

# RIIO-3 Draft Determinations Response

## The Carbon Trust

This document shares our responses to the questions set out in the "Draft-Determinations-Overview-Document.pdf". Each question, marked by the "OVQ" reference, is accompanied by our reflections and insights. We believe that this consultation is a good opportunity to refine ongoing work and better support innovation. At the Carbon Trust, we are happy to participate in shaping this work. Our response only includes those from the main body of the Draft Determination, and we have not responded to those listed in the Appendices.

We are open to explaining any of the feedback below in more detail should that be required.

### General summary

Our collective responses to the RIIO-3 Draft Determinations reflect our broad support for measures that underpin transparency, accountability, and stakeholder engagement throughout RIIO-3. We recognise the value of frameworks and mechanisms in driving continuous improvement and innovation within the sector, with a strong emphasis on consumer interests. Our feedback consistently favours approaches that enable effective oversight, foster trust, and promote ambitious yet practical action on strategic priorities. The Carbon Trust remains committed to collaborating constructively to refine these efforts and ensure that finalised changes deliver meaningful progress for the energy transition.

### Innovation focused summary

We understand the challenges facing electricity and gas networks and the urgency to respond to these and deliver a clean power system by 2030. Earlier this year, together with the Energy Systems Catapult, we completed the Network Innovation Challenges study which provided a detailed view of the specific challenges facing innovators in the energy networks space. We analysed the innovator journey from early stage to deployment, identifying clear areas where innovation support can make a difference in developing, deploying and scaling innovative solutions. Our further experience in supporting innovators as part of the Net Zero Innovation Portfolio Accelerator, the Industrial Energy Efficiency Accelerator, and the Energy Innovation Needs Assessments, among others, also gives us a unique insider view into the experience and needs of innovators developing clean energy solutions. Therefore, our responses to the RIIO-3 Draft Determinations lean on these learnings and are grounded in in-depth understanding of barriers to innovation in the space.

Question ID	Question Text
OVQ1	<b>We would welcome any views on the enduring role of the ISGs during RIIO-3 and for future price controls.</b>
Our response	We are in support of ISGs during RIIO-3 and future price controls, as they ensure transparency, accountability, and stakeholder engagement, as outlined. They provide clear remit for building trust and driving continuous improvements / innovation in a consumer-centric fashion.
OVQ2	<b>Do you agree with our proposed position on the Environmental Action Plan and Annual Environmental Report ODI-R for RIIO-3?</b>
Our response	Yes, in particular, we think that being more transparent in reporting will further push the sector.
OVQ3	<b>Do you agree with our consultation position to create a new common mechanistic PCD for ZEV and associated infrastructure costs?</b>
Our response	Yes, the changes outlined are laid out well and in a transparent manner. Ofgem should continue to work with companies to close data gaps as well as push them to tackle constraints in vehicle decarbonisation.
OVQ4	<b>Do you agree with our proposed approach to measuring Baseline Network Risk Outputs and our application of the NARM mechanism?</b>
Our response	Yes, we have no concerns with outlined plans.
OVQ5	<b>Do you agree with our proposed approaches to calculating the funding adjustments and to the application of penalties?</b>
Our response	Yes, we have no concerns with outlined plans.

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OVQ6	<b>Do you agree with our proposed approaches to improving the NARM framework?</b>
Our response	Yes, and we recommend that there is further consideration to a secure yet centralised platform ( <i>closed</i> in access) of critical assets (a tier down from DESNZ's CNI list) where monitoring can be more dynamic and transparent across companies, and for a broader inclusion of 'critical' assets.
OVQ7	<b>Do you agree with our proposal for the physical security PCD?</b>
Our response	Yes, we have no concerns with outlined plans.
OVQ8	<b>Do you agree with our approach taken to review of the Climate Resilience strategies?</b>
Our response	Yes, and as much as possible, these newly proposed requirements should be implemented as soon as possible within the RIIO-3 period. Additionally, we suggest that Ofgem continually reviews 'minimum expectations' for assessing company climate initiatives given the urgency in mitigating the effects of a rapidly climate in the UK. Ofgem should also consider asking companies to assess the potential cascade effects of climate risks onto the wider system, as best as possible in scenario assessments.
OVQ9	<b>Do you agree with our views on the Workforce Resilience Strategies?</b>
Our response	Yes, and Ofgem should continue to push as much as possible due this area being a critical risk for Net Zero delivery. While the current SSMD allows companies flexibility while still holding them accountable for workforce development, as much as possible, companies should be encouraged to go further in future-proofing workforces.
OVQ10	<b>Do you agree with our views on the Supply Chain Resilience Strategies?</b>

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Our response	Yes, these changes reflect a shift in regulatory thinking from reactive funding to adaptive and anticipatory mechanisms. However, as with above, Ofgem should continue to press monitoring in this space. In particular, we believe that companies should be encouraged to adopt a multi-vendor approach, where possible, to increase the diversity of asset providers and procurement to strengthen supply chains and reduce constraints. There is, for various reasons, an over-reliance on a small pool of companies for asset delivery, particularly at the transmission level.
OVQ11	<b>Do you agree with the equal weightings applied per criteria/rating for the 'Clarity scorecard' and the 'Business Plan Commitments scorecard' for the Stage C assessment?</b>
Our response	Yes, we do not see any worrying methodological issues in weighting.
OVQ12	<b>Do you agree with the weightings applied per outcome for each sector for use in the Stage C - Business Plan commitments assessment?</b>
Our response	Yes, similar to the above response, we do not see any worrying methodological issues in weighting.
OVQ13	<b>Do you agree with the use of a default materiality threshold and its level?</b>
Our response	Yes, we have no concerns or further feedback.
OVQ14	<b>Do you agree with our proposed amendments to the CAM for RIIO-3?</b>
Our response	Yes, once fair and equitable, we believe this provides the flexibility needed in delivering Net Zero at pace.
OVQ15	<b>Do you agree with our proposed design of the NZARD UIOLI?</b>

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Our response	Yes, similar response to that given for OVQ14.
<b>OVQ16</b>	<b>Do you agree with our proposed design of the NZASP re-opener?</b>
Our response	Yes, similar response to that given for OVQ14.
<b>OVQ17</b>	<b>Do you agree with our design proposal for the resilience re-opener?</b>
Our response	Yes, similar response to that given for OVQ14.
<b>OVQ18</b>	<b>Do you agree with our proposed approach to RPEs?</b>
Our response	Yes, we have no concerns here and appreciate the rationale around decisions made in response to network feedback. It must be noted however that we are unable to adequately comment on the specifics presented in the table and trust that Ofgem has been sound assessments here.
<b>OVQ19</b>	<b>Do you agree with our proposed approach to ongoing efficiency?</b>
Our response	As stated by Ofgem, "There is no agreed consensus on the preferred approach or methodology for determining OE" and based on the discussion points provided, we believe that Ofgem has adequately explained their decision around the proposed OE range, including the support sought from the external consulting firm to assess OE options. However, we are unable to adequately comment on the wider impacts that this may have on networks.
<b>OVQ20</b>	<b>Do you agree with our proposed NIA funding levels?</b>
Our response	Yes, the proposed levels appear proportionate to the scale of innovation required under RIIO-3 and we support maintaining a robust NIA for continued progress in decarbonisation, resilience, and digitalisation, especially where market solutions

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	are immature. We see no concerns with the reasoning provided by Ofgem around decisions presented.
<b>OVQ21</b>	<b>Do you agree with our approach to the future of gas-related workstreams?</b>
Our response	<p>Overall, yes. The outlined approach reflects the evolving (yet unknown) role of gas networks and the need to balance transition planning with operational resilience. However, we strongly encourage Ofgem to continue engagements with DESNZ and in supporting innovation in hydrogen, biomethane, and system integration to ensure gas-related workstreams remain aligned with Net Zero goals. This is a critical aspect and lever of Great Britain's energy transition, upon which many network decision are based and thus we would like to stress flexibility and urgency in the required support and guidance.</p>
<b>OVQ22</b>	<b>Do you agree that £2.5m of additional NIA should be used to provide enhanced advisory services for innovators at the early stages of innovation development?</b>
Our response	<p>Yes. Based on our experience supporting early-stage innovators across the energy sector, we strongly support this proposal. Our experience has highlighted many challenges for SMEs and start-ups in the energy networks space, including the understanding of the requirements of the full process, aligning closely to network needs, and understanding integration and compliance requirements, among others. Enhanced advisory services, particularly those that offer tailored support and structured feedback in the early stages, can significantly improve the quality and viability of innovation proposals (a much-needed component in reducing duplication and improving efficiencies in innovation delivery). This is especially important for smaller organisations and new entrants who often lack the internal capacity to engage effectively with NIA processes, as well as deliver complex work in a rapidly evolving ecosystem.</p> <p>We welcome this programme, in particular an advisory services mechanism that is designed to:</p> <ul style="list-style-type: none"> <li>• Provide targeted and specialised support on market understanding, commercialisation, business model development, and deployment / systems integration.</li> <li>• Facilitate early engagement with network operators and Ofgem to align innovation with strategic priorities and understand specific network needs and technical challenges.</li> </ul>

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	<ul style="list-style-type: none"> <li>• Provide clear and consolidated guidance on the full process requirements, including understanding network procurement, integration and compliance requirements.</li> <li>• Offer transparent feedback loops to help innovators iterate and improve proposals before formal submission.</li> </ul> <p>This funding will help unlock a broader and more diverse innovation pipeline which has been a key criticism in the past and which is essential for delivering Net Zero at pace while ensuring inclusive sector transformation.</p>
<b>OVQ23</b>	<b>Do you agree with our approach to improving oversight and reporting of the NIA?</b>
Our response	<p>Yes, we believe that strengthening oversight and transparency will improve confidence in the NIA and ensure that funded projects deliver measurable value, and that the outlined mechanisms reflect this intention. We recommend that reporting frameworks remain proportionate and adaptive to the diversity of innovation activities.</p>
<b>OVQ24</b>	<b>Do you agree with our proposals to allocate £500m for SIF funding?</b>
Our response	<p>The outlined reasoning, and the general increase from RIIO-2 are favourable giving current economic environments and the other measures in place to support innovation.</p>
<b>OVQ25</b>	<b>Do you agree with our proposals to introduce a 'Programmatic Approach' to the SIF?</b>
Our response	<p>Yes, this approach will enable greater coordination between different initiatives and solutions, as well as greater alignment between various stakeholders and innovation projects with the long-term sector innovation outcomes.</p> <p>We welcome the focus on bringing senior decision makers from networks together on the Taskforce, which we hope would increase collaboration, reduce duplication and ultimately speed up learning and deployment of innovation across networks. We have seen this approach work well with great effect on our</p>

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	<p>collaborative industry innovation programmes, e.g. the Offshore Wind Accelerator.</p> <p>We also believe that this approach should be strengthened by a forward look of the likely network, technology, and system configurations. Where gaps remain, their assessment should be layered with strategic decisions around what innovation is needed now (and in place to enable future interventions) to keep Net Zero targets on track and the UK's energy system competitive, resilient, and secure.</p>
OVQ26	<b>Do you agree with our proposal to introduce a £50m deployment fund, utilising £50m from the total £500m SIF allocation?</b>
Our response	<p>Yes, a dedicated deployment fund is a welcome addition and addresses a long-standing gap in scaling innovation. Innovators report a cliff edge between SIF funding and fully commercial projects, as well as a difficulty in translating a demonstration project with one network operator to meet the requirements of another. As mentioned in the document, this fund can help bridge the transition from demonstration to commercialisation, especially for projects with proven impact and system relevance.</p>
OVQ27	<b>Do you agree that the deployment fund should also be open to innovation projects that haven't been funded through NIA, NIC or SIF?</b>
Our response	<p>Yes, this a welcome change. Opening the fund to non-NIA/NIC/SIF projects will broaden the innovation pipeline and allow high-impact ideas from outside traditional channels to be considered. This inclusivity has long been sought after by many in the sector and is essential for unlocking diverse solutions, optioneering innovation, and of course, accelerating Net Zero.</p>
OVQ28	<b>Do you agree with our proposal to reverse the SSMD position of removing the Discovery phase from SIF?</b>
Our response	<p>Yes, as the Discovery phase is critical for de-risking early-stage ideas and ensuring alignment with system needs. This phase is also a crucial entry point for innovation (particularly considering the changes around non-traditional innovators) to stress-test ideas and build the evidence base for further work. In</p>



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	addition to this, this phase's reinstatement will improve proposal quality and reduce duplication, particularly for SMEs and new entrants.
<b>OVQ29</b>	<b>Do you agree with our proposals to retain the core aspects of the SIF for RIIO-3?</b>
Our response	Yes, the core structure of the SIF has proven effective in supporting strategic innovation. Retaining its key features while layering in improvements (e.g., more frequent cycles, more agile project oversight and change management, programmatic targeting) will ensure both continuity and increased efficiency and impact.
<b>OVQ30</b>	<b>Do you agree with our proposals for a more flexible approach to contribution rates to fund SIF projects?</b>
Our response	Yes as flexibility in contribution rates will help tailor funding to project maturity (a dynamic need to protect consumer interests while meeting system needs), risk, and strategic value. It will also enable broader participation and better reflect the diversity of innovation pathways.
<b>OVQ31</b>	<b>Do you agree with updating the SIF eligibility criteria and assessment process?</b>
Our response	In principle, yes, but as we have not seen the final changes, our response is on welcoming the intention to improve the process.
<b>OVQ32</b>	<b>Do you agree with our proposal to establish a direct pathway for transformative projects to seek Ofgem's support for funding?</b>
Our response	Yes, a direct pathway for transformative projects is essential to ensure high-impact ideas are not delayed by procedural bottlenecks, network engagement and buy-in, or understanding of specific network needs. These, among others, have been identified as barriers to innovation in the SIF framework, and we welcome efforts to broaden access to and scope for the support of transformative projects. Furthermore, in analysing innovation support needs, we

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	<p>have also indicated that different types of innovation require different approaches to support and evaluation. While the details of this pathway are yet to be refined, we believe that creating a tailored process can help incentivise third parties and support the development and deployment of transformational projects. These changes will help fast-track solutions that are critical to Net Zero and system resilience, as well as consumer benefit.</p>
OVQ33	<p><b>Do you agree on the need to clarify roles and responsibilities within the innovation ecosystem, and the factors that we should consider?</b></p>
Our response	<p>Yes, clarifying roles and responsibilities is certainly a gap in our current ecosystem and a much-needed activity to improve coordination, reduce duplication, and ensure that innovation efforts are strategically aligned. We recommend that Ofgem considers:</p> <ul style="list-style-type: none"> <li>• The distinct roles of funders, delivery partners, networks and system operators.</li> <li>• Mechanisms for cross-sector collaboration and knowledge sharing. We strongly believe that there needs to be a dynamic portal for sharing historical and present innovation insights, especially with improved functionality and user-friendliness than solutions currently being used.</li> <li>• Furthermore, we propose that, in collaboration with DESNZ, there needs to be an (bi-)annual or periodic publication of the State of Innovation, which clearly outlines gaps and opportunities in a more streamlined manner, beyond the publication of challenges.</li> <li>• Clear guidance on how innovation outcomes feed into regulatory and commercial decision-making and desired sector outcomes. This clarity will help streamline innovation delivery and ensure that projects are well-integrated into broader system planning and impact measurement. Too often there is a disconnect with policy and innovation, whether through reporting timelines missing key policy update periods, or a lack of critical policy involvement in projects.</li> </ul>
OVQ34	<p><b>Do you agree with our approach to improving reporting of deployed SIF projects and lessons learned post-funding?</b></p>

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Our response	<p>Broadly yes, and any improvements in reporting, once streamlined, fair, and informative to the broader system is welcome. In particular, we support any proposed approaches where:</p> <ul style="list-style-type: none"> <li>• Reporting frameworks remain proportionate to project scale and complexity.</li> <li>• Lessons learned are disseminated in accessible formats to support replication and scaling, in a timely manner to iteratively and rapidly inform policy decision making.</li> <li>• Feedback loops are built into the reporting process to inform future funding rounds and strategic priorities. This will help maximise the value of SIF/NIA investments and accelerate the deployment of impactful solutions.</li> </ul>
<b>OVQ35</b>	<b>Do you agree with our proposals for the Cyber Resilience re-opener?</b>
Our response	<p>Yes. However, in our experience, many network companies lack senior or adequate capacity to fully address cybersecurity issues beyond core BAU and Ofgem can explore ways to better support capacity building and strategic public-private partnerships for building further capacity in network companies so that they can push boundaries, meet requirements, but also feel supported in their journeys.</p>
<b>OVQ36</b>	<b>Do you agree with our position of not changing the Digitalisation licence condition?</b>
Our response	<p>Yes, and while we cannot comment on the specifics regarding individual changes, we encourage Ofgem to push companies further with digitalisation as our findings have found this to be a key gap area for networks, yet a critical enabler of many innovation streams and activities.</p>
<b>OVQ37</b>	<b>Do you agree with our proposed approach to the DSI licence condition?</b>
Our response	<p>Yes, with a similar response to ours for OVQ36. Data and digitalisation are core enablers of network transformations, particularly for gas networks which are</p>

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	further behind in their modernisation efforts (asset records etc.), thus, we welcome any improvements in this space.
<b>OVQ38</b>	<b>Do you agree with our proposed design of the Digitalisation re-opener?</b>
Our response	Yes, similar response to OVQ37/8 above.