



DNOs' future role in supporting rollout of low carbon technologies

Consultation Response

2 April 2026

**Electricity
Distribution**

nationalgrid

Executive Summary

I am writing on behalf of National Grid Electricity Distribution (South Wales) plc, National Grid Electricity Distribution (South West) plc, National Grid Electricity Distribution (East Midlands) plc, and National Grid Electricity Distribution (West Midlands) plc, collectively known as “NGED”, in response to Ofgem’s consultation on DNOs’ Future Role in Supporting the Rollout of Low Carbon Technologies (“LCTs”), published on 3 March 2026 (the “Consultation”).

We see an important role for DNOs to continue supporting and enabling the roll out of LCTs, building on our success to date in ED2. **We believe that DNOs can best build on these successes through an Enhanced Co-ordination role – a role DNOs are well equipped to deliver, drawing on our core strengths in network planning, stakeholder engagement and delivery.** We welcome the opportunity to play our part in enabling the rollout of LCTs for the benefit of consumers.

The rising cost of energy and the cost-of-living crisis continue to force families into fuel poverty. We seek to make a difference by partnering with trusted organisations to deliver Fuel Poverty and Low Carbon Transition programmes for our customers. During RIIO-ED2 we have supported over 45,000 customers to save a total of £45.5m on their energy bills through these programmes. In 2024/25 we enabled the connection of over 103,000 LCTs by upgrading local networks and unlooping, with 87% of these connections approved on the same day. This activity has been supported by a programme of digital innovation in connections, including the Network Opportunities Map, the Local Electric Vehicle Infrastructure Fund portal, and an enhanced customer enquiry portal.

NGED strongly supports Ofgem’s objective of accelerating LCT rollout in a way that is affordable, fair and delivers positive outcomes for consumers. We recognise the urgency of this agenda and the importance of ensuring that consumers, including low income and vulnerable households, benefit from the transition without exposure to unnecessary cost, complexity or delivery risk.

Our response focuses on the role DNOs are best placed to play in achieving these outcomes.

Why NGED supports Enhanced Co-ordination

In our view, an Enhanced Co-ordination Role represents the most effective and proportionate way for DNOs to support the energy transition, which delivers tangible consumer benefits while preserving competitive markets and maintaining clarity of accountability. **We see Enhanced Co-ordination as a material strengthening of the role DNOs perform in ED2, enabling more proactive, programmatic and targeted engagement to support the rollout of LCTs – particularly for households most in need of support.** We welcome the opportunity to play this role in enabling the rollout of LCTs to support our customers.

NGED is open to strengthening the Enhanced Co-ordination role where this can be shown to deliver clear consumer benefit. We see value in greater transparency, improved alignment between planning and delivery, and clearer communication with stakeholders, provided these developments remain focused on enabling effective outcomes rather than duplicating roles better performed by other expert organisations, competitive markets or government.

Building on progress made during ED2, including through the Smart Optimisation Output (“SOO”), we agree that the regulatory foundations are largely in place. **We believe we can go a lot further during ED3, enhancing our co-ordination in a more programmatic and targeted way, at a greater scale, and in closer partnership with Local Authorities (“LAs”), Housing Associations (“HAs”), and advice bodies, in order to unlock broader benefits for more consumers.**

Benefits and features of Enhanced Co-ordination

Enhanced Co-ordination addresses one of the key barriers to effective LCT rollout: misalignment between network readiness, place-based delivery programmes and customer decision making. By strengthening co-ordination with LAs, HAs and other delivery partners, DNOs can help ensure that investment and activity are better sequenced, reducing the risk of failed or delayed installations, avoidable disruption, and inefficient cost being passed on to consumers.

Enhanced Co-ordination is particularly important for publicly funded and locally led programmes aimed at supporting low-income households. Improved co-ordination can increase the likelihood that such schemes succeed first time, ensuring those least able to absorb delay or uncertainty are not disproportionately impacted by technical or system constraints.

(a) Unlooping and secondary reinforcement

Specifically, DNO roles could include working with LAs and HAs to identify geographic areas where the proportion of low-income households is high, and subsequently planning programmes with LAs/HAs to deploy LCTs in these areas. DNOs could also progress reinforcing secondary networks and unlooping in an efficient, programmatic way, making networks LCT-ready. Once ready, LAs/HAs would be able to install LCTs.

In 2024/25, new LCT connections created a requirement for 54 MVA of additional capacity. We exceeded this through a blended approach combining conventional reinforcement and flexibility, including 2.4 MVA of flexibility procured at peak times and a net increase of 525 MVA in secondary transformer capacity across our four licence areas. 99 MVA of this capacity was delivered in areas targeted due to demand growth, demonstrating the value of proactive, programmatic network investment.

(b) Enhanced local authority co-ordination

We think it would be most beneficial to focus on those areas of our networks where LAs / HAs already have strategies, programmes and/or allocated budgets for LCT deployment. We know that circumstances vary across LA areas based on our engagement with local government stakeholders. This targeted approach to engagement and planning would be more proactive than the mandated ED2 co-ordination role.

In 2023 we introduced a new Strategic Engagement team within our DSO that works closely with LAs, Combined Authorities and Welsh Government, to ensure that local plans are effectively fed into our system planning and reinforcement decisions. The team focus on ensuring that whole systems thinking is engineered into our approach through proactive engagement with LAs and a range of other stakeholders. In FY25/26, our DSO engaged with

100% of the 121 LAs in our region, supported the publishing of 31 Local Area Energy Plans (“LEAPs”) and held 544 bilateral support surgeries with LAs.

(c) Data flows and market facilitation

The ask from stakeholders for DNOs to make more network and household data held available is recognised. Providing suitable data publication gateways can be established to manage existing data publication restrictions (e.g. a new licence condition requiring publication of specific data) we are firmly in support of more data flows, including to scheme providers. We are committed to improving access to data and streamlining the customer journey through digital innovation of our systems and processes.

In addition to our existing online self-assessment tools¹ for electric vehicles and small generation installations (including solar, wind, battery, and storage) we have now introduced a tool for domestic heat pumps. The heat pump self-assessment tool was introduced in May 2024, and we have seen just under 2,500 enquiries via the tool as a result.

All of these options are considered core DNO/DSO activities, and in this way an Enhanced Co-ordination Role would be targeting that investment and building on the existing expertise and established relationships between DNOs and stakeholders.

Concerns about the Expanded Role

While we understand why Ofgem is exploring more interventionist models through the proposed Expanded Roles, NGED has concerns that these approaches risk creating unintended consequences for consumers. **Moving DNOs into delivery, ownership or financing roles could increase overall costs, blur accountability for customers, reduce choice, and slow delivery at a critical point in the energy transition.** In our view, these risks outweigh the potential benefits when compared with a strengthened co-ordination-led approach.

Accordingly, NGED is not supportive of taking on new roles that involve undertaking behind-the-meter activities, owning or installing LCTs in customers’ homes, or acting as a lender or funding provider. DNOs deliver value for consumers by focusing on what DNOs are good at – building and operating distribution networks. This reinforces our central view that an Expanded Role is better delivered by market participants with apposite expertise.

Our concerns about the Expanded Role being performed by DNOs fall into six main areas, and we believe that before pursuing an Expanded Role for DNOs Ofgem should determine how that role is in consumers’ interests given these concerns:

¹ [National Grid - LCT Heat Pump Application](#); [National Grid - Electric vehicle charging point](#); [National Grid - Generation Application](#); [National Grid - Energy Choices Tool](#); [ENA Connect Direct](#)
National Grid | 2 April 2026 | DNOs’ future role in supporting rollout of low carbon technologies

(a) Competition risks

As stated in response to the ED3 Sector Specific Methodology Consultation (“SSMC”), DNOs can help to support existing markets for LCT installation and retrofit by directing investment in network reinforcement and unlooping in the right places at the right time. We remain of the view that it would not be in consumer interests if DNOs were required to play a role in any behind-the-meter activities.

DNOs are monopolies funded through regulated revenues and entering markets for behind-the-meter services would undermine competition, deter investment and ultimately stifle choice and efficiency in these markets. This concern is not merely a matter of policy preference; it engages Ofgem's Principal Objective and General Duties, which require it, in carrying out its functions, to protect the interests of existing and future consumers wherever appropriate by promoting effective competition. In our view, permitting or requiring a regulated monopoly to enter competitive behind-the-meter markets would cut directly against that statutory mandate.

Ofgem should also have regard to the fact that a competitive market for LCT installation and retrofit already exists and is growing. Introducing a subsidised, rate-of-return-funded competitor into that market would risk crowding out private investment at precisely the moment it is most needed to deliver at scale.

(b) Establishing a new business

For DNOs to finance, install and maintain LCTs would require them to set up whole new businesses, and it is not clear this is in consumers’ interest. Regulated DNOs are not currently involved in LCT installation other than via focused partnerships. **To start installing LCTs at scale, even if it were sub-contracted, would require DNOs to stand-up new business units, with the resulting requirements for people, processes, policies and systems.**

It is not clear that this is in the best interest of consumers when: (i) there are already established installers in the market; and (ii) DNOs should be focused on the significant uplift in network investment envisaged in ED3.

(c) Network charges

The Expanded Role attracts a more significant increase in required capital, which would need to be accounted for in DNOs’ ED3 Business Plans and permitted Totex at Final Determination. However, the network charges that Ofgem can permit to be included in the price control must meet the requirements of Article 18 of EU Regulation 2019/943, including the need for network charges to be applied in a “non-discriminatory manner”.

This means all of a DNO’s customers will be impacted by higher network charges to recover the cost of undertaking LCT installations, whether they have LCTs installed themselves (they may, for example, opt out of LCT installation or have LCTs already installed) or not.

In practice, the socialisation of Expanded Role costs through Use of System charges would result in a cross-subsidy from those who do not benefit from behind-the-meter LCT installations to those who do. Given that DNO charges are recovered via charges levied upon suppliers rather than directly upon individual consumers, the means for adjusting charges on a customer-by-customer basis to reflect differential benefit would be complex to the point of being practically infeasible.

This outcome is particularly concerning as it relates to Ofgem's duty to have regard to the interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or reside in rural areas. Vulnerable consumers who do not receive LCT installations (whether because they opt out, are ineligible, or have already invested privately) would nevertheless bear a share of the increased network charges.

This raises a direct question as to whether the Expanded Role can be reconciled with Ofgem's statutory obligations to protect those least able to bear additional costs.

(d) Direct DNO funding for households

The upfront costs for LCT installation are a major barrier to uptake, particularly for low-income households. However, direct DNO funding for households is problematic. NGED is not currently permitted to enter into regulated credit agreements as a lender with consumers, which would require specific FCA authorisation.

If NGED sought to conduct consumer lending through a separately authorised subsidiary within the same group, we would need to demonstrate clear legal and financial separation, with robust governance arrangements. This would also require careful consideration of the FCA's Threshold Conditions, ongoing compliance with the FCA's Consumer Duty, and adherence to the Consumer Credit Act regime insofar as it continues to apply to regulated credit agreements. The compliance infrastructure, specialist expertise, and supervisory burden associated with meeting these requirements should not be underestimated.

DNO businesses are also ill-suited to managing defaults and engaging in recovery processes. **The enforcement of credit agreements against individual consumers, including potentially vulnerable households, raises distinct legal and reputational risks that sit entirely outside a DNO's core competency and regulated purpose.**

Assuming the regulatory hurdles referred to above could be overcome, we remain concerned about the distraction that taking on a lender role would likely cause; negatively impacting our ability to deliver to the scale of ambition Ofgem has said is needed from DNOs during ED3.

(e) Liability and quality risks

Recently reported findings about the poor quality of works under certain energy efficiency schemes (i.e. Energy Company Obligation 4 ("ECO4") and the Great British Insulation Scheme ("GBIS")) highlight the risks and potential legal liabilities that could be borne by DNOs in an archetype which includes ultimate responsibility for the work of third parties.

Any arrangement whereby a DNO procures installations from third-party contractors on behalf of consumers would create complex questions of vicarious and primary liability. A DNO that selects, engages, or manages the relationship with an installer may owe a non-delegable duty of care to the consumer, particularly where the consumer has no meaningful choice of installer and is reliant on the DNO's selection. The resulting exposure to negligence claims, product liability under the Consumer Protection Act, and potential claims under the Occupiers' Liability Acts would represent a wholesale change to the DNO's risk profile.

Even absent legal liability for installers' works, there remains a concern about reputational risk to DNOs that could result. None of this is in the interests of consumers. It threatens investor appetite (and potentially the stability of our credit rating) and thus our ability to invest in networks affordably. As we have said previously, the regulatory framework for ED3 needs to provide assurance to investors that it will deliver risk reflective base returns. DNOs must be investable for the long term to enable delivery of their commitments.

(f) Storage operation and ownership restrictions

Any archetype that involves DNOs owning or operating batteries needs to be cognisant of unbundling requirements, and specifically restrictions placed on networks around storage.

Whilst we are wary of a model where DNOs install and own behind-the-meter batteries, this consultation does re-open the debate around DNO ownership of storage for network support, and we believe Ofgem should be open to broader discussion on storage ownership.

Ofgem can direct DNOs under their licences to engage in the activity of generation/storage. The Isle of Scilly is a case in point. However, Ofgem's discretion is subject to several preconditions, including that a DNO has taken reasonable steps to obtain a market-based solution. This requirement reflects the broader principle of ownership unbundling enshrined in retained EU law, designed to prevent vertically integrated undertakings from distorting competitive markets for generation and storage.

Any proposal for systematic DNO ownership of behind-the-meter battery storage at scale would represent a fundamentally different proposition to the narrow, last-resort derogation contemplated by the existing framework, and would be difficult to reconcile with the policy rationale underpinning unbundling rules. **Whilst we are not supportive of the Expanded Role, we are open to broader conversations on DNO ownership of new storage.**

NGED ownership could impact NGET's and Interconnector licensees' eligibility for certification as ownership unbundled. Any challenge to their certification status would have significant consequences for the wider National Grid group and, by extension, for the stability and investability of the transmission network. Ofgem must therefore satisfy itself, before pursuing any archetype involving DNO storage ownership, that doing so would not jeopardise the unbundled status of affiliated transmission or interconnector licensees.

Further overarching risks

An overarching point for Ofgem to take into consideration is the materially different risk profile of an Expanded Role which would require a separate, and higher, allowed rate of return / Weighted Average Cost of Capital (“WACC”). The allowed WACC would need to be assessed and appropriately reflective of the risk of the new businesses, in other words.

An Expanded Role could also be to the detriment of Ofgem’s regulatory ring-fence for networks. In the case of DNOs, an Expanded Role would expose licensees to risks outside of what are considered Distribution Business activities. As Ofgem has recently stated in its Energy Networks Ring-fence Review consultation: “the regulatory framework is designed to reduce risk of licensee financial distress by placing constraints on licensees to ensure resources are available for regulated activities”. We are not clear that exposing licensees in this way would be in the best interests of consumers.

Expanded Role should be impact assessed and incentivised

If Ofgem is minded to require DNOs to take on an Expanded Role, we believe it is vital that an Impact Assessment (“IA”) is carried out. As we have said in our response to the ED3 Framework Consultation, it is required that for all “important” decisions Ofgem undertakes an IA. In this case, Ofgem should evidence, amongst other things, how the stated effect of its proposals on the role of DNOs in LCT rollout can be aligned with its Consumer Interest Framework.

Moreover, any requirement for DNOs to take on an Expanded Role should be transparently incentivised and subject to proper regulatory design. The Expanded Role entails more than a change to our cost of capital; it would be a completely separate activity requiring an appropriate return. It should therefore be a separate return not an incremental change to our return.

NGED views on specific proposals

Our key messages in our response to the Consultation’s questions are:

(a) Enhanced Co-ordination Role

- **Overall rationale and scope:** We agree with the overall rationale and scope of Enhanced Co-ordination.
- **Enhanced Community Collaboration Plans:** We think that the existing Collaboration Plan requirements are effective but agree more can be done for ED3. The proposals would make the existing collaboration approach more structured and provide further valuable guidance for DNOs to take the lead.
- **System Visualisation Interface (“SVI”) requirement:** We support enhancing the requirements of the SVI element of the SOO as it will ensure datasets are more complete, interoperable, and granular. This aligns with NGED’s trajectory towards publishing high quality interactive data, insights and visualisations.
- **Working with Local Authorities:** This is already being done through our strategic engagement team and the various services we provide for our stakeholders, including connection surgeries, net zero surgeries, case studies, and expert voice.

- **Role for IDNOs:** NGED considers that IDNOs should be treated consistently with incumbent DNOs within the proposed Enhanced Co-ordination framework, reflecting their growing role in serving customers and owning distribution assets.
- **Integration with RESP processes:** There is a risk of overlap between enhanced SVI requirements, NESO's planned RESP visualisations and NESO's Data Sharing Infrastructure initiative, meaning boundaries must be clearly defined and how these two digitalisation initiatives should interact.

(b) Expanded Role

- **Network and system benefits:** NGED does not consider that the network and system benefits associated with LCT rollout require DNOs to take on delivery, ownership or financing roles. These benefits can be achieved more efficiently through anticipatory reinforcement and market-based flexibility, without the higher costs, risks and cross subsidies associated with an Expanded Role.
- **Technologies and measures that should be supported:** The high upfront cost of solar, battery storage, and low carbon heating mean all are useful to explore for creating a just energy transition and prevent low-income houses being left behind. Solar and batteries will help alleviate bill affordability issues via reducing the need for grid imports, by enabling access to cheap off-peak rates, and by rewarding flexibility.
- **Identification of suitable properties and consumer engagement:** We can (and do) outreach to identify suitable properties and engage with consumers through our trusted partners. But DNOs themselves are not in a position to proactively identify suitable properties or ascertain whether customers are suitable for LCT measures. We do not hold the necessary data, nor do we host the necessary analytical expertise.
- **Potential funding approaches and implications:** As these new roles would move DNOs into new businesses, the allowed WACC would need to be assessed and appropriately reflective of the risk. As some low carbon technologies are relatively new, this first of a kind risk means DNO risk may be higher than DNOs existing business.
- **Responsibility for installations:** Regardless of whether DNOs directly install LCTs or in collaboration with third parties, the risks outweigh the benefits. The risk of fundamental changes to DNO business model would have cascading impact on investor outlook, raise costs and ultimately harm consumers.
- **Ownership and control of assets:** Assets in the home are best controlled and maintained by the owner or tenant. With ownership the DNO would face the risks (e.g. assets not maintained) but have limited ability to manage those risks. Obligating asset to be enrolled in our flexibility market would also stunt growth of that competitive market.

For all these reasons, NGED supports further development of the Enhanced Co-ordination Role as the primary mechanism through which DNOs contribute to the rollout of LCTs. We believe this approach best aligns with Ofgem's Consumer Interest Framework and offers a scalable, lower risk, way to accelerate progress while protecting consumers and wider energy system integrity.

We welcome continued dialogue with Ofgem and other stakeholders as this policy area develops and would be pleased to engage further on how the Enhanced Co-ordination Role can be refined and expanded to maximise consumer benefit during ED3.

Yours faithfully,

Tim Polack

Director of Strategy & Transformation

Overarching rationale for DNOs' future role in supporting rollout of LCTs

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?

NGED strongly supports the objective of accelerating LCT rollout in a way that is affordable, fair and delivers positive outcomes for consumers, including low-income and vulnerable households who are most acutely affected by the cost-of-living crisis. The most effective and proportionate means of achieving this is through an Enhanced Co-ordination Role.

An Enhanced Co-ordination Role addresses a principal barrier to affordable LCT rollout: the misalignment between network readiness and place-based delivery programmes. By strengthening co-ordination with LAs, HAs, and other delivery partners, DNOs can ensure that investment is better sequenced, reducing failed or delayed installations and avoidable costs; outcomes that disproportionately impact low-income households. In practice, this means working with LAs and HAs to identify areas with high concentrations of low-income households and planning LCT upgrade programmes accordingly, while reinforcing secondary networks and unlooping in a programmatic way to make those networks LCT-ready ahead of installation.

Where LAs and HAs already have strategies, programmes and/or allocated budgets for LCTs, we would focus co-ordination on those areas first, adopting a more proactive and targeted approach than the mandated ED2 co-ordination role. We have already demonstrated the value of this model: in 2024/25 we saw 54 MVA of capacity required as a result of new LCT connections, and we exceeded this requirement through a blend of conventional reinforcement and flexibility, increasing our net secondary transformer capacity by a total of 525 MVA across our four licence areas, of which 99 MVA was in areas specifically targeted due to demand growth.

In 2023 we introduced a new Strategic Engagement team with the aim of working closely with LAs and Combined Authorities to ensure that local plans are fed into our system planning and reinforcement decisions, incorporating whole systems thinking through proactive engagement with a range of stakeholders. We currently hold around 500 net zero surgeries per year alongside connection surgeries, community energy surgeries, case studies, and expert voice engagements. This existing infrastructure of engagement and partnership provides a strong platform from which to deliver an enhanced, more programmatic co-ordination role during ED3.

The consumer benefits are at least threefold: improved efficiency through properly sequenced network investment, avoiding duplication and waste; preserved affordability by keeping network charges focused on core distribution activities rather than inflated by the higher capital, risk and compliance costs of an Expanded Role; and protection of competitive markets for LCT installation, maintaining choice and downward price pressure for consumers, particularly low-income households.

The Enhanced Co-ordination Role also leverages the most effective models for reaching and supporting low-income and vulnerable households. Through the successful implementation of the Customer Vulnerability Incentive, NGED has grown a range of strategic partnerships with third-sector organisations under contractual arrangements, who are able to successfully identify and support vulnerable households. From our experience, these partnerships have developed, over many years, the capability to reach underserved communities and directly target support to households in need.

We believe this model is key to ensuring that households which might otherwise be disengaged from LCT rollouts can be successfully reached and is a more efficient and effective solution. For

example, through our partnership with the Centre for Sustainable Energy working on Smart and Fair, we have confirmed that the scope for the next phase would include identifying customer properties and demographics to proactively target LCT take-up among those who stand to benefit most. Any effective place-based LCT rollout scheme for low-income households will require a blended, multi-organisational approach, with the DNO, LAs, and third-sector organisations using tailored engagement to reach all households. The Enhanced Co-ordination Role appears to be designed precisely to facilitate this.

Building on what we have begun during ED2 to date, we are confident that we can go significantly further during ED3, enhancing our co-ordination in a more programmatic and targeted way, at greater scale, and in closer partnership with LAs, HAs and advice bodies, in order to unlock broader benefits for more consumers, particularly those on lower incomes.

Enhanced Co-ordination Role

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

NGED agrees with the overall rationale and scope of the proposed Enhanced Co-ordination role and considers it should form the primary mechanism through which DNOs support the rollout of LCTs during ED3. We recognise that meeting the UK's Clean Power 2030 and Net Zero 2050 obligations will require stronger, more systematic, co-ordination between DNOs and a wide range of local and national stakeholders to support an effective and timely delivery journey for LCTs and energy efficiency initiatives.

Delivering the outcomes envisaged in the Consultation will require closer integration between network planning, strategic engagement, and delivery and construction teams within DNOs, as well as improved alignment across different investment drivers. This approach is consistent with Ofgem's expectations for ED3, including the development of the Long Term Integrated Network Development Plan, which is intended to enable more efficient, joined up delivery of network investment. An Enhanced Co-ordination role could complement this framework by ensuring that network planning is better aligned with local LCT and energy efficiency delivery intentions, as set out in LEAPs, and reflected in subsequent network planning processes and NESO's Regional Energy Strategic Plans ("RESPs").

NGED currently undertakes extensive engagement with LAs/HAs and has amassed commensurate experience coordinating between local government-led LCT and energy efficiency initiatives and network investment. National Grid holds over 500 net zero surgeries each year to support local planning and project development, which provides a strong foundation for the type of Enhanced Co-ordination proposed in the Consultation.

A practical example of this is the Leicestershire Collaboration to Accelerate Net Zero, where the LA's Local Area Energy Plan prioritised a project to support the retrofit of LCTs in approximately 3,000 able to pay households. NGED supported this initiative through a connections surgery, helping to identify locations where network capacity was available within project timescales and where reinforcement would be required. A more formalised Enhanced Co-ordination role would enable DNOs to engage even more proactively with initiatives of this kind, delivering broader benefits for consumers and local delivery partners.

Enhanced Co-ordination could appropriately extend across proactive network investment, including both load related and non-load related expenditure. However, it is important that any Enhanced Co-ordination role that relies on information provided by third parties is designed in a way that does not introduce delays to the delivery of services to customers.

Digital tools will be critical to enabling the level of data sharing and granularity required to support effective Enhanced Co-ordination. It is also vital that suitable data publication gateways are established to manage existing data publication restrictions (e.g. a new licence condition requiring publication of specific data). Section 105 of the Utilities Act restricts the amount of raw data that we can publish in the absence of a lawful gateway.

NGED is already making progress in this area through innovation activity that is being transitioned into business-as-usual processes. For example, through the Planning Regional

Infrastructure in a Digital Environment project, delivered in partnership with the West Midlands Combined Authority, NGED is using digital tools to capture and integrate local LCT project data into network load forecasts, enabling local authority rollout ambitions to be reflected down to low voltage level. This type of digital capability will be essential in supporting a more place based, coordinated approach to energy planning and delivery.

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?

NGED considers that the existing Collaboration Plan requirements have supported a degree of transparency around stakeholder engagement activity. However, in practice, the collaboration activity that has driven the greatest value for stakeholders has tended to be delivered through wider regulatory obligations and operational commitments, including those associated with the DSO role and community energy engagement, rather than through the Collaboration Plan requirements themselves.

Against that backdrop, NGED considers that the proposed enhanced Community Collaboration Plans are a sensible and proportionate extension of current practice. The proposals broadly reflect activity that NGED is already undertaking and could provide a more structured and consistent framework for collaboration, with clearer guidance on how DNOs should take a lead role in engaging with local stakeholders.

As part of its DSO and system planning responsibilities, NGED undertakes extensive engagement with LAs across its regions. While this does not cover all stakeholder groups, NGED engages with all LAs and, in many cases, exceeds the engagement levels set out in ED2. For example, while ED2 requires DNOs to undertake a minimum number of Net Zero Surgeries each year, NGED has delivered significantly more than required in response to demand and to support local planning and project development. Engagement with LAs includes both proactive activities, led by NGED, and more detailed engagement undertaken in response to specific local requests or projects.

Separately, NGED's community energy team engages with and supports over 170 community energy groups across its regions. This engagement is structured and ongoing, enabling NGED to understand barriers, opportunities and emerging issues related to network access, connections processes, capacity constraints and system change. Engagement with the community energy sector is two way and iterative, allowing NGED to gather insight from community led projects while also providing practical support and information.

Stakeholder feedback indicates that NGED's approach to LA engagement and community energy engagement is valued and supports more effective collaboration. While general engagement, such as engagement with all LAs, is largely DNO led, more specialist engagement is typically stakeholder driven and undertaken as and when requested. The enhanced Community Collaboration Plans could help provide greater cohesion across different engagement models and offer clearer guidance on how DNOs should coordinate and prioritise engagement activities.

NGED plans and monitors its engagement activity to support effective co-ordination with stakeholders. Engagement activity is aligned with the release of key system planning documentation, such as Distribution Future Energy Scenarios and Network Development Plans, to ensure that collaboration supports planning and delivery processes. In NGED's view, enhanced Community Collaboration Plans would benefit from clear and proportionate monitoring arrangements that reflect the scale and nature of engagement activity and provide clarity on expectations, including around engagement timeframes and responsiveness to stakeholders.

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

NGED has continued to expand the volume, coverage and accessibility of the data it publishes in order to support transparency and stakeholder use.

Through its data portal, NGED has recently published over 150 million data points, including detailed information on curtailment across 2,541 substations and 6,471 branches of the network. This provides stakeholders with increasingly granular visibility of network conditions.

The data portal currently hosts around 7,100 individual resources across 89 datasets, including 11 new datasets added during FY25/26. These datasets are made available both via direct download and through application programming interfaces ("APIs"). In FY25/26, users accessed NGED's data more than 790,000 times.

NGED has also begun publishing datasets using Common Information Models, enabling data to be provided in a more consistent, standardised and interoperable format.

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

NGED agrees that enhancing the SVI element of the existing SOO licence obligation is a suitable mechanism for strengthening requirements around the data that DNOs must publish and visualise. Strengthening the SVI requirements would support the publication of more complete, interoperable and granular datasets, including at LV level. This aligns with our existing trajectory towards publishing high-quality, transparent data supported by interactive data visualisations.

Where there is an expectation for DNOs to share additional non-network data, it is important that there is clear guidance on what this would entail. NGED already utilises and publishes third party data in some contexts, for example through the Social Indicators Map, which provides information to support more targeted LCT and energy efficiency rollout programmes. However, publishing third party datasets presents challenges, particularly in ensuring that data remains up to date and interoperable across multiple platforms.

In this context, a more appropriate role for DNOs may be to support stakeholders in accessing and using open data from both NGED's data portals and other established sources, rather than acting as the publisher of non-network datasets. This could include directing stakeholders towards existing sources of property level information, such as the EPC database.

Rather than requiring DNOs to collate and publish non-network data, NGED considers it may be more appropriate for local authorities to publish the underlying datasets used to inform LEAPs, in

addition to publishing the plans themselves. LEAPs are generally relevant to a wide range of stakeholders and draw on a broad set of social, environmental, spatial and economic datasets. As network planning is informed by LA planning, making data inputs to LEAPs more readily available is likely to provide substantive utility to local stakeholders.

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?

NGED already provides a high level of technical support, advice and data to a wide range of stakeholders, and accordingly, the proposals for Enhanced Co-ordination could be a corollary to activity that is already well established. We consider that Enhanced Co-ordination with LAs and other delivery partners represents the most effective way for DNOs to support LCT rollout, building on our existing strengths to deliver for consumers.

We support LAs and other stakeholders through a programme of bilateral support delivered by technical experts from across NGED, tailored to different needs and audiences.

This includes connections surgeries, which are designed to provide insight to prospective network users seeking to connect; community energy surgeries, which are designed to support community energy groups in discussing projects and navigating complexity associated with volunteer led delivery models; and net zero surgeries, which are focused on sharing information about future network plans and providing technical input to support the development of LEAPs.

A core element of our collaborative approach is the collection of information about stakeholders' local plans and ambitions, so that network investment plans can be developed in a way that reflects the needs of customers and local areas. Equally important is presenting our network development plans back to stakeholders, enabling LAs to understand how the information they provide is reflected in network planning and how planned investment will impact their regions.

Through our experience during ED2, we have observed that there is no single approach to effective stakeholder engagement. Engagement with LAs often needs to be tailored to reflect differing political and organisational structures, as well as varying levels of resourcing and capability. This is especially evident in Wales, where the devolved government plays a greater role in setting policy direction than in our other regions. There is value in identifying and sharing best practice across regions, which is an important aspect of our collaborative approach.

NGED also makes a range of data and tools available to stakeholders to support engagement and decision making. This includes datasets published through our data portals and accessed via application programming interfaces, as well as reports and Excel based tools designed for different technical audiences. In addition, our work to develop digital tools that enable stakeholders to access information and interact with the connections process demonstrates a commitment to improving how stakeholders engage with NGED.

To deliver an Enhanced Co-ordination role in support of LCTs and energy efficiency rollout, engagement with stakeholders should place greater emphasis on capturing information as it

becomes available from local actors and reflecting this in proactive network planning. In parallel, information provided by networks should enable stakeholders to understand planned works across the network, supporting identification of opportunities for more integrated planning.

A key output of Enhanced Co-ordination should be agreement between relevant organisations on priority areas for programmatic deployment of LCTs and associated network upgrades. At a minimum, this should involve electricity and gas networks, LAs and HAs, and could also include community groups and other local, regional or national actors. Relevant organisations should also agree minimum and maximum deployment targets for different LCTs within these priority areas, alongside indicative timescales for delivery.

Agreeing priorities, targets and timescales at a defined geographic level would support accurate planning of network reinforcement, robust deployment planning by supply chain organisations, focused customer acquisition activity, and more accurate financing, particularly for HAs. Central to this approach would be the effective sharing of data between relevant parties to inform decision making, supported by appropriate data sharing arrangements and gateways, digital tools and data repositories. Appropriate governance arrangements would also be required to determine how priorities and targets are agreed and how these decisions interact with those taken through overarching RESP governance.

This approach supports faster, more efficient rollout of LCTs while protecting consumers from the higher costs and risks associated with Expanded Roles.

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?

IDNOs should be treated consistently with DNOs within the proposed Enhanced Co-ordination framework, reflecting their growing role in serving customers and owning distribution assets. We consider that a consistent approach across all licensed DNOs, whether DNOs or IDNOs, is important given the increasing number of customers choosing to connect via IDNO networks.

IDNOs already serve large and growing portfolios of connected properties and, in some cases, operate networks that are comparable in scale to those of DNOs. Bringing IDNOs within scope of Enhanced Co-ordination expectations would help to ensure that customers connected to these networks are appropriately reflected in local and regional planning.

IDNOs could also support Enhanced Co-ordination by participating in data sharing arrangements that facilitate whole system planning and local area co-ordination; providing visibility of connected property numbers, locations and network characteristics, including private wire and licence exempt networks, and engaging with local stakeholders and developers in a way that is aligned with DNO Community Collaboration Plans where relevant.

NGED currently holds information on the number of properties connected via embedded and private networks, but we do not have visibility of downstream customers or household level data behind those connections. This limits our ability to fully reflect demand in planning activity.

To address this gap and support effective co-ordination, Ofgem should place appropriate data provision requirements directly on IDNOs, rather than relying on DNOs to infer or estimate downstream impacts. Improved visibility would support more accurate demand forecasting, enable better planning of network reinforcement, and support co-ordination of LCT rollout in areas served by embedded networks.

Engineering Recommendation G111 sets out requirements for data exchange between DNOs and IDNOs. While this provides a formal basis for information sharing, any Enhanced Co-ordination role would need to extend beyond the current requirements set out in G111 to support effective local and whole system planning. In practice, engagement by IDNOs with data exchanges under existing arrangements has been limited, and reliance on these requirements alone would not provide sufficient visibility to support Enhanced Co-ordination.

NGED considers that IDNOs should also have a role in preparing their networks for widespread deployment of LCTs, particularly where they operate in areas prioritised through Enhanced Co-ordination. Where a LA or HA prioritises an area for LCT deployment, IDNOs should be required to upgrade and/or unloop their networks to ensure that the households they serve are able to benefit from those technologies.

Finally, private wire and licence exempt networks should be explicitly recognised within the Enhanced Co-ordination proposals, to ensure that customers connected via these arrangements are not inadvertently excluded from planning, data visibility, and co-ordination activities that affect the whole system.

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?

NGED considers that the introduction of RESPs should support more consistent delivery of energy initiatives in line with local priorities. We agree that RESPs should complement an Enhanced Co-ordination role for LCTs and energy efficiency rollout. However, we consider that effective co-ordination of LCT activity will need to be managed by DNOs, working closely with LAs and HAs, to respond to the pace and level of detail required to support local delivery. While RESPs provide an important strategic framework, we consider that Enhanced Co-ordination led by DNOs is essential for translating regional strategy into timely, place-based, delivery.

One potential area for consideration relates to the frequency of RESP updates. RESPs are going to be refreshed on a three-year cycle, which reflects the underlying methodology but does not align with the pace at which LAs and HAs often seek to progress LCT and energy efficiency programmes. Our network planning processes are continuously updated and are well placed to take account of information from LAs and HAs as it becomes available, particularly where the release of funding acts as a trigger for delivery. In the short term, it may be necessary for network planning and co-ordination of LCT rollout to respond to local priorities that emerge within a RESP cycle to deliver customer outcomes.

A further consideration is the level of granularity of RESP outputs. While RESPs provide an important strategic framework, they will not operate at the level of detail required to drive coordinated local investment decisions, which are often made on a street-by-street or household basis. We consider that more granular data collected and published by NGED could usefully

complement RESP development, with this informing NESO's pathways and planning assumptions and creating a feedback loop between local delivery activity and regional strategy.

We note that there is a potential risk of overlap between enhanced SVI requirements and NESO's Digital System Integration initiative. To avoid duplication and provide clarity for stakeholders, clear boundaries will be needed around expectations and how these two initiatives interact.

Decision making and governance are further areas where the interfaces between Enhanced Co-ordination and RESP processes will require clarity. Where NGED is working with LAs or HAs to identify priority areas for widespread LCT deployment, alongside associated deployment targets, it will be important to ensure alignment with RESP outputs. We consider that prioritisation of LCT deployment should be led by LAs and HAs, with decisions on area selection and targets sitting with those organisations.

As we have said, LAEPs provide an important link between local delivery, detailed network planning and regional strategy. LAEPs are locally led and inform both NGED's network planning and NESO's RESPs. We therefore consider that the outputs of Enhanced Co-ordination should be codified within LAEPs, which our network data already inform. Similarly, many HAs have long term plans for their building stock, into which the outputs of Enhanced Co-ordination can be incorporated, helping to align local ambitions, network planning and regional strategic processes.

Expanded Role

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

NGED does not consider that DNOs taking on an Expanded Role would add value or provide an effective or viable means of delivering network and system benefits. In line with what we have said above, requiring DNOs to adopt an Expanded Role would give rise to significant legal, regulatory and practical risks that would ultimately be to the detriment of consumers, including the low-income households the proposals are intended to support. Our key concerns are:

First, the Expanded Role would require DNOs, regulated monopolies funded through consumer bills, to enter competitive markets for behind-the-meter LCT installation, retrofit and related services. A competitive market for LCT installation and retrofit already exists and is growing. Introducing a regulated monopoly into that market, funded through a guaranteed rate of return on its Regulatory Asset Base ("RAB"), risks crowding out private investment, deterring new market entry, and reducing consumer choice at precisely the point in the energy transition when competitive dynamism is most needed.

Second, the costs associated with an Expanded Role would need to be recovered through network charges borne by all of a DNO's customers, including those who do not receive LCT installations, those who have already invested in LCTs at their own expense, and those who opt out. The resulting cross-subsidy is difficult to reconcile with the requirement under Article 18 of EU Regulation 2019/943 for network charges to be applied in a non-discriminatory manner and raises particular concerns in light of Ofgem's duty under section 3A(2)(b) of the Electricity Act to have regard to the interests of vulnerable consumers. Low-income and vulnerable households, who are least able to absorb additional costs, would bear a disproportionate share of the burden relative to the benefit they receive. Far from prioritising support for such households, DNOs taking on the Expanded Role risks making them worse off.

Third, the Expanded Role would fundamentally alter the risk profile of DNO businesses, exposing licensees to categories of liability that are wholly outside their current regulated activities. The recent experience of poor-quality installations under ECO4 and GBIS provides an illustration of the risks that arise when parties assume responsibility for behind-the-meter works at scale. These liabilities would threaten investor confidence, potentially destabilise DNOs' credit ratings, and increase the cost of capital, all of which would ultimately be passed through to consumers in the form of higher network charges.

Finally, an overarching concern is that the Expanded Role would be contrary to the objectives of Ofgem's regulatory ring-fence for networks. As Ofgem has recently said in its Energy Networks Ring-fence Review consultation, the regulatory framework is designed to reduce the risk of licensee financial distress by placing constraints on licensees to ensure resources are available for regulated activities. An Expanded Role would expose licensees to material risks outside the scope of Distribution Business activities, thereby undermining the very protections the ring-fence is intended to provide.

In comparison, DNOs taking on an Enhanced Co-ordination Role represents a more effective, proportionate, and legally sound means of accelerating LCT rollout, including for low-income households, without exposing consumers, investors, or the integrity of the regulatory framework to the significant and, in our view, unnecessary risks associated with an Expanded Role.

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?

NGED agrees that Ofgem should consider the proposals set out in this consultation using a network benefit and wider system benefits approach. We consider this to be the appropriate framework, provided the assessment is grounded in the delivery of consumer value. In this context, we encourage Ofgem to consider adopting the Consumer Value Framework (“CVF”) that NGED most recently proposed in response to the ED3 Consultation Framework, as a means of assessing how network and system benefits translate into outcomes for consumers.

We note that our DSO already operates within benefits frameworks that help quantify the positive impacts that actions taken by each DSO can deliver for customers.

In particular, the widespread deployment of batteries within a defined area has the potential to deliver a number of important benefits. These include the ability to shift or shave peak demand through participation in flexibility markets, reducing the need for network reinforcement. In addition, flexibility enabled through battery deployment allows households to be financially compensated for providing flexibility services; helping to improve the affordability of energy bills, particularly for homes that are unable to install solar as a bill alleviation intervention.

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

NGED has considered the archetypes presented in the consultation and recognises that each raises a number of considerations. Of the options outlined, the **“Laying the Groundwork”** archetype appears to align most closely with the co-ordination role that DNOs already undertake. However, even within this archetype, there are aspects that would benefit from careful consideration to ensure clarity of roles and appropriate delivery arrangements.

NGED is committed to enabling works as part of our role as a DNO. Decisions relating to the scope, delivery approach and timing of such activity are best considered within the price control framework, where delivery can be appropriately incentivised and governed.

We also have concerns about proposals that imply a role for DNOs in providing household level advice. NGED operates as a neutral party and would wish to maintain that position. Positioning DNOs as providers of household advice could introduce reputational considerations and risks to investor confidence. We therefore question whether this activity would be best delivered by DNOs, rather than through alternative approaches led by government.

Proposals that would involve DNOs procuring LCTs on behalf of installers also raise concerns. Bulk procurement of LCTs would sit outside the Regulatory Asset Value (“RAV”), meaning DNOs would act as a passthrough vehicle while still incurring costs associated with purchasing, storage, asset transfer and the workforce required to manage these activities. It is unclear whether such arrangements would deliver net savings for consumers. Funding mechanisms are also uncertain, with risks associated both with purchasing in advance and with purchasing on demand, where price fluctuations and transaction volumes could increase overheads.

Bulk procurement also presents practical challenges because some LCTs, particularly heat pumps, require detailed, property specific survey work before specifications can be confirmed. Even for technologies that are less bespoke, such as solar, bulk procurement would reduce consumer

choice, as variations in efficiency and specification have a material impact on cost and capital requirements.

NGED has greater reservations about the **“Widening Intervention”** and **“Focused Intervention”** archetypes. These approaches imply a role for DNOs in directly funding or lending to households, owning LCTs, or acting as in-home installers or overseeing installation activity. In our view, these roles would move DNOs beyond their core remit and introduce additional risks that would need to be carefully considered.

More broadly, NGED considers that while DNOs can play an important enabling and coordinating role, there are limits to the extent to which DNO obligations and business models should be adapted to deliver wider policy objectives. We are supportive of enhancing activities that sit clearly within our existing role and remit but consider that any more fundamental changes to delivery models should be approached with caution and clarity around roles and responsibilities – including the establishment of specific delivery vehicles by Government.

Q11(a). 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?

NGED recognises that different LCTs deliver different benefits for consumers and for the electricity network, and that these distinctions are important when considering how technologies should be supported.

From a consumer bill reduction perspective, we consider rooftop solar to be a keystone technology, as it maximises self-consumption. Consumers adopting solar typically see a direct positive impact on their energy bills through reduced imports from the grid and rewarded exports. For households without suitable rooftops, plugin solar can provide a secondary, though lower benefit, option. There is a substantial body of evidence demonstrating the positive benefits of solar for households.

From a network investment and system perspective, we consider batteries located in or near homes to be a keystone technology. Batteries can support maximisation of self-consumption, enable access to off-peak tariffs, and participate in flexibility markets. This can deliver a direct bill benefit for consumers while also providing wider system benefits by partially alleviating the need for network reinforcement. Initial, informal estimates suggest that electricity network load related expenditure could be reduced by up to 20% where around 50–60% of homes in a given area adopt batteries that respond to appropriate price signals. This estimate should be treated as indicative, as outcomes will vary depending on a range of location specific factors, including network asset characteristics, building stock, local climate, socioeconomic demographics and the strength of price signals.

Heat pumps and other low carbon heating technologies are more complex and highly dependent on property specific characteristics. Where heat pumps are deployed, we consider that they should be co-deployed alongside solar and batteries, enabling households to power heat pumps using either self-generated electricity or lower cost off peak electricity. This helps ensure that household energy bills do not increase relative to a gas installation. Experience to date indicates that deploying heat pumps without accompanying solar and battery technologies has, in some cases, resulted in higher bills.

Q11(b). 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?

In our view, while DNOs are not best placed to proactively identify individual properties suitable for LCTs or to lead detailed household level customer acquisition, we do have a key role to play in working with partners to support effective, place-based delivery.

DNO contribution is strongest when delivered in collaboration with LAs, HAs and specialist organisations, combining network insight with local knowledge and delivery expertise. There are no centralised national datasets that are sufficiently accurate or robust enough to determine property level suitability for LCTs, which reinforces the importance of a partnership-based approach rather than DNO-led identification or engagement.

Experience from the LCT market demonstrates that identifying suitable properties and engaging households is a complex process that typically requires detailed, property-by-property surveys to confirm suitability and design parameters. There is already a competitive market of organisations and local suppliers that specialise in this activity and have the skills, tools and experience required to assess properties and engage customers effectively. These organisations are better placed than DNOs to undertake detailed surveying and customer acquisition.

Similarly, consumer onboarding can be highly complex, particularly where households are in vulnerable circumstances or require safeguarding. This type of engagement requires specialist capabilities and training that sit outside the DNOs' skillset and are already well established within other organisations. Building these capabilities within DNOs would be duplicative and would not represent good value for money for consumers.

We consider that an effective approach under Enhanced Co-ordination would be to pool relevant data between appropriate local parties, including LAs, HAs, DNOs and other local actors, to identify priority areas for LCT deployment and agree appropriate targets for those areas. Existing organisations with the appropriate surveying and customer acquisition expertise could then act on behalf of LAs or HAs to identify and secure customers within those priority areas.

NGED already engages with consumers and supports engagement activity through trusted partners. For example, we commissioned the Centre for Sustainable Energy to provide energy advice and support through NGED's Power Up programme to vulnerable and Priority Services Register ("PSR") customers across the South West region. The Centre for Sustainable Energy is also funded through the National Grid Group's Grid for Good Energy Affordability Fund to roll out Smart Energy Action Plans to fuel poor households nationally. From our experience, engagement delivered through trusted partners is an effective way to reach and support households.

While NGED can and does undertake outreach activity and engage with consumers through a range of channels, including communications linked to the PSR, we do not hold the detailed property level and household specific data required to proactively identify individual properties suitable for LCT measures. Our visibility is primarily of network capacity rather than property characteristics, tenure or eligibility for specific grants. However, insights from NGED's PSR data cleanse and wider customer interactions provide valuable information that could be used,

subject to appropriate data protection and governance arrangements, to help identify and target areas where additional support or engagement may be beneficial.

Through the Consumer Vulnerability Incentive, NGED has developed a range of strategic partnerships with third sector organisations under contractual arrangements. These organisations have, over many years, built strong capabilities to reach underserved communities and to target support directly to households in need. From our experience, this model of working with trusted expert partners is an effective and efficient way to engage households that might otherwise be disengaged from LCT rollout, rather than resourcing DNOs to undertake this activity directly.

We consider that effective engagement for place based LCT rollout will require a blended, multi-organisational approach, with DNOs, LAs and third sector organisations working together and using tailored engagement methods to reach different households. The identification of suitable properties also highlights the potential value of revisiting the concept of a universal PSR, where multiple industry and government datasets could be combined, with appropriate controls on data access and usage, to better identify households within an area and tailor engagement and support to specific needs.

11(c). 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?

NGED recognises that the upfront costs associated with LCTs, including heat pumps, solar and batteries, represent a significant barrier to uptake, and that the way these costs are financed has direct consequences for consumer bills, particularly for low-income households. We therefore consider that there is a case for low cost finance to support deployment, provided that funding approaches are designed to protect consumers from unnecessary cost, cross-subsidy, and delivery risk, whether underwritten by taxpayers, for example through government or LA funding, or through consumer bills, for example where costs are underwritten by suppliers or network charges.

In all cases, it is essential that consumers who are unable to adopt LCTs are not required to bear disproportionate costs for assets from which they do not benefit, including through socialised network charges.

In considering funding approaches, we consider two principles to be particularly important. First, those who benefit from LCTs should generally bear the associated costs, for example through loans rather than grants, except where households are on low incomes. We consider that grants which socialise costs more widely risk creating a moral hazard, as households benefiting from the work would not bear the full financial consequences if installations need to be redone, which may ultimately increase costs to consumers. Second, we consider that loans or grants should be underwritten by the party best placed to assess and manage risk, including the risk of default. In our view, this is most likely to be financial institutions or government, rather than DNOs. We do not consider DNOs to be an appropriate vehicle for making loans to individual customers.

We also consider it important to distinguish clearly between funding for an Enhanced Co-ordination Role and funding for an Expanded Role. Enhanced Co-ordination represents a

National Grid | 2 April 2026 | DNOs' future role in supporting rollout of low carbon technologies

relatively modest change to DNOs' existing activities and could, in our view, be delivered through a limited increase in ex ante allowances or Totex. By contrast, Expanded Roles, in particular the Widening Participation and Focused Intervention archetypes, would represent a more fundamental change to DNO activities and would expose DNOs to materially different risks, which would ultimately be borne by consumers through higher charges.

Where DNOs are required to undertake activities that resemble new businesses, the allowed WACC would need to be assessed and set at a level that appropriately reflects the risks of those activities. Some LCTs are relatively new, and the installation and maintenance of these technologies introduce first of a kind risk that differ from those associated with traditional network activities. These risks are materially different from those assumed under RIIO and would need to be recognised accordingly. In each case, these additional risks ultimately translate into higher costs for consumers rather than improved delivery outcomes.

Even where NGED does not fund LCT rollout through additions to its RAV but instead takes on a passthrough or facilitation role, we consider that this would still expose NGED to financial, delivery and reputational risks. These include the need to demonstrate efficiency, meet licence obligations and manage reputational exposure. In particular, involvement in grant provision could expose NGED to moral hazard related risks where liability for poor outcomes is not clearly defined. These risks would increase NGED's cost of capital, for which compensation would be required, whether through service charges, markups or adjustments to allowed returns, driving higher costs for consumers.

We also note that the rollout of LCTs represents a different type of activity from the conventional role of DNOs. Where the role of DNOs changes materially, we consider that investors should be appropriately compensated for taking on responsibilities and risks that were not originally envisaged, again increasing costs for consumers.

Expanded Roles may also require DNOs to raise additional equity and debt finance, which would take time. Equity investors would need to be persuaded to invest in activities with a very different risk profile from the existing regulated business. On the debt side, we consider regulatory stability and predictability to be key factors in credit ratings. A significant change in DNO activities could adversely affect perceptions of regulatory stability, increasing the cost of debt and ultimately flowing through to higher consumer bills.

NGED notes Ofgem's recent consultation on the financial ringfence, which proposes that the ring fence is, amongst other purposes, to ensure that licensee assets and resources are used solely for regulated network services and are not exposed to material unrelated risks. We consider that a significant expansion of the DNO role in LCT rollout would introduce risks outside traditional network services and would be difficult to reconcile with the objectives of the ringfence.

Specific funding approaches also raise additional considerations. Under a Laying the Groundwork approach, bulk procurement of LCTs would not sit within the RAV and would position DNOs as a passthrough vehicle while still creating costs associated with purchasing, storage, asset transfer and workforce requirements. It is unclear whether such arrangements would deliver savings for consumers, and funding mechanisms could introduce risks of over procurement or higher overheads due to price variability and transaction volumes.

Under Widening Participation approaches, increased complexity in funding and cost recovery would increase administrative and maintenance costs for DNOs. If DNOs were to make loans to individual customers, investor risk would increase, and additional regulatory requirements, including FCA authorisation, would apply. These costs would ultimately be borne by consumers, either directly or through higher network charges.

Under Focused Intervention approaches, we consider that the period over which costs are recovered should align with the life of the assets installed, which may be significantly shorter than the depreciation period of the existing DNO RAV. Misalignment in recovery periods could create intergenerational fairness issues and affect cash flow, with implications for credit metrics and financeability, again increasing costs for consumers.

We consider that funding approaches should focus on crowding in and scaling private finance, particularly pension and debt capital, rather than relying on the existing RAB. Where underwriting is required, alternative structures that ringfence risk or utilise different financial instruments may be more appropriate than expanding the DNO role.

Q11(d). 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?

A key question in assessing responsibility for installations is identifying which party is best placed to carry out each stage of the installation journey. This includes consideration of procurement capability, installation expertise, and trust with customers. While DNOs have strengths in network planning and operation, there are challenges for DNOs taking responsibility for installation.

Installation of LCTs typically requires a wide range of specialist skills and capabilities that sit outside the traditional remit of a DNO. This includes domestic surveying skills to assess building fabric, modelling skills and tools to understand building performance, design capability to specify appropriate systems, procurement capability to source components, and a broad range of installation skills such as electrical work, plumbing, scaffolding and finishing, as well as commissioning and compliance inspection expertise. These capabilities are already well established within specialist LCT organisations operating in competitive markets, many of which have national coverage and proven delivery models. In this context, we consider that these organisations are better placed than DNOs to take responsibility for installation activity.

We also consider that expanding a monopoly licence into areas that are currently competitive carries a risk of market distortion and a reduction in customer choice. DNO involvement in installation activity could undermine the role of existing specialist providers and reduce the diversity of delivery models available to consumers.

NGED also considers that a material change to the DNO business model to include installation responsibilities would introduce broader risks. These include potential impacts on investor outlook, increased costs and reputational risk. We consider that these risks arise whether installations are delivered directly by DNOs or overseen through third party arrangements and could ultimately have adverse consequences for consumers.

In addition, we consider that fraud and compliance risks associated with retrofit and LCT grant programmes have historically been high. Any DNO role in installation would therefore require the development of substantial inspection, validation and counter fraud capability, including

significant recruitment. Evidence from organisations such as the Energy Systems Catapult demonstrates that validating installations is critical, as even accredited installers have been shown to make errors that undermine performance and consumer confidence. We consider that developing and maintaining this level of assurance capability would represent a significant departure from the current DNO skillset.

Taken together, we consider these factors indicate that specialist organisations with established surveying, installation, assurance and customer engagement capabilities are better placed to take responsibility for installations. In our view, better outcomes are likely to be achieved where DNOs focus on their core enabling and co-ordination role, working in partnership with established market participants to support effective delivery.

Q11(e). On ownership and control of assets: How can necessary level of network or system benefits be achieved without DNO control and ownership? Does this pose other risks and challenges, and how might these be overcome?

As set out in our Executive Summary, whilst we are wary of a model where DNOs install and own behind-the-meter batteries, this consultation does reopen the debate around DNO ownership of storage for network support, and we believe Ofgem should be open to broader discussion on storage ownership. However, NGED does not consider that DNO ownership of storage is necessary or appropriate to support the rollout of LCTs, nor that it should form part of the delivery models progressed through this Consultation.

NGED considers that achieving network and system benefits within the scope of this Consultation does not require DNO ownership of assets, and in many cases ownership by DNOs would be in direct tension with the objective of preserving effective competition and consumer choice.

We recognise that there are circumstances where DNOs having a degree of control over assets, without ownership, could support network and system outcomes. In particular, the ability to access flexibility from assets such as batteries can help manage network constraints and defer reinforcement. However, in this case these benefits can be realised through market-based arrangements and interoperability, rather than asset ownership by DNOs.

There are also a number of challenges associated with DNO ownership of assets, particularly where those assets are located within homes. Assets in the home are generally best controlled and maintained by the homeowner or tenant, who has day-to-day access and can manage them in line with their own energy needs. Where a DNO owns assets in the home, the DNO would carry the risks associated with poor maintenance or non-operation but would have limited ability to manage those risks in practice.

While it might be possible, where a DNO had installed an asset, to require that asset to be enrolled in a DNO flexibility market, doing so would risk stunting the growth of competitive flexibility markets. We consider that preserving competitive markets for flexibility is an important consideration.

In practice, NGED achieves network and system benefits from distributed LCTs without owning those assets. In FY25/26, over 320,000 consumer assets participated in NGED's flexibility markets, and we procured over 196 GWh of flexibility services. This has supported the deferral of network investment and the management of network constraints. This experience demonstrates that ownership by DNOs is not a prerequisite for securing network and system benefits.

We consider that the key outcome is ensuring that assets are designed and configured to participate in both DNO and NESO markets, rather than who owns them. Achieving flexibility and

National Grid | 2 April 2026 | DNOs' future role in supporting rollout of low carbon technologies

interoperability by design enables assets to deliver value across the system while remaining in private ownership.

There are also potential conflicts of interest where DNOs own assets. For example, NESO may seek to use assets for national system purposes, which could result in DNOs being rewarded by NESO rather than benefits flowing directly to consumers. This could create situations where DNOs are making decisions about asset use that sit outside existing primacy arrangements, and we consider this risk should be carefully avoided.

Finally, there are significant practical, legal and risk issues associated with DNO ownership of assets in homes. These include insurance implications, particularly for inverters and batteries where fire risk is a consideration, as well as ongoing maintenance and access requirements. Situations where households refuse access, which HAs already experience in practice, could result in assets becoming unsafe. There are also unresolved questions around the allocation of space within a home for assets owned by a DNO. Previous experience with “rentaroom” solar schemes illustrates how third party ownership of assets can create barriers for homeowners, including constraints on property sales, roof repairs and future technology upgrades.

Taken together, NGED considers that necessary network and system benefits within the scope of this Consultation can be achieved without DNO ownership of assets, and that approaches which preserve competitive markets, maintain clear accountability, and avoid introducing additional risks for consumers and networks are more likely to deliver effective and sustainable outcomes.

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?

NGED is of the view that pilots would be highly valuable in helping to understand how DNOs can most effectively support the rollout of LCTs. Our experience suggests that allowing networks flexibility to shape pilots in line with the characteristics of their licence areas would enable approaches that are better tailored to local circumstances. A focus on the outcomes to be achieved, such as increased LCT uptake, rather than on prescribed delivery models, would allow DNOs to work with LAs, HAs and other partners to develop approaches that best support those outcomes.

As set out in our Executive Summary, whilst we are wary of a model where DNOs install and own behind-the-meter batteries, this Consultation does reopen the debate around networks’ ownership of storage for network support, and we believe Ofgem should be open to broader discussion on storage ownership. That said, NGED does not consider that pilots are an appropriate vehicle for testing DNO ownership of storage, given the risks involved and the ability to deliver network benefits through existing market-based arrangements.

Pilots instead should focus on testing and refining Enhanced Co-ordination approaches. Such a pilot would allow learnings to be generated across many of the areas highlighted in the Consultation, including the benefits of an area-based approach, efficiencies from combining civil works, proactive unlooping and fuse upgrades, consumer engagement in the transition, and co-ordination with area-based gas disconnection or decommissioning activity. A pilot could span all phases of LCT rollout, from planning and co-ordination through to delivery in people’s homes.

In NGED's view, an Enhanced Co-ordination pilot would bring together DNOs, LAs, HAs and gas network operators to develop and test practical approaches to planning and enabling the transition to LCTs. This would include identifying appropriate priority areas and ensuring that networks are made ready ahead of delivery. At the same time, such a pilot would enable LAs and other local actors to trial managing funding, acquiring customers, and delivering rollout activity through their delivery partners.

An Enhanced Co-ordination pilot would also provide value by focusing on the creation and testing of local partnerships and ways of working that DNOs, gas network operators, LAs and HAs would need to develop. It would support the establishment of appropriate governance arrangements for co-ordination activity, the development and testing of any digital solutions required to enable efficient co-ordination, advanced data sharing and a smooth Warm Homes customer experience, and the redesign and testing of elements of the DNO planning process. It would also allow for assessment of customer engagement and experience.

NGED does not believe that piloting the other archetypes would deliver additional value. We believe that concentrating pilots on Enhanced Co-ordination would best support learning that builds on existing DNO strengths, works effectively with local partners, and supports affordable and fair outcomes for consumers.

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

In relation to the proposed Expanded Role, NGED does not consider that it would be in the interests of consumers for either DNOs or IDNOs to take responsibility for the installation of LCTs or energy efficiency measures. Network operators are best placed to deliver value for consumers by focusing on the efficient planning, operation and development of electricity networks.

Any changes to DNO roles in this space should apply consistently across both DNOs and IDNOs. Where DNOs are not expected to undertake installation activities under an Expanded Role, it would not be appropriate for IDNOs to assume such responsibilities. Applying changes consistently across network operators is important to maintain clarity of roles, ensure appropriate allocation of responsibilities and risk, and protect consumer interests.

IDNOs could, however, support any future Expanded Role in ways that deliver benefits for consumers while remaining aligned with their existing responsibilities. This could include contributing relevant network and connection data to support more effective system planning and improved targeting of interventions. IDNOs could also support the identification of suitable areas or clusters of properties where network or system benefits may be realised, without being responsible for the delivery or installation of measures. In doing so, IDNOs should align with co-ordination, governance and data sharing frameworks established by Ofgem, NESO or the newly established Warm Homes Agency.

As with the proposals on Enhanced Co-ordination, NGED considers it essential that Ofgem engages directly with IDNOs to obtain the data required to support these activities. It would not be appropriate for DNOs to provide information or act on behalf of networks and customers that they do not own, operate or have direct visibility of. Direct engagement with IDNOs would better support clarity and accountability.