

## Heat Network Zoning Draft Statutory Instrument feedback questionnaire

Questionnaire prepared by the Department for Energy Security and Net Zero to gather feedback on the draft version of the Heat Network Zones (England) Regulations 2026.

**11:59pm on Monday 23rd March 2026**

### Section 1 Feedback on the draft Statutory Instrument

1. Please share comments on Part 1: General (regulations 1 to 4)
2. Please share any comments on Part 2: The Authority (regulations 5-13)
  - 5) The Authority
    - Guidance should be provided to clarify the lines of authority to allow for clear decision making, especially in the context of multiple potential approaches to the Zone Coordinator role being established within local and combined authorities.
    - The Zone Authority's interaction with the Zone Coordination Body remains untested by the Advanced Zoning Pilots (AZP). Guidance on how these two institutions should work together and where accountability lies will be important. It will be crucial to publish any learnings from the AZPs that relate to the role of the local authority, including identification of skills gaps, which can then be filled by resourcing from the Net Zero Hubs.
  - 12) The Authority's powers in relation to the zone coordinator
    - The Zone Authority can set KPIs for the Zone Coordinator to measure zone delivery. Examples of KPIs would be helpful to provide clarity and assurance of what Zone Coordinators can expect to be measured against.
3. Please share any comments on Part 3: Zone coordinators (regulations 14-23)
  - 14) Zone coordinators requirements
    - Support will be needed to ensure there is adequate resource, skills and expertise within local authorities to carry out this role in a manner that satisfies the regulations.
    - Expertise on zoning, and heat network project management and commercials should continue to be made available by the Net Zero Hubs, so that they can provide additional support into constituent local authorities.
  - 15) Zone coordinator's function
    - Industry has expressed concern that the AZPs have not tested full range of options for governance structures with the private sector. Clear guidance and

support will be needed to ensure proposed structures are being executed correctly.

#### 17) Zone coordinator fees

- The cost of Zone Coordinators will initially be covered by Treasury, before a mechanism is established for heat network developers to pay levies to fund this operation. Once the costs have been transferred onto developers, the Statutory Instrument (SI) may need to make a provision to ensure that Zone Coordination Body fees are applied on a consistent basis to developers, and ensure that there is an appeals process to the Authority to guard against excessive charges.

#### 22) Zone coordinators: conflicts of interest

- More clarity is needed in instances where a local authority has initially taken on a golden share of the heat network development, but then that network becomes designated in a zone. The local authority would be the Zone Coordinator Body, but if it is already on the Board of the network, it wouldn't be able to demonstrate a competitive tender. Local authorities need guidance on how they can navigate this process and avoid a conflict of interest. It is important all parties have a common understanding on what happens to the golden share model once the SI comes into effect and a zone is designated. This should be clearly outlined in the SI.
- This also has the effect of delaying development because local authorities do not want to promote heat networks in advance of a zone being designated in case it finds itself with this conflict of interest.

#### 4. Please share any comments on Part 4: Zone identification and review (regulations 24-28)

#### 24) Identification of heat network zone

- Heat price scenarios used to identify candidate zones should account for varying decarbonisation requirements across different customer types and the continued prevalence of new fossil fuel heating installations. This will prevent public sector buildings being charged more by operators due to the obligation under regulation to decarbonise compared to non-domestic buildings, which are under no such obligation.

#### 26) Zone designation

- When consulting on the designation of the indicative zone, the Zoning Coordinator must speak with relevant planning authorities. It is right that zoning should be incorporated into the broader planning and energy strategy for that community. However, this early integration should result in a more streamlined approach for the successful zone developer. Currently the heat network developer will be required to apply for planning permission for each

individual aspect of the network in addition to procuring the zone. This places the development at risk of substantial delay and could duplicate decisions that have already been taken by the local authority, representing a missed opportunity for zoning to provide powers to fast-track strategic infrastructure projects. It is critical that the zoning process and the broader local authority planning application process are closely aligned to prevent unnecessary hold up of heat network development, which can increase project risk and raise costs.

- Zones should not be introduced in areas where the cost of low-carbon heat cannot compete with the gas counterfactual as this will be unlikely to cultivate development. A staged roll-out process, where low-carbon heat networks are only introduced in areas where the gas counterfactual can be matched, could be helpful. This would provide scope for a 'test and learn' process whereby the Authority can have heavy involvement to guide the success of the zone. The staged roll-out will also allow time for the cost of heat challenge to be addressed before more extensive zone roll-out begins.

#### 28) Zone review

- Given how quickly technology can develop, it will be critical for DESNZ to conduct regular reviews and maintain flexibility in the designation of zone boundaries.
- The SI should make provision for the zoning process to be iterated, with involvement from the Zone Authority. There will be unforeseen challenges in its implementation, including the co-dependence on the Heat Networks Technical Assurance Scheme (HNTAS) and Ofgem's consumer protections regime. Thus, there should be opportunity to reform and improve the zoning processes following the first cohort of designated zones.

### 5. Please share comments on Part 5: Other heat networks (regulations 29-33)

#### 32) Pre-Zone heat networks

- To maintain investor confidence, existing private heat networks that have received local authority 'sponsorship' need to be given clarity regarding whether they would be protected should a zone be designated in the jurisdiction.
- It is important that heat price scenarios used to identify potential zones reflect that some buildings do not have decarbonisation requirements and hence would need an economic reason to connect to a heat network.
- Further clarification is needed to alleviate concerns from local authorities that are currently in the procurement stages of Borough or City-wide district heat networks. Local authorities need confirmation that their procurement process

is sufficient to be sustained if an area becomes a zone. Assurance is needed that re-procurement will not have to take place due to lack of competitive tenders being acquired. Without this clarification the prospect of future zones could stall current heat network development.

6. Please share any comments on Part 6: Zone delivery (regulations 34-44)

34) Prohibition on activities in relation to district heat networks

- More clarity is needed to help developers of existing networks understand the implications of where a competitor wins the rights to build an adjacent heat network or zone, and what their rights are having secure pre-zone 'sponsorship' by the local authority. The ability for networks to appeal to the Zone Coordinator should also be outlined within the SI.

36) Fitness to operate

- Clarity on whether there will be further consultations regarding mandated shared ownership of a network would be welcome.

38) Zone development plan

- Notification of construction and development should be aligned with HNTAS requirements and not add extra requirements.

42) Requirements on existing heat networks, alternative heat networks and pre-zone heat networks

- The requirement to supply to the zone network under "commercial rate" should not prejudice or affect the alternative developer's ability to expand external to the zone.
- We do not support the Zone Coordinator having the unique power to extend notices to dictate the commercial rate that alternative developers will be paid for any thermal energy, including defining the counterfactual. Energy UK has consistently called for only one regulatory regime to apply to the prices that heat networks charge, and that this should be Ofgem's Fair Pricing Framework. There should not be additional price regulation within zones.

7. Please share any comments on Part 7: Building requirements (regulations 45-56)

47) Connection to the heat network

- It is critical that the ability to charge for connection notices is included in the Kings Speech to ensure zoning can provide the necessary demand assurance for developers.

- To increase investor certainty, we would like clarity on the conditions under which heat sources would be excluded from heat network use for reasons of national security and defence, as well as the process by which fees for inclusion in the overall heat network developers list will be determined.

#### 51/52/53) Exemptions

- The exemption regime is extensive and could dilute the practicalities of zoning by introducing an onerous number of conditions for developers to navigate. It is important to reduce and refine exemptions as much as possible to ensure that demand assurance can be retained.
- A decision needs to be made swiftly as to which entity will be responsible for managing exemption applications and the organisation made responsible must have no conflicts of interest.
- Several exemptions could benefit from refinement. For example, Exemption 2a could either propose that, to qualify for this Conditional Exemption, the alternative low-carbon heating system must have a specific carbon intensity or must have a carbon intensity lower than the heat network.
- More clarity on how the 'Disproportionate costs' will be verified and determined would be welcome. Additionally, the comparator for calculating 'Disproportionate installation costs' should account for the availability of gas boilers and electric heating as counterfactuals as well as air, ground and water source heat pumps.

#### 8. Please share any comments on Part 8: Heat Network Zone Revocation (regulations 57-58).

- The zone revocation process does not outline what happens to projects under construction or commercialisation when the zone is revoked.

#### 9. Please share any comments on Part 9: Enforcement (regulations 59-67).

##### 63). Variable monetary penalties

- More clarity is needed on the 10% of turnover calculation in cases where developers operate multiple heat networks. SIs need to account for how much the network in question contributes to overall turnover.
- More detail is needed on the enforcement mechanisms and consequences for not following notices and fines, such as interaction with planning authorities.

#### 10. Please share any comments on Part 10: Review and appeals (regulations 68-72).

##### 57) Revocation of a designated heat network zone

11. Please share any comments on Part 11: Final provisions (regulations 68-72).
12. Please share any comments on Schedules 1-3 to the SI.
13. Please share any additional comments on the draft Statutory Instrument.

Energy UK supports the objectives of zoning, including securing economies of scale in the decarbonisation of heat, to enable greater system efficiencies and lower costs for all energy customers, but especially those on low-carbon networks. Heat network zoning can unleash growth by providing demand assurance and securing investor confidence. The heat networks industry plans to invest £4bn by 2030, and £100bn by 2050. A supportive regulatory environment is needed to realise this opportunity.

Zoning could play an important role, but it is essential that the cost of heat challenge is resolved. Zoning will only provide the demand assurance and economies of scale that is needed by ensuring that low-carbon networks can offer a competitive price to the gas counterfactual. For many developments, this is not currently the case due to a combination of factors, including the capital cost of laying pipes in the ground, the UK having the highest non-domestic electricity prices among International Energy Area countries([source](#)), and demand uncertainty. To resolve the cost of heat challenge, ambitious policy solutions are needed that address these factors.

Zoning needs to be introduced alongside an extension of developer rights to be equivalent to the statutory rights that other utilities benefit from, including permitted development rights and Compulsory Purchase Powers. Heat networks are being presented with a significant level of new regulatory compliance both in zoning and in other parts of the regulatory regime. They need support for the UK to remain an attractive place to develop and draw international capital.

The Ofgem consumer protections framework and forthcoming Heat Networks Technical Assurance Scheme (HNTAS) are important for a modern market with strong consumer trust and investor confidence. However, it is essential that the governance of these various regulations, including zoning, is complimentary and integrated. Disproportionate regulatory burden and duplication must be avoided.

For zoning, this should include close collaboration between the Zoning Coordinator and HNTAS Code Manager to ensure that achieving technical compliance does not act as a hindrance to the progress of the new network's planning application. This also means that networks in zones should not be subject to pricing regulations that are additional to the Ofgem Fair Pricing Framework.

Achieving a coherent approach to heat network governance will provide the best outcomes for customers, while preventing investor confusion that risks slowing down delivery.

Local authorities will need substantial support with capacity, expertise and commercial knowledge in order to fulfil the role of the Zoning Coordinator Body, in addition to renewed support for their planning teams. This resource should continue to be provided via the Net Zero Hubs, and increase as required.

The process and Governance approach of zoning as set out in this Statutory Instrument has not been tested under the Advanced Zoning Pilots. It is, therefore, important that this process can be iterated, and that there will be ongoing review and improvement of these regulations. The SI should make provision for heat network operators and suppliers, and their representatives, to be engaged within this review process. The SI should detail a specific role for industry to provide feedback on its position within zoning.