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**17 April 2025**

Dear Sir/Madam

Citizens Advice welcomes the opportunity to respond to Ofgem's Consultation on RIIO-ED2 Network Innovation Allowance (NIA) funding for years 2026/27 and 2027/28. We are the statutory consumer advocate for energy consumers in Great Britain. This submission is not confidential and may be published on your website.

After reviewing the three options for additional NIA funding in the final two years of RIIO-ED2, we provide the following feedback.

Our preference is for option 2: Detailed Assessment, as it ensures funding is based on actual need. While this approach may take longer to implement, it provides Ofgem with the opportunity to review past spending and evaluate project outcomes, thereby ensuring value for money. This is the only option proposed by Ofgem that explicitly considers the value for money for those funding the NIA—namely, energy consumers. And as Ofgem seeks to enhance transparency and accountability in innovation funding for RIIO-ED3, a structured assessment process to determine whether further NIA funding is needed—and at what level—aligns with this principle.

The consultation provides limited evidence that the '*...electricity distribution sector has seen substantial innovation with the funding that has been provided to date*', relying on unspecified examples without giving any indication of the scale of innovation or benefits. Option 2 is needed to provide that evidence. This evidence will be required to inform RIIO-ED3 in any case.

**Patron HRH The Princess Royal**      **Chief Executive Dame Clare Moriarty**

Citizens Advice is an operating name of the National Association of Citizens Advice Bureaux.

Charity registration number 279057. VAT number 726 0202 76. Company limited by guarantee. Registered number 01436945.

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Yours sincerely,

TungHing Sum

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