HEAT NETWORK COMPLIANCE · WHITE PAPER SERIES

No Number to Hit

Condition A6, the fairness test, and the questions Ofgem has already published

Author Hamish McDonald, Director
Heat Network Compliance — Sorted-IT (UK) Ltd
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Executive summary

Condition A6 is one sentence long. Charges imposed on consumers must be fair and not disproportionate. It sets no price cap, no margin ceiling, no acceptable rate of return. It tells you nothing about what your prices should be.

A condition drafted that way reads as a principle waiting for a rule. It is not one. A6 delegates its content to guidance, that guidance has been published, and it carries an appendix listing the questions Ofgem expects to consider when deciding whether a price is fair.

A6 creates a substantive duty without a numerical safe harbour. The charge itself must be fair and not disproportionate. Because Ofgem has set no cap, no margin ceiling and no prescribed return, compliance is demonstrated through evidence showing how the charge was reached, against six named principles and a fairness test, to the standard of a prudent and well-run regulated entity.

This paper sets out what the six principles require, where the sharp edges are — procurement, outsourcing and accountability for contractors carry more weight than the headline duty suggests — and what the published fairness test questions reveal about how an assessment would run.

Three papers, two conditions

Conditions A6 and A7 sit next to each other and are often read as a single pricing obligation. They approach the problem differently.

A6 is principally about whether the price is fair. It is a question about level, judged against principles and a fairness test. The evidence that answers it is a pricing rationale you can defend.

A7 is principally about how the charge was built. Charges must be structured, and attributable to costs, consistently with a fair and not disproportionate outcome. The evidence that answers it is a cost stack you can take apart.

That is explanatory shorthand rather than a clean legal boundary — the two overlap, and A7's own wording ties the structure of charges back to the fairness of the outcome.

This paper is about A6. Two companions take A7: **Who Pays for the Pipe**, on how allocation decisions distribute cost between charges, between people and across time; and **The Heat the Meters Do Not See**, on the gap between a building's bulk meter and its dwelling meters and what may lawfully be done about it.

Some material belongs to more than one. Benchmarking is the clearest case. Where that happens each paper covers it, and none needs the others to be readable.

A note on scope. The examples in this series are predominantly residential and space-heating led. A6 and A7 apply more broadly, to Charges imposed on Applicable Consumers in relation to the supply of heating, cooling and hot water, and to domestic and non-domestic consumers alike, subject to the conditions' express exclusions. Where this paper states a legal duty it refers to the authorised person; where it describes a practical situation it may say operator, supplier or landlord.

A6 does not operate alone. A reasoned pricing rationale cannot make lawful a charge prohibited elsewhere. Condition B6 controls actual-consumption billing and restricts when a separate charge may be made for a bill. Leases and housing legislation determine whether some service charge costs are recoverable at all. Price communications engage the billing and transparency requirements. And the framework permits cost recovery and a fair return without requiring every cost to be passed through: absorb, defer, phase or recover is the full set of choices.

What A6 says, and what it delegates

The operative duty is a single sentence: an authorised person must ensure that charges imposed on Applicable Consumers are fair and not disproportionate.[1]

Everything after that is delegation. The condition is to be interpreted in accordance with guidance published by the Authority; that guidance had to be published before the condition took effect; and it must set out how the Authority determines whether charges are fair and not disproportionate, with examples of the methods it may use.[2]

Two application points. A6 does not apply to authorised persons carrying on regulated activities only in relation to industrial or self-supply networks, and where those sit alongside other networks the condition is read as not applying to that part of the business.[3] And the duty falls on operators and suppliers alike, each answerable for contracted service providers acting on their behalf.[4]

The guidance is emphatic that it is not a rulebook. It sets minimum expectations and examples of best practice rather than prescriptive rules, and where an operator departs from it, the operator is expected to be able to justify the departure against the principles.[5]

Being able to justify a departure is central to demonstrating compliance, but it does not replace the underlying requirement that the charge be fair and not disproportionate: a good explanation of an unfair charge does not satisfy A6. Everything below is detail on what a justification has to address.

The six principles

The framework runs on six principles, all of which apply to every authorised person unless the segmentation table says otherwise.

Cost-reflective pricing. Prices should reflect the underlying cost of providing heat and consumers' consumption levels, and consumers should pay for the additional costs they impose on the system as well as contributing to its fixed costs. Two clarifications matter. Reflective does not mean identical across networks — it means proportionate to the characteristics of each one. And where a consumer or group creates an additional cost, the operator should consider allocating it to them rather than spreading it across everyone, balanced against consumer impact. Ofgem's own example is a new building connecting to an existing network and requiring pipework beyond a standard connection.[6]

One obligation inside this principle reads differently from the rest of the document. Authorised persons **must** use the most accurate data available to them when calculating charges, including accurate meter readings where these exist. Where readings are not available, reasonable proxies should be used.[7]

Cost efficiency. Underlying costs should be efficient while delivering an appropriate quality of service, and operators should create cost efficiencies where feasible and make choices based on long-term efficiencies. This is the principle with the most practical content in it, and it gets its own section below.

Fair and reasonable returns. Operators should not leverage monopoly status to earn returns beyond what compensates for investment risk — unless merited, in the short term, by exceptional performance. No return levels are specified, and Ofgem says explicitly that heat networks are capital-intensive, will have their own risk and reward profile, and that it supports networks making a fair return reflecting it. It will monitor profitability across the sector while acknowledging that higher profitability does not necessarily indicate disproportionate pricing. And the principle does not stop you keeping a reasonable share of efficiency savings as profit — that is stated as a deliberate incentive for innovation and cost reduction.[8]

Consumer impact. Operators should strive to maximise consumer benefit in pricing decisions while making a fair return and recovering costs, having regard to the potential for consumer detriment and taking consumers' best interests into account — and these considerations apply throughout the entire pricing process, from the design of the pricing strategy to the charging methodology. Three qualifications keep it workable. It does not require charging consumers differently according to their economic circumstances. Ofgem accepts that some cost pressures are partly beyond an operator's control and does not expect every cost problem to be solved. And it should not discourage cost-effective long-term choices such as technical efficiency and decarbonisation improvements.[9]

Regulatory control. Operators should have oversight and control over regulatory outcomes even where delivery is outsourced, and will be held directly accountable for the actions or omissions of the outsourced party. Also below.

Price transparency. Prices should be communicated in a way that is accessible and easy to understand. The detail sits in the consumer protection guidance rather than here, and Ofgem's proposals for publishing pricing information centrally are in chapter 5 of the 2025 response document.[10]

Sidebar — the outcomes the framework is aiming at

The guidance sets out the outcomes the pricing framework is meant to deliver. Read them as a set: the fairness test is calibrated to them rather than to the principles alone.[11]

- consumers pay prices that are not disproportionate;
- consumers pay prices reflecting the costs of an efficiently run network;
- consumers receive an appropriate quality of service;
- consumers can understand the charges and are confident they are fair;
- the framework is forward looking and protects future consumers through appropriate investment;
- consumers should not be unduly disadvantaged compared to consumers on alternative heat sources;
- and, for industry, the framework supports growth by allowing investors a fair return.

The sixth is the foundation of the external benchmark: consumers should not be *unduly* disadvantaged compared with consumers using an alternative heat source. The qualifier permits justified differences. It is not a rule of strict parity.

Cost efficiency, procurement and the market test

This part of the guidance is about how you buy things rather than about prices, and it contains the most specific expectations in the document.

On fuel. Ofgem acknowledges the trade-off between the risk a network carries in a procurement contract and the price it pays — a network wanting longer price certainty may pay a premium for a longer fix. No particular strategy is prescribed, but the best practice list is specific and it is a list of documents rather than intentions: clearly document and justify the chosen strategy, including why it suits your consumers and what alternatives you considered for contract terms and renewal periods; seek multiple quotes from suppliers or intermediaries; regularly monitor the level of fees charged by a third-party intermediary and how those compare with other intermediaries; improve transparency by requesting individual cost lines from intermediaries where these are not provided, particularly for larger networks; and avoid taking on more risk than your financial resilience allows.[12]

Four circumstances are recognised as legitimately shaping the answer: your financial resilience, your consumers' preferences, your bargaining power — with the express statement that smaller networks will not be judged unfairly for having less of it — and whether you use an intermediary.[13]

On everything else you buy. Where services are outsourced, operators are expected to ensure value for money by periodically testing the market and comparing prices and service quality between providers, and to consider the relative benefits of outsourcing against retaining the service in-house, evaluating third-party costs against the cost of self-delivery and vice versa. Then: **authorised persons should be able to justify their decision to outsource and their choice of service provider.**[14]

Where billing, metering or customer service was arranged years ago — by a parent company, by a developer, or as part of a wider contract — that expectation has teeth. None of those arrangements is prohibited, and Ofgem does not expect existing contracts to be rewritten on commencement. At the next natural review or renewal the arrangement should be reassessed, and the continuing decision to retain it should be defensible against the current guidance.

On technical efficiency. The guidance expects networks to be operated efficiently to minimise costs but introduces no technical efficiency obligations, pointing to the forthcoming Heat Network Technical Assurance Scheme. Efficiency will not be considered in isolation, but alongside prices, profit and network characteristics, and Ofgem accepts that different networks have different technical efficiency which can drive legitimate differences in pricing. [15]

On maintenance and service. Operators are expected to carry out maintenance and service activities to prevent costly breakdowns and avoidable efficiency losses — routine inspections, efficiency monitoring, cleaning, servicing. Customer service costs are recognised as varying with the age and technology of the network, the number of customers, and the proportion of vulnerable consumers, and Ofgem will take that into account.[16]

Accountability for people you do not employ

The regulatory control principle is two lines long. Its consequences are not.

The organisation will be held directly accountable for the actions or omissions of the outsourced party. Ofgem expects a clear strategy for achieving that control, and names four mechanisms: contractual obligations with outsourced parties that align with regulatory requirements; supply chain visibility, including access to key data such as cost structures and tariff-setting methodologies; strategic alignment through shared objectives reflecting the regulatory outcomes; and robust tendering criteria ensuring contractors can understand and comply with regulatory requirements.[17]

The second is the demanding one, and how far it reaches depends on what has been delegated. A contractor that issues bills against a tariff you set is a different case from one that determines or materially contributes to tariff setting or cost allocation. Where the contractor does the latter, the authorised person will need enough visibility of its methodology and cost information to demonstrate cost-reflective pricing and to answer the fairness test's question about tariff design and rationale.

On timing, Ofgem does not expect existing contracts to be changed by the date of regulatory commencement, and expects suppliers to make the necessary changes at a point when it is natural to do so.[18] That is a transitional concession, not a permanent one, and it starts running down at every renewal.

No return cap does not mean no profitability test

Ofgem has prescribed no acceptable margin and no rate of return. Profitability nonetheless appears in the published fairness test questions, and there is a stated method behind it.

The proposed primary metric is EBIT margin — earnings before interest and tax as a percentage of revenue — used as an early screening tool to identify potential cases of disproportionate pricing, and expressly not as a profit cap. Ofgem states that the profitability assessment does not aim to regulate the amount or percentage of profit: it is a component of the fairness test whose object is identifying the causes of potential disproportionate pricing, and it deliberately avoids direct restrictions such as profit caps in order to balance consumer fairness against not discouraging growth.[19]

Three qualifications came out of the consultation, and Ofgem accepted them.

It is not a single-metric test. Assessment rests on a range of evidence rather than one measure at one point in time, and a one-year figure should not be read in isolation.

Interpretation depends on things the metric cannot see. Lifecycle stage, stage of development, capital intensity and the timing of revenue recognition can all make an EBIT margin misleading. Ofgem accepts that, and its answer is that those considerations belong to the more in-depth analysis that may follow a screen rather than to the screen itself. It is considering regular reporting of capital expenditure and investment to give the figure context.[20]

It applies to everyone, including not-for-profits. Ofgem confirms EBIT margin can be calculated for not-for-profit networks and for those operating cost recovery models — while accepting stakeholders' point that under-recovery, breakeven and over-recovery are the right vocabulary for those organisations.[21]

Respondents proposed other measures, including EBITDA, cost recovery ratios, and return on capital employed assessed against a weighted average cost of capital. Those were suggestions rather than adopted policy, and the operational methodology remains under development.[22]

The practical requirement is not a ceiling to stay under but an ability to reconcile the return you earned to the investment made, the risks carried, the service delivered and any efficiencies created, because a screening metric that flags you is followed by exactly that question.

The fairness test, and the questions

The fairness test is how Ofgem says it will apply A6. Four features define it.[23]

It is **principle-based**: fair and disproportionate are not predefined, and Ofgem gives setting out acceptable return levels as its example of what it is declining to do. It runs on **reasonableness**, interpreted against the standard that could reasonably be expected of a prudent regulated entity that follows the authorisation conditions and is well run. It is applied **case by case**, taking relevant circumstances into account. And it aims at **objectivity** through statistical and economic models — price benchmarking and profitability assessment — with the possibility of specific operational steps informed by defined criteria and best practice in economic regulation.

The guidance then publishes the questions.

Sidebar — the published fairness test questions

The guidance's appendix lists the questions Ofgem expects to consider when operationalising the fairness test.[24]

To identify disproportionate pricing. How do the prices compare to alternatives (external benchmarking)? To historical prices (past-price benchmarking)? To prices charged by similar networks (comparator benchmarking, for example a regression model)? What are the cost drivers? How do profits, in percentage or pounds, or the rate of return, compare to similar networks? Have high prices been persistent?

To assess concerns. Who is affected by disproportionate pricing, and does the group include vulnerable consumers? How large are the affected groups — for example, how many vulnerable consumers? How much are they affected?

To prioritise actions. Has there been intentional breaching, signs of negligence, or a recurring pattern of poor behaviour? What is the tariff design and rationale? What is the structure of cost and capital recovery? Is there cross-subsidisation between groups? Is the tariff prohibitive to heat network uptake? Are prices and billing transparent?

Read the fifteen questions as a structured evidence request. Some need numerical analysis — benchmark position, profit comparison, persistence over time. Others are answered from records of decisions, cost structures, tariff design and consumer impact, which you either hold or do not.

Two things in the list are easy to miss.

Persistence matters as well as level. "Have high prices been persistent?" and "is there a recurring pattern of poor behaviour?" both appear. One high-price year with a credible explanation presents a different case from repeated high prices without one — but persistence sits alongside the benchmark position, the scale of detriment, profitability and conduct rather than above them.

Who is affected shapes the response. The middle group of questions is entirely about the composition of the affected population, and vulnerable consumers appear twice. That bears on how serious a concern is and how it is prioritised. It does not mean that two identical charges have a different legal status because one network has more vulnerable residents.

Why the policy has to exist before the question arrives

Every principle in this framework ends in the same place: be able to explain it. That phrasing carries more weight than it appears to.

The guidance says "if requested". The cost-reflectivity principle expects an authorised person to be able to explain how their prices meet it *if requested*.[25] That is a standing state, not a project. There is no notice period built into it and no drafting window contemplated.

The fairness test asks questions best answered by records and data. What is the tariff design and rationale? What is the structure of cost and capital recovery? Is there cross-subsidisation between groups? Are prices and billing transparent? These are most convincingly answered through contemporaneous documents, supporting data and a clear analytical record. An authorised person holding those answers in days is in a different position from one reconstructing a decision it may not have taken deliberately.

A document written afterwards is weaker evidence than the same document written at the time. A rationale produced in response to a request postdates the decision it explains. It shows what can be constructed, not what was applied. A contemporaneous record shows the principles were weighed when the price was set, which is what the framework asks. The fairness test's prioritisation questions ask whether there has been intentional breaching, signs of negligence, or a recurring pattern of poor behaviour. A dated rationale, written when the decision was made, is the most direct evidence available that none of those applies.

The standard is a prudent, well-run regulated entity, not a well-intentioned one. Prudent regulated entities record decisions when they take them, because that is what makes them reviewable later. Reconstructing on demand is itself evidence about how the business is run.

Two clocks are already running, and neither is yours. Ofgem published its enforcement guidelines and its statement of policy on financial penalties and consumer redress on 20 February 2026, framed around early identification and resolution of issues.[26] Early engagement is only credible if you can explain your position at the point of engagement. Separately, heat network advice, advocacy and redress services went live in April 2025, and Great Britain heat networks are required to be registered with the Energy Ombudsman scheme.[27] Ombudsman cases are complaint-led. They arrive when a resident decides, on the scheme's timetable, with a deadline for your evidence. The file exists or it does not.

Reasoning that lives in someone's head leaves with them. The person who set the tariff may have moved on, or may have worked for a contractor you no longer use. Written policy is the only form of institutional memory that survives a change of supplier, a change of managing agent, or a stock transfer.

A pricing question can reach Ofgem by more than one route. Registration by 27 January 2027 gathers organisational and network information and establishes a compliance baseline; declaring an area of non-compliance does not prevent registration, and it is not a process in which a full pricing rationale is uploaded and assessed. The continuing routes matter more: regular data reporting, for which final guidance was published in March 2026; information requests and compliance engagement; evidence produced in a complaint or redress case; and enforcement. Registration is the start of visibility, not the whole of it.[28]

In practice: date the document. Version it. Record what you decided, what you considered and rejected, and why. Review it when something material changes — a tariff change, a contract renewal, a change of fuel strategy — and keep the superseded version, because the history is what demonstrates that the reasoning was applied more than once.

Benchmarking, briefly

Benchmarking is the machinery behind the first group of fairness test questions, and it is addressed here as part of A6. **Who Pays for the Pipe** considers only what the proposed benchmark design means for tariff structure and cost allocation. In short: Ofgem intends to run three approaches together — your prices against your own history, against a technology counterfactual, and against networks with similar characteristics — because each compares in a different dimension.[29]

Only the external benchmark uses a counterfactual. There are currently two: a gas boiler benchmark for networks using gas as an input fuel, and a low-carbon counterfactual under development using an individual air source heat pump as the example.[30]

Three points protect operators. A network will not automatically be judged as pricing disproportionately on benchmarking results alone, or on any single approach in isolation. Ofgem refused to build the framework on a single alternative-heat counterfactual, warning that such a benchmark risks becoming a de facto price cap with networks pricing at that level regardless of their underlying costs. And where a price is flagged, the stated intention is to seek further information to understand the reasons, which may mean suggestions and opportunities for improvement before any further action.[31]

The methodology is not finalised. Ofgem intends to publish a high-level methodology through a future consultation.[32]

What A6 does with a price promise

Some networks price against a counterfactual rather than directly against their costs — for example what the resident would have paid on an individual gas boiler — and call the result a price promise, or cost avoidance. A6 has a specific and slightly awkward answer to it.

The permission is real. The guidance states that this pricing model is not precluded, provided it delivers prices that are fair and not disproportionate. Ofgem confirms it will look at whether prices are broadly comparable to relevant counterfactuals as part of future benchmarking, informed by the prices charged by networks with similar characteristics or cost drivers, the prices of alternatives, and trends over time.[33]

But the principle it is measured against is cost-reflectivity. The segmentation table names that principle for the price promise segment, and all principles apply normally. That is the whole of the difficulty in one line. A price promise establishes a relationship between your price and someone else's technology. Cost-reflective pricing asks about the relationship between your price and your own costs. The two are not the same question and a promise does not answer the second.[34]

And the fairness test does not care which method you used. The guidance states that the test will explore whether prices are fair and not disproportionate according to the principles, and that comparator benchmarking will test the network against technically similar networks regardless of the pricing methodology applied.[35]

There is a genuine tension here that is worth naming rather than resolving. One of Ofgem's own stated outcomes for the framework is that consumers should not be unduly disadvantaged compared with consumers on alternative heat sources — which is, more or less, the price promise objective adopted as a regulatory outcome. So the model serves one of the framework's aims directly while sitting uneasily with one of its principles.

Ofgem has also described the failure mode. Explaining why it would not build the framework on a single alternative-heat counterfactual, it warned that such a benchmark risks becoming a de facto price cap, with networks pricing at that level regardless of their underlying costs — potentially higher than they otherwise would.[36]

The practical position: a price promise is a permitted way of setting a level, and it is worth keeping if it sells homes. It is not an answer to the cost-reflectivity principle, and it does not remove the need to know and be able to explain your own cost base. How the resulting charge is then constructed is the subject of **Who Pays for the Pipe**.

The cost of being regulated

Authorisation brought costs with it — registration, written policies, contract and billing changes, metering work, redress scheme membership, systems and staff time, and in due course a regulatory fee.[37]

A6 and A7 do not, in principle, prohibit the recovery of efficiently incurred compliance costs. Legal recovery and allocation still depend on the contract or lease, applicable housing law, the specific authorisation conditions and whether the result is fair and not disproportionate. Separately, A7.2 draws a line around defined payments — regulatory penalties, consumer redress amounts and specified compensation for failing to meet service standards — which are presumed unfair and disproportionate. Internal remediation expenditure does not automatically fall within that presumption, although charging consumers for costs caused by an avoidable failure may be difficult to justify under the wider principles.

What A6 adds is that compliance spending is not exempt from the cost efficiency principle. It has to be efficiently incurred, which means the same expectations apply to it as to anything else you buy: market-test it periodically where it is outsourced, compare price and service quality, and be able to justify both the decision to outsource and the choice of provider. Compliance work bought without comparison, from whoever was nearest, is as answerable as fuel bought the same way.

Where the resulting cost then sits, and how it is spread over time, is a cost allocation question and is dealt with in **Who Pays for the Pipe**.

Where the framework bends: segmentation

The guidance adapts the framework for different types of network, in four ways.[38]

Pure cost recovery. Where an operator sets prices only to recover underlying costs, excluding any profit or return on capital, the fair and reasonable returns principle is not relevant. All other principles apply normally. The definition is drawn to include temporary over-recovery corrected in a later pricing period, and recovery in advance to build sinking funds for legitimate future network expenses.

Price promise. Setting prices by reference to a counterfactual is not precluded, provided it delivers prices that are fair and not disproportionate. The fairness test explores whether it does, and comparator benchmarking tests the network against technically similar networks regardless of the pricing methodology used. The permission is real. The condition attached to it does the work.

Unmetered networks. The cost-reflectivity principle is adapted, with proxies used in place of consumption data.

Charges bundled into rent or service charges. This is the one that matters most for housing providers, and it is the only place in the guidance where Ofgem says outright that something will be considered in future enforcement. Where heat charges are bundled into rent or service charges and subject to housing legislation — the reasonableness requirement in section 19 of the Landlord and Tenant Act 1985 — Ofgem acknowledges the interaction and expects the bundled charges to be reasonable as that Act requires **and** to follow the fair pricing principles and cost allocation guidance as best as possible. It states that this factor will be considered in any future compliance or enforcement action.

For a landlord, that is two tests on the same money, and the second is not satisfied by passing the first.

Four error patterns

Treating "fair" as undefined and therefore unfalsifiable. The word is undefined; the questions are published. An operator who has read the appendix knows more about how it will be judged than one waiting for a price cap.

Confusing having a rationale with holding one. Pricing decisions are made for reasons. The fairness test asks directly what the tariff design and rationale are, and that question is answered from a document or it is not answered.

Procurement on autopilot. A fuel strategy that has never been written down, an intermediary whose fees have never been compared, a billing agent never market-tested and never justified. None of that is prohibited. All of it is asked about.

Owning the outcome without owning the contract. Direct accountability for an outsourced party's acts and omissions, combined with a contract that gives you no visibility of that party's cost structures or tariff methodology.

What to do

Write the pricing rationale. One document: what your prices are, how they were derived, which principles you weighed, what you traded off and why. Neither condition requires a document with that name, but it is the most practical form of contemporaneous evidence that the duty was properly performed. Everything else on this list feeds it.

Answer the fifteen questions on paper. Take the appendix list and write your answer to each. Some need analysis rather than retrieval. Where you cannot answer at all, you have found the work.

Document the fuel strategy, including the alternatives you rejected. Contract terms, renewal periods, the risk-versus-price trade-off you chose and why it suits your consumers.

Get the quotes and keep them. Multiple quotes at each procurement. Where an intermediary is used, the fee level, a comparison against other intermediaries, and a request for individual cost lines.

Market-test outsourced services, and record the test. Prices and service quality against alternatives, plus a genuine comparison against self-delivery. Then be able to say why you outsource and why you chose that provider.

Fix contractual visibility at the next renewal. Access to cost structures and tariff-setting methodology, aligned regulatory obligations, and tendering criteria that test regulatory competence. The transitional concession is generous, but it expires contract by contract.

If your charges are bundled, run both tests. Landlord and Tenant Act reasonableness, and the fair pricing principles as far as they can be applied. Record both.

What this means

For residents, A6 will not produce a cap or a published fair price. What it produces is a regulator that can ask why a price is what it is, and an operator that has to answer.

For operators, the exposure sits in the gap between decisions that were made sensibly and decisions that can be shown to have been made sensibly. The framework is unusually accommodating about outcomes — no return levels, legitimate differences between networks, explicit protection for smaller networks with weak bargaining power — and unusually consistent about reasoning. Nearly every principle ends with some version of the same requirement: be able to justify it.

A note on shelf life

The guidance is expressly iterative and Ofgem has said it intends to keep developing it as pricing protections are phased in.[39] The benchmarking methodology is still to come. The transparency proposals sit partly in the consumer protection guidance and partly in work with DESNZ. HNTAS is intended to introduce technical requirements and assurance arrangements relevant to network efficiency, which this guidance deliberately leaves out; its final design remains pending and launch is currently planned for 2027.

This paper states the position as at September 2026, against the guidance published on 13 January 2026.

Where to go next

- The **A6 fair pricing policy template** in the Policy Generator, which structures the pricing rationale described above.
- The **Tariff Calculator** at tariff.heatnetworkcompliance.co.uk, free to use.
- The **Compliance Assessment**, if you want the fairness test questions run against your actual position.
- **Who Pays for the Pipe**, the companion paper on Condition A7 and how the charge is built.
- **The Heat the Meters Do Not See**, on unmeasured in-building heat and the limits of what A7 permits.

Footnotes

1. Authorisation Condition A6.1, Appendix 2 to Ofgem's decision *Heat networks regulation: authorisation conditions*, 13 January 2026.
2. A6.2, A6.3 and A6.4.
3. A6.7 and A6.8. Condition A7 carries equivalent exclusions at A7.6 and A7.7.
4. *Heat networks fair pricing and cost allocation guidance*, 13 January 2026, paragraphs 1.17 and 1.18.
5. Guidance, paragraphs 1.14 and 1.15.
6. Guidance, paragraphs 1.22 to 1.26.
7. Guidance, paragraphs 1.28 and 1.29. Note the register: "must use the most accurate data available", against the "should consider" phrasing used almost everywhere else in the document.
8. Guidance, principle statement and paragraphs 1.49 to 1.52. Paragraph 1.51 cross-refers to Condition A13 and the Financial Resilience guidance on leverage and financial responsibility.
9. Guidance, principle statement and paragraphs 1.53 to 1.55.
10. Guidance, paragraphs 1.64 and 1.65.
11. Guidance, paragraph 1.66.
12. Guidance, paragraphs 1.41 to 1.45.
13. Guidance, paragraph 1.43.
14. Guidance, paragraph 1.40.
15. Guidance, paragraph 1.38.
16. Guidance, paragraph 1.39.
17. Guidance, regulatory control principle statement and paragraph 1.62.
18. Guidance, paragraph 1.63, which cross-refers to the legacy arrangements subsection of the cost allocation guidance.
19. *Response to consultation on heat networks regulation: fair pricing protections*, Ofgem, 29 September 2025, chapter 4 (Profitability analysis), section summary and Ofgem response on the role of the regulator and market growth.
20. 2025 fair pricing response, chapter 4, Ofgem response on the development lifecycle and interpretation of EBIT margin.
21. 2025 fair pricing response, chapter 4, Ofgem response on the relevance of profitability assessment for certain segments.
22. 2025 fair pricing response, chapter 4, respondent submissions on alternative metrics. These were stakeholder proposals rather than Ofgem commitments.
23. Guidance, paragraph 1.67.
24. Guidance, paragraph 1.68 and the fairness test appendix, paragraphs A1.1 to A1.4.
25. Guidance, paragraph 1.22.
26. Ofgem published the final *Heat Networks Enforcement Guidelines* and the *Heat Networks Statement of Policy With Respect To Financial Penalties and Consumer Redress* on 20 February 2026.

27. Heat network advice, advocacy and redress services went live on 1 April 2025. From 27 January 2026 Great Britain heat networks became subject to the authorisation conditions and to the applicable Energy Ombudsman scheme registration requirements.

28. Ofgem's final guidance on regular data reporting was published in March 2026. Registration under the Heat Networks Digital Service is required by 27 January 2027.

29. *Response to consultation on heat networks regulation: fair pricing protections*, Ofgem, 29 September 2025, chapter 3, Ofgem response on comparator benchmarking.

30. 2025 fair pricing response, chapter 3, Ofgem responses on external benchmarking and on heat pump characteristics. Ofgem is not currently proposing separate counterfactuals for retrofit and new-build networks, though those characteristics would be considered when assessing a network against all three models.

31. 2025 fair pricing response, chapter 3 (comparator benchmarking; omission of elements) and chapter 1 (alternative approaches to the framework).

32. 2025 fair pricing response, chapter 3, Ofgem response on omission of elements.

33. Guidance, paragraph 1.33.

34. Guidance, Table 2 (market segmentation), price promise row.

35. Guidance, Table 2, price promise row; and paragraph 1.67 on the fairness test.

36. *Response to consultation on heat networks regulation: fair pricing protections*, Ofgem, 29 September 2025, chapter 1, Ofgem response on alternative approaches to the framework.

37. Ofgem's own regulatory costs are recovered in the initial period through licence fees paid by certain gas and electricity licensees, with a later transition under the government's 2022 blended decision to fees applying to both those licensees and heat network authorised persons. Ofgem, *Heat network regulations: recovering Ofgem's costs*, consultation published 17 February 2026 and closed 2 April 2026; at the time of writing no decision had been published.

38. Guidance, Table 2 (market segmentation).

39. Guidance, paragraph 1.12.

Sources

- Ofgem, *Heat networks regulation: authorisation conditions* — decision and Appendix 2, 13 January 2026.
- Ofgem, *Heat networks fair pricing and cost allocation guidance*, 13 January 2026.
- Ofgem, *Response to consultation on heat networks regulation: fair pricing protections*, 29 September 2025.
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