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Date: 2 April 2026

Dear Jack Wilkinson-Dix

**RE: DNOs' Future Role in Supporting Low Carbon Technologies and Energy Efficiency Consultation**

Thank you for the opportunity to respond to the consultation which covers the possible DNO roles as part of ED3 to support the adoption of low carbon technologies (LCTs) and energy efficiency measures.

SMS is a fully integrated smart energy infrastructure company that owns, installs, and manages carbon reduction assets including smart meters, storage, distributed generation, and digital energy management systems. Through its Metis solution, provides fully funded solar, battery, heating and energy insight solutions designed to support households, social landlords, businesses, and public sector organisations transition affordably to clean energy. At no upfront cost, Metis enables customers to reduce bills and carbon emissions in the first month following installation.

SMS welcomes Ofgem's consultation and supports a strengthened DNO facilitation role, through the existing Distribution System Operator (DSO) functions. Third-party providers and privately funded solutions already exist to deliver, own, and operate LCTs. The DNO mandate should expand to include these elements, outside of programmes specifically targeting low income or fuel poor consumers.

We would welcome an opportunity to discuss our response with you and share with you the work we have been undertaking particularly in partnership with Oxford County Council.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ben Grunfeld', written in a cursive style.

**Benjamin Grunfeld**

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## **SMS Consultation Response to Ofgem: DNOs' Future Role in Supporting the Rollout of Low Carbon Technologies**

### **About SMS**

SMS is a fully integrated smart energy infrastructure company that owns, installs, and manages carbon reduction assets including smart energy and water meters, energy storage, distributed generation, and digital energy management systems. Through the Metis solution, SMS provides subsidy free, fully funded solar, battery, heating and energy insight solutions designed to support households, social landlords, businesses, and public sector organisations to transition affordably to clean energy. SMS delivers an end-to-end solution at no upfront cost, enabling customers to reduce bills and carbon emissions. Its data driven optimisation tools help consumers understand and manage their energy usage more effectively. The Metis solution draws on SMS' three decades of experience and expertise funding and delivering smart energy infrastructure across the UK.

### **Executive Summary**

SMS welcomes Ofgem's consultation and supports a strengthened role for DNOs, through the existing Distribution System Operation (DSO) function, in the facilitation of Low Carbon Technology (LCT) adoption.

Our core position is that DNOs should take on a more structured coordination role, particularly in identifying priority geographies, shaping targeted programmes, and supporting delivery in fuel poor or hardest to reach areas. Third-party providers and privately funded solutions already exist to deliver, own, and operate LCT assets and the DNO mandate should not expand to include these elements outside programmes specifically targeting low income and/or fuel poor consumer. DNOs could use existing and future commercial solutions to stand up a service quickly and effectively in their service territories. The existing DSO flexibility mechanisms already allow for DNOs to incentivise and recognise the local network value that LCTs provide.

We agree with Ofgem's emphasis on enhanced coordination, improved data visibility, and clearer local planning interfaces. We also support a whole-system evaluation framework that considers system value, consumer benefit, and delivery feasibility. SMS recognises the key role of pilots, and we would be willing to support given our knowledge of the sector.

### **System Context and Need for Coordinated Local Action**

The increasing prevalence of heat pumps, electric vehicle (EV) charging, domestic solar and battery systems is producing new, sharper demand peaks that place pressure on distribution networks. Traditional network reinforcement alone cannot fully address these challenges, especially in constrained rural and urban pockets where electrification is accelerating. In certain scenarios, targeted deployment of solar and battery storage may be more cost-effective than conventional reinforcement, particularly where the goal is to mitigate local resiliency risks.

However, realising these opportunities requires clear visibility of where constraints exist and how LCT deployment would interact with network capacity. Experience from regional projects

demonstrates that DNOs are well positioned to identify “amber” and “red” areas where local coordination is most urgently needed. Under current regulatory arrangements, DNOs cannot invest directly in solar PV or battery assets, and they cannot take on consumer credit exposure for funded programmes, however, they are able to provide flexibility contracts to third parties that own, operate, or aggregate LCTs.

The consultation’s suggestion that DNOs might support smart meter deployment highlights the wider challenge: DNO IT systems and operational structures are not configured for such functions. Any new responsibilities would require extensive system redesign and careful consideration of how they align with the existing supplier led model.

### **Responses to Consultation Questions**

#### **Q1. DNOs’ role in coordinating and supporting a cost-effective transition**

DNOs, specifically through their DSO functions, should play a clearer and more proactive coordination and facilitation role, using their unique network insight to identify priority geographies and enable targeted deployment of low carbon technologies. This role is most valuable where commercial markets under serve consumers, particularly fuel poor households or properties facing barriers to electrification., DNOs would be best placed to act as a trusted facilitator and referral channel, connecting customers to fully funded, compliant retrofit offers delivered by third-party providers. This approach allows DSOs to use experienced providers for established technologies such as solar PV and battery storage, while allowing DSOs to influence outcomes where network and consumer value align.

#### **Q2. Rationale and scope of Enhanced Coordination**

Enhanced Coordination is both necessary and timely. DSOs already possess the data and relationships required to support targeted programmes but lack a structured framework for applying them. Strengthened obligations around stakeholder engagement, area prioritisation and data sharing would improve alignment between network needs and retrofit/electrification programmes. This approach aligns with experience from innovation projects in constrained areas, where DSO involvement has added value without crossing into delivery activity.

In this context, DSOs can play a complementary role by signalling priority locations and referring customers into local authority backed or third party funded retrofit programmes. This preserves local democratic accountability while allowing DSO insight to shape where and when offers are made available to households.

#### **Q3. Community Collaboration Plans**

Community Collaboration Plans (CCPs) will only deliver value if they are outcome focused and grounded in actionable intelligence. Plans should set out where network constraints intersect with local heat, retrofit or solar opportunities and should provide clear signals to local authorities and delivery partners. Care should be taken to avoid CCPs becoming compliance exercises, and instead they should be used to demonstrate where DSO insight can directly influence decisions about programme sequencing or where interventions should be focused.

#### **Q4–Q5. Data availability, granularity and system visualisation**

Robust area-based planning requires network data at a far more granular level than is currently available. To make coordinated LCT deployment effective, DSOs should provide feeder level capacity visibility, forward constraint forecasts, reinforcement timelines, and data on connection queues, all in interoperable formats that third-party tools can integrate. The proposed strengthening of the System Visualisation Interface is welcome but will only be effective if accompanied by improved data completeness and accessibility.

#### **Q6. Working with local authorities and delivery bodies**

Local authorities (LAs) are trusted community actors and are essential to engaging residents, prioritising vulnerable households and integrating energy improvements with wider social objectives. However, they often lack the technical capability to interpret network constraints or evaluate LCT deployment pathways. DSOs would be best placed to support LAs with technical insight and planning coordination. This would then enable access to established models, such as local authority counterparty arrangements for funded solar-and-storage deployment.

#### **Q7–Q8. Integration with iDNOs and NESO's RESP**

Enhanced Coordination must apply consistently across both DNOs and iDNOs to avoid fragmented local outcomes. RESP will provide valuable regional strategic context, but DNO level coordination is essential for translating high level forecasts into local, actionable plans. A standardised evaluation framework will allow system, consumer, and delivery benefits to be assessed consistently.

#### **Q9–Q11. Expanded Role**

We believe that DSOs have an important role in identifying where LCTs will be most effective and deliver the greatest system value. We do not believe this needs to extend to the delivery, ownership, or financing of customer-sited assets. Notwithstanding, there are circumstances where targeted interventions may be appropriate, particularly to support the fuel-poor and low-income segments of society. An expanded facilitation role has the potential to add significant value by helping accelerate LCT deployment in constrained areas. Solar PV, battery storage, and smart meters offer the strongest near-term network and consumer benefits, with opportunities in some areas for low-carbon heat where system impacts justify integration.

Any such activities could be grounded in a multi-criteria assessment that reflects a wide set of outcomes, including reinforcement deferral, resilience, consumer savings, carbon reduction, and overall deliverability. There are already examples where distributed solar and storage appear more cost-effective than conventional reinforcement, especially in rural or highly constrained zones. Within this, DSOs may be well placed to provide system benefit signals, while delivery partners, local authorities and social landlords are often better positioned to identify suitable homes and to work directly with consumers.

The UK energy policy and regulatory framework is clear and unequivocal in enshrining the separation retail supply from generation from transmission and distribution. Any role for DNOs that extends beyond facilitation to ownership or funding would be a significant deviation and would result in a number of intended and unintended consequences. Ample consideration would need to be paid to

impact on cost of capital, implicit and explicit cross-subsidisation between customers and segments of the sector, and overall risk.

Where distributed energy resources offer lower-cost alternatives to network reinforcement, the most effective route involves compliant ownership models led by third-party providers.

#### **Q12. Pilots**

Pilots should focus on testing licensable, scalable delivery models that demonstrate where coordinated LCT deployment can defer reinforcement, support vulnerable households and improve system outcomes. Pilots would be best used to examine how DNO technical insight, local authority leadership and third-party delivery, funding, and operation can work in combination.

Pilots should assess looped service models where customers receive direct value in return for participating in proactive measures that reduce constraints, defer reinforcement or deliver flexibility — with DNOs acting as coordinators rather than asset holders.

#### **Conclusions and Recommendations**

SMS supports a clearly defined facilitation role for DNOs that strengthens coordination, improves data visibility, and accelerates progress in constrained areas. We believe that this role must operate within existing regulatory boundaries and must not extend into customer side technology ownership, financing, or consumer risk management. Enhanced Coordination should be used to provide clear area-based signals. Expanded Role proposals must be approached cautiously and only within compliant structures. We encourage Ofgem to focus ED3 on transparent data, structured collaboration and well-designed pilots that assess practical models for accelerating the energy transition.