

Ofgem

Net Zero Strategy (Decarbonisation)

DNOLCTPolicy@ofgem.gov.uk

Thursday, 02 April 2026

Dear Net Zero Strategy Team,

DNO Low Carbon Technology - Energy Efficiency role in ED3

Future Energy Networks (FEN) represents National Gas Transmission, Cadent Gas, Northern Gas Networks, SGN and Wales & West Utilities and Northern Ireland associate members (Evolve Networks, Gas Networks Ireland, Kinecx Energy, Mutual Energy, Phoenix Energy).

The gas networks welcome the opportunity to respond to the consultation on the need for coordinated delivery of low carbon technologies as part of the wider ED3 price control methodology review.

Our response covers three main points:

- Acknowledging the challenge
- Principles that should be followed
- Challenging the DNO delivery route

Acknowledging the challenge

We agree that better coordination across all parties will be necessary to deliver a fair and efficient energy transition. The RESPs from NESO will not provide a place-based delivery plan as RESPs will be a direction setting framework which network providers will use to inform their investment plans. Identifying an appropriate body to deliver an area-based approach to the energy transition is much needed to ensure decisions are made which do not disadvantage vulnerable consumers and which can deliver efficiencies of scale at supply chain and whole energy system levels.

We encourage Ofgem to proceed with caution on this topic. DESNZ are in the process of completing a significant review of the gas networks as part of their “Gas System In Transition” programme. We would encourage Ofgem to wait for the conclusions of this piece of work before making decisions about area-based implementation. Current government policy focuses on consumer choice; this should continue to be prioritised.

Though we agree the energy transition must be coordinated, we do not agree that the Distribution Network Operators (DNOs) are the best placed entity to lead the area-based delivery of the transition.

Principles to follow

Whilst we agree with the challenge which needs to be overcome, we do not agree with the delivery route identified. The key principles which need to be taken into consideration to ensure the appropriate solution can be identified include:

- The transition needs to be thought about from a whole system perspective, not from one energy vector
- Gas networks must be considered as a key stakeholder in this process
- The assumption that coordinated uptake of low carbon technology (LCT) at domestic level will allow significant grouped disconnections from the gas network is oversimplified. Thousands of industrial and commercial premises are supplied by gas distribution networks at varying pressure tiers. Removing domestic demand would not result in a like-for-like removal of the gas network

- LCT solutions should maximise consumer choice and decarbonisation while minimising cost. Hybrid heating systems deliver these aims so should be included as a LCT for delivery.

Challenging the DNO delivery route

Using a DNO delivery route is sub-optimal as it builds in bias, reducing consumer choice and embedding costs to the energy transition.

Whilst electrification may be appropriate for most domestic properties, a large minority, between 20-40% of GB homes, are unlikely to be suitable for full electric heating¹. There is a risk that requiring DNOs to take the role of area delivery coordinator could result in conflicts of interest associated with consumer choice, decision-making and LCT sales and installations.

We are not supportive of Ofgem's proposals around "An Expanded Role" for DNOs as there are significant risks to consumer protections such as:

- Reducing customer choice. Consumers are clear that having a choice of ways to heat their homes is their priority². By forcing consumers down an electrification route this infringes on this choice.
- Raising energy bills. Evidence from Baringa shows that using biomethane in the GB gas network as part of the energy transition will save around £174bn³. Biomethane provides cost effective flexibility and reduces the costs of meeting peak heat demand in buildings equivalent to £24bn alone. If consumers are forced to switch to electrification and large amounts of the gas network were to be decommissioned as a result, which seems to be the implication of this consultation, then the cost of the transition will be significantly higher.
- The consultation states DNOs could fund the installations of LCTs in consumers' homes. This is anticompetitive as DNOs will likely have a small number of approved installers and manufacturers they work with. Those suppliers not selected by the DNO will effectively be excluded from competing in that area. Additionally, for DNOs to provide unsecured loans to domestic customers would require changes to their licences, the relevant regulatory approvals and sources of funding.

The GDNs wish to work with Ofgem, NESO and the DNOs to deliver appropriate area-based delivery plans which maximise choice and decarbonisation whilst minimising cost and disruption for consumers at all stages of the energy transition. Multi-vector pilots are essential to ensure lessons are learnt and area-based delivery can be optimised. Pilots should run to test consumer acceptance and their ability to transition at a household level as well as to test system level perceptions and assumptions about grid reinforcement and decommissioning. Additionally, we welcome engagement and data sharing to ensure investment plans and timescales are aligned to ensure security of supply is maintained for all consumers throughout the transition.

Conclusion

FEN supports Ofgem's work on low carbon technology delivery. We believe in a whole-systems approach which is technology agnostic. Focusing solely on electricity is not optimal and underestimates the complexity of the gas network as well as minimises consumer choice.

¹ [Recommendations for Hybrid Heating](#)

² [Consumer Choice Report](#)

³ [Biomethane cost savings](#)

FEN encourages Ofgem to continue in its close collaboration with FEN and its members on this topic. The networks collectively hold decades of experience and technical expertise that can help shape a balanced, efficient, and future-ready energy system for the UK.

Should you wish to discuss the letter above please contact myself or the team: james.earl@futureenergynetworks.org.uk / enquiries@futureenergynetworks.org.uk

Yours sincerely



James Earl

Chief Executive Officer

Future Energy Networks