

Heat networks regulation: authorisation conditions and guidance on measures to mitigate the risk and impact of financial failure consultation (Ofgem)

Response from Propertymark

September 2025

Background

1. Propertymark is the UK's leading professional body of property agents, with over 19,000 members representing over 12,500 branches. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.¹

Consultation Overview

2. Ofgem's *Heat networks regulation: authorisation conditions and guidance on measures to mitigate the risk and impact of financial failure* consultation seeks views on draft authorisation conditions which would support the obligations Ofgem propose to introduce in respect of risk mitigation and the impact of heat network failure. This arises from Ofgem's duties under the Energy Act 2023 and Heat Networks (Scotland) Act 2021 to regulate heat networks in England, Scotland and Wales from 2026.
3. The Department for Energy Security and Net Zero is bringing forward legislation for a Special Administration Regime which would act as a regulatory backstop if industry-led measures prove insufficient to protect consumers from the risks of losing heat supply. Ofgem's consultation also provides draft guidance for the sector on their expectations based on the requirements in authorisation conditions and financial monitoring.

Propertymark Response Summary

4. Propertymark supports Ofgem's proposed authorisation, financial, and continuity requirements for heat networks, and agree that technical failures, not insolvency, are the main source of detriment to consumers. However, there does not appear to have been consideration of the

¹ <https://www.propertymark.co.uk/>

arrangements for continuity of supply where financial failure arises in part or in whole as a consequence of technical failure of a heat network.

5. In respect of the exclusion of housing associations from reporting duties, Propertymark agrees with the instinct to avoid regulatory duplication, but encourages Ofgem to consider amending the Housing and Planning Act 2016 so housing administrators must have regard for continuity of supply.

Questions

Question 1: Do you agree with our assessment of the risks to continuity of supply where operators face financial failure in the sector?

6. Propertymark agrees that the risk to continuity of supply where operators face financial failure is low, and it is more common for customers of heat networks to experience limited and intermittent disruption to supply because of technical failures, particularly with ageing systems. For example, the residents of Cranston Estate, Cropley and Thaxted Courts in Hoxton saw significant disruption in the winter of 2024/25, but as the system is operated by Hackney Council, the risk is not one of financial failure but rather an inadequate and slow response from the operator to malfunctions.
7. In terms of district heat systems, the mandatory connection requirement and effective monopoly this provides is likely to mean any financial failure for one operator will be seen as an opportunity for others, as long as the district heating systems installed are effective and provide what customers require.

Question 2: Are there any other models which we have not explored which merit assessment of the risks to continuity of supply in case of financial failure?

7. Propertymark is not aware of any other operating models beyond those set out by Ofgem.

Question 3: Are there other segments of the heat network sector which have clear continuity of customer supply arrangements in the event of a market exit which we have not considered?

8. Propertymark is not aware of any other segments of the heat network sector where Ofgem has not considered customer supply arrangements. However, Propertymark would like to

challenge Ofgem's contention on page 17 of the consultation document that private tenants are at a disadvantage compared to social tenants in respect of the continuation of heating and hot water where a heat network operator enters insolvency. Ultimately, landlords have obligations to their tenants they would have to meet, even if this meant providing storage heaters and alternative facilities for washing. In one sense, private rental tenants have more recourse; it is much easier for them to find an alternative property on the open market than for a social housing tenant who would need to apply to the council housing waiting list.

Question 4: Do you agree that our financial resilience provisions should apply where registered providers are using separate entities to carry out regulated heat network activity? This can include subsidiaries that are not regulated by a social housing regulator, like energy supply companies or special purpose vehicles.

9. Propertymark agrees the financial resilience provisions should apply to registered providers using separate entities to carry out regulated heat network activity on behalf of social housing providers and local authorities.
10. Ofgem should give further consideration to whether financial resilience provisions apply to housing associations. Propertymark understands that in housing administration, one objective is to keep social housing in the regulated sector (Sections 96-97 Housing and Planning Act 2016). However, this objective to keep social housing in the regulated sector only applies if it does not result in a worse outcome to creditors than would be the case were there no objective to keep the social housing in the regulated sector. This is different to in special administrations for the energy sector where priority is given to provision of supply. Ofgem could consider seeking an amendment to the Housing and Planning Act 2016 to ensure administrators have regard for continuity of supply. This would avoid the regulatory duplication which Ofgem is seeking to avoid for social housing providers and local authorities, but improve the administrative regime's regard for heat networks.
11. Historically, housing associations in financial difficulty have been absorbed by larger providers, and the sector has been increasingly dominated by a smaller number of large associations, like Clarion. Although the sector is generally stable and the administration provisions in the Housing and Planning Act 2016 have not been used, it is possible to imagine a scenario where

no other provider is willing to take on stock with an ageing or malfunctioning heat network that would be costly to remedy.

Question 5: Do you agree that self-supply and industrial networks should be out of scope of the financial resilience requirements?

12. Propertymark largely agrees that self-supply and industrial networks should be out of scope where there is no wider public interest. However, consideration should be given to extending financial resilience and monitoring requirements to industrial networks where there is a wider public interest, or the failure of that network would lead to public detriment. For example, a system that supported life science/ bio-medical production for essential medical supplies, or defence industry production, ought to have financial and monitoring requirements similar to those required of a non-domestic supplier who operates a heat network on behalf of a hospital.

Question 6: Do you agree with the policy intent and authorisation condition ‘Availability of Resources and Internal Capability?’

13. Propertymark agrees with the authorisation condition to ensure sufficient resource and internal capability to operate a given heat network. Propertymark also agrees that the requirements for meeting this condition will need to be kept under careful review and develop over time, given the variety of heat networks and their individual characteristics.

Question 7: Do you agree with the policy intent and authorisation condition ‘Material Assets?’

14. Propertymark agrees that authorised entities need to have sufficient control over their material assets involved in a heat network in order to operate it.

Question 8: Do you agree with the approach to financial monitoring and the regular reporting requirements?

15. Propertymark agrees that engagement by heat networks on an annual basis to provide the required information strikes the right balance. Propertymark notes that Ofgem ‘expect heat networks to notify’ them if they experience financial distress outside of this annual reporting

period. It would be helpful if future guidance is clear on the consequences of doing so, and of not doing so.

Question 9: Do you have feedback on the proposed guidance outlined in Appendix 2 that would improve its use for your organisation?

16. Appendix 2 is clear and Propertymark has no suggestions for its improvement.

Question 10: Do you have feedback on the proposed guidance outlined in Appendix 3 that would improve its use for your organisation?

17. Appendix 3 is clear and Propertymark has no suggestions for its improvement.

Question 11: Do you agree with the policy intent and authorisation condition, 'Continuity arrangements'?

18. Propertymark agrees with the broad policy intent and authorisation condition that heat networks must have continuity arrangements in place. However, it is possible that despite such continuity arrangements existing in theory, they may not work in practice if the heat network is an unattractive proposition for other investors or if its financial failure is rooted in its design. It would be helpful if Ofgem provided clarity on the steps they would take in the event that there is not a timely transfer of responsibilities, there is significant disruption to supply, if the continuity plan in place transpires not to be fit for purpose when it is enacted, or if a Special Administrator Regime is unable to identify a new supplier.

Question 12: Do you agree with the proposal for operators to carry on the supply of heating, cooling or hot water if the supplier ceases to? Are you aware of any examples where this would not be feasible?

19. Propertymark broadly agrees with the proposals. It may be that the financial failure arises from technical failure, and in such a case, it is hard to see how an operator or a third party could ensure continuity of supply.

Question 13: Do you agree with the proposed contents and breakdown of the plan?

20. Propertymark agrees with the proposed contents and breakdown of the plan, but as set out above, Propertymark suggests additional guidance is provided for instances where a continuity plan is engaged due to financial failure, and where that financial failure relates in part or in whole to technical failure of the network.

Question 14: Do you have feedback on the proposed guidance outlined in Appendix 4 that would improve its use for your organisation?

8. Appendix 4 is clear and Propertymark has no suggestions for its improvement beyond the suggestion set out in response to question 13.