

Dear Joanna,

Response to RIIO-ED2 Consultation on Drafting Modifications / RIIO-2 NIA Governance Document V3 Update

1. Introduction

Thank you for the opportunity to share our thoughts and insights regarding the development of RIIO-ED2 and contributing to the body of knowledge which will help shape the future of the energy networks within the UK.

As you may know the Energy Innovation Centre (EIC), is a not-for-profit business which, for 13 years has been bridging the gap between large utilities and small-scale SMEs. It consistently provides established routes to market for innovative ideas and technologies. The EIC has a vision which reaches far beyond the creation of improved utilities systems; our not-for-profit organisation is passionate about driving social progress, improving the quality of people's lives, and securing a safe and affordable sustainable future for our children.

The EIC itself exists as a direct result of the innovation funding incentive. All our outputs over the last thirteen years have been achieved through collaboration and partnership, primarily under the umbrella of the innovation incentives. Part of our success is the establishment of a global innovation community which now has 8,500 individual third party innovators (the majority being SMEs with 15% international) all of whom have a single gateway to directly access the energy networks who are partners to the EIC.

The added value to the industry and ultimately to energy customers is evidenced by the innovation sourced and collaborative projects that have been developed in partnership with the Innovation Community. The energy companies that work with the EIC, will on average collaborate twice as much as those who are not partners. The EIC Partnership has raised the bar in creating transparency in innovation by developing the Innovation Measurement Framework that will enable stakeholders to have visibility of innovation across the sector, which in turn will help in facilitating a whole systems approach to the energy transition.

Our Partners are collaboratively working with Innovators on a co-created programme, which will reduce barriers to the deployment of innovation into BAU. This level of partnership, co-ordination and transparency is industry leading. However, there is still much to be done.

2. Overview

Ofgem's approach to innovation incentives is recognised by our Innovation Community as best practise and a global first, where an entire sector is incentivised to innovate and the outcomes of that activity can then be measured. However, innovation is a journey and the different price controls enable the regulator to iterate and further develop this approach, **building on the strong foundations** created by NIA which is hugely successful from an SME perspective.

SMEs tell us that they have seen and experienced a change in both culture and behaviours across the EIC's Industry Partners in relation to innovation and collaboration throughout RII01.

Since the EIC's inception the number of projects with SMEs has grown significantly, however, SMEs believe that the maturity of network business is not yet sufficiently developed to provide the motivation to innovate without an incentive. SMEs are unanimous in their positive feedback towards NIA, but believe that if the NIA didn't exist, and all innovation is directed through SIF, then both innovation and third-party engagement would reduce dramatically.

For innovation to flourish, particularly with SMEs, there is a need to maintain **continuity, consistency and flexibility**. Given that innovation takes time to mature to deliver benefits (in the private sector, the payback period for innovation can be up to 20 years), the sector requires such **continuity, consistency and flexibility** to build upon a strong foundation developed through world leading regulation.

3. Response to Final Determination Drafting

The EIC Partnership, it's Innovation Community and representatives of the Innovator Impact Panel welcome Ofgem's inclusion of points 2.7 and 2.8 in the Governance Document, directing networks to work more effectively with third parties who want to innovate within the energy sector.

The Partnership and its Innovation Community believe that increased effective engagement of third parties is necessary to drive the pace and volume of innovation and its subsequent deployment across network businesses.

In a recent Innovator Insight Survey, 87% of respondents said that an entity such as the EIC is required to enable new market entrants and Innovators to operate within the sector. The Insight Survey also identified that Innovators require simplification, coordination and consistency in the approach to innovation and its deployment across the sector. Focusing on improving the Innovators user journey will only bring positive outcomes for both the sector and energy customers.

As a Partnership, we would like to suggest some amendments to the drafting if possible. These are identified in red below:

“Developing partnerships with external stakeholders” section

2.7. Gas Transporter, Electricity Distribution and Electricity Transmission Licensees must have in place efficient and effective processes **to create and facilitate** partnerships with third parties. This should include processes aimed at offering suitable support, information and guidance to innovators new to the energy sector, innovators less familiar with network challenges, to small and medium enterprises, and to early-stage innovators.

2.8. Licensees should work collaboratively, so that this support aimed at **continuously** improving access to network innovation partnership opportunities is realised in the most efficient and effective manner.

Once again, we would like to thank Ofgem for its recognition of the value that third parties can bring to innovation within the sector and the support illustrated in the revised Governance Document to improve the Innovators user journey

If you require any further information from either myself or our Innovator Community, please do not hesitate to contact me.

Yours sincerely

Denise Massey

Managing Director
Energy Innovation Centre Ltd
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