

7. Proposal name: SPEN and SP ENW DNO LCT Scheme Pilot

Type of proposal

Stretching commitment / **New or enhanced service**/Delivery accountability mechanism

Proposal summary

The Warm Homes Plan¹, aims to cut bills by upgrading homes through insulation, heating and solar panels. ² This is a significant change in policy to lower customer bills and achieve Net Zero Targets.

Ofgem is considering an enhanced DNO role in energy efficiency and LCTs. Steve McMahon's email in December 2025 stated, *"In developing thinking for such proposals, we would also be keen to discuss **how pilots or trials might be progressed in advance of ED3 and how these should be structured and funded to allow sufficient time for these to be stood up**".*

We are proposing an LCT pilot scheme in SP Manweb:

Phase 1:

- Using area-based planning, we will work with stakeholders to identify a suitable network pilot area (50-100 properties).
- We will assess each property's suitability for LCT installation and whether energy efficiency measures are needed, supporting customers through this process.

Phase 2:

- Working with contractors, to plan and deliver the installation of energy efficiency and LCTs into homes.
- Supporting customers pre and post-installation, including written and face to face correspondence.

Phase 3:

- Delivering a short-term maintenance role, post, to understand post-installation requirements, before passing to a relevant 3rd party.

Which ED3 outcomes does the proposal support? (confirm all that apply)

Investing for the energy transition/ Responsible and sustainable business/ Smarter networks/
Resilient networks

¹ DESNZ, [Warm Homes Plan](#), (January 2025)

Which Consumer Interest Pillars does the proposal support? (confirm all that apply)

Low-cost transition/ Fair prices/ Quality and standards/ Resilience

Summary of key reason(s)/driver(s) for the proposal

As we decarbonise our economy to meet Net Zero targets, the ED3 period will see a significant shift from fossil fuel-based heating to electric heating technologies. The Warm Homes Plan suggests, “a strengthened role for DNOs could help ensure a planned, efficient rollout of electrified homes and associated network investments”. In response to this, Ofgem intends to formally consult on an enhanced role for DNOs in this area in February 2026.

As Ofgem identifies, DNOs hold helpful network data to facilitate the adoption of an area-based approach to support the design and delivery of the roll-out of LCTs. This pilot scheme will test the suitability of a DNO role in this area, across all 5 proposed archetype models (as proposed by NGED), and will provide direct outputs, learning and recommendations to support future Ofgem decision-making in this area, allowing customers to enjoy the benefits of LCTs in their own homes.

Summary of supporting evidence *(Examples could include references to sector specific intelligence, innovation projects, ISG engagement, wider consumer research, endorsement from third parties)*

In Ofgem’s ED3 Framework consultation, in November 2024, and subsequently in its Sector Specific Methodology Consultation (SSMC) in October 2025, Ofgem sought views on a potentially enhanced role for DNOs in the effective delivery of energy efficiency and LCTs. Ofgem’s thinking developed further during DNO-LCT WG meetings where Ofgem suggested a proposed new requirement for DNOs “to support the rollout of heat pumps, solar, batteries and energy efficiency measures to households, where there’s a network benefit, in an area-based way”³.

Discussions during WG meetings agreed pilot projects in ED2 would be helpful to aid learning and support policy development in this area, to consider what an initial proposal could look like for ED3, and then subsequent price controls.

Summary of potential benefits

Our pilot proposal will cover the scope of all 5 Archetypes models (as proposed by NGED).

The outputs from this pilot scheme will be shared with Ofgem to direct support future policy thinking on the suitability of a future role for DNOs in this area, for ED3 and beyond. Outputs would include:

- Lessons learned from all 3 phases of the pilot.
- Detailed feedback on the challenges and opportunities identified, including area-based planning, funding, technical (both network and LCT installation) and customer engagement/support.

³ Ofgem DNO EE-LCT Meeting slides, slide 5, 18th September 2025

- Recommendations for future policy development in this area.

This pilot could also identify and work with other key organisations with relevant skills and experiences in this area including local authorities, Citizens Advice, energy efficiency advisory services and LCT installers.

Where the proposal relates to a new or enhanced service or to stretching commitments, explain why the proposal is not already business as usual or incentivised either through the existing RIIO-ED2 framework or under ED3 proposals that we are consulting on

This is a new Ofgem proposal for potential incorporation into the ED3 framework, which proposes an enhanced role for DNOs in the effective delivery of energy efficiency and LCTs. In Special Licence Condition 3.6, the Net Zero Reopener and Price Control Deliverable (NZt) could be used, at Ofgem's instigation, to fund this pilot.

Where the proposal relates to a new or enhanced service, explain why DNOs are best placed to undertake the activity described under the proposal

The purpose of this trial would be to identify what is a suitable role for DNOs to play in an area-based approach to the co-ordination and delivery of LCTs, using existing DNO network data. As this is a proposed new pilot scheme, suitable funding and regulatory arrangements will need to be discussed and agreed with Ofgem.