HEAT NETWORK COMPLIANCE · WHITE PAPER SERIES

The Contract You Never Signed

Deemed contracts, the obligation to supply, and why B2 is not the delete button operators think it is

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Executive summary

Deemed contracts produce two failure modes on heat networks. The first is having nothing in place at all — no terms, no scheme, no record of who is supplied on what basis. The second looks like diligence: a document called “Deemed Contract Terms” sits in the compliance folder, and its existence is mistaken for the completion of a job that has barely started.

A deemed contract is the framework's answer to a practical problem: heat does not wait for paperwork. People move into flats with working radiators. Contracts end while the pipes stay warm. Rather than leave those supplies in a legal vacuum, the law treats a contract as existing. Under regulation 27A of the 2025 Regulations, if premises receive heat and nobody has agreed the terms, a contract exists anyway — with the occupier, or with the owner if the premises are empty.[2] The framework also recognises contracts formed by conduct: the consumer never actively agreed, but a contract exists all the same, including where terms were sent out and never signed.[1] Condition B2 then regulates the relationship: information duties, content limits, a rule about what staff may say, and an obligation to fix — not abandon — legacy contracts that fall short.

Here is what neither the blank folder nor the full one answers. A deemed contract only exists where no agreement governs the supply — and leases, tenancy agreements and service charge agreements can all be that agreement.[4] So the real compliance question is not “what do our deemed terms say?” It is “who, exactly, is supplied under them — and can we prove why?” A supplier that cannot answer it per premises is taking every downstream decision — tariff changes, notices, debt recovery, disconnection — on an assumption. On a regulated network, “we assume a contract exists” is not a legal basis. It is a finding waiting to be made.

1. Where deemed contracts come from

Two routes, both outside Condition B2.

The automatic route is regulation 27A.[2] Premises supplied without agreed terms get a deemed contract with the occupier — or, for empty premises, the owner. That second limb deserves more attention than it gets: a landlord's voids consuming heat between tenancies are on deemed contracts with the landlord, and the records should say so. The contract runs from the “relevant time” — the day supply begins, or 27 January 2026 for supplies already running when the regime switched on. The significance of that date: for supplies already being made by an authorised person without agreement as to their terms, the deemed contracts already exist, and they are dated. Suppliers do not get to choose whether the statutory test is met. They need to identify where it is.

The second route is conduct. A contract can form without the consumer ever actively agreeing to it — the definition's own example is terms that were provided but never signed.[1] Ofgem's guidance gives the everyday cases: a resident moves in and starts consuming without formalities; a sub-let the supplier was never told about; a contract that ends while consumption continues.[3] Readers of Paper 6 will recognise that last one — it is where B3's termination right leaves a consumer who ends their contract but stays connected to a monopoly network.

If the device sounds novel, it is not. Gas and electricity have run on deemed contracts for decades: move into a house, flick a switch, and you are supplied by the incumbent on deemed terms until you agree something else.[10] Anyone who has ever moved home has been on one. The heat regime imports the concept with one structural difference that changes everything downstream. In ordinary gas and electricity supply, the identity of the supply contract is generally far less entangled with leases, tenancies and service charge machinery than it can be on a heat network. That is why the next section exists.

The Regulations then attach machinery that is easy to miss, because it sits in the Regulations rather than the conditions. Each authorised supplier must make a formal scheme setting the terms of its deemed contracts, unless it reasonably expects that no deemed contracts will arise — and a deemed contract is treated as incorporating whatever the scheme says.[2] The scheme's charges must be no higher than the supplier's standard variable contract. Its terms must comply with the authorisation conditions. And when the scheme is made or revised, the supplier must publish a notice stating its effect and send a copy of that notice to Ofgem, Citizens Advice and Consumer Scotland. A deemed terms document sitting quietly in a folder, never constituted as a scheme, with no notice published or sent, satisfies none of this — and the regulator can check by asking when its copy of the notice arrived.

2. The gap test

Before deemed terms apply to anyone, one question decides everything: does an agreement already govern this supply?

The question is harder than it sounds, because the agreement does not have to be called a heat supply contract. Ofgem's list is broad and open-ended: a deemed contract, a lease, a tenancy agreement, a service charge agreement, combined contracts, other agreements relating to the supply.[4] A lease that obliges the leaseholder to take heat from the network and pay for it through defined contractual machinery may constitute the Heat Supply Contract. Where that is genuinely the position, there is no gap and no deemed contract — however empty the “signed agreements” folder looks.

But a lease alone decides nothing. The document, the parties and the terms have to be examined. A lease may deal with connection and nothing else. The occupier may not be the leaseholder. And where the landlord and the authorised supplier are different legal persons, the lease may govern nothing between consumer and supplier at all. Two findings are routinely confused here: “we cannot find a signed supply agreement” is not the same as “no agreement governs this supply”. The first is an observation about a filing system. The second is a legal conclusion, reached by reading documents.

The privately rented leasehold flat shows why the reading matters. Three parties, one pipe: the supplier, the leaseholder whose lease contains the heat covenants, and the tenant who actually occupies and consumes.

The lease may govern the relationship between the leaseholder and the landlord or other relevant party — but the occupying tenant is not a party to it. And where the authorised supplier is a different legal person from the landlord, a further question arises: does the lease constitute an agreement governing the supply between that supplier and the consumer at all?

So there are two competing readings. The tenant may sit on a deemed contract with the supplier, as the guidance's sub-let example suggests.[3] Or the lease may remain the agreement under which the premises are supplied, with the leaseholder recharging through the rent. The answer decides who the consumer is for billing, notices and redress — and it can differ between two outwardly identical flats depending on the paperwork. It is why the register in Section 7 records occupiers and leaseholders separately, and why “unclear” has to be a permitted entry.

One more rule matters here: where supply genuinely runs through a lease or tenancy, housing legislation applies to its terms — an approach Ofgem chose deliberately, to avoid cutting across the housing regimes of England, Scotland and Wales.[4]

For operators who read Paper 6 and Paper 8, this is familiar territory. Whether heat reaches a consumer through a lease or a supply agreement already determines the price-change machinery and the back-billing clock. It is the same portfolio map. It now answers a fourth question: is there any gap for a deemed contract to fill?

3. What Condition B2 actually does

B2's headline is not deemed contracts at all. It is the obligation to supply: on a request from a Relevant Consumer, the authorised supplier — which may also be the network operator — must offer terms and must supply in accordance with a Supply Contract, subject to B2's exceptions.[5] A Supply Contract with a Relevant Consumer must be in writing, use plain and intelligible language and be set out in a single pack. Any notice period for termination by a Relevant Consumer must be no longer than thirty Working Days. The deemed contract provisions sit inside that structure — regulating the relationship, not creating it.

For consumers on deemed contracts, B2 adds three duties and three prohibitions.

The duties. Take all reasonable steps to give the consumer the Principal Terms. Tell them that other contracts — possibly on different terms — are available, and how to find out more. Provide a free copy of the deemed contract to anyone who asks.[6]

The prohibitions. A deemed contract may not contain a fixed term. It may not contain a termination fee. And it may not stand between the consumer and an agreed contract: it simply runs until the agreed contract starts, with no notice required.[7] B2.16 then reaches past the paperwork into behaviour: the supplier must ensure that its staff and any Representative never tell a consumer otherwise — no invented notice periods, no imaginary fixed terms, no fees.[7] That is a conduct rule. It covers the call centre and the outsourced billing agent, and it is tested with call recordings, not file audits.

A fair question follows: can a supplier simply run on deemed contracts and never bother with signed ones? Nothing in the condition forces conversion — a deemed contract is a lawful Supply Contract, and for a stable population it can be a serviceable resting state. But it cannot become a policy of refusal, and it is a weaker position than it looks. A Relevant Consumer can request supply, and the supplier must offer terms and supply in accordance with a Supply Contract, subject to B2's exceptions.[5] The information duties still run — including telling every deemed consumer that alternatives exist.[6] The scheme's charges are capped at the standard variable contract.[2] A deemed contract can never carry a fixed term.[7] And every deemed relationship carries the evidential burden this paper keeps returning to: proving, per premises, that the gap was real. Deemed by default is lawful. Deemed by design still has to be designed.

One more provision completes the picture, and it kills the most dangerous piece of deemed-contract folklore. Suppliers with awkward legacy agreements — the 2011 developer-drafted contract with the indexation clause nobody likes — are sometimes tempted to announce that everyone is “now on the deemed terms”. B2 points firmly the other way. Where an existing contract falls short of the condition, the supplier must use reasonable endeavours to vary it into compliance, and treat the consumer as if it already complied in the meantime.[8] There is no power to ignore a live contract and swap in deemed terms. Any proposal to vary, terminate or replace the existing arrangement must then be analysed under the contract, under B3 — variation clauses, notices, termination rights, covered in Paper 6 — and under any applicable housing-law machinery.

Worth saying plainly: none of this makes the deemed-contract consumer a second-class one. A deemed contract is a Supply Contract within the framework's own definition,[1] and the consumer's protections — conduct standards, billing, back-billing, vulnerability, debt and disconnection — do not fall away merely because the contract was deemed rather than signed.

4. The day after

Paper 6 posed the question operators found hardest. A consumer exercises the B3 termination right, stays in the flat, stays connected, keeps consuming. What governs the supply on day one?

The framework sketches the answer without automating it. The guidance identifies the broader scenario — a contract ends but consumption continues — as one where a deemed contract could arise.[3] But “could arise” is not “has arisen”. The supplier still has to do the analysis. Has the old contract actually ended, and how? Is the gap real on these facts, and from when? Which version of the scheme terms applies? And have the Principal Terms gone out, with the notice about alternatives?[6] Answering “the deemed contract takes over” without that work is improvising — on a file in which a dispute is particularly likely, because a consumer who has just terminated over a disadvantageous change is already aggrieved.

Notice the asymmetry. The road *off* a deemed contract is deliberately frictionless: no notice, no fee, nothing to run down.[7] The road *onto* one is not frictionless at all: it needs a genuine gap and it triggers immediate information duties. It is easy to assume the opposite in both directions. The minimum fix is a written day-after position, per network, sitting next to the B3 documentation — against the alternative of composing one inside an Ombudsman information request.

5. Where it goes wrong

The failures we see cluster into five patterns.

The universal default. Everyone without a signed agreement in the system is put on deemed terms — including residents whose leases, tenancies or inherited agreements actually govern the supply. Those consumers were never in a gap, so the supplier's stated legal basis for supplying them is wrong, and it does not know for which fraction of the portfolio.

The delete button. Awkward legacy contracts are “migrated” onto deemed terms without variation machinery, without B3 analysis, without notices — the precise move B2.17 forecloses. Each migration is potentially an unnotified disadvantageous variation: a documented breach, multiplied by every affected household, discoverable by the first resident who kept their paperwork.

The undocumented arising. The deemed contracts are real, but nobody can say for a given consumer when the contract arose, why the gap existed, or which terms version applies. The relationship exists; the evidence does not. When the tariff challenge or debt defence lands, the supplier is asserting a contract it cannot reconstruct.

The lock-in reflex. A call handler tells a deemed-contract consumer they must give notice, see out a term, or pay a fee before moving to an agreed contract. Every one of those statements is directly prohibited — and this failure lives in scripts and habits, not documents.[7]

The unfiled scheme. The deemed terms exist, but were never constituted as the scheme the Regulations require: no notice of its effect published, no copy of that notice sent to Ofgem, Citizens Advice or Consumer Scotland, no check that the charges sit within the standard-variable cap.[2] The obligation is easy to miss because it lives in the Regulations rather than the conditions — and easy for the regulator to test.

One root cause runs through all five: the terms document was treated as the deliverable, when the deliverable is knowing who it applies to and being able to show it.

6. What this means for residents

Deemed contracts affect the people least equipped to interrogate them. Nothing about a deemed contract announces itself to the resident: no signature, no document in a drawer, often no knowledge that the question even exists — until something goes wrong. A price rise, an arrears letter, a dispute. The condition anticipates exactly this. The Principal Terms must reach them. The alternatives must be disclosed. The exit must be free and immediate. And anything else they are told — a notice period, a fee, a fixed term — is not a grey area. It is a prohibited statement.[7]

Contract status also touches where a resident can complain. The Energy Ombudsman's Terms of Reference require the complainant to have had an effective contract or a deemed contract with the supplier.[9] So redress can turn on the same question this paper keeps asking: what is the contractual basis of this supply? A supplier that cannot evidence the answer does not shut the consumer out — the Ombudsman will need to determine whether its contractual jurisdiction test is satisfied on the evidence available — but the gap creates exactly the factual mess a proper record exists to prevent. Contract status is not the only jurisdictional question, either: the Terms of Reference also carry a separate exclusion for certain social-landlord disputes, examined in Paper 7 in this series. That record protects both sides: it is the operator's defence exhibit, and it is how the least-documented consumers on the network get the same footing as everyone else.

7. What suppliers and operators should do

Build the contract-status register — from the documents, not the billing system. For every supplied premises: the consumer — recording occupier and leaseholder separately where they differ, and the owner for voids; the basis of supply — agreed contract, lease or tenancy, service charge agreement, deemed by statute, deemed by conduct, unclear; the governing document or the gap analysis; the start date; what information has been provided; and what happens on a change of occupancy. Read the inherited paperwork before classifying anyone — acquired networks are where the surprises live. “Unclear” is a permitted entry; a confident wrong answer is not.

Find, refresh and file the scheme. Locate the instrument that actually constitutes your deemed-terms scheme under regulation 27A. Check the charges against the standard variable contract and the terms against B2.15. Publish the notice of its effect. Confirm — with dates — that copies of that notice went to Ofgem, Citizens Advice and Consumer Scotland.[2] If no scheme was ever made, that is the first gap to close, because every deemed contract on the network incorporates terms the scheme was supposed to set.

Run the information duties as a process, not a hope. On every identified arising: Principal Terms provided, alternatives disclosed, free copy available — logged, dated, versioned.[6] “All reasonable steps” is a standard you will one day have to evidence.

Check the scripts, not just the terms. Put the three forbidden statements — notice, fixed term, fee — into call-handler training and QA sampling, including at the outsourced billing agent, whose words are your problem.[7]

Start legacy-contract work from B2.17. The first question for a non-compliant old contract is not “can we move them to deemed terms?” It is “what does reasonable endeavours to vary look like here?”[8] Any proposal to vary, terminate or replace the arrangement is then analysed under the contract, B3 and any applicable housing-law machinery.

Get the policy in place before the first dispute. A written deemed-contracts policy that encodes this paper's sequence — gap test, register, scheme, information duties, scripts, day-after — turns each decision from an improvisation into business as usual. It is likely to be among the first documents an auditor or an ombudsman asks to see.

Write the day-after position now. Per network, in the file, cross-referenced to the B3 documentation. It is one of the simplest documents in the compliance suite and the one most likely to be read aloud in a determination.

8. Conclusion

The phrase “deemed contract” makes the machinery sound passive, as if the law quietly tidies up whatever the operator neglected. The final framework rewards the opposite posture. The contracts arise by statute or by conduct wherever a real gap exists — and arose en masse on 27 January 2026. The terms come from a scheme the supplier must make, cap and give notice of. B2 loads the relationship with duties a consumer can quote and a prohibition a call recording can breach. And the escape route suppliers reach for — deemed terms as the delete button for awkward contracts — is the one move the transitional provisions rule out.

The organising question is simple to state and revealing to answer: for every home you supply, can you say which terms govern, and why? Answer it and you hold the foundation every other consumer-facing condition stands on. Fail to answer it and you are running a regulated supply business on an assumption. The most dangerous contract on a heat network is the one everyone assumes exists but nobody has actually checked.

How Heat Network Compliance helps

If B2 compliance is knowing who is supplied on what basis, the defence is documentation built for that question. The HNC Policy Generator includes deemed contract documentation and the related consumer-contract procedures built against Conditions B2 and B3 of the final Authorisation Conditions — including the information duties on deemed contracts and the notice machinery that governs any movement between contractual arrangements. The Compliance Assessment (£995 + VAT) tests whether a supplier's contractual arrangements, deemed terms and supporting records would stand up as evidence, network by network.

All available at **heatnetworkcompliance.co.uk**.

Notes

1. Appendix 2 definitions (verified 13 July 2026). “Deemed Contract means a Deemed Contract by Conduct or a Deemed Contract by Statute”. “Deemed Contract by Conduct means a contract formed,

or alleged to have been formed, between an authorised person and a heat network consumer otherwise than through an active acceptance by that heat network consumer, including in circumstances where terms and conditions have been provided to, but not signed by, that heat network consumer". "Deemed Contract by Statute" means "a contract deemed to have been made with a heat network consumer in accordance with the Regulations" — the operative provision being regulation 27A (see note 2). "Supply Contract" is defined to include a deemed contract, so Supply Contract obligations attach to deemed contracts.

2. Regulation 27A of the Heat Networks (Market Framework) (Great Britain) Regulations 2025 (SI 2025/269, as amended; verified against legislation.gov.uk, 13 July 2026). 27A(2): where premises are supplied with heating, cooling or hot water "without agreement as to the terms on which the supply is made", the authorised person is deemed to have made a contract with the occupier or, if the premises are unoccupied, the owner. 27A(3): the "relevant time" is when the supply begins or, for supplies that began before the provision came into force, 27 January 2026. 27A(4)–(5): a deemed contract is treated as incorporating the express terms determined under a scheme which each authorised person must make (except where it is reasonably expected that no deemed contracts will arise) and may revise. 27A(6): scheme terms may include consumption-estimation machinery for unread meters, must provide charges no higher than those under the authorised person's applicable standard variable supply contract, and must comply with the authorisation conditions. 27A(8)–(9): on making or revising a scheme the authorised person must publish a notice stating its effect and send a copy of that notice to the Regulator, Citizens Advice and Consumer Scotland, and must provide a free copy to any consumer on the network who requests one.

3. Ofgem, *Heat networks regulation: consumer protection guidance* (January 2026), paragraphs 2.5–2.7 (verified 13 July 2026): a deemed contract "will normally exist" where a customer moves in and starts to consume without formally agreeing a contract, and "could also arise in circumstances where a contract comes to an end, and the customer continues to consume heat before a new contract can be formally agreed"; the examples include the supplier not being made aware of a new resident, such as a sub-let. Paragraph 2.5 repeats the regulation 27A(2) arising test, including the occupier/owner rule.

4. Consumer protection guidance, paragraphs 2.4 and 2.8–2.9: the Heat Supply Contracts for the purposes of the condition include — non-exhaustively — a deemed contract, a lease, a tenancy agreement, a service charge agreement, combined supply contracts, and other agreements between the authorised person and the Relevant Consumer relating to the supply. Where a consumer is supplied under lease or tenancy arrangements, the authorised person must comply with the housing legislation applying to the terms of such supply; Ofgem adopted this approach to avoid cutting across the housing regimes across Great Britain, including the Scottish and Welsh devolved regimes.

5. Condition B2.1–B2.6 and B2.14 (verified 13 July 2026). B2.1–B2.2: on request from a Relevant Consumer, the authorised person must offer to supply within a reasonable period, and must supply in accordance with a Supply Contract and the other authorisation conditions. B2.3 sets the exceptions (premises not connected; danger to the public or property; not reasonable in all the circumstances, with at least seven Working Days' notice where supply is ongoing; an unpaid Security Deposit compliant with B9). B2.5 requires each Supply Contract to be in Writing, in plain and intelligible language, and set out in a single pack without incorporation by reference to a website. B2.14 caps the consumer's termination notice period under any Supply Contract at thirty Working Days.

6. Condition B2.7–B2.8 (verified 13 July 2026): where the authorised person supplies a Consumer under a deemed contract it must take all reasonable steps to provide the Principal Terms of the deemed contract, and notice that other Supply Contracts — with terms that may differ — may be available and how information about them may be obtained. A person who requests a copy of an available deemed contract must be provided with it free of charge within a reasonable period.

7. Condition B2.15–B2.16 (verified 13 July 2026). B2.15.1: where a Consumer intends to be supplied under an agreed Supply Contract, the deemed contract continues to have effect until the authorised person begins to supply under that contract, and no form of notice is required before the Consumer can enter into it. B2.15.2: the deemed contract must not provide for any fixed term period or any termination fee. B2.16: the authorised person must not, and must ensure that its staff and any Representative do not, inform any Consumer that they are required to pay a termination fee, are

subject to a fixed term period, or must give any form of notice before entering a Supply Contract in place of the deemed contract.

8. Condition B2.17 (verified 13 July 2026): where the authorised person supplies a Relevant Consumer under an existing Supply Contract it must use reasonable endeavours to vary the contract so that its terms meet the condition's requirements, and must act, wherever appropriate, in its dealings with the Relevant Consumer as if the contract did meet those requirements. B2.18 provides for the Authority to publish guidance on transitional arrangements. B2.17 does not create a general power to disregard an existing contract and substitute deemed terms.
9. Energy Ombudsman, *Terms of Reference — Heat Network Suppliers*, paragraph 4.1 (verified 13 July 2026): the Ombudsman has jurisdiction in relation to a complaint only where the complainant was, at the time the subject matter of the complaint arose, a customer with an effective contract or deemed contract with the Participating Company, or is acting on behalf of and with the consent of such a person.
10. The gas and electricity regimes have long provided for deemed contracts where supply is taken without an express contract (Gas Act 1986, Schedule 2B, paragraph 8; Electricity Act 1989, Schedule 6, paragraph 3), with deemed-contract terms regulated under the suppliers' licence conditions (Standard Licence Condition 7).

Sources

- Ofgem, *Heat networks regulation: authorisation conditions decision*, Appendix 2 — General Authorisation Conditions (13 January 2026), Condition B2 and the definitions of Deemed Contract, Deemed Contract by Conduct, Deemed Contract by Statute and Supply Contract.
- Heat Networks (Market Framework) (Great Britain) Regulations 2025 (SI 2025/269, as amended), in particular regulation 27A (Deemed contracts).
- Ofgem, *Heat networks regulation: consumer protection guidance* (January 2026), in particular paragraphs 2.2–2.9.
- Energy Ombudsman, *Terms of Reference — Heat Network Suppliers*, paragraph 4.1.
- Gas Act 1986 (Schedule 2B) and Electricity Act 1989 (Schedule 6) — the established deemed-contract provisions in gas and electricity supply.
- Energy Act 2023.

This paper is analysis and commentary, not legal advice. Readers should work from the canonical documents — in particular Appendix 2 to Ofgem's decision of 13 January 2026, the 2025 Regulations and the final Consumer Protection Guidance — when making compliance decisions.