

Press release: Heat networks must be regulated, CMA study finds

The Competition and Markets Authority (CMA) has today published the final findings of its 7 month [study](#) into this industry, which set out to establish whether heat network customers are getting the right level of protection.

Heat networks provide homes with heat and hot water from a central source via insulated pipes, but unlike other energy services are currently not regulated. As a result, heat network customers in general have less consumer protection if things go wrong.

The CMA found many heat networks offer prices that are the same or lower than those paid by people on gas or electricity, and customers receive comparable levels of service.

However, a number of those on privately operated networks are getting poorer deals in terms of price and service quality, and there is a risk this problem could grow.

There are currently about 450,000 customers of these services, and that number is expected to grow significantly as investment in energy efficient technology increases.

The CMA is therefore recommending that the regulator once it is established:

- introduces consumer protection for all heat network customers so they get the same level of protection as customers in the gas and electricity sectors
- addresses low levels of transparency so customers know they are on a heat network and there are clear agreements or contracts between customers and heat network operators
- makes sure customers are aware of what they are paying as this is often unclear
- protects customers from poorly designed, built and operated heat networks by preventing developers from using cheaper options to meet planning regulations that end up being paid for by the customer over the longer-term

CMA Chief Executive Andrea Coscelli, said:

With 14,000 heat networks supplying 450,000 people with heating across the UK, they can be an efficient and environmentally-friendly way for people to heat their homes.

But there are problems with how some operate, especially for those in private housing. People must benefit from the same level of protection as those using gas or electricity, and not be penalised either by paying too much or receiving a poor-quality service.

There is currently no regulator for this part of the energy sector – we think that is one of the key problems to be addressed and we recommend Ofgem is given this role.

Dermot Nolan, chief executive of Ofgem, said:

Our principal aim is to protect the interests of current and future energy consumers. We welcome the CMA's Market Study on heat networks and agree that heat network customers should get the same level of protection as customers in the gas and electricity sectors.

We look forward to continuing to work with the government to address the current and future challenges in decarbonising heat and would welcome the opportunity to contribute to the development of the future regulatory arrangements for heat networks.

Ahead of these regulatory changes being introduced, the CMA has also today written an [open letter](#) to the industry, reminding energy suppliers of their obligations under relevant consumer and competition law. It has also published [advice](#) for existing or prospective heat networks customers.

Notes to editors:

1. The CMA launched its market study into domestic heat networks on 7 December 2017.
2. Heat networks provide homes with heat and hot water from a central source via insulated pipes. There are around 14,000 heat networks in the UK (of which more than 2,000 are district heating and the rest communal), together providing around 2% of UK buildings' heat demand.
3. Extending Ofgem's remit to include heat networks would require new primary legislation to be introduced by the UK government.
4. The study looked at: a. Whether customers are aware of the costs of heat networks both before and after moving into a property b. Whether heat networks are natural monopolies and the impact of differing incentives for builders, operators and customers of heat networks c. The prices, service quality and reliability of heat networks
5. The study covers the whole of the UK and the CMA is working closely with governments and stakeholders in all four nations. Heat policy is devolved to the Scottish Government but not to the Welsh Government. Competition and consumer powers are reserved matters for the UK Government and are not devolved. Energy policy is devolved in Northern Ireland (NI) and there are only a small number of networks in Northern Ireland and no current plans to significantly expand the number. Should there be an expansion of heat networks in NI, the CMA would recommend the NI Utility Regulator and Department for the Economy and Communities to consider equivalent regulation.
6. Market studies are carried out using powers under section 5 of the Enterprise Act 2002 (EA02) which allows the CMA to obtain information

and conduct research. They allow a market-wide consideration of both competition and consumer issues. Market studies take an overview of regulatory and other economic drivers in the market, and consumer and business behaviour.

7. Further details of the CMA's market study can be found on the case page.
8. Media enquiries should be directed to press@cma.gov.uk or 020 3738 6460 / 07506 710174.