

ENA Response to Ofgem Consultation on additional Networks Innovation Allowance funding

16 April 2025

ENA Response - Consultation on additional Networks Innovation Allowance funding

Introduction

Energy Networks Association (ENA) welcomes the opportunity to contribute to Ofgem's consultation, focusing on whether to provide an additional £45.6m of innovation funding to Distribution Network Operators (DNOs) for the last two years of the RIIO-ED2 price control.

ENA represents the companies that operate and maintain the electricity network infrastructure in the UK and Ireland. Serving over 30 million homes and businesses in every part of the country, our members are responsible for the transmission (long-distance, high voltage) and distribution (shorter distance, lower voltage) network of overhead lines and underground cables that keep our lights on, our homes warm and our businesses running.

This response is submitted on behalf of ENA's DNO members.

Response

ENA strongly agrees and welcomes Ofgem's proposed approach i.e. Option 1 *'to increase the total amount of NIA funding awarded to DNOs from three to five years on a pro rata basis'*.

This option is in the interests of consumers and consistent with Ofgem's decarbonisation and growth duties for the following reasons:

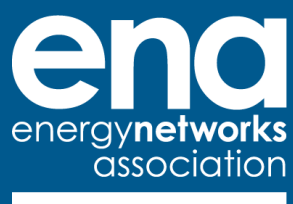
- It will avoid a hiatus in innovation ideas initiation and earliest realisation of the benefits by providing more certainty over future funding arrangements and reducing the risk of missing opportunities that may otherwise be the case.
- If DNOs continue to spend at the same pace as seen in 2023/24, half of DNOs would use their full allowance prior to the end of RIIO-ED2. Extending the funding available to DNOs will maximise the potential benefits of innovation that would not otherwise take place.
- NIA is an important part of the overall innovation funding mechanism within the sector, and denying access to NIA for DNOs would have a detrimental impact on the overall programme effectiveness including the SIF.
- The availability of NIA funding has proven to be an effective means of testing innovation at a smaller scale that can then be transformed into scaled projects that successfully save money on consumer bills. Without the NIA and the budget being granted, this may not be possible as DNOs would potentially be hesitant to commit to a large-scale project from the beginning without pre-existing data such as that from a past NIA project.

Consistent with the above we make the following supplementary points:

The flexibility and reliability of NIA funding enables innovation projects to be developed at pace and in an agile way, in response to market changes. It also supports continuity in innovation, with one innovation building on another, within a common innovation strategy. The Ofgem-designed NIA Governance is the key to this, encouraging all network innovation projects to share and retain knowledge and learnings, helping disseminate innovation throughout the networks and industry in an organised and organic way. If the NIA framework and funding are removed for the remainder of the RIIO-ED2 price control period, or if a decision is delayed, these benefits would be under threat or be slower and less efficient at the very least.

With regard to Option 2, it would appear duplicative and inefficient to dedicate resources both within DNOs and Ofgem to re-propose and re-evaluate funding for two years of NIA, whilst at the same time preparing for ED3 submissions.

Availability of flexible non-competitive NIA-type funding enables networks to manage and respond to a rapidly evolving landscape whilst encouraging close collaboration and shared learning, driving better outcomes. It also avoids duplication by providing a forum for open discussion and challenge on innovation projects, allowing networks to address common issues and facilitate collaboration. This in turn will enable trials of innovative but untested solutions to achieve key goals, which is a critical step in the development of new technologies and approaches to reach net zero 2050 targets. This level of flexibility is not achievable through other funding sources currently available.



Energy Networks Association

4 More London Riverside

London SE1 2AU

t. +44 (0)20 4599 7700

w. energynetworks.org

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Registered office: 4 More London Riverside, London, SE1 2AU