

Are you a UK landlord of a multi-let property? Are you already obliged to provide information about any district or communal heating network?

If so, you could face further challenges, as the government gears up for the next initiative in support of its carbon reduction commitment with a consultation designed to increase cost-effectiveness of heat networks and deliver transparency for consumers.

The amendments seek to establish consumption-based billing, by securing the installation of individual heat consumption meters, or heat cost allocators, on heat networks, wherever it is “cost-effective and technically possible” to do so. The government’s rationale is that meters “support fair and transparent billing based on actual consumption and can drive energy efficiency savings and cost reductions”.

What Is a Heat Network?

“Heat network” is a term used to describe community and district heating network supplies that take heat from a central source and distribute it to buildings within their network. These may be domestic residential units (including houses and apartments), public sector buildings, shops, offices, sport facilities and universities.

The government recognises these networks as being “a crucial aspect of the path towards decarbonising heat and achieving net-zero commitment”¹. There are now at least 14,000 heat networks in the UK, delivering hot water, heating and/or cooling to the buildings served by them. Lauded as a powerful and necessary way of cutting carbon emissions for both businesses and communities, it appears that such systems are here to stay. But what implications are there for landlords of multi-let buildings who supply heat, hot water or cooling through a communal system?



What Should Landlords Already Be Doing?

Obligations arose under the Heat Network (Metering and Billing) Regulations 2014² (the Regulations) and broadly fall into three areas:

- **Notifying** the details of all qualifying heating systems (not all systems have to be notified)
- **Issuing bills** that comply with the billing standards set out in the Regulations
- **Installing meters**, heat cost allocators and thermostatic radiator valves

If you are a landlord of a multi-let building supplying heat, hot water or cooling through a communal system you may be caught by the Regulations, with failure to comply attracting both civil and criminal sanctions.

What Is The Aim of the Consultation?

Following European Commission guidance, the government will be introducing three building classes:

- **Viable** – where individual meters must always be installed (including all newly constructed buildings and buildings undergoing major renovations where these are supplied by a district heat network).
- **Exempt** – where meters and heat cost allocators will not need to be installed (includes both domestic and non-domestic properties at which it is not technically feasible to install meters).
- **Open** – where a cost-effectiveness test will apply in determining whether individual meters or cost allocators will have to be installed.

Landlords will need to understand how to categorise their buildings to ensure that they know when they should install individual meters under the amended Regulations.

Further changes include:

- An extension of the requirements to increase meter accuracy, maintenance and billing for users with individual meters, to secure adequate protection for customers
- A reworking of the methodology used for assessing cost-effectiveness, which will affect “open” class buildings. This is intended to support suppliers in assessing the economic viability of installing meters or heat cost allocators

1 [Heat Network \(Metering and Billing\) Regulations 2014 Proposed Amendments](#)

2 (SI 2014/3120) as amended by Heat Network (Metering and Billing) Amendment Regulations 2015 (SI 2015/855)



Does The Consultation Matter to You?

If landlords want to influence which class their properties are likely to fall within and how metering is regulated, this consultation should feature high among their priorities. Proposals may well involve long leaseholders of buildings with a communal heating system in:

- Expensive improvements to that system – if the amendments go through as envisaged, suppliers will have to carry out an assessment using the approved methodology and install meters where required within a specified period
- Changes to the way in which costs are allocated through the service charge (charges based on consumption rather than calculated by floor area are likely to produce very different results and the Regulations are currently unclear whether the lease or the Regulations will prevail)
- Regular administration to ensure relevant details are filed

Within the context of carbon reduction and protecting customers on heat networks, these proposals make it critical that suppliers understand how the Regulations themselves, and the proposed amendments, apply.

The 30+ consultation questions seek both views and supporting evidence to:

- Assess support for a building class system and agreement to the type of buildings allocated to those classes
- Test agreement with assumptions made, such as:
 - It will always be cost-effective to install individual meters in new buildings with a communal network
 - A 10-year lifespan for meter and heat cost allocators is reasonable and should be used as the period over which costs and benefits are calculated
 - Anticipated accessibility of remotely readable meters
 - Confirm agreement to the accuracy of heat savings projections
 - Identify views on treatment of domestic and non-domestic property

The extended deadline to **24 January** gives breathing space to allow for further review of the technical proposals, and with the government anticipating a significant increase in the installation of final customer meters, stakeholders should be mindful of the fast-approaching deadline and prioritise a review of the proposals, to ensure that their voices are heard. You can respond to the consultation here: [Heat Network \(Metering and Billing\) Regulations Proposed Amendments](#)

Author



Sally Coleman

Professional Support Lawyer, Real Estate
T +44 121 222 3136
E sally.coleman@squirepb.com

Contact



Anita Lloyd

Director, Environmental, Safety & Health
T +44 121 222 3504
E anita.lloyd@squirepb.com