



## **Consultation response**

### **National Energy Action (NEA) response to Ofgem Consultation – ‘DNO Low Carbon Technology - Energy Efficiency role in ED3’**

#### **About National Energy Action**

National Energy Action<sup>1</sup> works across England, Wales, and Northern Ireland to ensure that everyone in the UK<sup>2</sup> can afford to live in a warm and safe home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

#### **Background to this response**

Too many vulnerable people across the UK still live in cold homes. In England, despite statutory requirements, 2.36 million households live below the poverty line in homes with an EPC rating worse than band C. Beyond legal targets, reducing fuel poverty is crucial to the UK government’s missions. High numbers of fuel-poor households increase NHS costs, inhibit growth, and present barriers to opportunity, especially for younger people. The UK will not become a clean energy superpower while millions remain in fuel poverty.

National Energy Action believes that increasing the energy efficiency of low-income homes is the best, lasting way to reduce fuel poverty. The Warm Homes Plan details an enhanced role for DNOs in the national endeavour to decarbonise homes. Our response to this consultation outlines our views on the DNO role, focusing on achieving the best outcomes for fuel poor households and meeting the fuel poverty target.

#### **Summary of our response**

This summary outlines National Energy Action’s views on the DNO role with regards to decarbonising homes. Our response to this consultation is based around three key themes:

- DNOs must support enhanced coordination for the new area-based approach to delivering energy efficiency and clean heat.
- There is value in a limited role for DNOs to fund energy efficiency and clean heat improvements.
- DNOs are not best placed to carry out installations themselves.

**DNOs must support enhanced coordination with regards to the new area-based approach for rolling out energy efficiency and clean heat**

NEA supports an expanded coordinating role for DNOs focused on value for money, transparency and fairness for households. ED3 will require billions of pounds of consumer funded investment, so the spending must be proactive and planned. Stronger coordination by DNOs can reduce whole system costs and speed up delivery for consumers in vulnerable circumstances.

Coordination should mean DNOs align network development with Local Authority plans to deliver the Warm Homes Plan. Local Authorities will prioritise the needs of their residents, and enhanced coordination will allow Local Authorities to shape plans that are better aligned with the network and vice versa, securing best value for consumers.

DNOs will also know where and when they intend to invest, which affects how quickly certain technologies can be installed. Making those plans and capacity signals more readily available and consistent will let Local Authorities, installers and communities choose technologies on the basis of timeliness as well as cost.

### **There is value in a limited role for DNOs to fund energy efficiency and clean heat**

An expanded DNO role would add value and support the rollout of low carbon technologies by making planning more proactive and coordinated under ED3's direction of travel.

The system and societal benefits of energy efficiency and clean heat are substantial and will stack up, but DNO action should only be taken where there is a clear network benefit, with the overall case allowed to reflect wider public benefits beyond the DNO boundary.

Evidence from previous pilots shows this principle can work in practice: Energywise demonstrated measurable peak demand reductions among low-income households, while SSEN's Social Constraint Management Zones (SCMZ) showed how non wires solutions and community participation can defer reinforcement and deliver social value. SCMZ has already shown that combining network value and social benefit can achieve positive outcomes, and scaling this approach will require clear regulatory direction and metrics in ED3 to mainstream what works.

DNO funding could be levered on top of other available streams. For example, where Warm Homes Plan money is not enough to install a whole system because of ancillary costs (such as connection upgrades or rewiring). Or as a top-up for the Boiler Upgrade Scheme, which currently only part funds a heat pump install and is therefore out of reach for low-income households.

This can be achieved by prioritising low-income households. Arguably, it is better achieved when targeting, as the societal benefits of energy efficiency and clean affordable heat are enhanced for low income and vulnerable households.

NEA is less certain that networks should get directly involved in installing measures, since delivery would likely be fragmented; a better route is for DNOs to supplement Local Authorities' Warm Homes Plan delivery budgets and focus on coordination, data and targeted funding to complement the consultation's broader planning proposals.

### **DNO coordination plans should take into account the relevant UK Government strategies**

DNO coordination plans should explicitly align with UK Government strategies, in particular the Warm Homes Plan and the Fuel Poverty Strategy for England, and

support the NHS Long Term Plan ambition to reduce health inequalities and improve prevention. To make these plans targeted and actionable, DNOs should integrate localised datasets including the English Indices of Multiple Deprivation and its Income Deprivation Affecting Children Index as a proxy for child poverty, alongside Energy Performance Certificate data to understand housing efficiency baselines. This alignment and data use will help Local Authorities to focus upgrades where they deliver the greatest bill savings and health benefits for low-income households while ensuring advice and sequencing reflect the technical realities of the network.

## **Answers to the consultation questions:**

**Question 1. 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?**

Yes. NEA supports an expanded coordinating role for DNOs focused on value for money, transparency and fairness for households. ED3 will require billions of pounds of consumer funded investment, so the spending must be proactive and planned. Stronger coordination by DNOs can reduce whole system costs and speed up delivery for consumers in vulnerable circumstances.

Coordination should mean DNOs align network development with Local Authority plans to deliver the Warm Homes Plan. Local Authorities will prioritise the needs of their residents, and enhanced coordination will allow Local Authorities to shape plans that are better aligned with the network and vice versa, securing best value for consumers.

DNOs will also know where and when they intend to invest, which affects how quickly certain technologies can be installed. Making those plans and capacity signals more readily available and consistent will let Local Authorities, installers and communities choose technologies on the basis of timeliness as well as cost.

**Question 2. Do you agree with the overall rationale and scope of 'Enhanced Co-ordination'?**

Yes, NEA agrees with the scope and rationale of the enhanced co-ordination role.

**Question 3. 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?**

While the collaboration plan requirements are useful, they do not always result in alignment with other strategies and plans. This could mean that as the Warm Homes Plan begins to roll out, the current requirements will not be fit for purpose. The enhanced plans described would be helpful for stakeholders. They should be monitored by Ofgem and/or the ISGs through annual reporting. But also by the stakeholders themselves through annual engagement to show how networks have met the requirement. This would give stakeholders the agency to create a feedback loop for continual improvement.

**Question 4. How useful is the data currently published by DNOs, and is it presented adequately?**

DNOs need to present data in ways that are useful to several audiences. The ESO's 'Future Energy Scenarios' are best practice with regards to this, publishing an easy-



to-understand report alongside rich data in a spreadsheet format that can be understood and manipulated by third parties.

**Question 5. What are your views on strengthening the System Visualisation Interface requirement, and would it be valuable for DNOs to collate and publish additional non-network datasets, if so, which datasets would be most beneficial**

Yes, it should be strengthened. The consultation correctly identifies that IMDs and EPCs are areas where more data could be included. Additionally, given the overlap between the Warm Homes Plan, the Fuel Poverty Strategy, the Child Poverty Strategy and the NHS 10 Year Plan (as set out in the fuel poverty strategy), NEA recommends that localised fuel Poverty data, child poverty data and health data be used.

**Question 6. 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?**

NEA agrees with the proposals. In practice local authorities will be the principal beneficiaries of the advice, with households benefiting indirectly as that advice is translated into well targeted delivery and support. It is essential that any advice provided by DNOs is impartial and technology agnostic, grounded in the technical realities of the local network such as actual capacity, constraints, and credible delivery timeframes, so that choices can be made on what can be connected, where, and when at least cost for consumers.

**Question 7. 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?**

NA

**Question 8. 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?**

NA

**Question 9. 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?**

Yes, an expanded DNO role would add value and support the rollout of low carbon technologies by making planning more proactive and coordinated under ED3's direction of travel.

The system and societal benefits of energy efficiency and clean heat are substantial and will stack up, but DNO action should only be taken where:

- a) there is a clear network benefit.
- b) There is a positive cost benefit where wider societal benefits are considered.

Evidence from previous pilots shows this principle can work in practice: EnergyWise demonstrated measurable peak demand reductions among low-income households, while SSEN's Social Constraint Management Zones showed how non-wires solutions and community participation can defer reinforcement and deliver social value. At the same time, current public funding streams for low-income households are finite and capped relative to need, so there is network and system value in DNOs providing targeted funding where it unlocks capacity at least cost and accelerates delivery for those households. SCMZ has already shown that combining network value and social benefit can achieve positive outcomes, and scaling this approach will require clear regulatory direction and metrics in ED3 to mainstream what works.

DNO funding could be levered on top of other available streams. NEA's Fuel Poverty Monitor 2020-21 outlined the financial barriers (that remain unchanged) to fuel poor households decarbonising heating. DNOs could help provide the financing to overcome these barriers:

- Fuel poor households need additional financial support to cover upfront costs associated with decarbonisation to access the direct benefits of decarbonising their homes.
- There are significant 'hidden' costs, unaffordable for fuel poor households, associated with home upgrades, such as rewiring or upgrading their electricity network connection to use electric forms of heating. These are not covered by current grant schemes.
- Fuel poor homes in arrears cannot switch their energy supplier to a tariff which may be more suitable for different low carbon heating technologies.
- Low-income households face financial difficulty paying off large standing charges on bills, which often need to be paid before gas connections can be capped if the household is no longer using gas as heating or cooking fuel.

Additional funding could be used as a top-up for the Boiler Upgrade Scheme, which currently only partly funds a heat pump install and is therefore out of reach for low-income households.

This can be achieved by prioritising low-income households. Arguably, it is better achieved when targeting, as the societal benefits of energy efficiency and clean affordable heat are enhanced for low income and vulnerable households.

NEA is less certain that networks should get directly involved in installing measures, since delivery would likely be fragmented; a better route is for DNOs to supplement Local Authorities' Warm Homes Plan delivery budgets and focus on coordination, data and targeted funding to complement the consultation's broader planning proposals.

**Question 10. 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?**

NEA agrees with the needs to consider wider benefits. The UK Fuel Poverty Monitor 2022-23<sup>3</sup> shows the benefits of meeting energy efficiency-based fuel poverty targets across many different areas including energy bill savings, clean air, growth and health.

**Question 11. Do you have any views on the archetypes presented and their implications? Do you have any other approaches we should consider? Do you have any evidence on key components notably:**

***On the technologies and measures that should be supported: Do you have evidence on the relative costs and benefits of different technologies? How could heat pumps and other low-carbon heating technologies be included whilst still offering wider system benefits?***

The UK Fuel Poverty Monitor 2022-23<sup>4</sup> shows the benefits of meeting energy efficiency-based fuel poverty targets across many different areas including energy bill savings, clean air, growth and health.

***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?***

DNOs are not best placed to identify properties alone. While they have access to important data within the PSR that can help identify households that are at risk, it is likely that other entities will have richer data that can support better targeting. Local Authorities, who are likely to take a lead in the delivery of the Warm Homes Plan, have good knowledge of the homes that could benefit most from support. DNOs could help with the identification of properties but should not be solely responsible for doing so.

***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?***

Network innovation projects such as EnergyWise and Social Constraint Management Zones have shown that the funding arrangements are possible within the framework of innovation projects.

***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?***

Given the need for DNOs to interact with Local Authorities as part of the enhanced coordination role, it seems that a better route is for DNOs to supplement Local Authorities' Warm Homes Plan delivery budgets and focus on coordination, data and targeted funding to complement the consultation's broader planning proposals.

**Question 12. Do you have views on whether pilots of these approaches would be valuable? And, if so, whether the pilots should potentially include a range of options across archetypes, or whether the scope should be narrowed in advance? What should be the main focus of any pilots?**

There is already a strong base to build on, including SSEN's Social Constraint Management Zones and UKPN's Energywise pilot which tested community-level flexibility and energy efficiency as non-wires alternatives. If Ofgem concludes this is the right direction, the next phase should move to materially larger scale with

common metrics, assured data reporting and a focus on consumer outcomes so that learning can translate quickly into business as usual.

**Question 13. How could iDNOs support the proposals in this portion of the consultation?**

NA

---

**References and notes**

<sup>1</sup> For more information visit: [www.nea.org.uk](http://www.nea.org.uk).

<sup>2</sup> National Energy Action also works alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK-wide reach.

<sup>3</sup> <https://www.nea.org.uk/publications/uk-fuel-poverty-monitor-national-energy-action-2022-23/>

<sup>4</sup> <https://www.nea.org.uk/publications/uk-fuel-poverty-monitor-national-energy-action-2022-23/>