

Press release: CMA examines heat networks

Heat networks – systems that heat multiple homes from one central source – currently supply about half a million UK homes through about 17,000 networks.

They can also be more environmentally friendly than some other sources of heat, delivering lower carbon emissions and resulting in cost benefits to households.

As a result, heat networks form an important part of government strategy to reduce carbon and cut heating bills. The number of customers using heat networks is expected to grow significantly to around 20% of all households by 2030.

Whilst heat networks may have these wider benefits, the sector is not currently subject to the same regulation as other forms of energy supply such as mains gas and electricity.

The Competition and Markets Authority (CMA) is concerned that many customers, a large proportion of whom live in social housing, may be unable to easily switch suppliers or are locked into very long contracts – some for up to 25 years – and that there is a risk they may be paying too much or receiving a poor quality of service.

It will now be thoroughly examining a range of potential issues in a new market study into the sector.

The CMA is planning to examine 3 broad themes:

- Whether customers are aware of the costs of heat networks both before and after moving into a property.
- Whether heat networks are natural monopolies and the impact of differing incentives for builders, operators and customers of heat networks.
- The prices, service quality and reliability of heat networks.

Andrea Coscelli, CMA Chief Executive, said:

Heat networks can play an important role in cutting carbon and keeping down energy bills for customers.

However, we have concerns that this sector may not be working as well as it could be for the half a million homes heated by these systems now and the millions that may be connected in the future.

That is why we're taking a closer look at this market to ensure that heat network customers get a good deal on their energy now and in the future.

The CMA will complete [its study](#) within the next 12 months. Evidence will be gathered from a wide range of stakeholders, including heat network builders and operators, other government departments, local authorities, sector regulators and consumer groups.

An interim report, with the CMA's initial findings and views on potential remedies, will be produced within the next 6 months, ahead of the final report. Where issues of particular concern are found the CMA may take further action during or after the end of the 12-month market study, such as opening consumer or competition enforcement cases or launching a full market investigation.

Notes for editors

1. The CMA is the UK's primary competition and consumer authority. It is an independent non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law.
2. Market studies may lead to a range of outcomes, including:
 - a clean bill of health;
 - actions which improve the quality and accessibility of information to consumers;
 - encouraging businesses in the market to self-regulate;
 - making recommendations to the government to change regulations or public policy;
 - taking competition or consumer law enforcement action; and
 - making a reference for a more in-depth market investigation, or accepting formal undertakings in lieu of a reference.
3. Heat networks involve the generation and distribution of heat to buildings and consist of district heating and communal heating. District heating comprises a network of insulated pipes used to deliver heat, in the form of hot water or steam, or cooling from the point of generation to an end user. Networks vary in size and length, carrying heat from just a few hundred metres between homes and flats, to several kilometres supplying entire communities and industrial areas. In comparison, communal heating systems generally serve one building with multiple occupants, such as a block of flats.
4. The CMA would welcome views on any of the issues raised in the Statement of Scope, which has also been published today. Views should be sent to heatnetworks@cma.gsi.gov.uk by no later than 5pm on 12 January 2018.
5. Media enquiries should be directed to press@cma.gsi.gov.uk or call 020 3738 6191.