



# Heat Trust Annual Report

Findings from 2022 and 2023

# Contents

1. Foreword from the Chair	3
2. Infographic: 2022 and 2023 at a glance	4
3. Executive summary	5
4. Scheme registrations and sector coverage	8
5. Scheme changes and developments	12
6. Monitoring data including consumer complaints	15
Energy Ombudsman case study	29
7. Audits and compliance engagement	31
8. Consumer advocacy and regulatory engagement	33
9. Conclusion	37
Appendix - Governance, staffing, expenditure & fees	38

## Contact details

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Stephen Knight - Managing Director  
Kathryn Coffin - Head of Scheme Development  
Lizzie Moreton - Head of Compliance

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Heat Trust

[info@heattrust.org](mailto:info@heattrust.org)

[www.heattrust.org](http://www.heattrust.org)

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Registered Address: 6th Floor, 10 Dean Farrar Street, London SW1H 0DX



# 1. Foreword from the Chair

Welcome to this Annual Report, which combines findings from the seventh and eighth years of Heat Trust's operation and covers the reporting period from 1 October 2021 to 30 September 2023.



For over eight years, Heat Trust's mission has been to protect as many heat network consumers as possible through our voluntary Scheme. We set minimum standards of protection that are, as far as possible, equivalent to those for gas and electricity consumers. We've grown from protecting 15,000 consumers at launch in 2015, to over 80,000 as I'm writing this in September 2024. Our registered heat networks have also become more technically, commercially and geographically diverse. Of the heat networks registered with us during this reporting period, 50% were outside London and 50% were run by local authorities, housing associations or developers. In 2023, we also welcomed two innovative rural heat networks to our Scheme: 'Heat the Streets' in Cornwall and Swaffham Prior in Cambridgeshire.

The Board are extremely proud of how Heat Trust has led, and continues to lead, the development of customer service standards across the heat networks sector. It's especially encouraging to see how Heat Trust's efforts during the energy crisis have driven improved heat supplier performance when it comes to supporting consumers in vulnerable situations or financial difficulty.

Heat Trust's purpose has always been to fill the gap created by the lack of statutory regulation for heat networks, to the extent that a voluntary Scheme can do so. We're entering an exciting period where the regulation that we've long called for is being developed. There's still a lot of detailed work to do by government before that regulation can start to protect consumers and we urge the new Labour government not to drop the baton.

I'm confident that Heat Trust will continue to play an important role during the transition as Ofgem becomes the heat networks regulator. We'll continue to protect consumers on our registered heat networks until this transition is complete and regulation is fully in place. We'll share our expertise and experience with policymakers to help deliver positive consumer outcomes. And we'll continue to champion the interests of all heat network consumers in the run-up to regulation, promoting consumer interests and calling out poor practices where we see consumer detriments.

With that in mind, in this report we:

- Use our monitoring and compliance data to summarise the performance of the heat networks registered with Heat Trust's consumer-protection Scheme;
- Update on key Heat Trust activities and Scheme developments; and
- Frame these in the context of the government's progress towards statutory heat networks regulation, offering our insight on the consumer outcomes that regulation must deliver.

Our Scheme standards are the foundations on which future consumer protection regulations will be built. Registration with Heat Trust continues to give consumers confidence and remains the best way for heat suppliers to prepare for regulation.

**Casey Cole (Heat Trust Board Chair),  
September 2024**



## 2. Infographic: 2022 and 2023 at a glance

### Market coverage

Launched in November 2015  
with 34 registered heat networks  
across 3 heat suppliers, covering  
**15k consumers**

September 2023:  
116 registered heat networks across  
24 heat suppliers, protecting  
**>75k consumers**

### Vulnerability, debt and disconnections



**9%** of domestic consumers were on a Priority Services Register in 2023 (8% in 2022): a doubling from 4% in 2021.

**<8%** of domestic consumers used a 'pay as you go' or pre-payment meter (PPM).

**<20%** of consumers throughout the period were in heat debt by more than 2 months.

**55%** of consumers in more than 2 months' debt were on a repayment plan at the end of the 2022/23 heating season (up from 36% in 2021/22 and 10% in 2020/21).

**<1%** of consumers per year were disconnected due to debt. Far more of these disconnections took place outside the heating season than within it. The rate of disconnections outstripped reconnections when debt was cleared.

### Supply outages

**4** unplanned supply outages per year were experienced by consumers on average, each lasting an average of 5-6 hours. Individual heat network performance ranged from 0 to 19 unplanned outages per year. Pump/pressurisation unit failure continued to be the consistent top cause.

**£361k** (in 2023) and **£73k** (in 2022) was paid in total outage compensation by heat suppliers to consumers. These totals reflect variation in outage duration and numbers of consumers affected. The duration of most unplanned outages was under the threshold for triggering compensation.

### Complaints

**4.4%**



of consumers in 2023 (3.2% in 2022) raised a complaint with their heat supplier - a decrease from 7.4% in 2021. 70-80% of complaints were resolved by heat suppliers within 8 weeks.

**153**

complaints in 2023, and 88 complaints in 2022, were accepted for investigation by the Energy Ombudsman. This compares with 125 complaints in 2021.

**81%**

of complaints investigated by the ombudsman in 2023 were upheld in consumers' favour (75% in 2022 and compared with 78% in 2021). The average remedy payment awarded by the ombudsman was £142 in 2023 and £90 in 2022, compared with £120 in 2021.

Billing and customer service / technical issues (including outages) remained consistent top causes of complaints to both heat suppliers and the ombudsman.

## 3. Executive summary

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### Heat Trust is the independent, non-profit consumer champion for heat networks in Great Britain (England, Scotland and Wales).

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We launched in November 2015 with a clear ambition to place consumers at the heart of a rapidly expanding, but unregulated, heat networks market. Because they are installed and operated at a building level, heat networks are natural monopolies and individual consumers cannot choose or change their heat supplier. Our mission is to hold heat suppliers to account for the benefit of everyone involved in heat networks. We seek to achieve equity of regulatory treatment for heat network consumers with that enjoyed by gas and electricity consumers.

Our primary purpose is to operate and develop our voluntary consumer-protection Scheme, protecting as many consumers as possible through our standards and giving them continuity of protection throughout the transition to statutory regulation. We also advocate generally for the interests of heat network consumers across the sector.



Want to know more about what a heat network is before diving into this report? See [www.heattrust.org/about-heat-networks](http://www.heattrust.org/about-heat-networks)

#### How we've protected consumers through our Scheme

Consumers continued to benefit from our Scheme's standards during the October 2021 - September 2023 period covered by this report.

Our voluntary Scheme provides domestic and micro-business consumers on our registered heat networks with:

- Minimum standards of customer service from their heat supplier and protections that are, as far as possible, equivalent to those for gas and electricity consumers;
- Compensation from their heat supplier for any supply outages that fail to meet our guaranteed performance standards on outage length and frequency;
- Confidence in knowing that our assurance arrangements hold their heat supplier accountable for meeting our standards; and
- Access to an independent dispute resolution service for unresolved complaints against their heat supplier, through our agreement with the Energy Ombudsman.

During the reporting period we:

- Grew our Scheme registrations, helping more heat suppliers get regulation ready and delivering the benefit of our protections to more consumers than ever before (see Section 4);
- Enhanced our Scheme's standards and promoted best practice in customer service (see Section 5); and

- Monitored and independently audited the compliance of the heat suppliers for our registered heat networks against our standards (see Sections 6 and 7).

Much of our work during this reporting period focused on ensuring that the heat suppliers for our registered heat networks supported the consumers who were hit hardest by the energy crisis that began in Autumn 2021. We:

- Enhanced our Scheme standards by introducing an overarching requirement for heat suppliers to treat consumers fairly;
- Published new Scheme guidance on supporting consumers in financial difficulty and supporting consumers in vulnerable situations; and
- Partnered with National Energy Action to train our registered heat suppliers on how to identify consumers in vulnerable situations.

Our Scheme monitoring data shows marked performance improvements in these areas. This means more consumers are getting the added protections that they need.

Our data also gives us insight into where our registered heat suppliers can do more to improve the consumer experience. Despite publishing complaints-handling guidance during the period, we remain concerned about whether all suppliers are correctly recording complaints and considering individual consumer circumstances and impacts. We also note that rates of disconnections for debt, while low as a percentage of the overall customer base, are outstripping reconnections. These will be future areas of investigation and, if needed, compliance engagement activity.

## How we've championed consumers through our advocacy and regulatory engagement

During the reporting period we championed the need for statutory protections for all heat network consumers across the entire sector. We engaged with government policymakers and held planned regulation accountable for delivering positive consumer outcomes.

We believe that all heat network consumers must be guaranteed a minimum level of protection. Heat and hot water are services that are essential to life and heat networks will become much more prevalent in the coming years as an essential tool to achieve Net Zero. We've therefore long advocated for the statutory regulation of heat networks - the legislative path to which has now begun.

While our mission remains as relevant today as in 2015, planned regulation means that achieving this mission now also depends on us sharing our insight and expertise with government policymakers. The political turbulence of 2022-23 meant that the reporting period was characterised by regulatory uncertainty and delay, with the Energy Bill only receiving Royal Assent in October 2023. Despite this, we continued to increase our regulatory engagement with the Department for Energy Security and Net Zero (DESNZ) and with Ofgem as the future heat networks regulator. This included welcoming a senior Ofgem staff member to Heat Trust on a 12-month secondment to learn more about the heat networks sector.

In August 2023, government and Ofgem issued a joint consultation on their intended protections for heat network consumers. This marked a major milestone in the development of future regulation, although much detail remained unclear about both the planned protections and the timescales for introducing them. We ended the reporting period in September 2023 by drafting Heat Trust's response to this consultation, setting out the areas in which regulation must achieve results on consumers' behalf.

As Heat Trust isn't a statutory regulator, we can't regulate heat pricing or mandate technical standards for heat networks. During 2022 and 2023, the energy crisis that was driven by surging wholesale gas prices:

- Focused public attention on the lack of price protections for heat network consumers, who were often left exposed to the extremes of the gas wholesale market due to most heat networks' reliance on commercial gas contracts; and
- Exposed the poor technical efficiency of many heat networks, which had been masked previously by low commercial gas prices.

In our wider role as consumer champion for heat networks, Heat Trust:

- Highlighted the need for permanent regulatory price protections, while urging government to take interim action to support heat network consumers with their bills; and
- Called for the acceleration and scaling-up of government funding to improve existing heat networks, while also ensuring that the government's development of future, mandatory technical standards remained focused on consumer outcomes.

Our Scheme monitoring data continues to show that the heat network sector must do more to improve reliability of supply. It also demonstrates that requiring compensation and providing ombudsman access are insufficient by themselves to deliver this improvement. It's right that consumers receive compensation for the detriments that outages cause. But what consumers want is a reliable supply in the first place, so that the need for compensation, complaints and redress is a rare exception not a routine occurrence. During 2022 and 2023, we used our data to highlight to policymakers why it's critical that future regulation sets and enforces minimum technical performance standards for both new and existing heat networks.

Section 8 gives more detail on our consumer advocacy and regulatory engagement during the reporting period. If you'd like to know more about the government's planned heat network regulations, we summarise these on our website at [www.heattrust.org/coming-regulation](http://www.heattrust.org/coming-regulation). For copies of all of our press releases, including those about energy bill support, see [www.heattrust.org/news-events](http://www.heattrust.org/news-events).



# 4. Scheme registrations and sector coverage

## We continued to increase our market coverage

Heat suppliers continued to get regulation ready by registering more heat networks with Heat Trust.

Any heat network that serves domestic and/or micro-business consumers can join Heat Trust, whether it's metered or unmetered and regardless of its heat source. To join our Scheme, the applicant must be the heat supplier that has the contract with the end consumers. The supplier could be a dedicated Energy Service Company (ESCO) or a building owner (e.g. a developer, private freeholder, housing association or local authority). Registration is at a heat network, not heat supplier, level - meaning that a heat supplier must make an individual application for each heat network that it wants to register with us. Before we accept that registration, we check that the heat supplier has terms and conditions and processes in place for that heat network that comply with our Scheme's rules. Once we're satisfied, the supplier signs a legal undertaking to abide by our Scheme on an ongoing basis for the heat network.

Between October 2021 and September 2023, we registered 16 new heat networks across nine heat suppliers. Five of these heat suppliers were

registering heat networks with Heat Trust for the first time. This brought our total to 116 heat networks across 24 heat suppliers by September 2023 (Figure 1).

Figure 1 shows points of Scheme growth that could potentially be connected to:

- The the Competition and Markets Authority (CMA) 2018 recommendation in favour of heat networks regulation;
- The 2020-21 spotlight on consumer outcomes during the Covid-19 pandemic; and
- The government's 2022 announcement of planned regulation for heat networks.

Growth in Heat Trust registrations will also be tied to growth in the number of heat networks generally, which in turn follows trends in the completion of new housing developments. We believe the growth between 2018 and 2020 also reflects a wave of new ESCOs entering the heat networks sector.

We protected 75,200 consumers in total at the end of September 2023 (Figure 2). This was 14,000 more than in October 2021. The increase was a combination of new registrations and existing registered heat networks increasing their numbers of connected consumers.

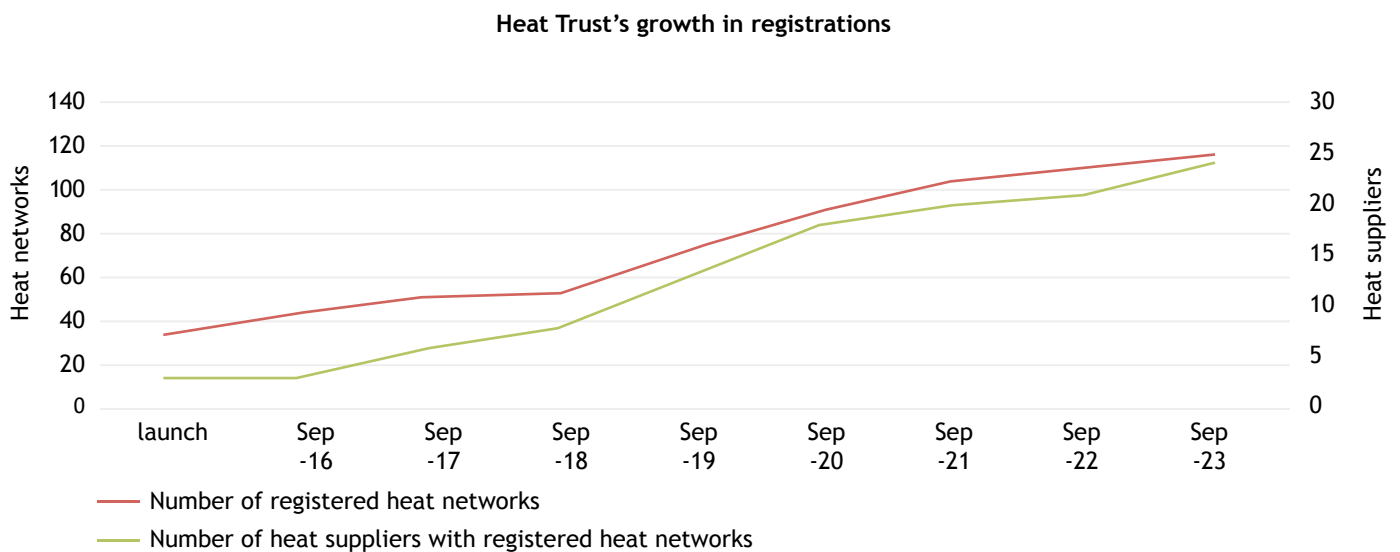


Figure 1 - Growth in Heat Trust registrations by year since Scheme launch, with separate axes for the numbers of registered heat networks and heat suppliers

Number of heat network consumers protected by Heat Trust registrations

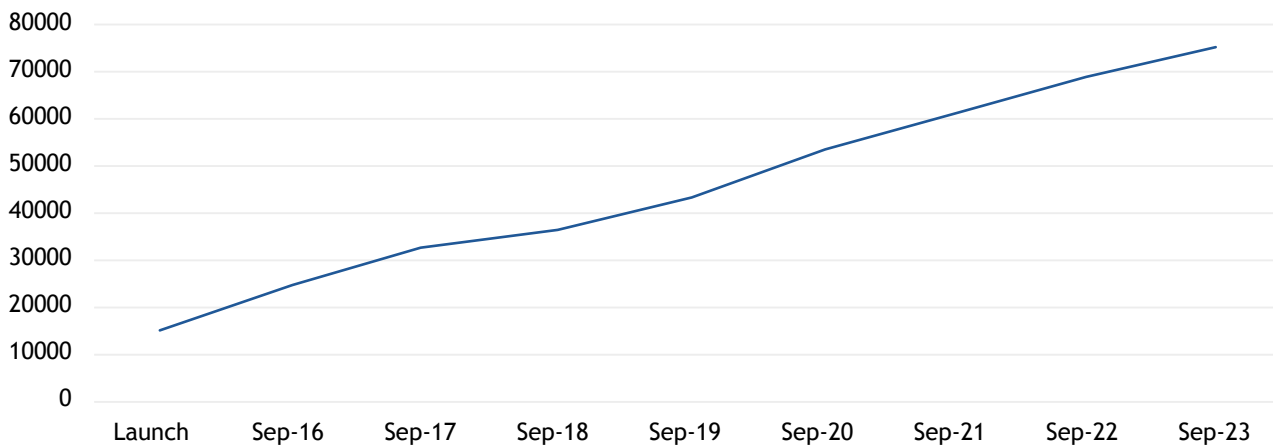


Figure 2 - Growth in numbers of consumers protected by Heat Trust's Scheme since launch

One heat supplier withdrew from our Scheme during the period, impacting approximately 50 consumers on its two deregistered heat networks. A further heat network deregistered due to a change in its heat supplier, impacting approximately 460 consumers. There were no expulsions from the Scheme.

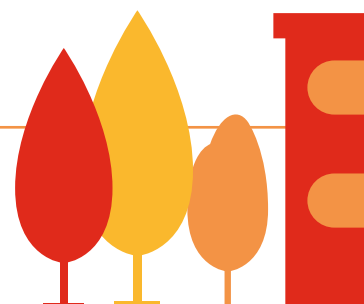
Our registered heat networks and their heat suppliers continued to become more diverse in terms of their size, location, business model and heat-source technology. Of the heat networks registered with us during the October 2021 - September 2023 reporting period, 50% were outside London and 50% were run by local authorities, housing associations or developers. They also included two innovative, rural low-carbon networks - demonstrating that Heat Trust can support all parts of the sector in getting regulation ready:

- **Heat the Streets in Cornwall**, run by Kensa Utilities, is a retrofitted networked heat pump site in a rural village. In an arrangement commonly referred to as a 'shared ground loop', it uses underground boreholes and pipes to harness ambient heat from the ground and feed it to a small ground-source heat pump in each home. This heat pump upgrades the heat to warm the home and heat water.
- **Swaffham Prior in Cambridgeshire**, run by Cambridgeshire County Council, was the first village to develop a rural heat network. It uses both air and ground source heat pumps powered by a solar farm.

You can find our latest registration numbers, plus our full list of registered heat networks, at [www.heattrust.org/our-members](http://www.heattrust.org/our-members).

Want to know more about our registration process?

See [www.heattrust.org/join-us](http://www.heattrust.org/join-us)



## Our coverage of the sector shows challenges for future regulation

Despite the steady growth of our Scheme, the continued expansion of the heat networks sector means that we still only protect an estimated 1 in 10 consumers on heat networks.

There is limited public data available on the numbers of heat networks, heat suppliers and heat network consumers in Great Britain. The Office for Product Safety and Standards (OPSS) requires heat suppliers to notify it of all operational heat networks, with its most recent published data covering the period 2019-22.

The OPSS data has limitations due to non-compliance with the notification requirement and we believe it significantly underestimates both the numbers of heat networks and heat network consumers.<sup>1</sup> But it gives us an idea of how Heat Trust’s registrations compare against wider sector characteristics. Despite our registrations showing increased diversity during the reporting period, a Heat Trust registered heat network is still more likely to be large and located in London. This is demonstrated in Figure 3, which covers all heat networks registered with Heat Trust as of September 2023 - not just those registered within the reporting period.



Photo credit: Cambridgeshire County Council

	OPSS notifications (2019-22)	Heat Trust total registrations (at Sep 2023)
Total number of registered heat networks with domestic consumers	9,000	116
Proportion of registered heat networks in England	93%	97%
Proportion of registered heat networks in London	30%	78%
Proportion of consumers on registered heat networks in London	50%	84%
Average no. of consumers per registered heat network	Approx. 50	Approx. 650

Figure 3 - Heat Trust’s sector coverage by heat network size and location





Photo credit: Kensa Utilities

A Heat Trust registered heat network is also more likely to be registered by a dedicated ESCO heat supplier.<sup>2</sup> Our Scheme isn't limited to ESCOs and during October 2021 - September 2023 the heat suppliers registering heat networks with us for the first time included two local authorities, a housing association and a developer. But ESCOs still represented almost three quarters of the heat suppliers for our registered heat networks as of September 2023 (Figure 4).<sup>3</sup> This compares to what we believe to be ESCOs' 10% share of the overall sector.

Our limited sector coverage demonstrates the pressing need for statutory regulation of all heat networks, not just those run by ESCOs. At the same time, it shows the scale of the challenge for government and Ofgem in introducing consumer protections across many thousands of existing small heat networks controlled by building owners.

Heat suppliers for Heat Trust registered heat networks at Sep-23

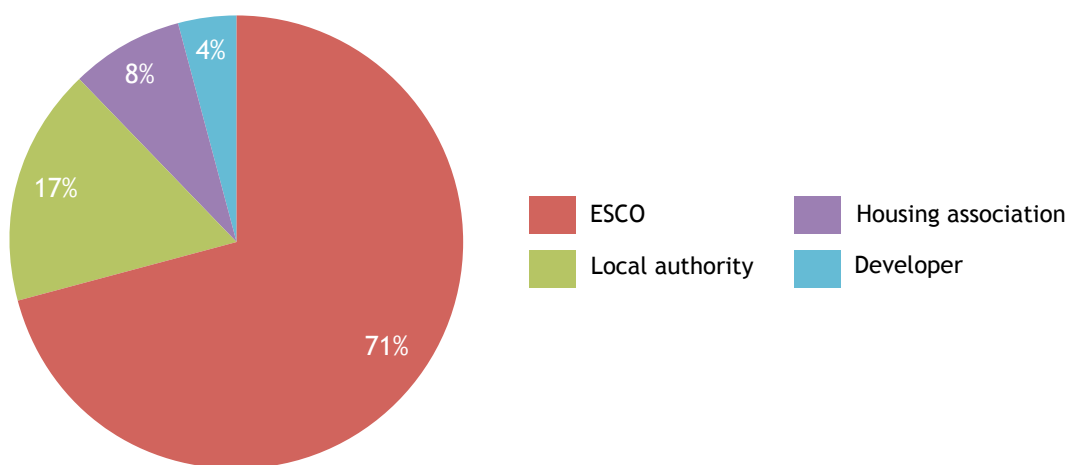


Figure 4 - Heat Trust's sector coverage by type of heat supplier, as at the end of the reporting period

<sup>2</sup> An Energy Service Company (ESCO) has end-to-end responsibility, usually under a long-term concession agreement with the building owner, for both the operation of the heat network assets and the contractual supply and billing of heat to end consumers. On heat networks without an ESCO, the building owner usually retains the contractual supply relationship with consumers as well as control of the network assets. They may appoint an operation and maintenance contractor and/or a metering and billing contractor. The building owner is usually a developer, private freeholder, housing association or local authority.

<sup>3</sup> Some ESCOs are set up and owned by building owners, such as local authorities or private developers. Where this is the case, we've included these in the 'Local authority' or 'Developer', rather than 'ESCO', category for the purposes of our reporting.

# 5. Scheme changes and developments

Our Scheme rules are designed to be comparable to the standards of conduct set out in Ofgem’s licence conditions for the regulated gas and electricity suppliers of domestic and microbusiness consumers. You can find a summary of our Scheme standards at [www.heattrust.org/the-scheme](http://www.heattrust.org/the-scheme).

Our Scheme promotes best practice, innovation and continuous improvement in customer service, by enabling the evolution of our standards through a formal change process as well as the development of guidance on how to comply with those standards. During the reporting period, we continued to review the effectiveness of our rules and guidance. We made changes to enhance our consumer protections and worked to continually embed and improve best practice among the heat suppliers for our registered heat networks.

With Ofgem regulation now planned, we needed to increasingly consider our Scheme’s consumer protections against not just comparable gas and electricity standards but also government’s emerging policy direction for heat networks. As the period went on, we took steps to manage the risk that future Scheme changes could inadvertently diverge from that policy or overlap with Ofgem milestones on the path to statutory heat networks regulation. With government’s regulatory detail and timescales uncertain and subject to delays during the period, this meant in some cases making the difficult decision to put potential Scheme changes on hold.

## Rule changes

We implemented five changes to our Scheme standards during the reporting period:

- **Modification Proposal 013 ‘Treating customers fairly’** introduced our overarching requirement for heat suppliers to treat their domestic and micro-business heat customers fairly, equivalent to Ofgem’s requirement for gas and electricity suppliers. It was implemented in March 2023.
- **Modification Proposal 014 ‘Meter reading with automatic meter reading (AMR)’** required heat suppliers to base bills on actual meter readings where AMR is in place, and to advise consumers on how to read their meters if the AMR fails. It was implemented in June 2022.
- **Modification Proposal 020a ‘Indexation of minimum Guaranteed Service Payment (GSP) amounts’** simplified the future indexation process for the supply outage compensation amounts set out in our Scheme rules, under which these amounts are uprated for inflation. It was implemented in April 2023.
- **Modification Proposal 022 ‘Audit process and information requests’** made various improvements to our Scheme’s audit process to ensure it could target non-compliances in an informed, flexible and proportionate way. It was implemented in September 2022 and applied to audits initiated after that point, meaning that this Annual Report covers audits conducted under both the old and new processes.
- **Modification Proposal 029 ‘Change of Ombudsman Services name to Energy Ombudsman’** updated our Scheme documentation to reflect a change in the ombudsman’s brand identity and corporate structure. It was implemented in September 2023 with no change to the actual service provided to consumers.

We decided to pause progression of the following ten Scheme changes, pending more clarity on Ofgem’s intended policy in these areas:

- **Modification Proposal 019 ‘Transparency on billing’** aimed to add additional transparency to bills and introduce standards around use of security deposits, based on Ofgem’s rules for gas and electricity suppliers. Its progression facilitated debate during 2022 about whether use of security deposits is fair and appropriate for heat networks, given their monopoly nature. Government’s and Ofgem’s August 2023 consultation did not give a policy position on security deposits, so we highlighted this area in our consultation response and put MOD019 on hold while we awaited more clarity on Ofgem’s planned protections.
- **Modification Proposals 015, 016 and 018** related to the Guaranteed Service Payments for supply outages that our Scheme requires to be paid to consumers. These Modification Proposals had been raised in May 2021 but then put on hold while we considered the results of our series of stakeholder roundtables in Summer 2022. They were subsequently superseded by the six further Modification Proposals below and remained on hold while those were progressed.
- **Modification Proposals 023, 024, 025, 026, 027 and 028** were raised in November 2022 following our roundtables and also sought to change our Scheme’s Guaranteed Service Payments. Our consultation on these closed in March 2023. Responses:
  - Supported the principles behind MODS 023-028, with some of our registered heat suppliers voluntarily going above and beyond our existing GSP rules.
  - Showed that there are difficult trade-offs to consider between the benefits to consumers of more stringent GSP requirements and the cost implications for heat suppliers, since these costs could filter through to consumer bills.

- Identified a potential risk of embedding a ‘compensation culture’ where GSPs become a cost of compliance, rather than a driver to improve reliability of supply - this is supported by our monitoring data, which shows that GSPs alone are insufficient to drive a reduction in outages and that mandatory technical performance standards are needed under future Ofgem regulation.
- Identified a potential risk that requiring increased GSPs could deter heat suppliers from registering heat networks with Heat Trust’s voluntary Scheme, meaning their consumers miss out on our other protections.
- Highlighted potential lead times of up to a year for some of the necessary changes to heat suppliers’ IT systems (at that time, Ofgem regulation was ear-marked to start in April 2025).

To avoid the risk of diverging significantly from Ofgem’s own policy, we decided to put all of these changes on hold until such time as we had more clarity on Ofgem’s proposed GSPs and technical standards for heat networks. While government’s and Ofgem’s August 2023 consultation referred to these areas, it did not go into detail on what the standards would be. These Modification Proposals therefore remained on hold at the end of the reporting period.

You can find copies of all Modification Proposals here: [www.heattrust.org/scheme-modifications](http://www.heattrust.org/scheme-modifications).



## Guidance and best practice

We published seven new or updated Scheme guidance documents during the reporting period, setting out best practice in:

- Supporting heat network consumers in financial difficulty (July 2022);
- Identifying and supporting heat network consumers in vulnerable situations (July 2022);
- Interpreting and complying with our Guaranteed Performance Standards (July 2022);
- Treating heat network consumers fairly (August 2022);
- Billing and payment (September 2022);
- Handling complaints (September 2022); and
- Indexation of minimum Guaranteed Service Payment amounts (December 2022).

We also ran training with National Energy Action in October 2021 on how heat suppliers can proactively identify heat network consumers in vulnerable situations.

In early 2023, we consulted on whether to require heat suppliers to gather and report customer satisfaction data for their registered heat networks. Responses indicated that our registered heat suppliers already use a variety of methods to record customer satisfaction, but with no uniform approach. In the absence of clarity about what Ofgem might require under coming regulation, we decided not to progress Scheme rule changes in this area. Instead we will consider whether there's scope for future best practice guidance.

You can find all our public Scheme guidance here: <https://www.heattrust.org/best-practice-guidance-and-templates>.



## 6. Monitoring data including consumer complaints

We collect monitoring data twice-yearly for each of our registered heat networks.

The monitoring data included in this report covers the following four individual reporting periods and is aggregated from all heat networks registered with Heat Trust during each period:

- 1 October 2021 - 31 March 2022  
- 104 heat networks
- 1 April 2022 - 30 September 2022  
- 110 heat networks
- 1 October 2022 - 31 March 2023  
- 111 heat networks
- 1 April 2023 - 30 September 2023  
- 116 heat networks

The reason for the specific date ranges is that our Scheme defines the heating season as October-March, during which extra consumer protections apply.

### Meter types

Aside from four supported housing sites, all registered heat networks had individual heat meters for each consumer on which billing was based. There were no heat networks using heat cost allocators.<sup>4</sup>

Among our registered heat networks, there has been a steady increase over the last few years in the proportion of domestic consumers paying for their heat through Pre-payment Meters (PPMs, sometimes called ‘pay as you go’ devices). However, the proportion has remained low overall at below 8% (Figure 5). For comparison, 14% of domestic electricity consumers and 13% of domestic gas consumers had PPMs in Q3 2023.<sup>5</sup>

Reporting year ending	Number of domestic consumers with PPMs	Proportion of domestic customer base
September 2021	3,809	6.2%
September 2022	4,698	6.8%
September 2023	5,706	7.6%

Figure 5 - Number and percentage of domestic consumers with Pre-payment Meters

4. Small electronic devices fitted to radiators that measure, record and display the radiator's heat output.

5. Figures provided by Ofgem in response to a Freedom of Information request. For comparison purposes, we've rounded its figures to the nearest percent. The figures provided will reflect Ofgem's temporary moratorium on the force-fitting of gas and electricity PPMs between February 2023 and January 2024.

Not all these heat consumers will have been in debt. While PPMs are widely used in the regulated gas and electricity sectors for managing and repaying existing debt, heat suppliers do not have powers to force-fit PPMs under warrant for that purpose (although smart heat meters, where installed, can be remotely switched to PPM mode).<sup>6</sup> Many newer heat networks take a commercial decision to fit PPMs as standard in all homes as a debt-prevention solution.

If consumers don't or can't afford to top up their PPMs they are automatically disconnected from their heat supply (often called 'self disconnection'). Our Scheme guidance clarifies that it's best practice for heat suppliers to proactively monitor for 'self-disconnection' by PPM customers, where it's reasonably practicable to put in place processes to do so. Like Ofgem's rules for gas and electricity suppliers, our Scheme rules also prevent heat suppliers from switching a consumer to a PPM if the PPM is unsafe or impracticable for them to use.

## Vulnerability, debt and disconnections

Our Scheme rules require the heat suppliers for our registered heat networks to take proactive steps to identify and support domestic consumers in vulnerable situations and/or with additional communication needs. This includes a requirement not to disconnect any consumers in vulnerable situations from their heat supply during the heating season.

A Priority Services Register (PSR) is the mechanism by which the heat suppliers for our registered heat networks record domestic consumers who are in vulnerable situations or who have additional communication needs. Because heat networks supply whole buildings, the proportion of a heat supplier's consumers with vulnerabilities or additional needs can vary according to the nature of a building - for example, a heat network may supply sheltered accommodation.

Following Heat Trust's concerns over a decline in the proportion of domestic consumers on PSRs across our registered heat networks, we partnered with National Energy Action in October 2021 to train our registered heat suppliers on how to identify consumers in vulnerable situations. As a result, the proportion doubled: from 4% in 2021 to 8% in 2022 and 9% in 2023 (Figure 6). For comparison, 31% of domestic electricity consumers and 33% of domestic gas consumers were on a PSR in Q4 2023.<sup>7</sup>

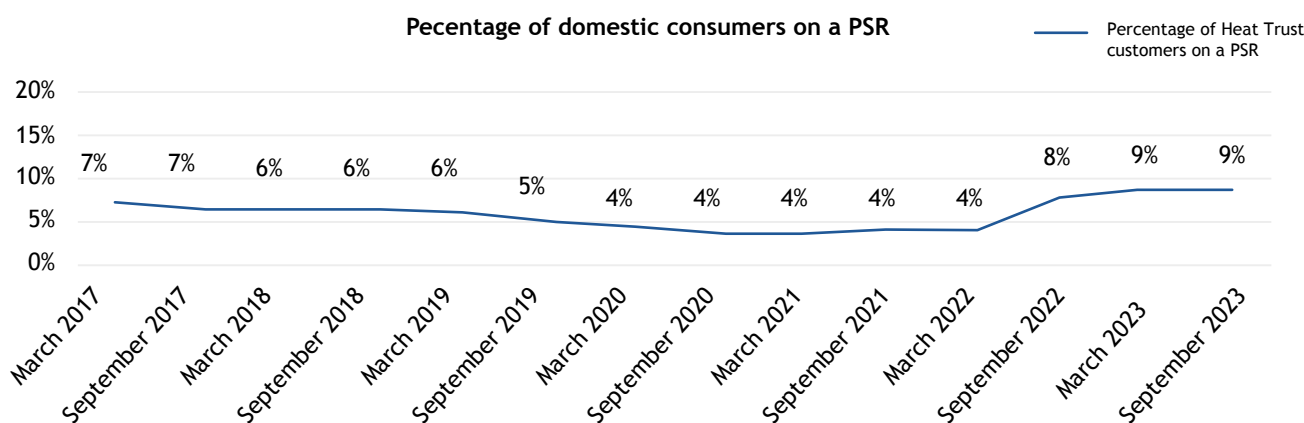


Figure 6 - Proportion of consumers on a PSR across Heat Trust registered heat networks

6. We didn't monitor rates of remote switching to PPM mode during the period covered by this Annual Report. However, we have since started to collect this data and will include this in our next report.

7. Figures provided by Ofgem in response to a Freedom of Information request. As Ofgem receives PSR data from energy suppliers annually, it was only able to provide figures for Q4 2023 and not Q3. For comparison purposes, we've rounded its figures to the nearest percent.

Our Scheme rules require the heat suppliers for our registered heat networks to make proactive efforts to support consumers in financial difficulty. This includes making every reasonable effort to restructure payments to be manageable and affordable.

Despite the energy crisis, our data shows that the proportion of consumers in debt to their heat supplier by more than two months did not increase significantly during the period and stayed below 20% of the customer base (Figure 7). However, our data doesn't record the amount

of debt incurred by these consumers so we don't know if that increased.

What we can see is a marked improvement in the proportion of those consumers who were on a repayment plan (Figure 7). This increased from 10% at the end of the 2020/21 heating season in March 2021 to 36% in March 2022 and 55% in March 2023. This suggests that the heat suppliers for our registered heat networks became more proactive in managing debt, following Heat Trust's related work and best practice guidance during the period.

Consumer debt and repayment plans

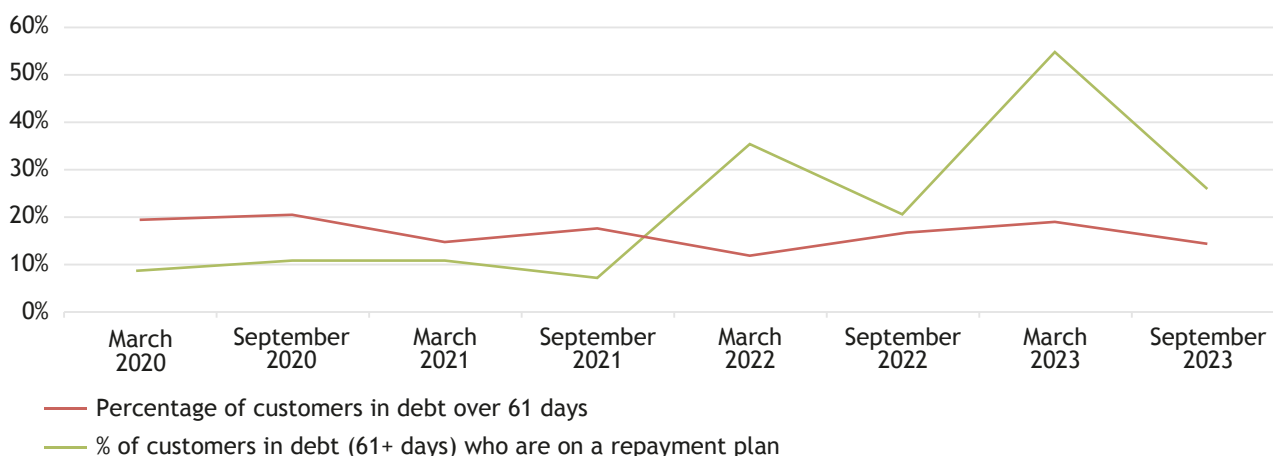


Figure 7 - Proportion of consumers in debt to their heat supplier by more than 2 months and the proportion of those consumers on a repayment plan

Unlike the gas and electricity sector, where supply suspensions (disconnections) for debt are extremely rare, they are a feature of the heat network sector. This is partly because heat suppliers don't have powers to force-fit PPMs using court warrants.

During the Covid pandemic restrictions of 2020 and 2021, an industry-wide agreement reduced the number of supply suspensions. Our data shows that, once this was lifted, the heat suppliers for our registered heat networks resumed suspensions as a debt management

tool (Figure 8). While the rate of disconnections increased during the October 2021 - September 2023 reporting period, it remained below 1% of the customer base. More than half of the disconnections in that period occurred outside the heating season (72% in 2022 and 88% in 2023), when the impact on consumers would have been less detrimental.

A cause for concern is that the rate of supply resumptions once debt was paid consistently lagged behind. This will be a future area of investigation as to the cause.



### Suspensions and resumptions of supply

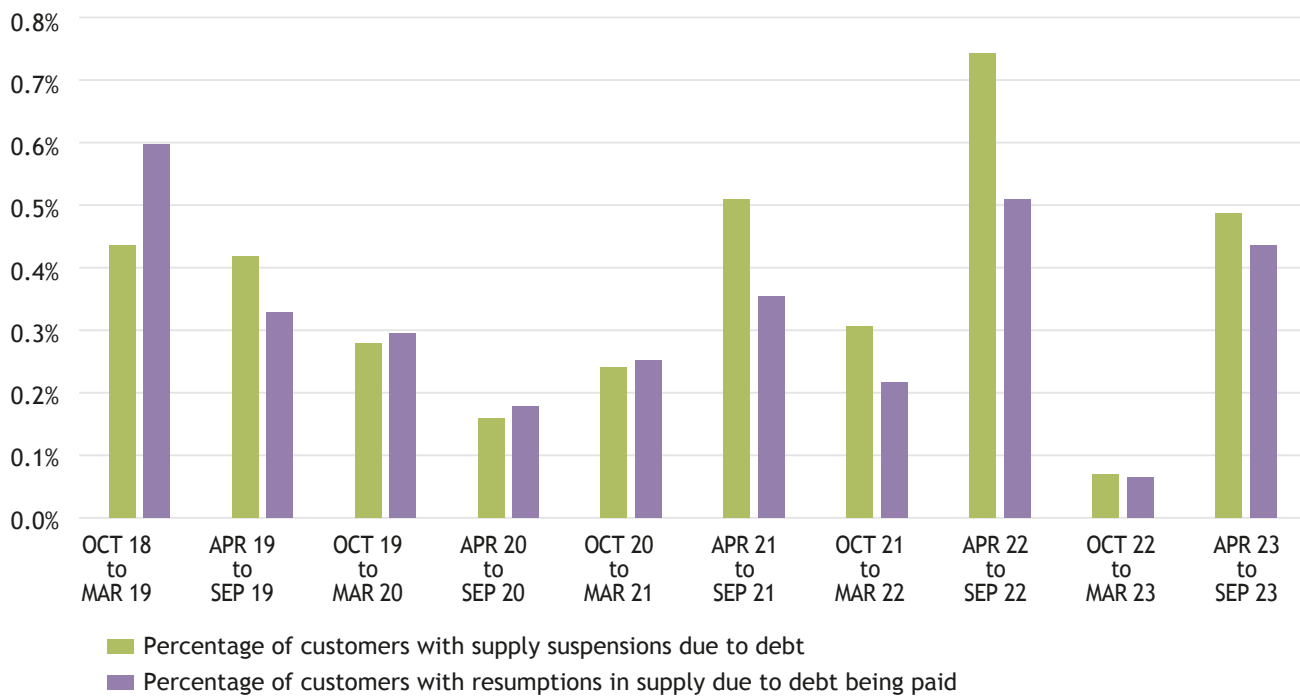


Figure 8 - Suspensions and resumptions of supply relating to debt

### Faults

Faults are defined as technical issues that don't result in a failure of heat supply.

We've always seen a pattern of higher fault numbers reported in the heating season and

this remained the case during the reporting period (Figure 9). Overall, the total proportion of consumers reporting a fault each year saw a steady decline: from 22% in 2021 to 18% in 2022 and 14% in 2023.

### Faults per 100 consumers

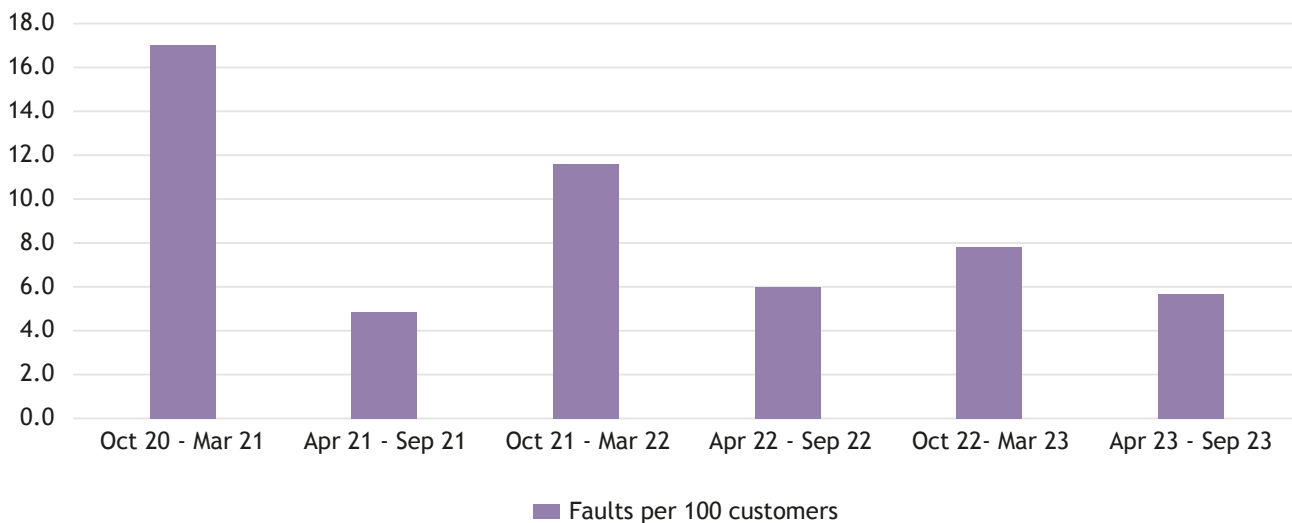


Figure 9 - Faults per 100 consumers

## Supply interruptions and related compensation payments

Heat Trust's Scheme rules require the heat suppliers for our registered heat networks to pay their consumers compensation for supply outages, where the outages don't meet our standards on duration and frequency. We call this compensation Guaranteed Service Payments (GSPs).

We split outages into:

- Planned interruptions (usually for repairs or maintenance), where the heat supplier has provided consumers with at least 48 hours' notice of the outage; and
- Unplanned interruptions, which are outages where the heat supplier has not provided consumers with at least 48 hours' notice.

We require heat suppliers to pay compensation where an outage on a registered heat network meets one or more of the following triggers:

- A planned interruption lasts longer than 5 days;
- An unplanned interruption lasts longer than 48 hours;
- There are 4 or more unplanned interruptions within a 12-month period, each lasting more than 12 hours; and/or
- The heat supplier has failed to make alternative heating provision for consumers in vulnerable situations during an interruption lasting more than 12 hours (whether planned or unplanned).

Some heat suppliers voluntarily choose to go above and beyond these minimum requirements - for example, some choose to pay compensation for unplanned interruptions lasting more than 24 hours. The GSP figures in this report represent all payments made.

Historically, we've reported on the total number of interruptions. This isn't a good indicator of the consumer experience, because it doesn't take account of how many consumers were affected by the outage or how long it lasted. For this Annual Report, we've looked instead at:

- The **average number** of interruptions experienced by consumers. This means the total of all consumers affected by each interruption divided by total customer base.
- The **average hours** of interruption experienced by consumers. This means the total customer hours of interruptions (length of each interruption multiplied by the number of consumers affected) divided by the total customer base.

In both 2022 and 2023, consumers experienced an average of 5 outages a year of which 4 were unplanned (Figure 10). This is consistent with 2021.



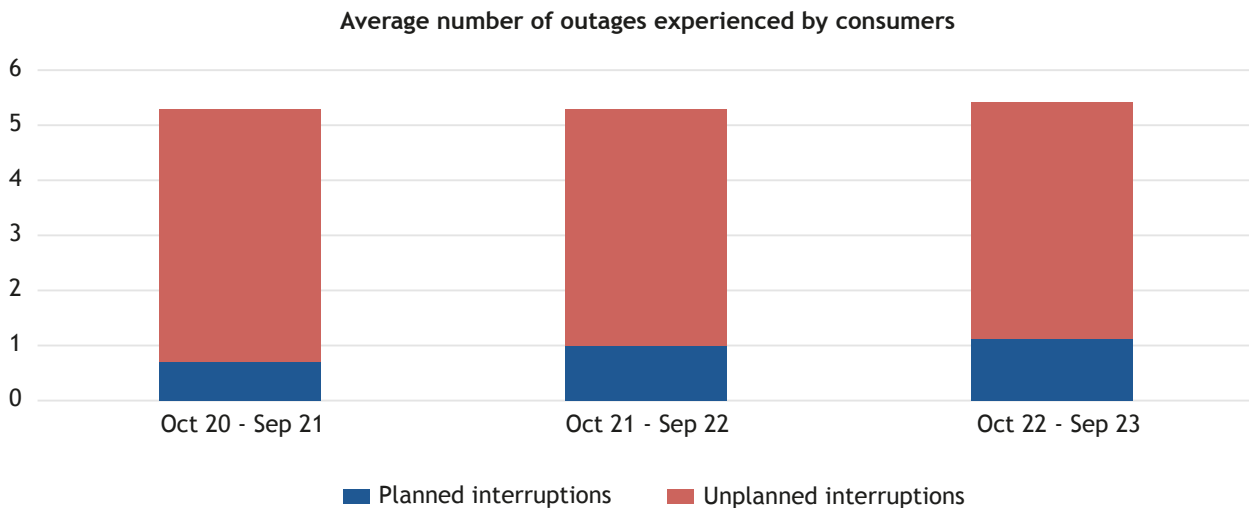


Figure 10 - Average number of supply outages experienced by consumers per year

### Planned interruptions

The annual number of planned interruptions was higher in 2023 than in 2022 and 2021. However, the average hours of planned interruptions was shorter in 2022 and 2023 than in 2021 (Figure 11).

Year	Number of planned interruptions	Average number of planned interruptions experienced	Average hours of planned interruption experienced
Oct 20 - Sep 21	122	0.68	14:29
Oct 21 - Sep 22	198	1.01	06:22
Oct 22 - Sep 23	251	1.10	07:51

Figure 11 - Planned interruptions

### Unplanned interruptions

Between 2021 and 2023 the number of unplanned interruptions reduced year on year, as did the average number and average hours (Figure 12). Combined with the increase in

planned interruptions, this could suggest more proactive programmes of maintenance. However, the average number of unplanned interruptions is still unacceptably high from the consumer perspective.

Year	Number of unplanned interruptions	Average number of unplanned interruptions experienced	Average hours of unplanned interruption experienced
Oct 20 - Sep 21	4,875	4.6	30:35
Oct 21 - Sep 22	4,510	4.3	23:37
Oct 22 - Sep 23	2,985	4.3	22:28

Figure 12 - Unplanned interruptions

The reduction in average hours suggests that fewer unplanned interruptions will have triggered GSPs in 2022 and 2023. Indeed, breaking down the duration per affected consumer shows that the average unplanned interruption lasted 5-6 hours (Figure 13) - well below the GSP thresholds.

Year	Average duration of unplanned interruptions
Oct 20 - Sep 21	06:39
Oct 21 - Sep 22	05:30
Oct 22 - Sep 23	05:13

This aggregated data conceals what was in reality a huge range in performance across individual registered heat networks. Figures 14-16 show the range of performance for registered heat networks in each of the past three years. Heat networks are ranked left to right from most reliable to least reliable for the year in question.

Figure 13 - Average duration of unplanned interruptions experienced by consumers

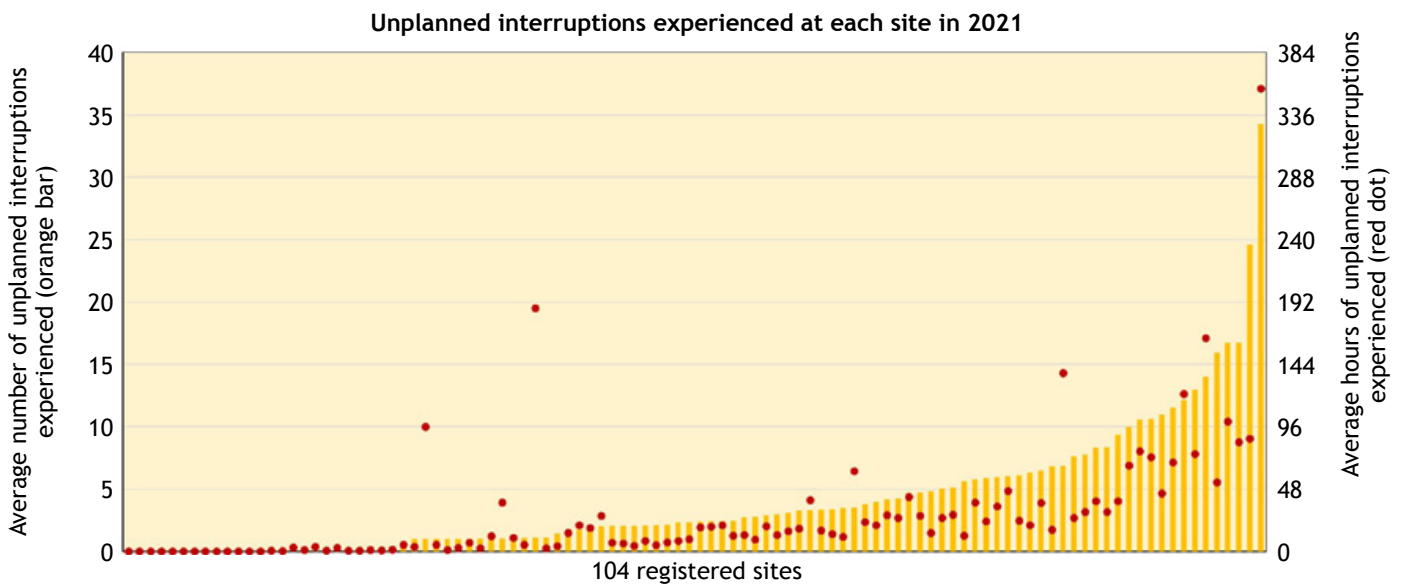


Figure 14 - Range of unplanned interruptions by heat network during October 2020 - Sep 2021

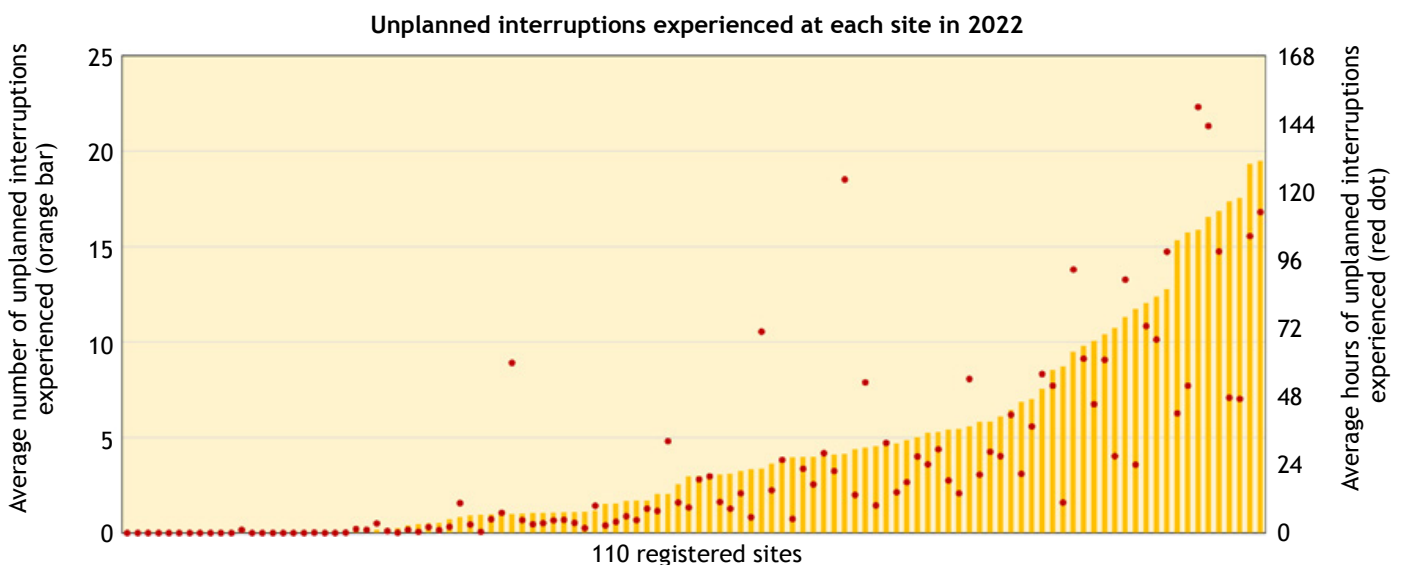


Figure 15 - Range of unplanned interruptions by heat network during October 2021 - September 2022

### Unplanned interruptions experienced at each site in 2023

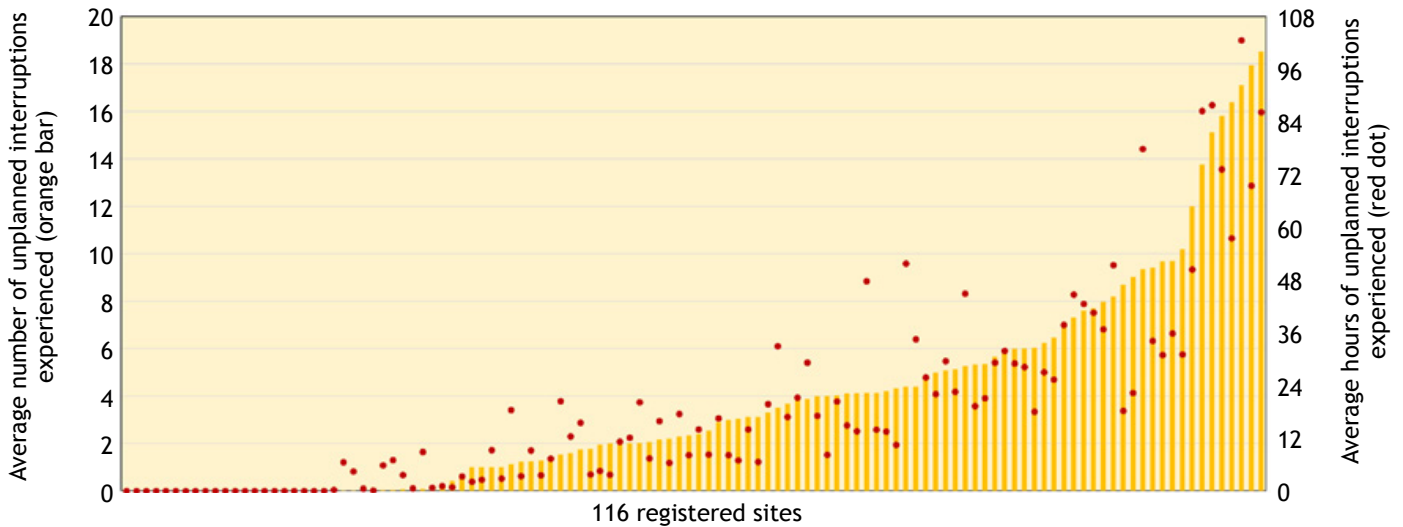


Figure 16 - Range of unplanned interruptions by heat network during October 2022 - September 2023

In each year, around a third of registered heat networks experienced almost zero unplanned interruptions, about a third were below or at the average performance and around a third experienced very high numbers. Although the general pattern was fairly consistent from year to year, the performance and position of individual heat networks changed considerably. In both 2022 and 2023, consumers on the worst performing heat network (a different heat network in each case) experienced an average of around 19 unplanned interruptions during the year. Almost all these interruptions were too short to trigger GSPs.

We believe that the performance of Heat Trust registered heat networks is likely to be comparable to that across the wider sector (if not better, given that their heat suppliers have proactively chosen to join our consumer protection Scheme). As discussed in Section 5, we have considered making our GSP triggers more stringent. However, unplanned outages are ultimately caused by unreliable heat networks. Without government enforcement of a clear minimum technical standard for what a well-designed and operated heat network should look

like, GSPs risk becoming a cost of compliance rather than a driver of improved performance. And unless prohibited by government price protections and supported by expanded government funding for existing heat network improvements, there is a risk that heat suppliers recoup from consumers the costs of GSPs (for poor technical performance) or capital works (for improving technical performance).

While we await clarity from Ofgem on what GSPs it intends to include in its own regulations, we have shared our interruption findings with the government work programme developing future mandatory technical standards for heat networks.<sup>8</sup> Ultimately it will fall to those technical standards to drive improvement in supply reliability and investment decisions around improving technical performance. In parallel, we've called for the continued expansion of government funding for existing heat network performance improvements in England and Wales (through the Heat Network Efficiency Scheme<sup>9</sup>) and for similar funding to be provided in Scotland.

8. The Heat Network Technical Assurance Scheme (HNTAS) is being developed by the Department for Energy Security and Net Zero. It will mandate minimum technical standards for new and existing heat networks as part of future statutory regulation. You can find more about it here: <https://www.gov.uk/government/publications/heat-networks-regulation-technical-standards/heat-network-technical-assurance-scheme-hntas>

9. The Heat Network Efficiency Scheme (HNES) is a grant support programme in England and Wales. It provides government funding to support performance reviews and improvements to existing heat networks: <https://www.gov.uk/government/publications/heat-network-efficiency-scheme-hnes/heat-network-efficiency-scheme-hnes-overview>

## Causes of unplanned interruptions

Heat Trust groups the causes of unplanned interruptions into the following three high-level categories, to represent the areas of the heat network in which outages can originate:

- **Generation** of the heat (e.g. energy centre);
- **Distribution** from energy centre to property (e.g. pipework); or
- **In-property** (e.g. Heat Interface Unit<sup>10</sup> or heat meter issue).

Within each of these categories, we ask heat suppliers to specify a lower-level cause of the interruption by choosing from a set of options.

In-property interruptions are by far the most numerous, but typically affect one consumer. They therefore have only a small impact on the experience of the average consumer. Generation failure typically affects every consumer on a heat network, while distribution failure typically

affects a large proportion of the network's consumers.

We've therefore weighted the number of unplanned interruptions in each category by the number of consumers affected to give a better picture of the main causes (Figure 17). For these purposes, we've ignored the varying length of the interruptions.

The top cause of unplanned interruptions in both 2022 and 2023 was failure of pump/pressurisation units (Figures 17 and 18). This is consistent with previous years' monitoring data. It's not clear from this data why pumps/pressurisation units are subject to so many failures, but poor water quality and/or poor optimisation of the network can cause stress to pumps. We've shared our findings with the government work programme developing future mandatory technical standards for heat networks.

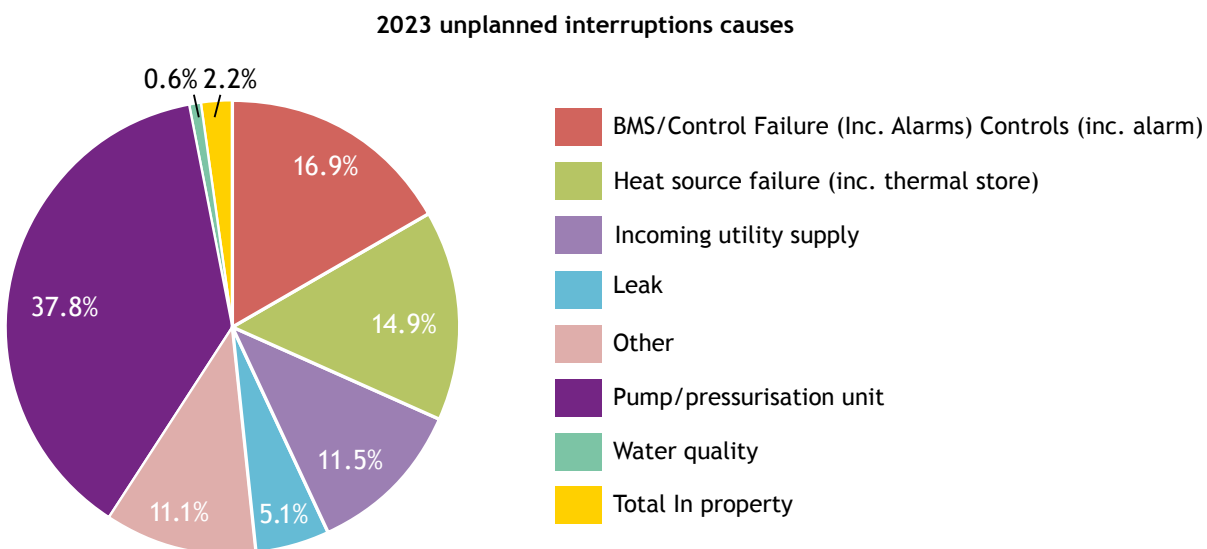


Figure 17 - Causes of unplanned interruptions during October 2022 - September 2023, weighted by consumers affected

### 2022 unplanned interruptions causes

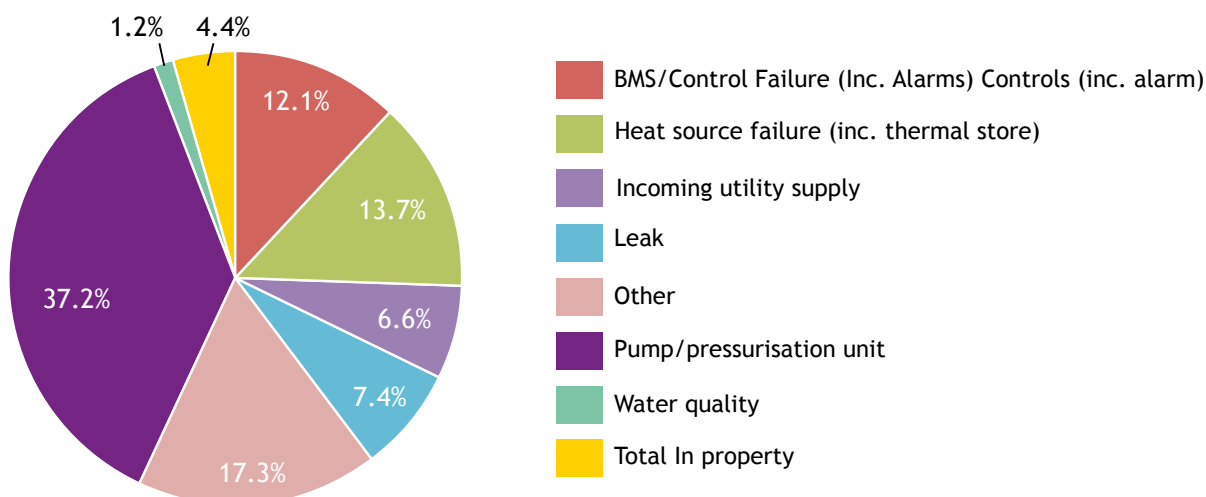


Figure 18 - Causes of unplanned interruptions during October 2021 - September 2022, weighted by consumers affected

### Guaranteed Service Payments

In total, our registered heat suppliers paid £73,268 (in 2022) and £361,279 (in 2023) to consumers in GSPs for outages on our registered heat networks (Figure 19). £295,565 of the 2023 total related to a single incident on one heat network during the October 2022 - March 2023 heating season.

For comparison, Figure 20 separates out large payments relating to single incidents at single heat networks - both in this reporting period and previous years. The single event payments related to different heat networks in each case.

Period	Total amount paid in GSPs
Oct 21 to Mar 22	£21,132
Apr 22 to Sep 22	£52,136
Oct 22 to Mar 23	£337,909 (of which £295,565 for single incident)
Apr 23 to Sep 23	£23,370

Figure 19 - Total GSP payments in 2022 and 2023

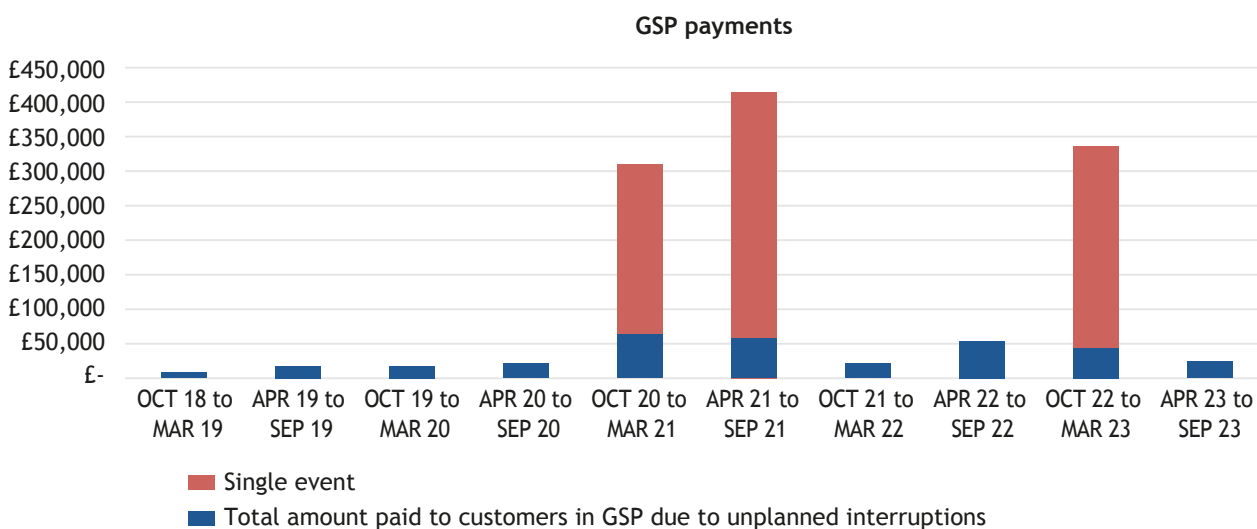


Figure 20 - GSP payments showing effect of single large incidents



Photo credit: Metropolitan

## Complaints

Our Scheme rules define a complaint as any expression of dissatisfaction made by a consumer to their heat supplier, regardless of whether the supplier resolves the complaint at the first point of contact. This is consistent with the definition used in the regulated gas and electricity sectors.

The heat suppliers for our registered heat networks reported fewer consumer complaints during the reporting period than in previous years, with some consistently reporting zero complaints. In aggregate, they reported 2,216 complaints during October 2021 - September 2022 and 3,273 complaints during October 2022 - September 2023. The reported rate of complaints was around 2 complaints per 100

consumers in each six-month monitoring period (Figure 21). This was lower than in the gas and electricity supply sector, where the average was 3.2 complaints per 100 consumers (for Q2 and Q3 in 2023). In total, our data records that 4.4% of consumers on our registered heat networks raised a complaint with their heat supplier during October 2022 - September 2023. This was an increase from 3.2% in 2022 but a decrease from 7.4% in 2021.

Given the number of supply outages shown by our data, and the context of the wider energy crisis, the figures raise a question of whether all heat suppliers are correctly recording all complaints. This will be a future area of Heat Trust focus for investigation, further guidance and (if necessary) compliance engagement.

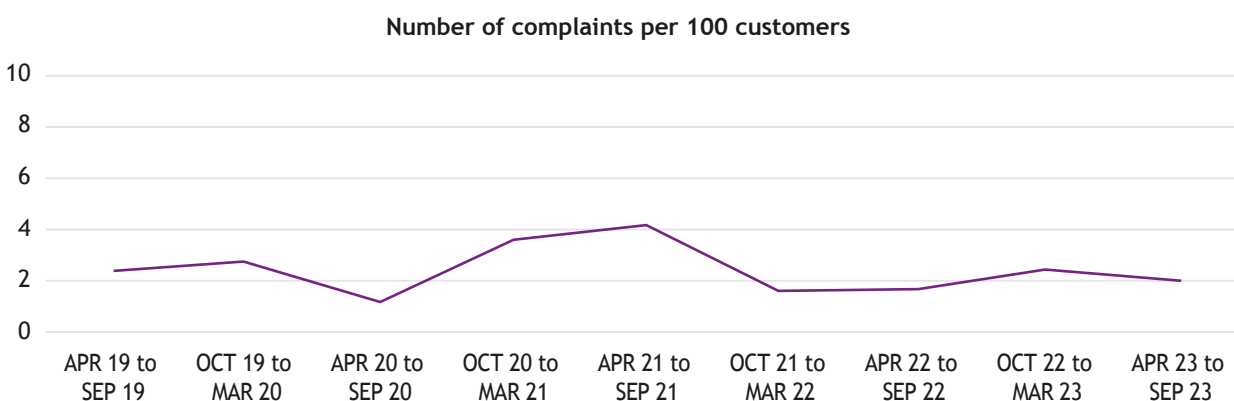


Figure 21 - Complaints per 100 consumers, by 6-month monitoring period

Technical issues continued to be the biggest cause of complaints recorded by the heat suppliers for our registered heat networks, representing 43% of all complaints during October 2022 - September 2023. Billing and charges formed the second most common complaint category within that period, at 23% (Figure 22).

Our Scheme rules require the heat suppliers for our registered heat networks to respond to consumer complaints within 8 weeks. Where

a complaint has not been resolved to the consumer's satisfaction within this timeframe, the consumer can take their complaint to the Energy Ombudsman.

The proportion of complaints resolved by heat suppliers within 8 weeks ranged from around 70-80% per 6-month monitoring period (Figure 23). There appears to be a consistent trend of decreased performance in this area during the heating season, which may warrant further investigation.

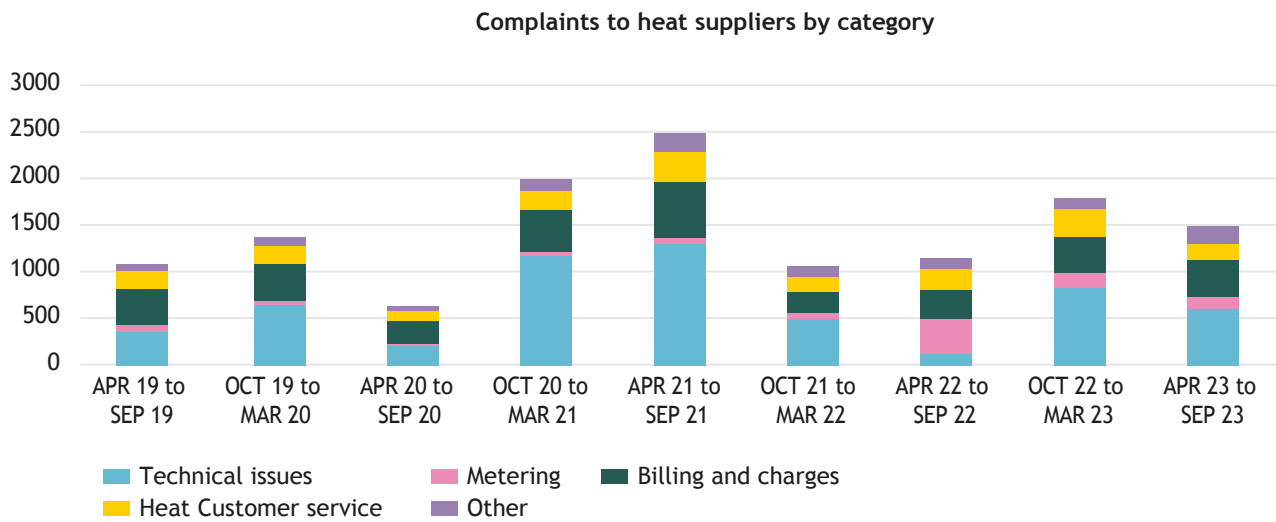


Figure 22 - Complaints to heat suppliers by category

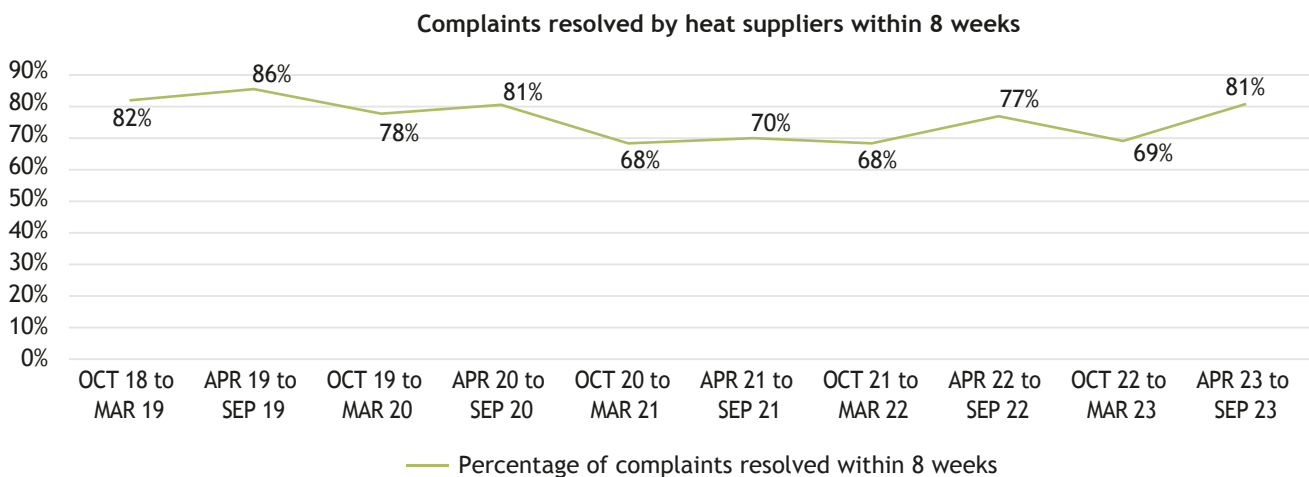


Figure 23 - Percentage of complaints resolved by heat suppliers within 8 weeks

During 2022 and 2023, a combined total of 1,436 complaints were not resolved by heat suppliers within 8 weeks. The Energy Ombudsman reports that it accepted 241 complaints for investigation during those two years. The Energy Ombudsman has also reported low rates of evidence that heat suppliers are signposting consumers to its dispute resolution service, as required by Heat Trust’s Scheme rules. Although this doesn’t necessarily mean that signposting isn’t occurring, the low proportion of total unresolved complaints that were taken to the ombudsman suggests that heat suppliers may have more to do in this area. This will form part of our future work around complaints.

Because heat suppliers have much smaller customer bases than gas and electricity suppliers, the overall numbers of consumers referring an unresolved complaint to the Energy Ombudsman about a Heat Trust registered heat network remained very low. Figure 24 shows the summary statistics for 2022 and 2023 compared with 2021, as provided by the ombudsman.<sup>11</sup> All ombudsman figures included in this Annual Report are for complaints that the ombudsman accepted for investigation as valid complaints to be considered under the Heat Trust Scheme (i.e. they exclude any complaints that were submitted by consumers but later found to either be outside the ombudsman’s terms of reference, relate to a non-Heat Trust registered heat network and/or relate to a gas or electricity supplier).

The small complaint numbers involved make it difficult to establish trends when considering the variances between years in Figure 24. The proportions of complaints upheld and awarded remedies, and the resulting remedy payment amounts, will be highly dependent on the nature of the specific complaints during the year. However, the Energy Ombudsman reports that it has not ‘maintained’ any cases since 2022. This means that there have been no cases in which the ombudsman has determined that the heat supplier has taken all reasonable actions to resolve the complaint prior to its involvement.

Consistent feedback from the Energy Ombudsman is that the complaints it receives are less about the original problem than how the heat supplier dealt with that problem, and that heat suppliers can do more to acknowledge the impact of issues on consumers’ individual circumstances rather than taking a literal compliance-based interpretation of the Scheme rules. This will be an area for future Heat Trust training and guidance.

As in previous years, the Energy Ombudsman reports that the top causes of complaints were customer service (which includes technical issues such as supply outages) and billing. An Energy Ombudsman study in 2021 found that around two thirds of ‘customer service’ complaints related to technical issues.

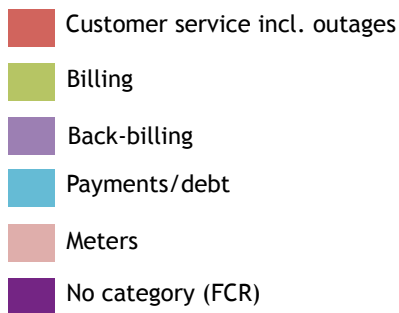
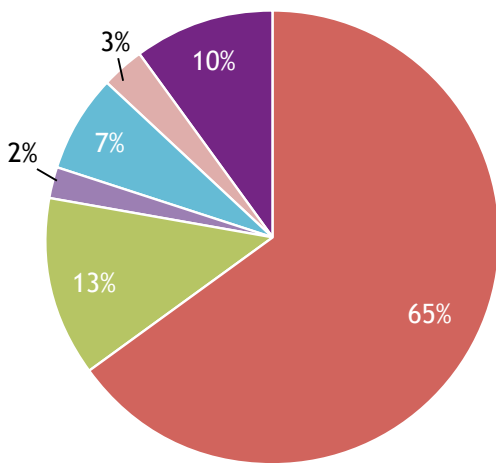
Complaints investigated by the Energy Ombudsman for Heat Trust registered heat networks					
Calendar year	Number of complaints	% complaints upheld	Total £ remedy payments	Average £ remedy payment	% complaints awarded £
2021	125	78%	£11,066	£120	74%
2022	88	75%	£4,423	£90	56%
2023	153	81%	£15,009	£142	69%

Figure 24 - Annual statistics on complaints investigated by the Energy Ombudsman

Customer service, billing and back-billing collectively accounted for 80% of complaints investigated by the ombudsman in 2022 and 77% in 2023. Within this the combined proportion

of billing and back-billing complaints increased from 15% in 2022 to 42% in 2023 (Figures 25 & 26).<sup>12</sup>

Complaints to Energy Ombudsman in 2022



Complaints to Energy Ombudsman in 2023

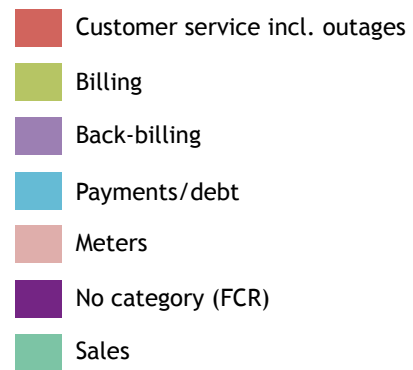
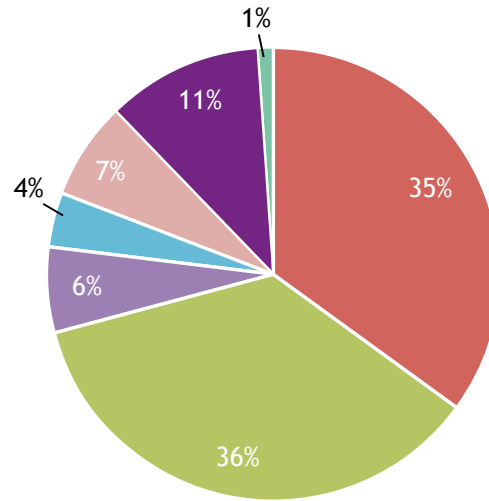


Figure 25 - Breakdown of 2022 complaints to the ombudsman by category

Figure 26 - Breakdown of 2023 complaints to the ombudsman by category

<sup>12</sup> 'No category / FCR' in Figures 25 & 26 refers to complaints that were resolved through the Facilitated Complaints Resolution (FCR) process. This is where the heat supplier proposes an early resolution to the consumer that the consumer accepts. Where this is the case, the Energy Ombudsman has no involvement in the complaint and therefore does not assign a category.

# Energy Ombudsman case study

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This case study was provided directly by the ombudsman and is presented in their own words.

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## The dispute

The consumer moved into a property in January 2023 under a student flat share agreement and they were advised their supplier was Company A. The consumer phoned Company A via the number on its website but they couldn't make contact. Unknown to the consumer, the supplier had recently changed their name from Company A to Company B. The consumer received a large 'catch up' bill in August 2023 from a supplier they weren't aware of called Company B. The consumer is a student and they indicated that they would struggle to pay the unexpected bill.

## The journey before the consumer came to us

The consumer contacted Company B and, although they accepted there had been a shortfall in customer service, they wouldn't remove the bill and confirmed payment was required. There was also no evidence of any payment plan being offered.

The supplier did offer a £50 goodwill award for the customer service shortfall.

## The consumer position upon referral to us

The consumer wanted the supplier to waive full bill of £493 due to not being able to contact Company A and because there was no redirect number provided on calls. The consumer advised they could refer their case to the Energy Ombudsman.

## The company response

The supplier accepted it had received notification from the managing agents in January 2023 of the consumer's tenancy but, due to a system issue, it had failed to set up an account or contact the consumer.

The supplier offered an early resolution and offered a £40 goodwill award, however the consumer declined this as the offer was less than the original goodwill offered. The consumer didn't think this was a fair recognition of the impact of the supplier's error.

## Our investigation

The supplier had confirmed it received notification of the tenancy in January 2023, so it was confirmed that notification had been provided as required under Rule 8 of the Heat Trust Scheme Rules. It also confirmed there was delayed billing over eight months, due to the supplier's failure to act on the notification of the tenancy and failure to set up the account.

Back billing rules (Rule 15.7 of the Heat Trust Scheme Rules) don't apply here, as the delay in billing didn't exceed twelve months. The billing also didn't meet the expectations of Rule 15.1 of the Heat Trust Scheme Rules, which requires a heat bill to be sent for an agreed period and sent promptly at the end of each period. The supplier usually issues bills monthly, so this consumer would have received monthly bills had it not been for the supplier error.

Our review acknowledged that the error had caused upset and concern to the consumer and their flatmate. It was also noted that the flatmate had experienced a recent bereavement that had forced them to travel home, leaving the consumer alone to manage the charges and the complaint. We accepted this issue had caused tension between the consumer and their flatmate, both being students that were new to the flat share arrangement.

We acknowledged that the change of supplier name, without redirection to the new supplier information, was unhelpful and that the supplier had applied late payment fees during the period of dispute. These were found to be unreasonable as the sudden, delayed, and large bill were caused by the supplier error.

### Insights on any trends / impacts:

Consumers new to heat networks can often be unaware of the correct contact details for their supplier. This was exacerbated on this occasion by the managing agents not providing the consumer with the updated supplier tradename. We also revealed that the supplier systems weren't as effective as expected.

### Our decision

Our findings concluded the following:

- Remove all late payment fees applied, given the balance was caused by an error made by the supplier rather than delayed payment;
- Issue an apology in recognition of the customer service shortfalls and the inconvenience caused; and
- Provide a goodwill award of £150 in recognition of shortfalls and impacts to consumer.



## 7. Audits and compliance engagement

We carry out a full compliance audit for each registered heat network at least once every five years, based on the anniversary of when it was registered with us. We can bring audits forward. Following process changes in 2022, we can also undertake ad-hoc or focused audits or compliance engagements if our monitoring data or other information suggests an issue.

Site audits are conducted by third party auditors on our behalf. They are usually desk based but can involve a site visit if required. Our audits review the heat supplier's published information for consumers on the heat network, such as their terms and conditions. They also review whether service delivery in practice is compliant with our Scheme standards. Where a heat supplier has multiple heat networks registered with us, we can audit their heat networks in batches for efficiency.

If we find non-compliances with our Scheme standards, we require heat suppliers to put in place remediation plans to rectify them and can take disciplinary action if they don't.

### 2022 audit activity

In the previous reporting year of October 2020 - September 2021, we completed four batch audits covering the 31 heat networks that joined our Scheme at its launch in 2015.

Between October 2021 and September 2022, we undertook four batch audits for 13 registered heat networks. All required remediation actions were completed.

We didn't initiate any other standard audits in 2022, since the small number of heat networks that had joined our Scheme five years earlier had already been audited. We used this pause in activity as an opportunity to review and improve the efficiency and effectiveness of our Scheme's audit and compliance arrangements. This included introducing greater flexibility in how

we conduct compliance work, so that concerns can be addressed without always requiring a full audit. These changes were implemented in September 2022 under Modification Proposal 022.

In February 2022, as part of our response to the energy crisis, we undertook a compliance survey to check whether the heat suppliers for our registered heat networks were providing adequate support to consumers in payment difficulty. This showed that most of them had solid processes in place to enable compliance with our standards. Only one heat supplier gave us cause for serious concern, who subsequently resigned from our Scheme when it became clear that they did not have the resources to comply with our standards. We published a report in July 2022 that included an anonymised summary of the survey findings and gave guidance on best practice.

In March 2022, we launched focused audits of two heat suppliers' complaints processes, following concerns arising from their registered heat networks' monitoring data. In both cases no serious compliance issues were found.

In December 2022, we became aware that not all heat suppliers for our registered heat networks had correctly understood and were following the process for uprating GSP amounts in line with inflation (indexation). This resulted in us issuing guidance in December 2022, to ensure the correction of past payments, and simplifying the future indexation process through Modification Proposal 020a in April 2023.

### 2023 audit activity

We audited five heat networks between January 2023 and the end of the reporting period in September 2023. Three of these audits were triggered by the heat networks reaching their five-year Scheme anniversary and two were because of monitoring data concerns. All five were conducted under the revised audit

process implemented in 2022, including a new Red/Amber/Green (RAG) rating system for compliance. In each case, a remediation plan was put in place to address any identified areas of non-compliance.

We followed up our new guidance and process around GSP indexation with a compliance survey across all our registered heat networks in July 2023. The aim of this survey was to check compliance with both the indexation requirements and with our GSP rules generally. The results demonstrated that all our registered heat networks were compliant. It also gave us useful information about how our registered heat suppliers discharge our compensation rules in practice, such as whether they use automated or manual processes. This helped our consideration of GSP-related Modification Proposals 023-028.

### Review of all past audits

In June 2023, we commissioned our auditors to conduct a review of all past audits using the new RAG compliance-rating system. This covered 14 audits undertaken between 2019 and 2023, relating to 52 heat networks operated by eight different heat suppliers.

The aims of the review were to identify common areas of non-compliance that involved material risk to consumers. It didn't focus on remedial actions, as these would have been put in place when the audits were originally conducted. Non-compliances from older audits may also have since been addressed by changes to the Scheme rules and/or guidance.

The review found that common areas with outright non-compliances (Red ratings) were:

- Timeliness of responding to emergencies;
- Basing bills on actual meter readings at least once a year, with significant variance in the performance of Automatic Meter Reading (AMR) being a contributing factor; and

- Enabling consumers to view their consumption.

Areas with a relatively high incidence of partial compliance (Amber ratings) were:

- GSPs;
- Provision of Customer Information Pack to prospective customers (pre-contractual transparency);
- Flow temperatures;
- Faults response and logging;
- Amount of HIU servicing and AMR performance;
- Processes in relation to supply suspensions; and
- Complaints handling.

The findings indicated that, at the time of their audits, some heat networks were quite far from achieving the level of HIU servicing required by Heat Trust - even when taking account of any Covid restrictions that applied at the time. They also showed instances of sub-standard fault response and recording (beyond the initial taking of a fault report from a consumer), both where the fault did and didn't result in a loss of supply.

The review also highlighted common areas where heat suppliers struggled to provide sufficient evidence of their compliance with Scheme standards. We therefore reviewed and updated our audit templates and work instructions, to improve the clarity of our questions and our guidance on their completion. This included standardising how heat suppliers provide compliance evidence. We also increased the amount of engagement that takes place during an audit between the heat supplier, our auditors and Heat Trust. This will help improve the clarity of the process and the standard of future submissions.

## 8. Consumer advocacy and regulatory engagement

Our consumer advocacy and regulatory engagement during the October 2021 - September 2023 reporting period focused on:

- Highlighting the disproportionate impact of the energy crisis on heat network consumers and calling on the government to act on both price protections and technical performance in the sector;
- Increasing government and public awareness of the general customer service detriments experienced by heat network consumers who aren't protected by our Scheme;
- Increasing heat supplier awareness of coming Ofgem regulation and encouraging suppliers to take proactive early action to get regulation ready;
- Ramping up our engagement with government and Ofgem policymakers as they began to develop their planned consumer protections for heat networks, sharing our insight on these and holding them to account for delivering positive consumer outcomes; and
- Calling for statutory regulation to deliver cheaper, fairer and more reliable heat networks that are fit for the future - with minimum customer service standards equivalent to gas and electricity and a clear culture of regulatory compliance and enforcement from the start.

During the period, we:

- Responded to five government consultations,<sup>13</sup> including:
  - Providing evidence on the inequity of treatment of domestic consumers that rely on commercial energy supply contracts; and
  - Highlighting the areas in which Heat Trust will hold future statutory regulation to account on behalf of heat network consumers;

- Issued over 20 press releases<sup>14</sup> focusing on the impact of the energy crisis, Heat Trust's continuing work to support heat network consumers and government's progress towards statutory regulation;
- Met with the Secretary of State for Business, Energy and Industry Strategy in April 2022 (with industry, local government and housing association representatives) to press for financial aid for heat network consumers;
- Lobbied for a technical standards and assurance scheme as part of forthcoming regulation including through our membership of the government's Heat Network Technical Assurance Scheme (HNTAS) Board;
- Participated in DESNZ's Heat Network Policy Forum;
- Regularly met with DESNZ, Ofgem, Citizens Advice, Consumer Scotland and the Energy Ombudsman to discuss preparations for regulation;
- Launched a fresh series of Heat Trust webinars with Cornwall Insight from May 2023, holding two within the period that covered the evolution of heat networks regulation and included guest speakers from DESNZ and Ofgem;
- Engaged in five stakeholder workshops held by DESNZ and Ofgem on their proposed consumer protections for heat networks;
- Attended and presented at over 30 other heat network-related events, workshops, roundtables and conferences;
- Appeared in national, local and trade press coverage on heat network consumer detriments (including in the Guardian, Times, Telegraph and i-newspaper), with most press queries throughout the period relating to high heat charges; and

13. You can find all our consultation responses at: [www.heattrust.org/consultation-responses](http://www.heattrust.org/consultation-responses).

14. You can find all our press releases at: <https://www.heattrust.org/news-events>.

- Appeared on TV and radio including BBC Radio 4's You and Yours and Money Box, BBC South Today and LBC Radio News - as well providing content for other BBC and ITV news programmes.

We refreshed all our website content at [www.heattrust.org](http://www.heattrust.org), including the consumer-facing section of our site. In the absence of any statutory regulator or advice service for heat network consumers, we received a steady stream of emails throughout the period from consumers who weren't on Heat Trust registered heat networks and struggled to know where to turn for help. As we're not an advice organisation, our website remains the main way in which we help consumers to understand what heat networks are and how to identify their heat supplier - as well as signposting consumers to other potential sources of support.

We replaced our previous twice-yearly newsletter with LinkedIn as our main news channel, enabling an 80% growth in our followers by the end of the reporting period.<sup>15</sup>



Our Director, Stephen Knight, speaking about the need for heat network consumer protection at an energy sector summit in July 2023.

## Impact of energy crisis on consumer bills

Heat networks rely on commercial energy contracts, which are largely unregulated. 80-90% of heat networks derive their heat from natural gas using boilers or a Combined Heat and Power (CHP) plant.

This meant that, during the energy crisis that began in Autumn 2021:

- Heat suppliers became exposed to soaring and volatile commercial gas prices, which increased by 400-500% compared with a 120% rise in the domestic capped unit gas price;
- Heat network consumers did not benefit from the government's Energy Price Guarantee, or the domestic price cap, when their heat suppliers began to pass on this commercial gas price exposure to their customers; and
- Some heat network consumers experienced resulting heat prices of over 50p/kWh (or £5,000 a year) by September 2022, compared with 7p to 8p/kWh in Autumn 2021.<sup>16</sup>

The government was initially slow to respond to the increased costs faced by heat network consumers, and the support it did put in place was slow to reach its intended recipients. Heat Trust continued to urge government to support the forgotten households on heat networks.

15. You can follow us on LinkedIn here: <https://www.linkedin.com/company/heat-customer-protection-ltd> and on X here: <https://x.com/HeatTrustUK>.

16. For comparison, the Ofgem price cap unit rates up to 30 September 2022 were 7.4p/kWh for domestic gas consumers and 28.3p/kWh for domestic electricity consumers.

## The EBRS and EBDS

The government's Energy Bill Relief Scheme (EBRS) for non-domestic energy consumers applied from October 2022 to March 2023. It was less generous than the government support for domestic consumers and was aimed at business users generally. It continued to lead to some heat network consumers experiencing extremely high energy costs of over 50p/kWh.

The Chancellor announced a more generous support scheme specifically for heat network consumers in the March 2023 Spring Budget, just two weeks before the EBRS was due to end. The government's successor Energy Bills Discount Scheme (EBDS) for Qualified Heat Suppliers (QHS) set a form of 'price cap' on the commercial gas and electricity supplied to heat networks between April 2023 and March 2024. It did this by applying a discount on prices above a government-set threshold.

Heat suppliers who received a benefit under the EBDS were legally required to pass it onto their end consumers - but they first had to apply to receive it themselves. Many heat network consumers therefore continued to be charged high heat costs throughout 2023 and beyond, until the benefit of the EBDS slowly began to filter through to their bills.

Official data indicates that the total support paid out to heat suppliers under the EBDS has been a significant underspend against the government's original estimate, suggesting that the intended support has failed to reach many heat network consumers in practice.<sup>17</sup> We were unfortunately unsuccessful in our call for government to extend the EBDS beyond its March 2024 end date.

Heat Trust continues to highlight the need for permanent regulatory price protections for heat network consumers. Future regulation must ensure that consumers don't pay an unaffordable price premium for being on a heat network. We believe the lesson of the EBDS is that any future interim bill support for heat network consumers must be automated, rather than relying on a protracted process for heat suppliers to claim and pass on the benefit. This means planning any support well in advance of when it might be needed.

### Tariff deficits and retrospective tariff changes

We heard from consumers about many examples of where building-owner heat suppliers, for heat networks not registered with Heat Trust, initially failed to take account of increased gas costs when setting their heat tariffs. This led to them seeking to recover large deficits by either increasing future tariffs to compensate, or by retrospectively re-billing consumers at a higher tariff than they had already paid for heat they had already used. These retrospective re-bills often covered a period of a year or more.<sup>18</sup>

Such unexpected 'shock bills' caused many consumers significant financial stress and diluted the practical benefit of the EBRS and EBDS. Where these heat charges formed part of rent or building service charges, some consumers even faced losing their homes.<sup>19</sup>

Heat Trust's Scheme requires a month's notice of tariff changes and prohibits retrospective tariff changes among our registered heat networks. With no way to establish how many consumers were affected across other heat networks, but with enough examples to suggest this practice was widespread, we urgently highlighted the issue to government. We called on government to both address these practices through future regulation and clarify their legality under existing consumer rights law as it stands today.

17. Government data shows that, as at 24 May 2024, £96m in EBDS payments had been made to heat suppliers compared with the £380m estimated in the government's launch announcement. At the end of this Annual Report period, as of 26 September 2023, only £15.9m had been paid out. See: <https://www.gov.uk/government/publications/energy-bills-discount-scheme-payments-made-under-the-scheme> and [https://content.govdelivery.com/accounts/UKBEIS\\_HN/bulletins/34ed108](https://content.govdelivery.com/accounts/UKBEIS_HN/bulletins/34ed108).

18. <https://www.theguardian.com/money/2024/jan/08/tenants-with-shared-heat-systems-shocked-to-be-back-billed-for-hundreds>

19. <https://londonnewsonline.co.uk/news/council-threatening-tenants-with- eviction-notices-after-hiking-energy-prices-by-350/>

## Impact of heat network technical performance on consumer bills

The energy crisis also shone a light on poor heat network technical performance.

Many heat networks deliver only 35-45% efficiency, meaning they lose 55-65% of their heat energy before it reaches residents. This is a legacy of the lack of mandatory technical standards in the sector, affects both old and new heat networks, and leaves consumers paying for heat they haven't used. While masked previously by years of very low commercial gas prices of around 1.5p/kWh, it compounded the price increases experienced during the energy crisis.

Following the government's trial of its Heat Network Efficiency Scheme (HNES) Demonstrator from October 2021 to March 2022, we welcomed the launch of the full HNES but were disappointed that this didn't happen until February 2023.

We used our seat on the government's Heat Network Technical Assurance Scheme (HNTAS) Programme Board to highlight the non-financial consumer detriments from poorly performing heat networks that need to be addressed by

future mandatory technical standards. These include frequent supply interruptions, as shown by our Scheme monitoring data. Future technical standards and assurance must drive significantly improved reliability on both new and existing heat networks, and we believe that the most inefficient and unreliable heat networks must be targeted for accelerated remediation.

Government must also ensure that heat suppliers can't simply recover from consumers the costs of regulatory penalties for non-compliance, compensation for outages or required heat network improvements. Heat Trust believes it would be a double injustice for residents suffering the detriments from inefficient and unreliable heat networks to face the costs of funding their improvement. We remain concerned that the amount of government funding allocated to HNES, despite having been extended from £32m to £77m in December 2023, will not be enough to tackle the scale of the problem - and that HNES only applies to England and Wales, with no Scottish equivalent. We have therefore called on government to expand and scale up this funding.

Photo credit: Cambridgeshire County Council



## 9. Conclusion

Throughout the October 2021 - September 2023 reporting period, and against a backdrop of regulatory uncertainty and delay, Heat Trust has continued to fulfil its mission to protect consumers.

Heat Trust's Scheme has set the foundations on which future regulation will build. Ofgem intends to phase in its regulations and there is currently no date set for when these will be fully in force. We'll operate our Scheme and grow our registrations until such time as substantively equivalent Ofgem standards are in place. We'll continuously engage with DESNZ, Ofgem, our stakeholder committee and the heat suppliers for our registered heat networks to ensure a smooth transition. Our objective is to protect as many consumers as possible through our Scheme and ensure that those consumers have continuity of protection during the transition to Ofgem.

We're delighted that government's August 2023 consumer protections consultation confirmed that registering with Heat Trust remains the best way for heat suppliers to get regulation ready:

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'The Heat Trust's established role in setting industry standards provides a strong foundation upon which the new regulation will build and their continued involvement will aid transition, ensuring continuity, and reducing risk of disruption for the sector and its consumers ... [We] encourage parties to follow existing good practice, such as that set out by the Heat Trust.' (Ofgem and DESNZ)

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As regulation gets closer, our focus may shift from evolving our Scheme standards (through Modification Proposals) towards embedding and improving best practice in delivering those standards (through our Scheme guidance and compliance monitoring). But our primary purpose of consumer protection will continue to guide all our Scheme activities.

We'll engage closely in government's policy development, helping to ensure that heat network consumers stay front and foremost in regulatory design and design-making. As consumer champion for the sector, we'll forge collaborative relationships with Citizens Advice and Consumer Scotland as they prepare for their new, statutory roles as heat network consumer advocates.

In summary, Heat Trust continues to play an important role in helping the sector prepare for regulation.



Photo credit: Kensa Utilities

# Appendix - Governance, staffing, expenditure & fees

## Our governance

The Heat Trust Scheme is managed by Heat Customer Protection Limited as the Scheme Administrator.

We're a not-for-profit company overseen by a Board and an independent stakeholder committee:

- Our Board oversees our company strategy and finance;
- Our stakeholder committee provides independent oversight of our Scheme, has an independent chair and recommends Scheme changes to the Board for approval; and
- Our Articles of Association and Company Bye-Laws set out the Board's and committee's functions, powers and duties.

Our stakeholder committee's membership includes consumer representatives from Citizens Advice and Consumer Scotland, as well as non-voting representatives from DESNZ, Scottish Government and Ofgem.

We contract out our Scheme audit activities to independent auditors. We have an agreement with the Energy Ombudsman to provide independent dispute resolution to consumers on our registered heat networks. If needed, we can also convene independent disciplinary panels to consider any significant and persistent Scheme non-compliances.

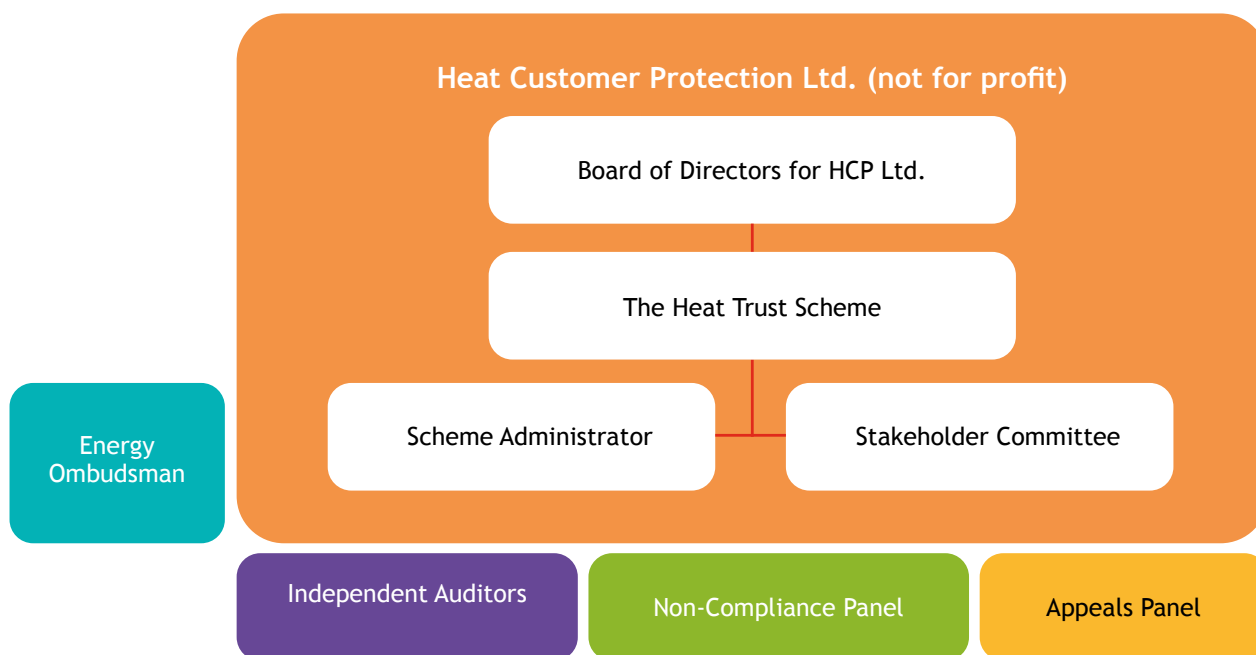


Figure 27 - Illustration of Heat Trust's governance structure

You can find out more about us at [www.heattrust.org/about](http://www.heattrust.org/about)

## Our expenditure

Our total expenditure for the financial year April 2022 - March 2023 (£190k) has remained broadly consistent with that for the previous 2021/22 financial year (£223k).

Key variations in specific areas of expenditure are that:

- We doubled our spending on communications activity (from £6k to £14k) due to the energy crisis and wider regulatory developments;
- As a consequence of having rebuilt our Heat Cost Calculator<sup>20</sup> in the previous financial year, at a cost of £14k, subsequent ongoing annual costs for its maintenance became zero; and
- Our external audit costs reduced from £31k to £4.5k due to a reduction in the number of audits (which vary year by year, depending on when they fall due), a change in our audit process during 2022 and undertaking more compliance engagement work internally.

Since 2020, we've been a predominantly remote-working organisation. We buy in support services, including serviced desk and meeting spaces for when we get together.

A period of staffing vacancy during the year led to an underspend on staffing in 2022/23. While we underwent staffing changes during 2022 and 2023 to build capacity, the impact of these will mainly fall into our expenditure for the next (2023/24) financial year.

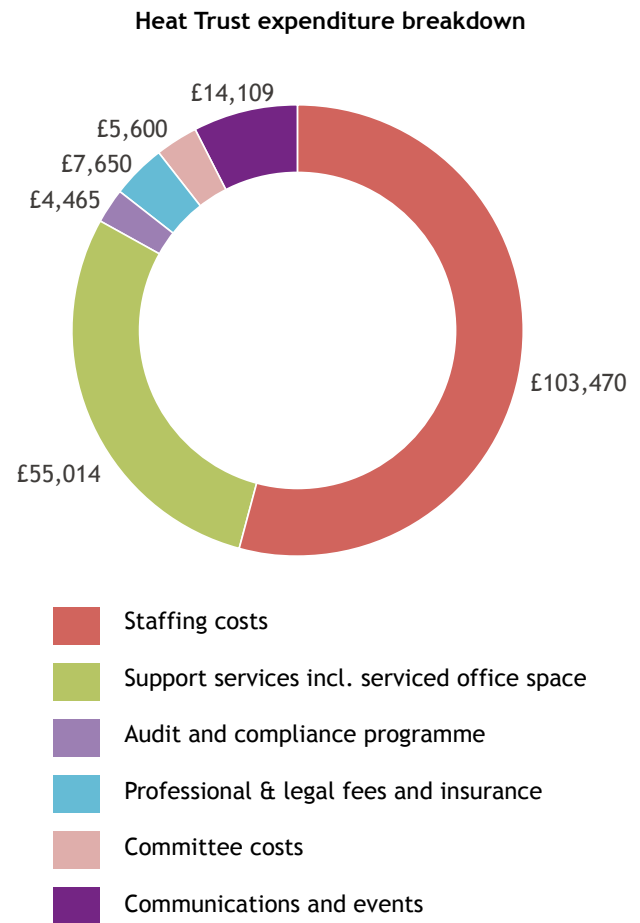


Figure 28 - Breakdown of Heat Trust's expenditure during the 2022/23 financial year

## Our team

We're a small but dedicated core team of three employees.

Stephen Knight has been our Managing Director since Spring 2021.

For 12 months from Autumn 2021, we benefited from the government-funded secondment of Richard Bellingham from Ofgem. Richard has taken the experience gained as Heat Trust's Head of Compliance and Audit into his current role as Ofgem's Head of Heat Networks Implementation.

Joanna Read, our Head of Operations, left Heat Trust in Spring 2023 after 4 years of service. At the same time, we welcomed Kathryn Coffin as Head of Scheme Development and Lizzie Moreton as Head of Compliance.

## Our fees

We were pleased to be able to reduce our annual Scheme fees for the 2022/23 financial year by over 14% compared with 2021/22, and by an additional 5% for 2023/24.

Because we're not for profit, the Scheme registration fees we charge to heat suppliers reflect the cost of our operations. Registration with us benefits consumers, but our costs must still be proportionate since they're ultimately likely to be passed through to those consumers.

As we grow our number of registered heat networks, we receive more income in fees and can do more at lower cost through economies of scale.

You can find our current fees at [www.heattrust.org/membership-fees](http://www.heattrust.org/membership-fees).

Photo credit: E:On





[info@heattrust.org](mailto:info@heattrust.org)

[www.heattrust.org](http://www.heattrust.org)

Heat Trust is managed by  
Heat Customer Protection Ltd  
Registered Address:  
6th Floor, 10 Dean Farrar Street, London SW1 0DX  
Registered in England and Wales: 9456667  
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