

“As temperatures drop, a million households are still exposed to unregulated commercial energy contracts”

3 years ago



Insight from Stephen Knight, director of [Heat Trust](#)

There are close to a million households in this country whose heating and hot water are provided by communal or district heating systems (heat networks) and whose energy supplies are unprotected by regulations that the rest of us enjoy.

Whilst domestic gas and electricity costs are regulated by the Ofgem price cap, the commercial energy supplies that heat networks rely on are not, meaning that customers can be exposed to the risk of an impossible hike in energy costs, as happened to many in 2022 when commercial energy costs peaked at almost 15 times pre-crisis levels and we saw examples of customer bills soaring by up to 700%.

Whilst Ofgem rules prevent domestic energy suppliers from cutting off heat to vulnerable customers in the winter months when they fall behind with bills, no such protections exist in the commercial energy market. This leaves blocks of flats exposed to the risk of being cut off when a management company falls behind with payments, potentially leaving many vulnerable customers cold. Indeed, we have heard of cases where this has only narrowly been avoided.

As more and more households rely on heat networks, there are more and more people each year exposed to the unregulated commercial energy markets for their home heating and hot water. The government plans to see more than 5m homes attached to heat networks by 2050 as part of plans to reach net zero.

Government is planning to regulate the operators of heat networks from 2025, which is great news for

consumers, but there is a gaping hole in current plans for consumer protection that leaves the energy suppliers that such schemes rely on totally unregulated.

This must be addressed, urgently.

At Heat Trust, we act as a consumer champion for everyone in Great Britain living on heat networks. Up to 900,000 heat network customers in Great Britain rely on non-domestic energy supply contracts – where a building owner has a commercial contract with the energy supplier and then sells heat to residents living in their buildings. This is in addition to the hundreds of thousands of households where the landlord buys commercial energy and resells electricity or gas to residents.

No one should be facing massive overnight price hikes or no heating or hot water. And for young families or people with chronic illnesses for example, the outcome could be devastating. It's also important to note that residents on heat networks or with communal energy supplies have no choice of supplier so cannot switch to a different provider.

The temporary Energy Bills Discount Scheme (EBDS) is currently providing a price cap of sorts, albeit at a higher price than the domestic price cap, but this runs out in March 2024, which could leave customers once again exposed to huge price rises in the event of further volatility in the wholesale markets.

This is why, in our recent response to the government's call for evidence on domestic customers reliant on non-domestic energy contracts, we have made a number of key demands including:

- An ongoing price ceiling for non-domestic supplies serving residential buildings, to give customers equivalent protection to the price cap for domestic energy contracts;
- Protection from disconnection of whole residential buildings in the case of an owner or manager not paying bills on time; and
- A new national register of residential buildings served by non-domestic energy contracts.

We also warned about the lack of access that communal electricity customers have to the Warm Homes Discount Scheme, which provides a vital discount to many vulnerable energy customers each winter. The government must establish a pathway to allow communal electricity consumers access to this scheme.

Until there is equity, we'll continue to work with the government and Ofgem to establish a more trusted and regulated sector, ensuring that heat network consumers are protected at every stage.

If heat networks are to fulfil their potential to grow and help us decarbonise our heating systems, then we cannot continue to see regulatory failings leaving customers pushed into financial hardship or exposed to disconnection risk.