Preparing for heat network regulations: key considerations for local authorities

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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 'Navigating 2026 regulations: Key considerations for local authorities' 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.

Who is it for

This document is intended for local authority officers across Great Britain who are involved in, or preparing for, regulating heat networks.

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1. Introduction

In 2026, heat networks in Great Britain will become a regulated utility under a new framework established by the Energy Act 2023[1] and the Heat Networks (Scotland) Act 2021[2]. The sector will be regulated by Ofgem, which will oversee the introduction of phased requirements to ensure that heat network consumers receive protections comparable to those available to gas and electricity customers. These regulations will cover areas such as customer service standards, reliability of supply, transparent billing, fair pricing, and consumer redress mechanisms, including access to the Energy Ombudsman.

These reforms follow findings from the Competition and Markets Authority that highlighted inconsistent service levels and pricing in the currently unregulated market[3]. They also form a central part of the UK Government's strategy to decarbonise heat and accelerate the scale-up of low-carbon heat networks to help meet Net Zero commitments.

On the 3rd of June 2025, the Carbon Trust and Regen convened a workshop with local authorities participating in the Net Zero Living (NZL) programme. The workshop explored how different local authorities are currently involved in heat networks as owners, operators, enablers, anchor customers, or strategic coordinators, and what their potential responsibilities might be under the forthcoming regulatory regime. The discussion highlighted a diverse set of real-world scenarios that now form the basis for the use cases explored in this document. Each use case outlines typical roles, risks, and regulatory touchpoints that may affect local authorities depending on how they are involved in the sector.

PHASED OBLIGATIONS

The regulator, Ofgem, will introduce obligations in phases. From April 2025, all existing and new heat networks have been automatically brought into the new regulatory regime under "deemed authorisation". In January 2026, authorisation conditions take effect, requiring suppliers and operators to meet standards on consumer conduct, billing, transparency, and security of supply. By January 2027: All authorised persons must complete registration with Ofgem's new digital service!

Important note: This is not formal guidance. The regulatory framework, including the full details of Ofgem's obligations and the implementation of the Heat Network Technical Assurance Scheme (HNTAS), is still under development. This document presents a summary of current thinking, known proposals, and key considerations to help local authorities prepare for the transition to regulation in 2026. It should be used to support early planning and internal coordination, with the understanding that further updates will be required once legislation and statutory instruments are finalised.

[1] UK Government (2023) Energy Act 2023
[2] Scottish Government (2021) Heat Networks (Scotland) Act 2021
[3] Competition and Markets Authority (2018) Heat Networks market study: summary of final report

2. Purpose of this document

This document provides a summary of how emerging heat network regulations, particularly those led by Ofgem under the Energy Act 2023, may affect the various ways in which local authorities are currently involved in heat networks. It is intended to support early planning, risk identification, and cross-departmental coordination ahead of the introduction of formal regulatory requirements in 2026.

It draws on live policy proposals, workshop discussions, and the experiences of local authorities gathered through the Net Zero Living (NZL) programme, and the latest consultation outputs from DESNZ and Ofgem.

It should be read alongside:

- Ofgem's draft consumer protection guidance (Sept 2025), which provides practical expectations on billing, complaints, vulnerability safeguards, and supply security; and
- The companion Insights paper, Local Authority Roles in Heat Networks – Early Insights and Recommendations, which focuses on delivery models, governance, zoning and enabling actions.

Important: This is not formal guidance. Policy and regulations are still being finalised, and roles, obligations, and governance structures may evolve as DESNZ and Ofgem publish further statutory instruments and guidance through 2025–26.

2.1 How to use this document

The document is organised around seven use cases, each reflecting a common way in which local authorities are engaging with heat networks.

Each use case includes:

- A short description of the local authority role in the heat network;
- A summary of anticipated regulatory responsibilities for the local authority under the 2026 regime;
- Key challenges and risks associated with that role; and
- Recommended preparatory actions to support compliance and good practice.

Readers can use this document to:

- Identify which use case(s) align with your local circumstances;
- Share internally with colleagues in housing, estates, legal, procurement, energy or planning teams;
- Prompt early actions (e.g. contract audits, service reviews, governance updates); and
- Inform conversations with partners, Combined Authorities, or support programmes.

For broader considerations on planning tools, governance models, and delivery pathways, please refer to the separate Insight document: Local authority roles in heat networks: Early insights and recommendations.

2.2 Am I going to be regulated by Ofgem?

Under the new framework established by the Energy Act 2023, Ofgem will become the statutory regulator for heat networks across Great Britain. The regulatory regime is currently proposed to begin in January 2026, with phased enforcement applying to both technical and consumer protection standards.

But not all local authorities will be regulated in the same way. Whether you are regulated — and in what capacity — depends on your role in the ownership, operation, or supply of heat through a network.

You are likely to be regulated if your local authority fulfils any of the following criteria:

- You own or operate a heat network (e.g. as a housing team or energy services team);
- You supply heat to end users, even if heat charges are bundled with rent or service charges;
- You manage communal heating systems in residential buildings (e.g. tower blocks, sheltered housing)

In these cases, your organisation — or the Special Purpose Vehicle (SPV) you are part of — will be subject to Ofgem registration, technical assurance (by HNTAS), and consumer protection duties. These include requirements for billing transparency, vulnerability safeguards, metering, and complaints handling.

Your local authority is not likely to be directly regulated if it does not fulfil any of the following criteria:

- You do not own, operate, or supply a heat network;
- Your role is focused on enabling or influencing third-party schemes (e.g. planning, anchoring, convening);
- You act only as a customer or landowner, with no operational responsibility; or
- You support coordination or strategic oversight without owning any assets (e.g. Combined Authorities).

However, even if you are not directly regulated, you may still:

- Need to ensure contracts, leases, or planning consents support compliance by others;
- Be perceived as accountable if the heat network underperforms; or

Important: All networks will need to be authorised and registered with Ofgem, including self-supply and industrial networks. However, the scope of obligations differs depending on the type of network:

- Self-supply networks (e.g. a hospital, university, or business campus that generates and consumes all its own heat):
  - Must comply with authorisation, HNTAS, and decarbonisation requirements.
  - Are not subject to consumer protection measures (since no third-party final customers are supplied).
- Industrial networks (where heat is "wholly or mainly supplied for an industrial process"):
  - Must also be authorised and meet technical and decarbonisation standards.
  - Are not subject to consumer protection rules but remain under Ofgem's oversight.
- Residential, mixed-use, and non-domestic consumer networks:
  - Must comply with the full set of obligations – including consumer protections, fair pricing, vulnerability safeguards, billing transparency, and redress schemes.

Key takeaway for local authorities: "Exempt" does not mean outside regulation. Self-supply and industrial networks still fall under Ofgem's authorisation and technical oversight, even if consumer-facing rules do not apply.

Don't assume you're out of scope: New definitions capture more buildings

Many local authorities may not be aware that the definitions of "communal heat networks" have changed under the forthcoming regulatory framework.

Under the 2014 Heat Network (Metering and Billing) Regulations (HNMBR)[4]:

- Regulations apply to "district heat networks" and "communal heat networks" with the following criteria provided to identify these:
  - District heat networks: "The minimum criteria for an installation to be considered a district heat network are two buildings being supplied with heat and at least one final customer. A heat supplier cannot be their own final customer."[4]
  - Communal heat networks: "All communal heating serves only one building. The minimum criteria for an installation to be considered communal heating is two final customers within that building."[4]
- As such, buildings where the local authority heated only its own estate or had just one sublet within a centrally heated building were often not regulated.

Under the Energy Act 2023[1]:

- The legislation defines the "relevant heat networks" to be regulated as:
  - "district heat network" defined "as a heat network by means of which heating, cooling or hot water is supplied to two or more buildings or persons in those buildings"; and
  - "communal heat networks" defined as "a heat network by means of which heating, cooling or hot water is supplied only to a single building divided into separate premises or persons in those premises".

The Heat Networks (Market Framework) (Great Britain) Regulations 2025[5]:

- Makes a similar reference to the Energy Act 2023 definitions; "These Regulations make provision for regulating district heat networks (networks to which two or more buildings are connected) and communal heat networks (networks that operate in a single building, typically one divided into flats)."

Key shift: The definition for communal heat networks under the Energy Act 2023 and Heat Networks Market Framework does not reflect the HNMBR reference to two customers, instead referring to **supply of heat to separate premises or persons** within the premises. This implies that the sale of heat is no longer the defining factor. If heat is supplied to more than one occupier, the system is likely to be regulated, even if no billing takes place.

Examples of buildings considered likely to fall within scope of the new regulations:

- A council office building with one or more leased floors to a third-party organisation;
- A school with an attached community centre or nursery;
- A library with a sublet café or charity office; or
- Any multi-use civic building or housing block with separately occupied areas, regardless of who pays for heat.

KEY TAKEAWAY: If your organisation supplies heat to customers, manages communal systems, or is named as the network operator or supplier, you are likely to be regulated by Ofgem. If you are unsure, consider seeking legal or regulatory advice ahead of 2026.

[4] Office for Product Safety and Standards (2020) Heat Network (Metering and Billing) Regulations 2014: Guidance
[5] UK Government (2025) The Heat Networks (Market Framework) (Great Britain) Regulations 2025

3. Local authority use cases

3. Local authority use cases

The transition to a regulated heat network sector will impact local authorities in various ways, depending on their current involvement in project delivery, estate management, or strategic enabling. Through the Net Zero Living programme workshop and supporting analysis, seven distinct use cases have been identified, representing the diversity of local government roles.

These use cases reflect a spectrum of involvement — from full ownership and operation to facilitation, anchor customer roles, and regional coordination. They are intended to help local authorities locate their current or planned activities within a structured framework and to begin exploring the potential implications of regulation.

Table 1 summarises each use case. The remainder of this document explores them in more detail, including the associated regulatory touchpoints and practical steps local authorities can take to prepare.

Table 1: Heat network local/regional government use cases identified with Net Zero Living participants

	Use case	Description
1	Local authority-owned, local authority-operated networks	The local authority owns the heat network infrastructure and is directly responsible for its operation, including customer service, billing, maintenance, and compliance. These networks are typically managed in-house, giving the local authority full control — but also full accountability — under the new regulatory regime.
2	Local authority minority shareholder/ joint venture partner in an SPV	The local authority has a minority stake in an SPV that owns and/or operates the heat network. While day-to-day operations are managed by a commercial partner, the local authority retains a governance role and shares in risks and benefits. Regulation will still require clarity on delegated responsibilities and oversight mechanisms.
3	Local authority no direct ownership, enabling 3rd party heat network	The local authority does not own or operate the heat network but plays an enabling role — for example, by granting land access, convening anchor loads, or enacting supportive local planning policy. While not a regulated party, the local authority may be involved in shaping procurement or governance arrangements and has a strong interest in ensuring consumer protection and quality of service. Whilst the local authority does not have day-to-day operational or financial control, they may retain a formal role (e.g. through a 'Golden or Special Share' in the project's delivery vehicle, allowing it to exercise control in relation to a limited number of reserved matters (e.g. carbon intensity or observer rights[6]). Strategic oversight may be limited to non-binding influence unless backed by legal rights over regulatory or contractual matters.
4	Local authority housing department managing communally heated buildings	The local authority owns or manages housing stock with communal heating systems (e.g. tower blocks or sheltered housing schemes). These networks are typically unmetered and bundled with rents or service charges. Regulatory compliance may require significant changes to billing, metering, vulnerability protections, and customer contracts.
5	Private-led HN, local authority as anchor customer or landowner	A private developer or Energy Service Company (ESCo) owns and operates the network, but the local authority is a key anchor load (e.g. public buildings, schools) or provides land for energy centres or pipe routes. The local authority is not directly regulated, but its procurement and commercial decisions (e.g. contracting terms, price structures) may affect regulatory compliance and long-term network success.
6	Community ownership with council involvement	The local authority or a Community Energy organisation is exploring cooperative or community ownership models, potentially in partnership with residents, social enterprises or other local stakeholders. These arrangements raise unique questions about governance, financial risk, consumer protection and technical competence under regulation.
7	Combined authority heat decarbonisation team supporting local authorities	A combined authority or county-level team provides strategic oversight and support to multiple district or unitary authorities. This may include regional data sharing, procurement frameworks, compliance training, or zone coordination. While not usually a regulated entity, the team plays a key coordination and capacity-building role in the regulated environment.

[6] Observer rights typically refer to the formal right of the Local Authority to attend board meetings or key decision-making forums without voting power. So they can monitor the project's activities and performance, ask questions and raise concerns, help ensure alignment with strategic or public interest outcomes, etc. However, because they do not hold voting rights, they cannot block or approve decisions directly.

3.1 Key considerations for each use case

3.1.1 Use Case 1: Local authority-owned, local authority-operated heat networks

Description

In this model, the local authority both owns and operates the heat network infrastructure. This includes day-to-day responsibilities such as customer billing, asset maintenance, complaint handling, and operational oversight. These networks are typically managed in-house, often by the local authority's housing or energy teams, and sometimes supported by general maintenance contractors.

This is the most direct and accountable form of local authority involvement, with clear responsibilities under the forthcoming regulatory framework.

Regulatory roles & responsibilities

Under the 2026 regulatory framework, the local authority in this arrangement is almost always both:

- Heat Network Operator: Responsible for the technical operation, maintenance, and performance of the network.
- Heat Network Supplier: Responsible for the contractual relationship with consumers, including billing, customer service, and vulnerability protections.

As such, these local authorities will be subject to:

- Registration with Ofgem by January 2027;
- Compliance with consumer protection rules (billing, complaints, vulnerability safeguards) from January 2026;
- Adherence to HNTAS technical standards and milestone requirements (e.g. metering, monitoring, certification); and
- Fair pricing and redress.

Note: For detailed expectations on billing, complaints, vulnerability protections, and supply security, see Ofgem's Draft Consumer Protection Guidance (Sept 2025).

Key challenges

- Capacity: Many local authority teams lack dedicated resources or technical expertise to manage complex regulatory obligations.
- Unbundled billing: Many existing schemes bundle heat charges with rent or service charges – unbundling may require legal and contractual reform.
- Asset data gaps: Poor historic documentation of system layouts, performance, or customer connections can delay compliance.

Vulnerability management: New duties around Priority Services Registers (PSRs), disconnection protections, and proactive engagement may stretch housing teams already managing broader social needs.

Recommended preparation actions

- Regulatory readiness audit: Assess current compliance against upcoming Ofgem and HNTAS requirements. (Refer to the latest government information, consultations, and decisions/responses relating to the regulation proposals: Heat networks consultations | Ofgem.
- Governance & contracting review: Review all contracts, terms & conditions, and service level agreements (SLAs) to understand where they may need to be updated to reflect the new duties.
- Prepare for registration: Organise key information such as network boundaries, customer numbers, and billing arrangements for Ofgem's digital platform.
- Metering & monitoring upgrade: Develop a plan to meet HNTAS milestone requirements, including energy centre metering and automatic data collection.
- Consumer protection plan: We recommend heat suppliers register with the national consumer protection plan (Heat Trust) and the Energy Ombudsman.
- Internal engagement: Work with finance, housing, legal, and IT teams to clarify responsibilities and secure internal buy-in for compliance investments.
- Keep up-to-date with government updates, including:
  - Ofgem's guidance documents for heat network regulation
  - A consultation on Guaranteed Standards of Performance (GSOPs)
  - A consultation on measures to mitigate the risk and impact of financial failure (Step-in etc.)
  - The consultation on the Heat Network Technical Assurance Scheme (HNTAS)
  - The govt response to the 2023 Heat Network Zoning consultation

Case Study Example:

Cardiff Council Heat Network

The Cardiff Heat Network Ltd (CHN) is a wholly owned subsidiary of Cardiff City Council (CCC). This structure was a requirement of the central and Welsh Government funding arrangements for the project. The council-led route was also strongly supported by the Welsh Government, who wanted to ensure that the benefits of their funding support were retained within the local economy. This structure ensures that the Council has long-term influence over how the heat network operates, including heat tariffs and decarbonisation goals, keeping the network aligned with public priorities rather than purely commercial interests.

The heat network is in the latter stages of construction, with Phase 1 expected to be operational by the end of 2025. Heat will be supplied by an Energy from Waste (EfW) plant to 11 public sector "anchor" buildings in Cardiff Bay. These customers helped to underwrite the original business case for the scheme by agreeing to be early adopters of the system. They include the Senedd, Wales Millennium Centre, Cardiff and Vale College, the Butetown Hub, and a range of other Council buildings. There is sufficient heat capacity at the EfW plant to supply many more customers alongside these anchor loads.

The heat network is being delivered by Hemiko under a Design, Build, Operate, and Maintain (DBOM) contract, with Hemiko responsible for operation and maintenance during the first five years of operation. Once regulations come into force, CHN (as the legal entity owning the network) is expected to become a regulated party. Hemiko, as DBOM contractor, will carry out day-to-day delivery, but CHN will remain accountable for compliance with Ofgem and HNTAS requirements.

The Cardiff Heat Network does not directly serve any residential end consumers, but instead contracts with landlords or building owners at a single demarcation point. Onward distribution of heat to tenants is then the sole responsibility of the landlord. As such, CHN is not as directly impacted by the consumer protection requirements in the new regulations, though it does have a clear role as a heat source provider. In terms of security of supply, CHN's contracts with Hemiko, based on Heat Network Delivery Unit (HNDU) template contracts, already contain strong provisions to ensure continuity of supply.

Regarding the full scope of the regulations and their impact on CHN's operations, the Council intends to commission a full expert review (technical and legal) once the regulations have been finalised, in order to ensure full compliance with all requirements.

3.1.2 Use Case 2: Local Authority Minority Shareholder / JV Partner in an SPV

Description

In this arrangement, the local authority is a minority shareholder in a jointly owned SPV set up to deliver, own, and/or operate a heat network. The majority stake is typically held by a private sector partner such as an ESCo, utility company, or infrastructure investor. The SPV is a legally distinct entity, and responsibility for day-to-day operation and customer interaction is generally delegated to the private partner via shareholder agreements and service contracts.

While the local authority does not run the network directly, it retains strategic influence through board representation and contractual levers.

Regulatory roles & responsibilities

The regulated parties under Ofgem's framework will usually be:

- The SPV (as Operator and/or Supplier): Responsible for network performance, consumer protection, and compliance.
- Private partner (via operating contracts or delegation): Often handles customer billing, complaint resolution, and HNTAS obligations.

The local authority is not the regulated entity, but as a shareholder, it should:

- Ensure that the SPV and its subcontractors are fully aware of their obligations under Ofgem and HNTAS rules;
- Ensure that shareholder and governance documents reflect the new regulatory landscape; and
- Monitor compliance risk and performance through board-level reporting.

Key challenges

- Diluted control: local authorities may not have sufficient influence to ensure compliance without careful contractual structuring.
- Legacy contracts: Existing agreements may not reference regulatory duties, leaving gaps in liability and oversight.
- Reputational risk: Public perception of the heat network often rests with the council, even if operations are outsourced.
- Compliance transparency: local authorities may struggle to access operational data or understand whether their SPV is on track for registration, HNTAS milestones, and consumer protection rules.

Recommended preparation actions

- Review governance documents: Ensure shareholder agreements and SPV constitutions include clear obligations to comply with new regulations.
- Audit compliance accountability: Confirm which party (SPV or subcontractor) is responsible for Ofgem registration, HNTAS certification, billing reforms, and complaint handling.
- Board-level reporting: Establish dashboards or regular updates to track SPV readiness and risk exposure.
- Update oversight tools: Revise Key Performance Indicators (KPIs), reporting formats, and escalation routes to include regulatory compliance metrics.
- Scenario planning: Consider what happens if the private partner fails to meet obligations — does the local authority have contractual remedies or step-in rights?

Case Study Example

Vattenfall Heat, Bristol Heat Networks Ltd. and Bristol City Leap

In 2023, as part of the establishment of the Bristol City Leap partnership, Vattenfall Heat bought Bristol Heat Networks Limited, a company previously wholly owned by Bristol City Council. At the point of sale, the council retained a small time-limited, "special share" (similar to the Golden Share model provided under the Advanced Zoning Programme) to exercise limited and specific controls, for example with respect to fair and transparent pricing, and acting as the supplier of last resort. The Council pursued this model to ensure that the heat network continued to be operated in a manner that they were comfortable with following its sale.The share was time-limited to remain in place until the regulations come into effect in January 2026. At that time, provided the regulations are robust enough to deal with the items the special share are intended to guarantee, the oversight requirements currently held by the Council through the special share will be removed.

Vattenfall were only able to acquire the Bristol Heat Network as part of the Bristol City Leap transaction, pursuant to which Vattenfall have committed to extend the existing Bristol city heat network and develop additional heat network infrastructure within a defined Heat Network Area. Bristol City Leap is a twenty-year joint venture that is 50% owned by Bristol City Council and 50% owned by Ameresco Ltd (an energy services company), to deliver decarbonisation projects across the city. Vattenfall Heat are sub-contractors to Ameresco, through a "sub-concession agreement". The sub-concession agreement sets Key Performance Indicators (KPIs) for Vattenfall Heat (and Ameresco) to meet through project delivery, including with respect to decarbonisation and other key factors to support the Council in achieving their wider aspirations for the city. As the developer and operator and bulk supplier of this expanding new heat network (and the existing heat network) Vattenfall Heat will be responsible for ensuring compliance with the new regulations, with the Council continuing to monitor compliance with KPIs set through the concession agreement. When developing out new heat networks infrastructure, Vattenfall Heat work closely with the Council, as the landowner, as a heat consumer, and with respect to the Council's role as a Local Planning Authority.

Vattenfall Heat UK has registered with the Heat Trust in preparation for forthcoming regulation, which will see Ofgem become the sector regulator from January 2026. Heat Trust standards are based on the licence conditions for gas and electricity. Currently Vattenfall delivers services directly to residential customers across its Brent Cross Town heat network in London and its MEL heat network in Midlothian (south of Edinburgh). Both of these heat networks are registered with the Heat Trust. In Bristol, Vattenfall Heat UK provides services to the building level, thereafter the building owner provides services onwards to end-users. Building owners are encouraged to also register with Heat Trust to ensure they are prepared in advance of new incoming regulation.

3.1.3 Use Case 3: Local Authority with No Direct Ownership, Enabling Third-Party Heat Networks

Description

In this model, the local authority does not own or operate a heat network but plays an important enabling or facilitation role. This might include supporting feasibility studies, allocating land for energy centres, integrating heat networks into planning policy, convening anchor loads, brokering discussions between developers and building owners, or through a formal role such as holding a 'Golden or Special Share', whereby the local authority does not directly invest in the heat network but is able to exercise control in relation to a limited number of reserved matters e.g. carbon intensity, pricing etc.

The heat network itself is usually delivered and operated by a private-sector partner or housing provider. The local authority's involvement may stem from its climate action plan, zone coordination role, or ambition to decarbonise large public estates without directly managing infrastructure.

Regulatory roles & responsibilities

The local authority is not a regulated entity under Ofgem's framework unless it becomes a network owner, operator, or supplier. However, it:

- Must still understand the regulatory landscape to ensure its decisions (e.g. land agreements, procurement processes, planning approvals) enable compliant and viable heat networks;
- May need to reflect new duties in legal agreements, Section 106 planning obligations, or land leases; and
- Will be expected to align its enabling role with national heat network policy requirements:
    - In Wales, 'Future Wales - The National Plan 2040' contains requirements for local authorities in priority heat network areas[7];
    - In Scotland, 'Heat Network Zone (HNZ) guidance' offers statutory guidance to support local authorities in fulfilling their duties related to heat network zones[8]; and
    - In England, local authorities will need to align with the emerging Heat Network Zoning policy requirements, particularly if acting as a Zone Coordinator or public sector anchor load[9].

[7] Welsh Government (2021) Future Wales: the national plan 2040
[8] Scottish Government (2023) Heat Network Zone (HNZ) guidance
[9] UK Government (2024) Heat network zoning

Key challenges

- Lack of leverage: Without ownership, the local authority may struggle to influence operator behaviours or performance, however regulation may remove the need for this.
- Unclear liabilities: Agreements that pre-date regulation may not define who bears compliance responsibility, especially around customer outcomes.
- Reputational exposure: Residents and stakeholders may associate heat network issues with the local authority, even if the network is privately run.
- Limited internal awareness: Officers in planning, estates, or climate teams may not yet be familiar with Ofgem regulation or HNTAS milestones.

Recommended preparation actions

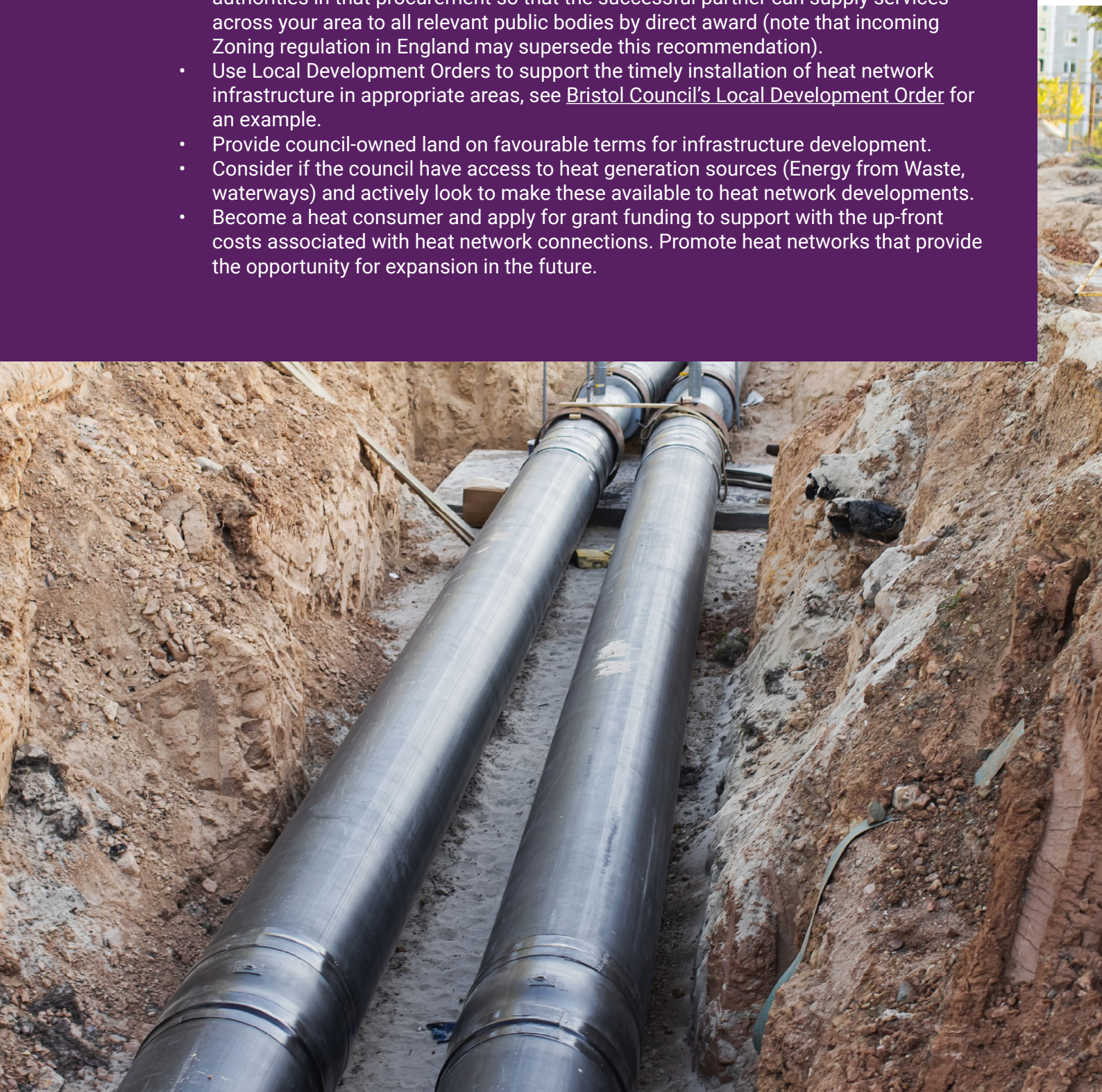
- Internal training: Brief key local authority departments (planning, housing, legal, sustainability) on heat network regulation and the implications for enabling roles.
- Review agreements: Check existing land leases, planning consents, and partnership Memorandums of Understanding (MOUs) for potential gaps around regulatory responsibilities.
- Engage proactively: Where a third-party is planning a heat network, ensure early dialogue around compliance, particularly if the local authority is contributing land, capital, or planning consent.
- Anchor load assessment: If the local authority is a customer (e.g. school, depot, leisure centre), confirm whether contract terms reflect fair pricing, service standards, and step-in arrangements if service fails.
- Support national policy efforts:
    - In England: Understand and prepare for your responsibilities if designated as a Zone Coordinator or key stakeholder in the zoning process;
    - In Scotland: Assess whether one or more locations in your area is particularly suitable for heat networks, consult on whether to designate identified area(s) as heat network zone(s), decide on the designation. Consider whether to apply to become a heat network consenting authority, and if successful ensure any consents are provided in line with policy.
    - In Wales: Understand if your towns/cities are identified as priority areas for heat networks in 'Future Wales: The National Plan 2040'[7], ensure heat networks are adequately considered in relevant new developments, and identify heat network opportunities when preparing local development plans.

Case Study Example

Advice from a developer

Vattenfall Heat's advice to councils who want to promote heat networks in their area and attract developers, is to:

- Introduce supportive planning policy that implements a heat development hierarchy, see Bristol City Council's Local Plan Policy BS14, for an example.
- Publicly procure a long term "Energy Partner" rather than a single heat network developer and include other Public Body potential customers as contracting authorities in that procurement so that the successful partner can supply services across your area to all relevant public bodies by direct award (note that incoming Zoning regulation in England may supersede this recommendation).
- Use Local Development Orders to support the timely installation of heat network infrastructure in appropriate areas, see Bristol Council's Local Development Order for an example.
- Provide council-owned land on favourable terms for infrastructure development.
- Consider if the council have access to heat generation sources (Energy from Waste, waterways) and actively look to make these available to heat network developments.
- Become a heat consumer and apply for grant funding to support with the up-front costs associated with heat network connections. Promote heat networks that provide the opportunity for expansion in the future.



3.1.4 Use Case 4: Local authority Housing Department Managing Communally Heated Buildings

Description

In this scenario, the local authority owns or manages residential buildings, typically social housing or sheltered accommodation, served by communal heating systems. These networks are usually small to medium in scale and often bundled with rent or service charges. Historically, many of these systems were managed with minimal metering, limited performance monitoring, and no external customer protection oversight.

With the introduction of statutory regulation, these networks will be brought into scope, meaning housing departments must now treat these systems as regulated heat networks, subject to consumer protection, technical assurance, and pricing obligations.

Regulatory roles & responsibilities

In most cases, the local authority housing team will be both:

- Heat Network Operator – responsible for maintenance, reliability, and network efficiency; and
- Heat Network Supplier – responsible for contracts with tenants, billing (even if bundled), customer service, and vulnerability protections.

Therefore, these networks fall fully under:

- Ofgem's registration, authorisation, and enforcement regime (from January 2026 onward); and
- HNTAS technical assurance milestones and performance requirements.

Key challenges

- Bundled billing: Most heat costs are currently embedded in rent or service charges, creating significant legal and administrative barriers to unbundling and complying with fair pricing requirements.
- Vulnerability responsibilities: Housing departments must establish and maintain a Priority Services Register (PSR) and demonstrate robust procedures for identifying and supporting vulnerable residents.
- Metering and monitoring upgrades: Many older schemes lack sub-metering or real-time monitoring, meaning major capital investment may be needed to meet HNTAS milestones.

Note:

Ofgem's fair pricing consultation (Apr 2025) flagged strong interactions with housing regulation, especially around unbundling heat charges from rents or service charges. The Aug 2025 government response confirmed this remains under review. It was highlighted that regulation will need to align with housing law, and DESNZ/Ministry of Housing, Communities & Local Government (MHCLG) are working with Ofgem on how best to do this.
The practical implication: social landlords/ local authorities may have to separate out heat charges from wider tenancy costs in future, so tenants clearly see what they pay for energy vs housing services.

Recommended preparation actions

- Heat network asset register: Identify all communally heated buildings and determine whether they qualify as regulated heat networks under the new rules.
- Metering strategy: Plan upgrades to achieve block- and dwelling-level metering in line with HNTAS requirements.
- Tariff transparency review: Even if bundled, housing teams should begin calculating and documenting fair, cost-reflective heat charges for internal assurance and potential reporting.
- Establish PSR: Set up a PSR and train front-line staff to identify and support vulnerable customers.
- Customer communications: Develop easy-to-understand materials explaining how heat charges are determined and how complaints will be handled in the regulated system.
- Ombudsman engagement: Prepare for inclusion in the Energy Ombudsman scheme, as required under Ofgem's complaints handling reforms.

Carbon Trust Observations related to this Use Case

Through our engagement with multiple local authorities, particularly those manage communally heated buildings, several common themes have emerged:

Preparatory steps – Authorities are beginning to audit their housing stock, identify which schemes may qualify as regulated networks, and explore metering requirements alongside potential upgrade plans. However, some local authorities remain uncertain as to whether certain communal heating systems within their housing stock will fall within the scope of regulation. This uncertainty typically arises where:

- Heat is provided by a single communal boiler to a small number of dwellings, raising questions about whether this constitutes a regulated "heat network" or falls below size thresholds.
- Systems are considered part of general housing management rather than dedicated heat supply, creating ambiguity around whether Ofgem regulation applies.
- Charging arrangements are bundled within rent or service charges, making it unclear whether they qualify as heat supply contracts under the forthcoming rules.

This uncertainty makes it harder for authorities to prioritise investment and long-term planning.

Awareness of regulatory requirements – While awareness of Ofgem's forthcoming role and the HNTAS is growing, detailed understanding within housing teams remains variable. Many recognise the scale of change required but are unclear on timing and practical implications.

Impacts on teams – New duties around customer protection, billing transparency, and vulnerability support will create additional workload for housing and finance departments. In particular, establishing Priority Services Registers and handling complaints in line with energy market standards represent a step change for many councils.

Typical support needs – local authorities consistently highlight the need for clear guidance, model documentation (e.g. tenancy agreements, tariff methodologies, complaint procedures), and funding for metering and monitoring upgrades. Training and cross-departmental coordination support are also viewed as essential to build readiness.

3.1.5 Use Case 5: Private-Led Heat Network with Local Authority as Anchor Customer or Landowner

Description

In this scenario, a private developer, ESCo, or utility leads the design, construction, and operation of a heat network. The local authority does not own or govern the network but is engaged as a key commercial partner, typically as:

- An anchor heat customer (e.g. a school, leisure centre, or council office); and/or
- A landowner, providing access for energy centres or distribution infrastructure.

While not a regulated party, the local authority's decisions, especially related to long-term heat purchase agreements or land use, can significantly shape the viability, fairness, and public perception of the heat network. .

Regulatory roles & responsibilities

The local authority is not a regulated entity under Ofgem or HNTAS in this role, but:

- Its commercial agreements (e.g. heat supply contracts, lease terms, service-level commitments) can influence the network's ability to meet regulatory standards;
- local authorities must be aware of the regulatory context to ensure that contractual arrangements do not conflict with fair pricing, consumer protection, or technical performance requirements; and
- As a publicly funded anchor customer, the local authority also has a duty to ensure value for money, reliability, and transparency, especially where zoning regulations may require connection to a designated heat network, limiting commercial choice and increasing exposure to operational or cost risks.

Key challenges

- Contract risk: Long-term heat purchase agreements may not include flexibility clauses aligned with future Ofgem enforcement or fair pricing principles.
- Land-use exposure: If the local authority provides land for infrastructure, it may be drawn into public or political disputes if the network underperforms or fails to meet service expectations.
- Lack of transparency: The local authority may struggle to understand or influence the operator's performance, tariff structure, or customer protection procedures.
- Zone misalignment: While DESNZ's zoning proposals anticipate that existing or substantially commercialised networks may

be recognised as “incumbents,” early projects developed and contracted before a zone is formally designated can still present risks. In some cases, such schemes may sterilise wider zoning opportunities, for example, by limiting future network expansion, anchor load access, or integration with strategic decarbonisation objectives.

Recommended preparation actions

- Contract review: Revisit heat purchase agreements, lease terms, or wayleave documents to identify any misalignment with upcoming regulatory principles, set out in the fair pricing and consumer protection consultations (e.g. fair pricing, security of supply).
- Performance standards: Ensure service-level agreements include clear metrics, escalation procedures, and flexibility clauses in case of regulatory changes.
- Due diligence: Prior to entering/renewing agreements, assess whether the operator has a clear compliance pathway for Ofgem registration, consumer protection, and HNTAS.
- Stakeholder coordination: Work across planning, legal, estates, and sustainability teams to ensure a shared understanding of regulatory risks and roles.
- Zone readiness: If the development is within or adjacent to a proposed zone, engage with the anticipated zone coordinator/ consenting authority or government guidance to avoid conflicts.

Case Study Example

Citigen – City of London Corporation as Anchor and Landowner

The City of London is one of the busiest and most densely used parts of the UK, with around 8,000 residents and 480,000 daily commuters. The City Corporation has set an ambitious sustainability agenda, aiming for the Square Mile to become a net zero emissions city by 2040. Balancing this ambition with the challenge of supplying reliable, cost-effective energy in an area with limited space for new infrastructure is no small task.

One solution has been Citigen, a tri-generation district energy scheme operated by E.ON. Hidden beneath the heart of the city, Citigen provides decentralised heating, cooling, and electricity through a network spanning over 6 km of heating and 4.5 km of cooling pipes. Together, these supply the equivalent of around 11,300 homes across commercial and residential properties.

The City Corporation plays a dual role in enabling the network:

- **Anchor customer** – major civic buildings such as the Guildhall and Barbican Centre are connected to Citigen, providing long-term, stable demand.
- **Landowner** – the Corporation acts as Citigen's landlord, securing the space needed for this critical energy infrastructure in a densely built-up area.

Looking ahead, the partnership is exploring how the network can support shared decarbonisation goals while enabling wider place-based benefits. Future opportunities include:

- Aligning future construction works with public realm improvements such as footpaths, cycleways, sustainable drainage, and tree planting.
- Expanding local economic development opportunities through supply chain strategies that can favour small and local businesses, helping to generate social value for neighbouring communities.

By combining private-sector delivery with local authority commitment as an anchor and enabler, Citigen demonstrates how public–private partnerships can unlock major low-carbon infrastructure in highly constrained urban areas. This model provides valuable lessons for other local authorities considering how to support private-led networks through anchor commitments, land access, and alignment with wider regeneration goals.

3.1.6 Use Case 6: Community Ownership with Local Authority Involvement

Description

This use case applies to local authorities exploring co-operative or community-led ownership models for heat networks. These models may involve residents, local businesses, housing associations, or social enterprises taking a share in ownership, with the local authority acting as an enabler, minority partner, or governance participant.

The goal is often to retain community benefit, keep profits local, and build long-term trust in the system. These schemes are typically small to medium in scale and may emerge from local climate partnerships, community energy groups, or integrated place-based strategies.

Regulatory roles & responsibilities

The precise responsibilities will vary depending on the structure, but in most cases:

- The cooperative, Community Interest Company (CIC), or delivery entity will be the regulated party, responsible for Ofgem registration, HNTAS compliance, and consumer protections.
- The local authority may be involved in governance, provide seed funding or land, or offer technical support, even if not a shareholder.

Regardless of ownership, the operating entity will still be fully subject to the regulated obligations regarding customer service, fair pricing, and technical standards.

If the local authority has a formal role (e.g. board seat or delegated operational function), it must ensure its participation aligns with Ofgem's definitions of "Operator" and "Supplier".

Key challenges

- Capacity and capability: Community groups and small-scale cooperatives may lack the resources or expertise to meet complex regulatory obligations.
- Ambiguity of roles: Where the local authority is loosely involved, it may be unclear who is ultimately accountable for compliance, risking exposure if roles are not contractually defined.
- Funding and liability: Regulatory requirements may increase delivery costs or delay project timelines, making some community-led models less financially viable without local authority support.
- Governance complexity: Shared ownership and decision-making can create legal and operational ambiguity if not clearly structured.

Recommended preparation actions

- Clarify governance: Ensure that governance structures clearly identify the regulated entity and its responsibilities, especially in hybrid or participatory models.
- Support compliance capacity: If the local authority is enabling or part-funding the scheme, build in resources for regulatory readiness (e.g. see case study example for Repowering London's suggested areas of required support).
- Contractual safeguards: Include provisions in funding or partnership agreements to require the operating entity to register with Ofgem and meet HNTAS milestones.
- Stakeholder education: Brief cooperative boards and members on the regulatory landscape and customer protection expectations under Ofgem's regime.
- Scenario planning: Consider who would be responsible for remediation or customer support if the cooperative fails to meet service or compliance obligations.

Case Study Example:

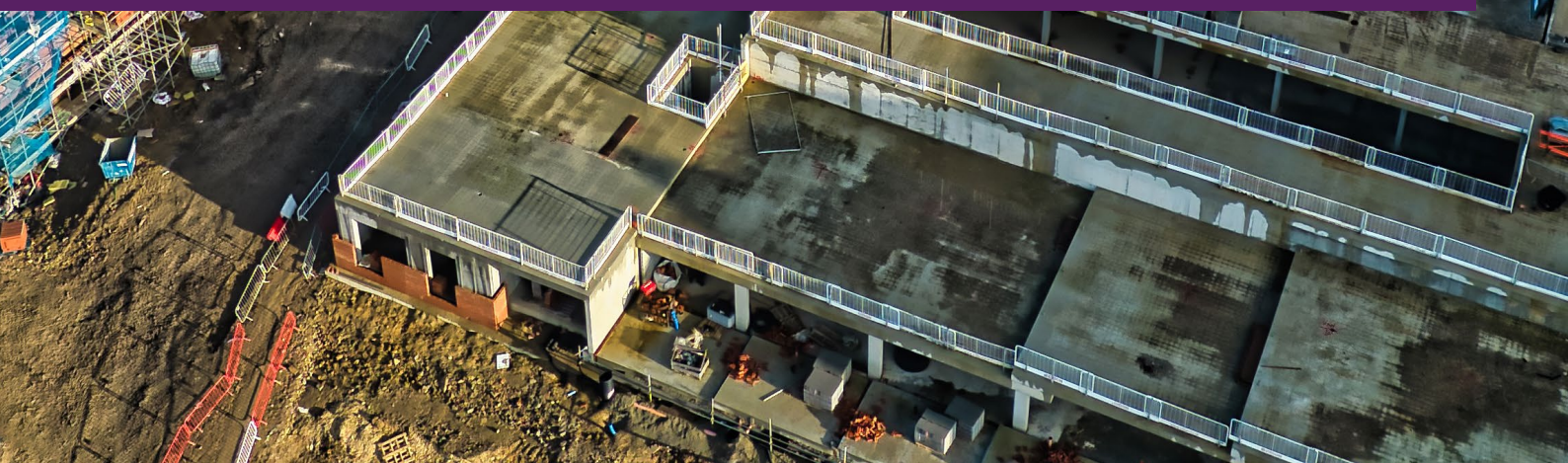
Repowering London and LSBU: community-led heat networks

Repowering London is a not-for-profit community energy development organisation working to support London's communities to develop energy projects that provide direct local benefits. Repowering London agreed that community-led heat network projects will require targeted support to navigate the new regulatory landscape being introduced under the Heat Networks Regulation.

They identified the following key areas of support:

- **Accessible regulatory guidance,** especially public-facing materials that explain consumer protections, responsibilities, and compliance requirements in plain language. Not only does this respect the local community's role in the heat network, but it also counters negative perceptions from past unregulated schemes.
- **Clarity around heat network zoning**, including how zoning decisions will be made and how community groups can engage with local authorities to avoid being excluded by incumbent operators.
- **Governance and ownership model development,** to help balance community agency with professional operation, particularly for groups structured as Community Benefit Societies.
- **Role definition and compliance planning,** including tools to assign responsibilities for billing, metering, reporting, and technical assurance in line with Ofgem's expectations.
- **Capacity building and upskilling,** to enable those in the community to participate meaningfully in oversight and strategic decision-making. Prioritising the upskilling of local residents to lead and shape projects, rather than having external bodies impose solutions, can be slower but is more inclusive and meaningful.
- **Procurement support,** ensuring that community governance structures and regulatory requirements are embedded early in tendering processes.

These areas of support would ensure that community-led projects are not only compliant but also resilient, inclusive, and capable of delivering long-term local benefit under the new regulatory framework. Local authorities looking to support community-led heat networks in their areas, should consider whether they have the capacity and experience to meet any of these support needs.



3.1.7 Use Case 7: Combined Authority Heat Decarbonisation Team Supporting local authorities

Description

In this model, a combined authority or county-level team provides coordination, technical support, and strategic oversight to multiple LAs within its region. These teams do not typically own or operate heat networks themselves, but they play a vital facilitation and capacity-building role, particularly in:

- Coordinating Local Area Energy Plans (LAEPs);
- Supporting heat network feasibility or zoning work;
- Procuring shared consultancy or legal frameworks; and
- Running regional training and stakeholder engagement.

Their support is especially important for smaller or under-resourced district councils, which may struggle to navigate Ofgem regulation and HNTAS compliance on their own.

Regulatory roles & responsibilities

Combined Authorities are not regulated parties under the heat network framework unless they directly own or operate a network (rare). However:

- They are key actors in ensuring consistency across multiple local authorities — including shared understanding of roles (e.g. Supplier vs Operator), registration obligations, and consumer protection duties; and
- Combined authorities may also act as convenors of best practice or regional delivery bodies for cross-boundary schemes.

They will likely play a significant role in supporting Zone Coordinators (as these roles emerge through the proposed heat network zoning policy), particularly in zoning implementation and heat source strategy

Key challenges

- No direct accountability: While combined authorities coordinate support, the legal responsibility for compliance rests with individual local authority operators or private operators.
- Diverse maturity levels: Some councils in the region may be advanced, others just starting — making standardised support tools hard to implement.
- Policy fragmentation: Combined authorities must align with national regulation, local political priorities, and varied delivery models, which may compete or conflict.
- Limited visibility: Without formal reporting duties from local

authorities, combined authorities may struggle to monitor regulatory readiness across the region.

- Governance complexity: Shared ownership and decision-making can create legal and operational ambiguity if not clearly structured.

Recommended preparation actions

- Map local authority readiness: Establish a baseline understanding of each local authority's position — i.e. whether they operate, enable, or are just exploring heat networks.
- Provide guidance & tools: Develop or collate region-wide templates (e.g. for heat supply contracts, Priority Service Register procedures, Ofgem registration checklists).
- Coordinate training: Run joint workshops on compliance, zoning implications, and HNTAS for planning, housing, and energy teams across authorities.
- Support Zone Coordinators (as they emerge with the proposed Zoning policy in England): Assist with recruitment, technical guidance, or delivery models for heat network zoning where relevant.
- Facilitate strategic partnerships: Encourage collaboration between local authorities and heat network developers, housing providers, or investors.

Case Study Example:

West Midlands Combined Authority, Regional Heat Decarbonisation Support Programme

The West Midlands Combined Authority (WMCA) are developing a Regional Heat Decarbonisation Support Programme to be delivered through their Energy Capital partnership. The programme looks to support and enable accelerated heat decarbonisation across the West Midlands including through promotion and acceleration of heat network deployment. Through the programme, Energy Capital will take a proactive leadership role, and align local and regional priorities with national policy, and unlock investment and capacity for low-carbon heat infrastructure across the West Midlands.

The programme is being co-designed with the authority's seven constituent local authorities, coordinated through WMCA's Local Area Energy Planning Heat group. To ensure that the programme supports the accelerated deployment of heat networks across the West Midlands in the context of the new policy and regulations, the authority has:

- **Completed detailed engagement with the constituent local authorities.** This has enabled them to:
  - consolidate knowledge on regional heat network activity and assess readiness for upcoming regulations across the authorities;
  - build a robust evidence base to inform understanding of where regional intervention could add most value;
  - understand local strategic objectives and identify shared regional objectives for heat decarbonisation and heat network development; and
  - test the details of potential roles that could support the delivery of heat networks that achieve these shared objectives.

- **Identified relevant spatial data to support implementation of zoning at a regional level.** This data will be integrated into a regional LAEP tool to enable Zone refinement to be considered holistically within the wider energy system and ensure that cross boundary opportunities are developed efficiently.
- **Undertaken detailed stakeholder mapping.** Key stakeholder groups for heat network delivery and operation present across the West Midlands have been identified and areas of engagement have been determined.
- **Kept up-to-date with emerging details relating to the Heat Network Market Framework.** Reviewing consultation details, industry webinars and government updates against the objectives for heat network deployment in the West Midlands, is enabling WMCA to shape the programme to ensure the opportunities presented by the new framework are realised and heat network participants are appropriately supported.
- **Started to map out and communicate the scale of opportunity available in the West Midlands.** With the aim of securing early interest from developers, investors and supply chains.

To ensure that their programme is properly resourced, WMCA are developing a robust work breakdown structure, identifying role and resource requirements, and mapping out how they will interface with other sources of heat decarbonisation support within the region and nationally. By developing a regional heat network decarbonisation support programme, WMCA are ensuring that the West Midlands leads the way with heat decarbonisation that delivers on wider objectives for the whole region.

POLICY WATCH

A number of important aspects of the heat networks regime are still under consultation and may affect local authorities directly:

Unbundling charges – Government and Ofgem are exploring how to separate out heat charges from rents or service charges in social housing and communal systems. This could require changes to tenancy agreements and billing processes.

Guaranteed Standards of Performance (GSOPs) – Standards will be phased in from 2027, but the detail is still under development. It is not yet clear how GSOPs will apply to local authority housing or to for-profit operators.

Step-in and failure arrangements – Mandated contractual step-in was not supported in consultation. Ofgem is now looking at market-led solutions (e.g. a central register of pre-qualified operators, Air Travel Organiser's Licence (ATOL) -style funding*) with a Special Administration Regime as the backstop.

Zoning interactions in England – DESNZ's final response on heat network zoning is expected in Autumn 2025. Rules on incumbency and appeals may affect how councils balance their zoning and landlord roles.

Local authorities should treat these areas as live policy questions and be ready to adapt once further guidance and statutory instruments are published through 2025–26.

* Note: The ATOL (Air Travel Organiser's Licence) scheme is a long-standing UK consumer protection mechanism in the travel sector, run by the Civil Aviation Authority. Licensed travel companies contribute to a central fund, which ensures customers are protected if a company fails (e.g. covering refunds or repatriation). Ofgem and DESNZ are exploring whether a similar mechanism could be applied to heat networks. Under this model, regulated heat network operators could be required to contribute to a central fund or participate in a register of pre-qualified operators. If an operator were to fail, the fund would provide financial support to maintain continuity of heat supply while a new operator is appointed under a Special Administration Regime. This approach is intended to safeguard consumers while minimising the financial exposure of local authorities.

4. Final reflections

4. Final reflections

Note on evolving policy: As of mid-2025, DESNZ is still formalising the The transition to a regulated heat network market in 2026 will introduce significant responsibilities for local authorities across Great Britain — particularly those owning, operating, or enabling heat networks. While the final regulatory framework is still being developed, several cross-cutting preparation steps can be taken now to reduce future risk and ensure readiness.

Key reflections for local authorities:

- **Timeline matters:** Obligations start in January 2026, but full registration is due by January 2027. More complex requirements, such as Guaranteed Standards of Performance (GSOPs) and Ofgem-led price investigations will only begin from 2027 onwards.
- **Housing exposure:** Councils with communal heating systems will be among the first directly regulated. Housing teams will need to meet Ofgem's rules on billing transparency, complaints handling, and protections for vulnerable consumers.
- **Unbundling risk:** Government is reviewing whether heat charges must be separated from rents and service charges. This could mean significant changes to tenancy agreements and billing systems in local authority housing.
- **Zoning links:** Forthcoming DESNZ zoning regulations will interact with Ofgem's framework, especially around incumbency, and consumer protection.
- **Contracts and governance:** Where councils are in JVs/SPVs or act as anchor customers, it is critical to ensure contracts enable compliance and allocate regulatory risks clearly.
- **Don't overlook "edge cases":** Civic buildings with sublets and Shared Ground Loop (SGL) schemes are in-scope, even where no separate billing takes place.
- **Prepare now:** Auditing communal systems, reviewing contracts, and engaging with zoning and HNTAS pilots will reduce compliance risks, strengthen consumer trust, and avoid last-minute disruption when Ofgem's regulatory regime comes into force.

4.1 Preparation Priorities

Regardless of the use case, local authorities are encouraged to:

- Map their current involvement in heat networks (ownership, operation, enabling, anchor roles);
- Identify internal leads in housing, energy, legal, and procurement to coordinate preparation;
- Audit existing heat network contracts, including metering, billing, and performance obligations;
- Review communal heating arrangements in local authority housing and wider estate for compliance risks;
- Develop a consumer protection plan, including complaint handling and vulnerability protocols; and
- Monitor regulatory updates from DESNZ and Ofgem, particularly around HNTAS and consent models, and the phasing of GSOPs and fair pricing investigations (from 2027).

4.2 Link to separate Insight document

This document has focused on regulatory and operational considerations under the forthcoming Ofgem regime. For broader guidance on:

- Delivery models and governance pathways;
- Planning integration and anchor load strategy;
- Development facilitation and future coordination

local authorities should refer to our separate Insight document: Local authority roles in heat networks. Together, the two documents offer a complementary overview of the policy, regulatory, and delivery landscape ahead in 2026.

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