

Consultation

Additional NIA RIIO-ED2 Funding: Licence Modifications

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We launched a consultation in March 2025 regarding our proposal to provide additional funding through the Network Innovation Allowance (NIA) for the final two years of RIIO-ED2. In August we decided to carry out a detailed assessment of companies' justifications for receiving further allowance before providing additional NIA funding to Distribution Network Operators (DNOs). This assessment informed our October decision on the amounts of additional NIA funding each DNO would receive.

As amendments to Special Condition 5.2 of the Electricity Distribution Licence will be needed to facilitate these additional allowances, this statutory consultation has been launched in time for proposed modifications to take place by 31 March 2026. It will run for 32 days and will take effect 56 days after our final decision. This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses and will publish a decision.

References to the "Authority", "Ofgem", "we", and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work

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1. Introduction

In this section we explain the context and purpose of this statutory consultation.

Purpose of this consultation

Licence changes will be needed to facilitate the award of additional NIA funding to DNOs for the final two years of RIIO-ED2. We decided on how much to allocate to DNOs in our October 2025 decision on funding. This statutory consultation is required for the proposed modifications to Special Condition 5.2 of the Electricity Distribution Licence to take effect.

Context and related publications

In RIIO-ED2, each DNO was given a NIA allowance, with the flexibility to allocate the funds across the whole price control period, provided projects were registered by 1 April 2026. At the outset, funding was approved for the first three years (2023-2026), with a commitment to review the need for further funding for the final two years (2026-2028) of the price control.

We published a consultation in March 2025 on a proposal to provide an additional £45.6 million in NIA funding for the final two years of the RIIO-ED2 price control period. The consultation sought views on whether additional funding was needed, how it should be allocated, and whether there was evidence that innovation would not proceed in the absence of additional funding.

Responses to this initial consultation did not provide the evidence required to support our minded-to position of increasing the total NIA funding awarded for all DNOs on a pro-rata basis. We subsequently concluded that a detailed assessment was needed to determine which DNOs require further funding for the final two years of RIIO-ED2, and how much. We asked DNOs to provide us with an overview of their NIA spend to date and to explain what additional funding would be used for.

DNOs provided requested data for the purposes of our assessment. We decided that, at a minimum, DNOs should have enough NIA (taking into account their remaining initial allocation) to continue spending in Years 4 and 5 of RIIO-ED2 at the same rate as they were projected to spend in Year 3. Where a DNO provided strong justification in their submission as to why they needed a different level of funding to this, we adjusted our award accordingly. We published our final allocations based on this detailed assessment in October.

Related publications:

- [RIIO-ED2 Final Determinations Core Methodology Document](#)

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- [Consultation on additional Networks Innovation Allowance funding](#)
- [RIIO-ED2 Network Innovation Allowance \(NIA\) funding for years 2026 to 27 and 2027 to 28](#)
- [RIIO ED2 Network Innovation Allowance \(NIA\): additional funding decision](#)

Overview

This consultation is a statutory consultation under s11A of the Electricity Act 1989.

The following table outlines how much NIA we have allocated to each DNO in Years 1-3, Years 4-5, and in total for the price control period:¹

DNO	RIIO-ED2 Years 1-3 NIA funding allocated (£m)	RIIO-ED2 Years 4 and 5 additional NIA funding allocated (£m)	RIIO-ED2 NIA funding total (£m)
ENWL	8.4	3.7	12.1
NPg	7.5	6.3	13.8
NGED	18.0	0	18.0
UKPN	15.0	6.2	21.2
SPEN	11.1	4.5	15.6
SSEN	8.4	9.0	17.4
Total	68.4	29.7	98.1

This consultation proposes to modify Special Condition 5.2 of the Electricity Distribution Licence to allocate additional NIA funding for Years 4 and 5 of RIIO-ED2. This will be allocated through each group's licensee.

The following table shows the proposed total NIA value across RIIO-ED2 for each group's licensee:

Licensee	Value of the licensee's NIA (£m)
ENWL	12.1
NPgN	5.9
NPgY	7.9

¹ All figures regarding funding over the course of RIIO-ED2 are expressed in terms of 2020/21 prices.

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WMID	5.6
EMID	5.6
SWALES	2.8
SWEST	4
LPN	6.6
SPN	5.7
EPN	8.9
SPD	8.3
SPMW	7.3
SSEH	6.2
SSEN	11.2

The proposed modifications to the licences are included in the annexes of this consultation.

We are proposing changes to the following DNO licences:

Acronym	Group	Licensees (and acronym)
NPg	Northern Powergrid	Northern Powergrid: Northeast (NPgN) Northern Powergrid: Yorkshire (NPgY)
SPEN	SP Energy Networks	SP Distribution (SPD) SP Manweb (SPMW)
ENWL	Electricity North West	Electricity North West (ENWL)
SSEN	Scottish and Southern Electricity Networks	Scottish and Southern Electricity Networks:

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Acronym	Group	Licensees (and acronym)
		<p>Scottish Hydro Electric Power Distribution (SSEH)</p> <p>Scottish and Southern Electricity Networks:</p> <p>Southern Electric Power Distribution (SSES)</p>
UKPN	UK Power Networks	<p>UK Power Networks: London Power Networks (LPN)</p> <p>UK Power Networks: South Eastern Power Networks (SPN)</p> <p>UK Power Networks: Eastern Power Networks (EPN)</p>
NGED	National Grid Electricity Distribution	<p>National Grid Electricity Distribution (West Midlands) (WMID)</p> <p>National Grid Electricity Distribution (East Midlands) (EMID)</p> <p>National Grid Electricity Distribution (South Wales) (SWALES)</p> <p>National Grid Electricity Distribution (South West) (SWEST)</p>

How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

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We will publish non-confidential responses on our website.

Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a consultation

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: 'Open', 'Closed (awaiting decision)', and 'Closed (with decision)'.

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2. Proposed Amendments to Special Condition 5.2 of the Electricity Distribution Licence

This section summarises the proposed modifications to Special Condition 5.2 of the Electricity Distribution Licence to allow for further NIA funding to be allocated to DNOs for the final two years of ED2.

Appendix 1 Modification

2.1 Ofgem proposes updating figures in Appendix 1 of Special Condition 5.2 of the Electricity Distribution Licence in order to reflect the additional NIA awarded in October for the final two years of R10-ED2.

2.2 The following table shows the proposed updated figures for Appendix 1:

Licensee	Value of TNIA (£m)
ENWL	8.4 <u>12.1</u>
NPgN	3.2 <u>5.9</u>
NPgY	4.3 <u>7.9</u>
WMID	5.6
EMID	5.6
SWALES	2.8
SWEST	4
LPN	4.7 <u>6.6</u>
SPN	4 <u>5.7</u>
EPN	6.3 <u>8.9</u>
SPD	5.9 <u>8.3</u>
SPMW	5.2 <u>7.3</u>
SSEH	3 <u>6.2</u>
SSEN	5.4 <u>11.2</u>

2.3 This change will provide DNOs with the awarded NIA allocation for the final two years of R10-ED2 as decided in October.

Questions

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- | | |
|-----|---|
| Q1. | Do you agree with our proposed modifications to Special Condition 5.2 of the Electricity Distribution Licence? Please provide reasons for your answer and any alternative suggestions if you disagree. |
| Q2. | Do you consider any further modifications to Special Condition 5.2 of the Electricity Distribution Licence are necessary? Please provide reasons for your answer and identify any changes you consider to be needed, if applicable. |

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Next steps

This consultation will remain open for 32 days, until 5th January 2026.

Subject to responses to this consultation, the Authority will make a decision on the proposed licence modification.

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Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

Appendix 1. Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

Information: Include here all organisations outside Ofgem who will be given all or some of the data. There is no need to include organisations that will only receive anonymised data. If different organisations see different set of data then make this clear. Be as specific as possible.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for (be as clear as possible but allow room for changes to programmes or policy. It is acceptable to give a relative time e.g. ‘six months after the project is closed’)

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it

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- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use “the Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this”.

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system. (If using a third party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

10. More information For more information on how Ofgem processes your data, click on the link to our “[ofgem privacy promise](#)”.