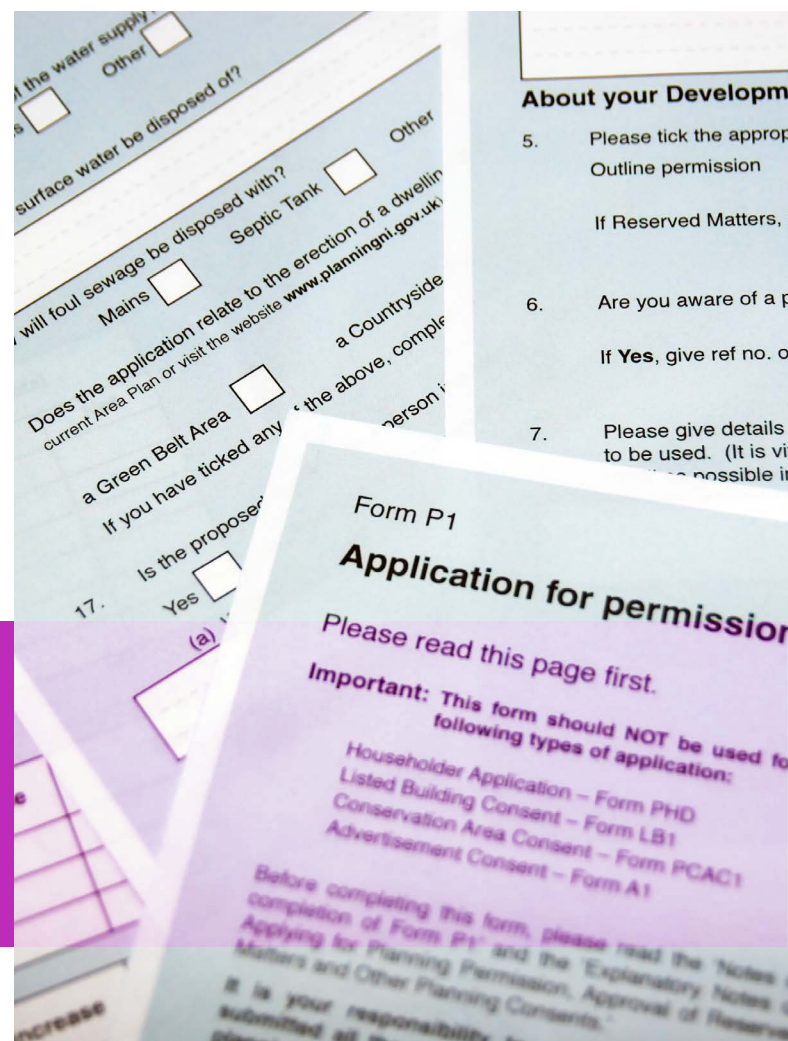
- Bundle anchor sites into phased delivery packages for funding and procurement.
- Negotiate delivery risk and counterparty requirements into anchor contracts (e.g. service levels, exit terms).

Facilitator and oversight role

- Coordinate multi-site or multi-borough anchor planning, especially across NHS or housing providers.
- Support early-stage feasibility by helping local authorities or delivery partners identify priority loads.

Recommended actions

- Conduct a public estate heat load audit to identify anchor opportunities.
- Build internal engagement with FM, housing, and planning teams on future heat connections.
- Develop a heat network readiness checklist for major building projects and retrofits.
- Consider land ownership, routing, and tenancy provisions that may affect network delivery.
- Engage with regional or cross-sector anchor groups to map shared demand and timelines.





POLICY WATCH: Anchor role and connection requirements still being finalised

Zoning regulations in England are expected to include mandatory connection requirements for certain buildings above a defined heat demand threshold (likely 100 MWh/year). Authorities are recommended to begin identifying which public buildings may fall within these thresholds, and whether new leases, contracts, or capital plans can accommodate future connection obligations. Similar policies may emerge in devolved nations via decarbonisation plans or estate strategies.

4.3. Delivery models and governance options

UK-wide relevance: Local authorities across the UK are increasingly engaging in heat network development and will need to consider which delivery models best reflect their local context, capacity, and ambitions. While statutory frameworks differ across nations, the insights presented here are relevant to a wide range of roles and approaches.

Overview

The delivery model chosen by a local authority has significant implications for project control, risk exposure, resourcing needs, and regulatory compliance. In the context of heat network zoning in England, delivery models must also align with legal restrictions. In particular, it is anticipated that a local authority will not be able to act as both the Zone Coordinator and the Zone Developer within the same zone.

Across the UK, local authorities will need to weigh their desired level of influence and investment against the practical realities of procurement, governance, and stakeholder confidence. Whether enabling private delivery, forming joint ventures, or leading a public-interest concession, clarity on governance structure is essential for de-risking delivery and attracting funding.

Delivery model options

The table below summarises a range of heat network delivery models currently used or emerging across the UK. While the Advanced Zoning Programme (AZP) in England has standardised some approaches (notably Development Agreements), other models, such as local authority-owned networks or joint ventures, remain common, particularly outside zoning or in devolved nations.

Model	Description	Public sector role	Investment requirement
Public Sector Owned & Operated	Local authority or a public body fully owns and operates the network. Often delivered through an internal team, arms-length management organisation, or wholly-owned Special Purpose Vehicle (SPV)	Full control, operational responsibility	High
Joint Venture (JV) / Co-Investment	Shared ownership between local authority and private partner (e.g. SPV with equity split). May include shared risk, profit, and decision-making.	Governance role via board and shareholding	Medium–High (up to 20% under Advanced Zoning Programme, AZP)
Development Agreement Only	Local authority procures a developer to design, build, and operate the network via a long-term contract. No equity stake or governance role.	Client during procurement only	None
Golden/Special Share (without investment)	Local authority retains strategic oversight via a special share, enabling influence over key decisions (e.g. carbon, service quality).	Oversight only; no direct control	None
Concession / Design Build Operate / Design Build Operate and Maintenance Contract	Local authority awards long-term right to develop and operate the network	Contract manager role	Low–Medium
Community or Co-operative Model	Network owned and/or operated by community groups, with or without local authority support	Local authority may support as enabler, minority partner, or landowner	Variable

Regulatory contexts note: Ofgem’s August 2025 decision confirmed that all networks must have a nominated operator responsible for regulatory compliance. Councils that own/operate networks will need to comply directly with Ofgem’s authorisation conditions (from Jan 2026), complete registration by Jan 2027, and prepare for consumer protection obligations (billing, vulnerability safeguards, fair pricing). In addition, all delivery models must meet technical standards. The Heat Networks Technical Assurance Scheme (HNTAS) pilots are underway, with TS1 standards expected to apply from Autumn 2026

Key considerations by local authority role

Curious and exploring

- Focus on understanding model fundamentals and potential for future influence.
- Engage early with internal stakeholders (legal, finance, planning) to assess appetite for risk or investment.

Anchor and enabler

- Clarify expectations with developers on roles, timing, and risk sharing.
- Support delivery through land access, planning influence, and anchor commitment.

Delivery partner

- Evaluate the benefits of governance models such as Special Shares or joint ventures.
- Consider what procurement or advisory support is needed to structure delivery.
- Understand whether your organisation is the regulated operator. In JV or SPV models, the SPV itself (as the network owner and supplier) will normally be the regulated operator. The local authority is not directly regulated in this role but, as a shareholder, should ensure risks and compliance responsibilities are clearly allocated through shareholder agreements and contracts.

Public-led developer

- Identify internal funding routes or external co-investors.
- Define governance approach early and assess compatibility with future regulation (e.g. consents or Ofgem oversight).
- Build internal capacity for compliance and technical assurance (as required).

Facilitator and oversight role

- Avoid delivery models that create a conflict with zoning coordination responsibilities.
- Consider mechanisms to influence delivery (e.g. development agreements) without formal investment.
- Track delivery models in the area and assess their readiness for Ofgem's framework.

Recommended actions

Use a governance decision tool or flowchart to clarify internal appetite for risk, influence, and investment.

In England, confirm whether the authority is, or is likely to become, the Zone Coordinator. This will affect model eligibility.

Establish a cross-departmental working group (e.g. finance, legal, climate, estates) to shape the delivery approach.

Where acting as a Delivery Partner or Public-led Developer, seek legal and commercial advice on options such as Special Shares, concessions, or SPVs. Also, review existing and planned delivery model contracts to identify regulatory gaps. Ensure consumer protection obligations (billing, complaints, vulnerability support) are explicitly allocated in governance agreements.

Where not leading delivery, formalise roles and expectations with third parties via Memorandums of Understanding (MoU) or conditional agreements.



**POLICY WATCH: Statutory consents will replace development agreements**

DESNZ has confirmed its intention to move from contract-based delivery (AZP) to a statutory consenting regime in England from 2026. This means:

- No new special share delivery contracts are expected under the future regime, as regulation should remove the need for the special share powers;
- Local authorities will need to adapt governance structures to fit within a consent-based framework; and
- Existing AZP projects, in most cases, are anticipated to cancel special shares once consents are issued.

Zone Coordinators will gain formal regulatory powers to enforce conditions attached to consents (e.g. pace, community benefit, customer standards). DESNZ intends to publish standardised terms and enforcement mechanisms via the central Zoning Authority. Authorities involved in delivery should monitor how this changes their ability to negotiate protections or control measures.

4.4. Funding pathways and early-stage risk management

UK-wide relevance: Heat network development relies on long-term capital investment, and many schemes are not yet commercially viable without grant or concessional funding. This section summarises available public funding routes and outlines key financial and delivery risks for local authorities. While individual funding programmes vary by nation, the principles of risk preparation and financial strategy apply across the UK.

Overview

Local authorities involved in heat network development, whether as sponsors, facilitators, or enablers, must understand how project financing aligns with public estate planning, commercial risk, and the delivery stage. Grant funding plays a critical role in the early phases, but long-term viability also depends on anchor demand, tariff structure, inflation risk, and the authority's own appetite for investment.

Early-stage feasibility work is essential to identify financial risk points. Authorities should explore available capital and pre-capital funding offers, prepare match funding, where required, and build internal governance around investment decisions. The choice of delivery model also affects risk exposure and access to finance.

Major public funding routes (As of mid- 2025)

Scheme	Scope	Region
Heat Networks Delivery Unit (HNDU)	Grant funding for early-stage heat network development	England and Wales
Green Heat Network Fund (GHNF)	Grants for commercialisation and/or capital expenditure for new or expanded low-carbon networks	England
Heat Network Support Unit (HNSU)	Pre-capital grants for feasibility and Outline Business Cases (up to 100%)	Scotland
Scotland's Heat Network Fund (SHNF)	Capital grants for public and private-led zero-emission networks	Scotland
Zero Carbon Accelerator (ZCA) / Green Finance Fund	Revenue support for project development and technical assurance; aligns with Green Finance Fund	London
National Wealth Fund (NWF) (UK Infrastructure Bank)	Patient equity and concessional debt for early-stage and anchor-led networks	UK-wide
Public Works Loan Board (PWLB)	Low-interest loans to local authorities for capital infrastructure projects	UK-wide

Emerging trends in 2025-26

- GHNF Round 10 expected to open after the Summer Spending Review, with possible closer alignment to zoning priorities.
- Public Sector Decarbonisation Scheme (PSDS) funding, which was previously used to support building connection costs, is closing, affecting GHNF reliance on publicly funded retrofit schemes. The closure of the Public Sector Decarbonisation Scheme (PSDS) affects many GHNF-funded projects that relied on PSDS grants to cover the internal retrofit and connection costs for public sector anchor buildings. Without this parallel funding, heat network developers and local authorities may face new financial gaps when trying to secure public estate loads — particularly where internal conversion (e.g. Heat Interface Units (HIUs), risers, controls) is required to enable connection.
- NWF expanding its offer, including:
 - Early-stage debt to reduce connection risk;
 - Patient equity to reduce the cost of capital; and

- Local authority-specific advisory services for structuring commercial models.
- Scotland's HNSU offers up to 100% funding for feasibility and 50% for Outline Business Cases; SHNF funding is available until March 2026.

Key considerations by local authority role

Curious and exploring

- Identify potential funding sources for feasibility and stakeholder engagement.
- Track pre-capital support offers (e.g. GHNF, HNSU, ZCA) and eligibility criteria.

Anchor and enabler

- Clarify what match funding or in-kind contributions (e.g. land access) could be offered to support scheme viability.
- Engage early with developers and funders to align timelines and anchor readiness.
- Package public estate demand to strengthen funding applications.

Delivery partner

- Use feasibility work to define revenue assumptions, cost sensitivities, and tariff implications.
- Coordinate grant applications with procurement, legal, and governance leads.
- Engage with finance teams to understand appetite / ability to take on extra debt and any internal hurdle rates / requirements to be met.

Public-led developer

- Develop financial models and risk registers covering inflation, debt service, and load uptake.
- Engage early with NWF or SHNF to structure the capital stack and secure investment readiness.

Facilitator and oversight role

- Map potential funding needs across multiple sites or boroughs.
- Engage across finance and economic development teams to create regional investment pipelines.
- Track funding pipelines across boroughs and share lessons learned.

Recommended actions

- Build or update a project risk register covering commercial, technical, and delivery risks.
- Identify early-stage funding needs and prepare grant-readiness documents.
- Align feasibility timelines with known funding rounds (e.g. GHNF, ZCA, SHNF).
- Create internal pathways for investment approvals and risk sign-off.
- Engage with regional investment boards, government departments, and concession partners on potential delivery pipelines.



4.5. Preparing for consumer protection and service standards

UK-wide relevance: Consumer protections for heat network users are being strengthened through new regulations and redress mechanisms. This section outlines the emerging national framework and outlines actions that local authorities can take to ensure future networks meet the expected standards. While formal regulation is being introduced first in England, Scotland, and Wales, many of the principles apply across all UK regions.

Overview

An alternative sentence in here: From January 2026, Ofgem will enforce consumer protection requirements on heat networks, ensuring protections comparable to those in gas and electricity. These include obligations around conduct, billing transparency, complaints handling, and protections for vulnerable consumers.

Local authorities, whether acting as customers, partners, or delivery bodies, should understand their obligations and opportunities to embed consumer protection in network governance. Doing so builds public trust, reduces reputational risk, and supports long-term network viability.

Core consumer risks

Risk area	Example issues	Mitigation strategies
Tariff clarity	Non-transparent pricing or unclear indexation.	Require pricing methodologies in concession contracts.
Service quality	Low temperatures, outages, and slow response.	Embed performance Key Performance Indicators and penalties in supplier agreements.
Customer engagement	Poor onboarding, limited billing options, and no switching route.	Use HNTAS and CIBSE Code of Practice 1 (CP1) to mandate minimum consumer interface expectations.
Complaint / Dispute resolution	Lack of formal redress or complaints process.	Align with Ofgem's / Energy Ombudsman's proposed redress and reporting standards.
Metering & billing	Delays, inaccuracies, or poor responsiveness.	Require metering/billing systems compliant with HNTAS and Heat Trust.
Disconnection, back-billing, or unfair contract terms	Inappropriate disconnection of vulnerable customers; sudden large retrospective bills; unclear exit conditions or contract terms	Establish Priority Services Registers; apply Ofgem's back-billing rules; require fair, transparent contract terms



POLICY WATCH:

Ofgem is expected to set new rules on disconnection safeguards, back-billing limits, and fair contract terms under the 2026 regime. Final details (including thresholds, exemptions, and enforcement mechanisms) will be confirmed in Ofgem’s forthcoming consumer protection guidance. Local authorities and operators should monitor updates closely and avoid locking in long-term contractual arrangements that could conflict with these requirements.

Consumer standards: What’s changing and why it matters

Mechanism	Purpose	Mitigation strategies
CIBSE CP1 (2020)	Existing technical code of practice, which provides the foundation for HNTAS.	Require pricing methodologies in concession contracts.
Heat Trust	Existing voluntary consumer protection scheme, which provides the foundations for mandatory requirements to be enforced through emerging regulations.	Embed performance Key Performance Indicators and penalties in supplier agreements.
Ofgem licensing	Operators will need to comply with licensing conditions covering pricing, performance, and reporting.	Use HNTAS and CIBSE Code of Practice 1 (CP1) to mandate minimum consumer interface expectations.
Energy Ombudsman	Independent redress body for unresolved consumer complaints (from 1st of April 2025).	Align with Ofgem’s / Energy Ombudsman’s proposed redress and reporting standards.
HNTAS (Heat Network Technical Assurance Scheme)	Sets out the technical requirements and scheme of assessment and certification which will be mandated through regulations it builds on the voluntary scheme set out by CIBSE CP1 (2020).	Require metering/billing systems compliant with HNTAS and Heat Trust.
Planning and procurement clauses	Authorities can set consumer protection requirements in concessions, leases, and planning approvals.	Establish Priority Services Registers; apply Ofgem’s back-billing rules; require fair, transparent contract terms

Note: Ofgem’s Sept 2025 draft guidance Heat networks regulation: consumer protection guidance sets out detailed expectations for suppliers and operators on:

- Complaints handling procedures,
- Billing and transparency rules (including back-billing limits),
- Protections for consumers in vulnerable situations (Priority Services Register, prepayment rules, self-disconnection protocols),

- Security of supply obligations.

Expected timings/phasing:

- Standards of conduct and billing rules apply from Jan 2026.
- Guaranteed Standards of Performance (GSOPs) are expected to be phased in from 2027.
- Pricing investigations are also currently expected to begin from 2027.

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Key considerations by local authority role

Curious and exploring

- Understand how consumer protection is to be regulated in heat networks, read the latest proposals [Heat networks regulation: authorisation and regulatory oversight](#), [Heat networks regulation: technical standards](#)
- Consider including service standards in early feasibility or anchor engagement discussions.
- Familiarise teams with Ofgem's draft consumer protection guidance.

Anchor and enabler

- Ensure lease or planning terms reference minimum service levels, billing standards, and redress mechanisms.
- Ensure concession and estate contracts oblige private operators to meet consumer standards.
- Where acting as a customer, request documentation on how service will be regulated.

Delivery partner

- Build Heat Trust-equivalent protections⁷ into early-stage procurement and design documentation.
- Clarify how consumer protection responsibilities are allocated in JV/SPV agreements.
- Plan for ongoing monitoring and reporting obligations post-commissioning.

Public-led developer

- Ensure CIBSE CP1 standards⁸ (HNTAS standards when available) and Heat Trust principles⁷ are embedded in project governance.
- Prepare to demonstrate compliance with Ofgem

regulation and reporting obligations (read the latest proposals: [Heat networks consultations | Ofgem](#))

Facilitator and oversight role

- Coordinate with Ofgem and national bodies to understand how consumer regulation will be enforced.
- Support housing and energy teams across boroughs to benchmark readiness against Ofgem guidance.
- Use planning powers or zone consents (England) to embed consumer protections into third-party developments.

Recommended actions

- Familiarise internal teams with Ofgem's emerging regulatory framework.
- Audit existing or proposed schemes against CIBSE CP18, proposed HNTAS and Heat Trust⁷ principles.
- Develop template clauses for planning, procurement, or lease terms that include consumer protection standards.
- Support engagement with consumers, tenants, and community stakeholders on expectations and complaints routes.
- Train staff in housing, energy, and customer service teams on Ofgem's expectations.
- Plan for long-term governance of service quality, particularly where delivery is outsourced.
- Monitor Ofgem's forthcoming consultations on GSOPs (expected 2026) and fair pricing enforcement.

⁷ Heat Trust (no date) [Scheme rules](#)

⁸ CIBSE (2020) [CP1 Heat networks: Code of Practice for the UK \(2020\)](#)



POLICY WATCH: Statutory licensing and redress pathways

Ofgem is expected to confirm its full licensing regime in 2025–26, including the transition process for existing networks. Licensing will likely become a statutory precondition for operating new heat networks in England, Scotland, and Wales. The Energy Ombudsman now accepts complaints from most heat network customers, creating a clear route for redress. Authorities should ensure these developments are reflected in their local governance frameworks.

DESNZ will also define minimum standards through the HNTAS. Zoning consent conditions in England will likely embed these standards into delivery contracts.

Local authorities should:

- [Register their networks with the Energy Ombudsman](#) if acting as owner or operator;
- Join Heat Trust for additional assurance and public accountability; and
- Ensure all new schemes are designed to meet or exceed statutory expectations—even if not formally in a zone.

POLICY WATCH: Heat network regulatory framework to also be introduced in Northern Ireland

The Department for the Economy in Northern Ireland is proposing to establish a regulatory framework for heat networks which protects consumers, promotes technical standards, and drives forward the growth and decarbonisation of the heat networks market. This follows a consultation held on ‘Heat Networks – building a market framework’ in 2022⁹.

4.6. Becoming (or supporting) a Zone Coordinator

England-specific relevance: This section applies specifically to local authorities in England, where statutory heat network zoning is being introduced. Authorities outside England may still find this section helpful in understanding emerging models of public oversight and coordination across multiple schemes or boroughs.

Overview

From 2026, heat network zones in England will be designated by the central government. Each zone will require a designated Zone Coordinator responsible for overseeing statutory consents, monitoring development activity, and ensuring compliance with delivery expectations. Local and combined authorities are expected to take on this role in many areas.

Becoming a Zone Coordinator involves new responsibilities, including zone refinement, stakeholder engagement, and performance monitoring. Authorities considering this role should assess their capacity, legal powers, governance structures, and ability to coordinate across planning, infrastructure, and energy teams. In two-tier areas, county councils may be best placed to take on the role, supported by district-level collaboration.

⁹ Department for the Economy (2022) [Heat Networks - building a market framework](#)

Expected responsibilities of the Zone Coordinator (Subject to change)

Responsibility	Description
Refine zone boundaries	Use local knowledge and planning evidence to adjust the national model.
Assess incumbent claims	Determine whether any party qualifies as an incumbent under the DESNZ criteria.
Consent enforcement	Monitor compliance with conditions (e.g. delivery pace, anchor uptake, consumer protections).
Engage stakeholders	Facilitate coordination across anchors, landowners, developers, and utilities. Engage with developers, anchor users, and third parties to ensure delivery pipeline
Report to Zoning Authority	Provide evidence on zone progress, risks, and enforcement activity.
Work across departments	Align zoning with planning, net zero, legal, procurement, and infrastructure teams.
Escalation and intervention	Respond to delays or non-compliance; notify Ofgem or DESNZ where appropriate.

Organisational readiness checklist

Area	Key questions
Governance	Where will the function sit? Who will be accountable?
Tip: Clarify leadership early and set up a cross-departmental steering group to avoid gaps or duplication.	Determine whether any party qualifies as an incumbent under the DESNZ criteria.
Capacity	Do you have in-house zoning, energy, or enforcement skills?
Tip: Build capacity to assess heat mapping, demand forecasting, and integration with existing networks. Use existing tools (e.g. LAEPs, LHEES) and consider commissioning early feasibility studies to build an evidence base.	Facilitate coordination across anchors, landowners, developers, and utilities.
Legal powers	Are you prepared to issue and enforce consents under the new regime?
Tip: Prepare to manage consents, contracts, and appeals. Engage your legal team now – especially those with planning or housing expertise – to scope likely requirements.	Authorities can set consumer protection requirements in concessions, leases, and planning approvals.
Funding	Do you have access to revenue support (e.g. via Low Carbon Skills Fund (LCSF) or regional budgets)? Do you have the staff capacity and financial resources to take on statutory Zone Coordinator duties?
Stakeholder coordination	How will you engage with developers, landowners, and anchors? Tip: Set up regular stakeholder forums and map key partners now, so you can build consensus quickly when zoning rules take effect.
Cross-boundary issues	Are you coordinating with neighbours, county / combined authorities? Tip: Establish regional forums or working groups now, since many viable networks will cross local authority boundaries

Key considerations by local authority role

Curious and exploring

- Build awareness of zoning concepts and potential responsibilities.
- Stay informed about upcoming zoning designations in your region.
- Begin assessing whether your authority would consider applying for the Zone Coordinator role in future.

Anchor and enabler

- Understand how estate and anchor demand may be mandated within zones.
- Engage with your local or regional authority to understand who may take on coordination responsibilities.
- Identify where anchor status or third-party delivery may need coordination support.

Delivery partner

- Ensure your network development aligns with expected zone boundaries, especially if you are not the incumbent.
- Engage early with the Zone Coordinator (if designated) to understand coordination and consent processes.
- Ensure JV/SPV partners are ready for zone designation processes.

Public-led developer

- Avoid conflicts of interest if also acting as Zone Coordinator – separation of functions may be required.
- Work with the Zone Coordinator to demonstrate readiness, gain consent, and align with the anchor strategy.
- Position early opportunities/networks to become designated incumbents.

Facilitator and oversight role

- Coordinate across multiple local authority to agree who is best placed to act as Zone Coordinator.
- Consider developing joint governance structures or back-office support to reduce the burden on individual councils.

Recommended actions

- Map potential zone areas using LAEPs, LHEES, and regeneration plans.
- Begin conversations across planning, energy, and housing teams about who will lead zoning responsibilities.
- Identify skills and capacity gaps and seek early support from national programmes.
- Review DESNZ guidance on statutory zone coordination responsibilities and consent procedures.
- Map which teams, departments, and officers would need to be involved in discharging this role.
- Consider governance options (e.g. Memorandums of Understanding, shared services) for multi-borough coordination.
- Begin informal engagement with developers, public sector stakeholders, and anchor users across potential zones.

Set up internal tracking systems to monitor incumbent proposals, consents, and performance metrics

**POLICY WATCH: Statutory zone coordinator role to be defined in 2025**

DESNZ's forthcoming consultation response (expected Autumn 2025) is anticipated to set out the formal legal definition and duties of the Zone Coordinator—a statutory role under the Heat Network Zoning Regulations for England.

Key expectations include:

- Zone Coordinators will oversee the delivery of zones but will not act as developers within those zones.
- Statutory powers will include issuing consents, monitoring delivery conditions (e.g. anchor participation, pace), and triggering enforcement action if needed.
- Zone Coordinator functions may be assigned to Combined Authorities, County Councils, or other entities where appropriate, particularly in cross-boundary or low-capacity areas.
- DESNZ is likely to define processes for consent enforcement, appeals, data reporting, and the relationship between Zone Coordinators and the central Zoning Authority.
- DESNZ will clarify responsibilities for issuing consents, managing zone refinements, enforcing compliance, and coordinating with Ofgem. Further detail is also expected on conflict-of-interest rules, funding arrangements, and data-sharing protocols. Authorities considering this role should begin preparing their internal case for capacity and leadership.

Local authorities should:

- Begin internal scoping now—identify who would lead a Zone Coordination function and what resources would be required.
- If also considering joint ownership or network development, prepare to separate governance functions or delegate coordination to a partner.
- Monitor the consultation response and future regulations closely, as these will determine whether existing AZP arrangements will need to evolve into statutory Zone Coordinator roles.



4.7. Understanding incumbency rules and Zone refinement

England-specific relevance: Heat network zoning policy, including the concept of incumbents, applies only in England. However, local authorities across the UK may still find this section helpful where network masterplanning overlaps with major redevelopment, public land use, or proposals from third-party developers. In Scotland existing heat network zoning policy requires local authorities to identify (and potentially) designate heat network zones, where specific planning policy supports heat network developments, and can also lead to developers being awarded exclusive development rights within zones. In Wales, the 2024 Heat Strategy⁵ commits to reviewing opportunities for zonal planning based on Local Area Energy Plans, and will assess whether the zoning powers in the Energy Act 2023¹⁰ are appropriate.

Overview

Zoning regulations in England will introduce a statutory process for identifying and allocating exclusive development rights for heat networks within designated zones. One key concept in this framework is the 'incumbent network' — a developer or organisation that has made substantial progress towards delivery prior to the formal designation of a zone. These incumbents may be granted rights to deliver their proposed network without needing to compete under a new concession process.

The current definition of an incumbent (as proposed by DESNZ) includes networks that are either already operational, under construction, or substantially commercialised before zoning designation (e.g. GHNF funding secured, planning submitted, or anchor loads committed).

If confirmed, an incumbent's network area may be carved out as a separate zone. However, this could affect the viability of surrounding areas, particularly where anchor loads or heat sources are no longer available for additional development. Authorities should plan for these implications, especially where they are leading zone coordination or responding to external proposals.

¹⁰ UK Government (2023) [Energy Act 2023](#)

Key considerations for local authorities

Facilitator and oversight role

- Assess incumbent claims using DESNZ criteria, for example, whether the scheme is:
- Already operational or under construction
- Substantially commercialised before zone designation (e.g. GHNF funding secured, anchor load agreements signed, planning submitted).

(Note: These draft criteria are subject to confirmation in DESNZ's forthcoming consultation response)

- Define viable zone boundaries after confirming incumbent carve-outs.
- Plan how consents will be applied alongside any pre-existing commercial arrangements.

Anchor and enabler

- Where approached by developers, understand whether incumbent status may be claimed.
- Consider how private proposals might affect zone-wide opportunities.
- Engage with Zone Coordinators (if designated) to clarify roles.

Curious and exploring / Legacy projects

- Track and document any feasibility, anchor engagement or funding milestones.
- This can help demonstrate substantive progress if zones are designated later.

Recommended actions

Review DESNZ's criteria for what counts as "substantive commercialisation" (Note: While DESNZ has not yet formally defined "substantive commercialisation," the term is currently understood to include factors such as secured GHNF funding, signed anchor load agreements, submitted planning applications, or board-level investment approval. Final criteria is expected to be confirmed in DESNZ's zoning consultation response, expected in Autumn 2025.).

Establish internal documentation standards to track commercial progress for potential incumbent status. This may include:

- Signed or advanced-stage anchor load negotiations (e.g. Memorandums of Understanding, Heads of Terms);
- Submission of or consent for planning applications;
- Secured or committed capital funding (e.g. GHNF awards, board approvals);
- Land agreements, lease terms, or heads of terms for key sites (e.g. energy centres, pipe corridors);
- Evidence of heat source negotiations or agreements (e.g. Energy from Waste, data centres, industrial sites); and
- Internal investment cases, procurement milestones, or tender outcomes.

For potential Zone Coordinators:

- Build a Zone Refinement Strategy that considers:
- Viability of remaining network opportunities post-incumbency;
- Local development priorities and regeneration alignment; and
- Transparency and appeal mechanisms for stakeholders.
- Begin internal discussions with planning, legal, and economy teams about how incumbent carve-outs might affect spatial strategy and Local Plans.



POLICY WATCH: Zoning regulations under development

DESNZ's Autumn 2025 consultation response is expected to formalise:

- What qualifies as an "incumbent" project;
- How statutory consents will be awarded and enforced; and
- How zone boundaries may be refined post-designation.

The statutory consent model is expected to supersede contract-based governance under AZP. Incumbents may operate under both a pre-existing agreement and a consent that "sits on top". Zone Coordinators will have enforcement powers under these new regulations, including penalties for non-compliance and potential revocation of rights in serious breaches.

Local authorities should monitor for the final DESNZ response and prepare to adjust plans and governance models accordingly.





5. Looking ahead: preparing for regulatory change

5. Looking ahead: preparing for regulatory change

The following 12–18 months will be critical for local authorities preparing for statutory heat network zoning in England and broader delivery responsibilities across the UK. While not all councils will act as Zone Coordinators or developers, all will need to consider their role in supporting, enabling, or regulating the delivery of heat networks.

The thematic guidance in this document is designed to support early action, whether through internal governance, stakeholder coordination, estate readiness, or planning strategy.

As the heat network policy and regulatory framework continues to evolve, particularly in England, local authorities will need to remain agile, proactive, and well-informed. The roles, delivery models, and risks described in this document are not fixed; they reflect our current best understanding, based on pilot activities, stakeholder engagement, and early policy design.

In the months ahead, we expect several key developments, including:

- DESNZ's consultation response on heat network zoning (expected Autumn 2025);
- Further clarification on the Zone Coordinator role and statutory consent process;
- Publication of detailed requirements under the Heat Network Technical Assurance Scheme (HNTAS); and
- Continued rollout of funding, coordination, and enforcement responsibilities.

Local authorities are encouraged to:

- Revisit the thematic areas presented in this document as new policy details emerge;
- Use the Policy Watch boxes as a checklist of areas to track or revisit; and
- Share learning with neighbouring authorities and regional bodies, especially where zoning or delivery activities may overlap.

The UK's heat network framework is entering a new phase, one that combines statutory powers, regulated service standards, and clearer delivery pathways. This creates new responsibilities but also significant opportunities. With the right preparation, local authorities can shape, enable, and lead the transition to low-carbon heat in ways that align with their broader climate, housing, and regeneration ambitions.



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