

Consultation on DNOs' future role in supporting the rollout of low carbon technologies

Citizens Advice response

31 March 2026



Executive Summary

We strongly recommend that Ofgem ensures that any DNO involvement in energy efficiency and low carbon technologies, whether operationally or in terms of financing, does not distract the DNOs from their core activities. We are concerned that materially expanding the role of DNOs at this point in the price control setting process could increase perceived investor uncertainty which could lead to Ofgem being too generous with the cost of capital and / or incentives in the price control overall.

Ofgem notes that very few low-income households install LCTs or energy efficiency without government support and cites this as a reason for DNOs to take on an expanded role supporting low income households while achieving network benefits. While we want to ensure that all households are able to participate in any energy transition, it is not the statutory role of DNOs to address this problem. We would need to see more evidence of correlation between network needs and fuel poverty to support fundamental changes in the role of DNOs. We consider that local authorities are a more natural home for targeting support at those in fuel poverty and we are aware that many DNOs (and GDNs) already work closely with local authorities. Indeed, we expect to see further coordination through NESO's Regional Energy Strategic Planning (RESP) programme.

If Ofgem wishes and is legally able to pursue changes to the role of DNOs through ED3, we can see a stronger case for DNOs playing a larger role in the way that energy efficiency and low carbon technologies are co-ordinated. We can see opportunities for efficiencies which could, ultimately, lower the costs and inconvenience for energy consumers. While we can see the rationale for a coordination role for DNOs, we are unconvinced by the evidence provided so far. For instance, Ofgem's consultation mentions learnings from innovation projects in ED1 and ED2 without providing evidence of these learnings. Similarly, Ofgem highlights ED2 requirements that DNOs publish collaboration plans and share more network data without exploring whether that approach is proving successful. We would welcome Ofgem providing more detail at SSMD to ensure any decisions are well-evidenced and justified.

We recognise that energy networks, both DNOs and GDNs, will already engage with local and regional governments. We also appreciate that the RESPs will involve DNOs and GDNs engaging in NESO fora with local and regional governments. In this context, we would welcome more information from Ofgem on the Scheduling and Co-ordination Agreements (SCAs) and what value they would bring. There is limited information in the consultation so we cannot currently provide a view.

We are unconvinced, based on the evidence provided by Ofgem, that DNOs should take on an expanded role for LCTs and energy efficiency during ED3. We therefore recommend that Ofgem does not pursue this further unless compelling evidence emerges before SSMD. We are open to Ofgem exploring the role of DNOs and building the evidence base ahead of the 2033 - 2038 ED4 price control. This could include using SIF or NIA innovation funding, which is ultimately funded by consumers, to trial the approach during ED3.

We would welcome analysis from Ofgem on which technologies are in scope for this DNO role. We expect that Ofgem's analysis will show that batteries are the only technology which can make a material difference to peak demand at distribution level. Heat pumps will increase peak demand in winter (when it is cold) and solar will have little impact on peak demand in winter (when it tends to be duller). Any roll-out of small-scale batteries by DNOs into people's homes would need strong consumer protection, including product standards and guarantees that the batteries should last for a minimum of 10 to 15 years. We note that even this is a very different lifespan to the typical DNO asset, which can be 50 or 60 years.

Finally, for ED3, we recommend that DNOs develop and publish - as far as possible - granular details about the capacity of their low voltage (LV) networks. We welcome Ofgem's parallel work on enhancing asset visibility to ensure more consistent, comprehensive, and accessible data about distributed and consumer energy resources under 1 MW. We ask Ofgem to provide more clarity on the interaction between the proposals in this consultation and the recently closed consultation on enhancing asset visibility.

Consultation questions

Q1. Should DNOs play a role in co-ordinating and supporting a cost-effective energy transition through improved planning and supporting/directing targeted delivery? How can they help make the transition more efficient and affordable for everyone, and do they have a role in supporting lower-income households?

We can see a case for DNOs playing a bigger role in the way that energy efficiency and low carbon measures are co-ordinated. We can see opportunities for efficiencies which would ultimately, lower the costs and inconvenience for energy consumers. For example, DNOs could highlight areas of their network which have more headroom and where technologies such as heat pumps can be installed without reinforcement taking place first. DNOs could then direct load-related expenditure to other areas of the network, so that installations in those constrained areas can happen later but without delay. We therefore support DNOs finding mutual efficiencies between the roll-out of energy efficiency and the unlooping and LV reinforcement programmes. Further, although we are aware that the focus on energy efficiency is primarily on heating measures, it is worth mentioning that DNOs could provide input on where the roll-out of fabric measures could most help address grid constraints, therefore reducing balancing costs, and the need for LV network reinforcement.

We strongly recommend that Ofgem ensures that any DNO involvement in energy efficiency, whether operationally or in terms of financing, does not distract the DNOs from their core activities. Any involvement in energy efficiency should complement those objectives. There is also much more that DNOs could deliver during the current price control to facilitate energy efficiency upgrades, including much better visibility of their low voltage network.

Q2. Do you agree with the overall rationale and scope of 'Enhanced Co-ordination'?

If Ofgem wishes and is legally able to pursue changes to the role of DNOs through ED3, we can see a stronger case for DNOs playing a larger role in the

way that energy efficiency and low carbon technologies are co-ordinated. We can see opportunities for efficiencies which could, ultimately, lower the costs and inconvenience for energy consumers.

While we can see the rationale for a coordination role for DNOs, we are unconvinced by the evidence provided so far. For instance, Ofgem's consultation mentions learnings from innovation projects in ED1 and ED2 without providing evidence of these learnings. Similarly, Ofgem highlights ED2 requirements that DNOs publish collaboration plans and share more network data without exploring whether that approach is proving successful. We would welcome Ofgem providing more detail at SSMD to ensure any decisions are well-evidenced and justified.

Q3. What are your views of the effectiveness of the existing Collaboration Plan requirements? Do you think the enhanced Community Collaboration Plans we have described would be helpful to stakeholders and, if so, how best should they be monitored?

We have no existing detailed view on the existing Collaboration Plan requirements.

If Ofgem proceeds with these changes to the Community Collaboration Plans, we would expect DNOs to engage with Citizens Advice as a key stakeholder, both at the local network level and as we build our new regional team to engage with the NESO RESP programme.

We would welcome clarification from Ofgem that there will be no financial or reputational incentives associated with any changes to licence conditions.

We understand that Ofgem monitors the Collaboration Plans, including the Smart Optimisation Output (SOO). We recommend that this monitoring is made publicly available as part of Ofgem's drive to improve transparency around network performance.

Q4. How useful is the data currently published by DNOs, and is it presented adequately?

For ED3, we recommend that DNOs develop and publish - as far as possible - granular details about the capacity of their low voltage (LV) networks. We welcome Ofgem's parallel work on enhancing asset visibility to ensure more consistent, comprehensive, and accessible data about distributed and consumer energy resources under 1 MW. We ask Ofgem to provide more clarity on the interaction between the proposals in this consultation and the recently closed consultation on enhancing asset visibility.

Q5. What are your views on strengthening the System Visualisation Interface requirement, and would it be valuable for DNOs to collate and publish additional non-network datasets, if so, which datasets would be most beneficial?

No response

Q6. What are your views on the Working with Local Authorities and others proposals we have set out above? What if any, would be the key elements of this? Are you aware of particular entities who would benefit from such advice?

We recognise that energy networks, both DNOs and GDNs, will already engage with local and regional governments. We also appreciate that the RESPs will involve DNOs and GDNs engaging in NESO fora with local and regional governments. In this context, we would welcome more information from Ofgem on the Scheduling and Co-ordination Agreements (SCAs) and what value they would bring. There is limited information in the consultation so we cannot currently provide a view.

We note that Ofgem refers to Flex Direct, a SIF-funded innovation project, as a case study. This was an alpha project which, we understand, has not yet been taken forward to beta. We would be cautious about basing policy on an interpretation of the potential system value from an alpha project. For instance, we note that the £110 million 10-year NPV cited in the UKPN DNO region

involves deferred costs and there is limited information about the costs to the DNO from implementing the project.

Q7. How could iDNOs support the proposals in this portion of the consultation? How could either private wire connected properties or license-exempt networks feature in these proposals?

We recommend that whatever approach Ofgem adopts for DNOs is replicated on an appropriate scale with iDNOs. We recognise that iDNOs may have a more limited capacity to engage with stakeholders than DNOs.

Q8. We are keen to understand how these proposed Enhanced Co-ordination activities could best integrate with NESO's RESP processes in the near and long term, and how these proposals could complement, or be in tension with, RESP development

Ofgem indicates in their consultation that coordination issues are becoming more complex at regional and national level. In relation to coordinating and engaging with the tRESP and RESP processes, we have said that no additional allowances should be granted to DNOs (and GDNs) for this activity. We would welcome more information from Ofgem on whether the proposals relating to enhanced coordination move beyond business-as-usual and whether this has implications for DNOs. We strongly recommend that Ofgem ensures that any DNO involvement in energy efficiency, whether operationally or in terms of financing, does not distract the DNOs from their core activities. Any involvement in energy efficiency should complement those objectives.

It may be beneficial for Ofgem to wait until NESO has delivered its first full RESP before revisiting the role of DNOs in energy efficiency and LCTs such as batteries. This could then allow Ofgem to develop the evidence in favour of expanding the role of DNOs during ED4 from 2033.

Q9. Do you think if DNOs adopted the type of Expanded Role described above this would add value and support the rollout of LCTs and EE? Could this model provide an effective and viable way to deliver network and system benefits? If so, could this be achieved while also prioritising support for low-income households?

We are unconvinced, based on the evidence provided by Ofgem, that DNOs should take on an expanded role for LCTs and energy efficiency during ED3. We therefore recommend that Ofgem does not pursue this further unless compelling evidence emerges before SSMD. In our view, further work is required to understand whether DNOs can help with an expanded role and to do so in a way that delivers lower bills both for those who receive LCTs directly and other billpayers.

We are open to Ofgem exploring the role of DNOs and building the evidence base ahead of the 2033 - 2038 ED4 price control. This could include using SIF or NIA innovation funding, which is ultimately funded by consumers, to support demonstration trials during ED3. This seems like an area where existing network innovation funding could be helpful in delivering projects to give Ofgem the evidence base to explore this further.

In our view, the evidence provided by Ofgem so far is insufficient to justify a fundamental change in the role of DNOs. For example, it is unclear from the consultation whether DNOs would only focus on technologies that can alleviate peak demand, which would suggest a limited focus on domestic batteries, or whether DNOs would also help install heat pumps (which will increase peak demand) or solar (which have little impact on peak demand in winter). There is limited information on whether energy efficiency measures (such as loft, room-in-roof, cavity wall or solid wall insulation) that could reduce heat loss and therefore peak demand in homes with electrified heating are in scope.

We note that Ofgem cites a trial partnership between an energy supplier and a DNO in Crowle and Starbeck as a case study. This trial project highlights some of the potential issues with the expanded role. In this trial, the energy supplier fully funded the batteries and the consumers were then offered the option to keep

the batteries (for free) after one-year or have the batteries removed (for free). In an expanded role, the batteries would presumably still need to be provided to low-income households for free. This is a significant upfront cost for suppliers, particularly if much of the flexibility value is passed onto consumers. In the expanded role, it would seem that the battery cost would ultimately be recovered from all billpayers in the DNO region or from taxpayer-funding available via the Warm Homes Plan. We note that the trial was targeted in areas with higher than average fuel poverty, rather than focused specifically on fuel poor households, which we suspect is a problem that DNOs will face when trying to match areas of high deprivation with areas requiring significant network investment. We also note that it was difficult to reach and recruit customers even with an effectively free upfront offer, a trend we have seen with other energy schemes.

There is limited information in the consultation on whether the LCTs are expected to last as long as other DNO assets or what sort of depreciation and failure rate is acceptable. For instance, a typical DNO asset can last 50 or 60 years, with assets installed in the 1960s and 1970s still in use across the network. Some LCTs, such as solar, are expected to have a useful life of at least 25 years. But there is less certainty about whether other LCTs, such as heat pumps and batteries, can be expected to have that lifespan, leaving questions about whether these products would be replaced in fuel poor households in future years.

Looking more broadly, it is unclear whether installing batteries in homes is more cost-effective overall than installing grid-scale batteries. This seems an important consideration if a primary focus of the initiative is delivering energy system benefits at lowest cost.

We would welcome clarification on how potentially expanding the DNO role to deliver LCT installations in homes would work with the existing role that the gas networks play in funding in-home works via the VCMA.

Q10. What are your views on us considering these proposals using a network benefit and wider system benefits approach? Do you have relevant information on the likely network, system, consumer or efficiency benefits of such an approach?

Ofgem notes that very few low-income households install LCTs or energy efficiency without government support and cites this as a reason for DNOs to take on an expanded role supporting low income households while achieving network benefits. While we want to ensure that all households are able to participate in any energy transition, it is not the statutory role of DNOs to address this problem. We would need to see more evidence of correlation between network needs and fuel poverty to support fundamental changes in the role of DNOs. We consider that local authorities are a more natural home for targeting support at those in fuel poverty and we are aware that many DNOs (and GDNs) already work closely with local authorities. Indeed, we expect to see further coordination through NESO's Regional Energy Strategic Planning (RESP) programme.

Our concern is exacerbated by the high degree of uncertainty over the archetypes presented by Ofgem. The consultation suggests that Laying the Groundwork, Widening Participation and Focused Intervention would all involve cost socialisation, i.e. higher bills for consumers via network charges. These archetypes are clearly at a very early stage and it is difficult to see how Ofgem has sufficient evidence to take this work forward in any substantive sense at this point in the ED3 process, with SSMD expected in May 2026. It is crucial that DNOs are not distracted from their core activities.

If Ofgem was to proceed with expanding the role of DNOs, we would expect reassurance from Ofgem that the cost of capital for supporting or funding energy efficiency would be similar to the rest of the price control. We have previously flagged that DNOs may argue that there is a higher risk around energy efficiency than their usual activity. This may be a combination of concerns from investors and lenders about DNOs taking on a new initiative which will need to be designed at pace ahead of the start of the new price control. We note that the revenue would be guaranteed through network charges and the activity would almost certainly be linked to network upgrades

that help DNOs to optimise their grid. We also note that two DNOs have previously proposed carrying out energy efficiency installations using ED2 ex-ante allowances, seemingly without mentioning higher financial risk, which may undermine this claim.

We are also concerned that any expanded role for DNOs that looks to achieve both upgrades in low income households and deliver electricity system benefits could reduce the focus on the needs of those in fuel poverty. We would need significantly more evidence on the types of households that might benefit from a DNO-led approach.

As stated above, our general preference is for the government to fund energy efficiency measures as this is the least regressive funding approach. Using private companies, whether DNOs or energy suppliers, to finance energy efficiency is typically more expensive and spreads the burden of payment unequally across consumer groups.

Q11. Do you have any views on the archetypes presented and their implications? Do you have any other approaches we should consider?

As noted above, there is a high degree of uncertainty over the archetypes presented by Ofgem. The consultation suggests that Laying the Groundwork, Widening Participation and Focused Intervention would all involve cost socialisation, i.e. higher bills for consumers via network charges. These archetypes are clearly at a very early stage and it is difficult to see how Ofgem has sufficient evidence to take this work forward in any substantive sense at this point in the ED3 process, with SSMD expected in May 2026. It is crucial that DNOs are not distracted from their core activities.

Do you have any evidence on key components notably:

On the technologies and measures that should be supported: Do you have evidence on the relative costs and benefits of different technologies? How could heat pumps and other low-carbon

heating technologies be included whilst still offering wider system benefits?

We would welcome analysis from Ofgem on which technologies are in scope for this DNO role. We expect that Ofgem's analysis will show that batteries are the only technology which can make a material difference to peak demand at distribution level. Heat pumps, even when operated flexibly, will increase peak demand in winter (when it is cold) and solar will have little impact on peak demand in winter (when it tends to be duller). It is unclear from the consultation whether energy efficiency measures are potentially in scope.

In terms of developing this analysis and evidence further, we would encourage Ofgem to consider whether funding DNOs to install batteries in homes is more cost-effective overall than installing fewer but larger grid-scale batteries.

Any roll-out of small-scale batteries by DNOs into people's homes would need strong consumer protection, including product standards and guarantees that the batteries should last for a minimum of 10 to 15 years. We note that even this is a very different lifespan to the typical DNO asset, which can be 50 or 60 years.

We would welcome clarification from Ofgem on how the DNO would secure system benefits if they cannot own or operate the battery, whether installed in homes or at grid-scale, because they are currently prevented from owning generation assets.

On the identification of suitable properties and consumer engagement: Would DNOs be well placed to proactively identify suitable properties and/or engage with consumers, or are there other actors better placed to perform these functions?

We are unconvinced that DNOs are best-placed to engage with consumers on low carbon technologies and energy efficiency. This is not currently their core role. We consider that local authorities are a more natural home for targeting support at those in fuel poverty and we are aware that many DNOs (and GDNs) already work closely with local authorities. Indeed, we expect to see further

coordination through NESO's Regional Energy Strategic Planning (RESP) programme.

We note that DNOs already have targets to deliver low-carbon technology services; they must support customers at risk of being left behind by the energy system transition. However, in ED2 so far, five licensees have failed to meet those targets. This is not convincing evidence that DNOs are well placed to identify and engage suitable consumers who most need support in the rollout of low carbon technology.¹

On the potential funding approaches and implications: what are your views on the feasibility, or risks from these approaches; do you have evidence from other sources that is relevant to these considerations?

No response

On responsibility for installations: what are the risks and opportunities if DNO's were responsible for installations? What are the options for partnerships and how could different responsibilities offer better outcomes?

We recommend that Ofgem learns the lessons from the various failures of the ECO scheme. This includes strengthening the consumer protection landscape to ensure clear standards, appropriate resources and robust monitoring of scheme outcomes. There must be clear accountability for consumers, not least when things go wrong. Chains of accountability should also be kept as short as possible, as the National Audit Office's report into failures under ECO4 found that unclear and fragmented accountabilities made it more difficult to identify and address risks to consumers.²

On ownership and control of assets: how can necessary level of network or system benefits be achieved without DNO control

¹ Ofgem, RIIO-2 Electricity Distribution: Annual Report 2024 to 2025, December 2025, page 22

² National Audit Office (2025), [Energy efficiency installations under the Energy Company Obligation](#)

and ownership? Does this pose other risks and challenges, and how might these be overcome?

We would welcome clarification from Ofgem on how the DNO would secure system benefits if they cannot own or operate the battery, whether installed in homes or at grid-scale, because they are currently prevented from owning generation assets.

Q12. Do you have views on whether pilots of these approaches would be valuable? And, if so, whether the pilots should potentially include a range options across archetypes, or whether the scope should be narrowed in advance? What should be the main focus of any pilots?

We are open to Ofgem exploring the role of DNOs and building the evidence base ahead of the 2033 - 2038 ED4 price control. This could include using SIF or NIA innovation funding, which is ultimately funded by consumers, to trial the approach during ED3.

Q13. How could iDNOs support the proposals in this portion of the consultation?

We recommend that Ofgem adopts a similar approach for DNOs and iDNOs, whether Ofgem decides against changing the role of DNOs or proceeds with either a coordination or expanded role.