



## Response to the Ofgem Network Innovation Allowance (NIA) Funding for years 2026/27 and 2027/28 Consultation

### KEY POINTS

- **We support Ofgem’s proposal to increase the Network Innovation Allowance (NIA) funding within the ED2 period, and support its minded to position to provide this via a pro-rata increase relative to the funding provided in the ED2 Final Determination (Option 1).**
  - The increase in funding will allow the sector to increase innovation portfolios at a time where transformative innovation will be key to driving an efficient transition to net zero.
  - Provision via a pro-rata increase will increase the speed of access to the funds and ensure all customers benefit proportionately for the funding.
- The additional £5 million in allowances will enable Northern Powergrid to intensify its focus on our four strategic areas:
  - Charting the best course to Net Zero;
  - Unlocking the value of data through an increasingly digitalised network;
  - Achieving next level energy system dependability; and
  - Ensuring all customers benefit.
- Our innovation projects have a strong track record of consistently delivering benefits, resulting in progressive investments in our business and throughout the industry.
- Over the last 15 years we have focussed on exploring the concepts and building the foundations of the future energy system, delivering £23 million of benefits to our customers in ED1 alone through our NIA portfolio.
- These ‘innovation’ projects are just the tip of the spear. Alongside these, there are a series of game-changing programmes that were born out of innovation projects but are now being rolled out as part of the next generation power system – these programmes are not innovation projects, but proven innovation now in deployment.
- All of these projects can trace their roots back to innovation projects – and are standing on the shoulders of work done previously that have proven the use case, solved the technical design challenges and better understood the practicalities of widespread deployment.
- Furthermore, the learnings and technical solutions from our portfolio transcend Northern Powergrid, having been adopted by wider industry players and technology partners alike.
- Ofgem is therefore right to increase the size of the funding pot for NIA, to reap the benefits beyond ED2 and pay dividends to customers in the future.

## Contents

1. Detailed responses to the questions .....	3
Options and proposed way forward .....	3

## 1. Detailed responses to the questions

1. The rest of this consultation response sets out Northern Powergrid (Northeast) plc's and Northern Powergrid (Yorkshire) plc's responses to Ofgem's detailed questions.

### Options and proposed way forward

#### *Q1. Do you agree with our proposed approach?*

2. Yes.
3. We support Ofgem's minded to decision to use a pro-rata increase to see additional allowances as they were set for the first three years of ED2 for the final two years.
4. This approach will:
  - a. Increase innovation portfolios at a time where transformative innovation will be key to driving an efficient transition to net zero; and
  - b. Increase the speed of access to the funds and ensure all customers benefit proportionately for the funding.
5. In our view a detailed assessment (Option 2) wouldn't achieve the above.

#### *Q2. Are you aware of, or do you have evidence of innovation that would not proceed in the absence of our proposed approach being implemented?*

6. No.