

## RIIO-3 NIA Governance Document

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As part of the RIIO-3 network price control for electricity transmission, gas transmission and gas distribution commencing on 1 April 2026, the regulatory framework for National Energy System Operator (NESO) commencing on 1 April 2026, and the RIIO-3 network price control for electricity distribution commencing on 1 April 2028, Licensees are awarded a Network Innovation Allowance (NIA) to fund innovation Projects.

This RIIO-3 NIA Governance Document sets out arrangements for the governance and administration of the RIIO-3 NIA.

This RIIO-3 NIA Governance Document will also be relevant to third-party innovators who wish to collaborate with Licensees to take forward Projects.

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**RIIO-3 NIA Governance Document change control log**

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## Contents

<b>Context .....</b>	<b>5</b>
Associated documents .....	5
.....Error! Bookmark not defined.	
<b>1. Introduction .....</b>	<b>7</b>
Differences and similarities between the NIA and the SIF .....	8
RIIO-3 NIA.....	8
RIIO-2 NIA.....	9
Compliance .....	10
Review .....	11
<b>2. Supporting collaboration and project learning dissemination .....</b>	<b>12</b>
Developing innovations in partnership with stakeholders.....	12
Sharing Project data .....	13
Sharing learning .....	14
Dissemination Platform .....	14
Additional information .....	15
Annual Innovation Summit .....	16
Additional Information .....	17
<b>3. RIIO-3 NIA Projects .....</b>	<b>18</b>
Project portfolio .....	18
Eligibility and process Requirements .....	18
Requirement 1 – facilitate energy system transition and/or benefit consumers in vulnerable situations .....	19
Requirement 2 – potential to deliver a net benefit to consumers .....	19
Requirement 3 – involve Research, Development or Demonstration .....	19
Requirement 4 – develop new learning .....	20
Requirement 5 – be innovative .....	20
Requirement 6 – not lead to unnecessary duplication .....	21
Documentation requirements .....	22
Project Eligibility Assessment.....	22
Maintaining a consistent methodology for calculating Project benefits .....	22
Registration process requirements .....	23
Assessing the impact of innovation upon consumers in vulnerable situations .....	28
Project change requirements .....	29

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Additional requirements .....	29
<b>4. Recovering Total NIA Expenditure .....</b>	<b>31</b>
Compulsory contribution .....	31
Total NIA Expenditure relating to equipment .....	31
Payments to Network Users.....	32
Unrecoverable NIA Expenditure .....	32
Derogations from technical requirements and standards of performance .....	33
Deducting Direct Benefits from Total NIA Expenditure .....	33
Recovery of additional costs .....	33
<b>5. Regulatory reporting for RIIO-3 NIA Projects .....</b>	<b>35</b>
Publishing annual summaries of NIA activities .....	35
Licensee Annual Summary Reports.....	35
Collective industry-wide summary report.....	36
Publishing the Energy Networks Innovation Process .....	37
<b>6. Knowledge transfer .....</b>	<b>39</b>
Publishing Project Progress Information.....	39
<b>7. Intellectual Property Rights .....</b>	<b>44</b>
Knowledge Dissemination.....	44
Ensuring value.....	45
Guidance for third parties on the treatment of IPR .....	46
Deviating from default IPR rules.....	46
<b>8. Definitions.....</b>	<b>47</b>
<b>Appendix 1 – Similarities and Distinction between NIA and SIF.....</b>	<b>62</b>

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## Context

The purpose of the RIIO-3 Network Innovation Allowance (NIA) is to provide funding to Gas Transporter, Electricity Transmission and Distribution Licensees, and National Energy System Operator (NESO) (hereafter referred to as 'Licensees') to allow them to carry out innovative Projects which focus on the energy system transition and/or address consumer vulnerability, and which Licensees would not otherwise take forward as part of business as usual activities.

This RIIO-3 NIA Governance Document provides for the governance and administration of the RIIO-3 NIA.

This RIIO-3 NIA Governance Document is issued by the Authority under the RIIO-3 NIA Licence Condition. Capitalised terms used in this document are defined in chapter 8.

We<sup>1</sup> have aimed to make this document accessible and informative to Licensees, as well as to parties who may wish to collaborate with them to research, develop and trial new technological, operational or commercial arrangements. We have also attached to this document an additional Guidance document (not part of the Governance Document) setting out examples of good reporting, for each of the reports mandated by this Governance Document.

## Associated documents

**Special Condition 5.2** (The RIIO-3 Network Innovation Allowance) of the Gas Transporter Licence held by National Gas Transmission plc.

**Special Condition 5.2** (The RIIO-3 Network Innovation Allowance) of the Gas Transporter Licence held by Cadent Gas Limited, Northern Gas Networks Limited, Scotland Gas Networks plc, Southern Gas Networks plc, and Wales and West Utilities Limited.

**Special Condition 5.2** (The RIIO-3 Network Innovation Allowance) of the Electricity Transmission Licence held by National Grid Electricity Transmission Plc, SP Transmission Ltd and Scottish Hydro Electric Transmission Plc.

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<sup>1</sup> In this document we use the terms 'Ofgem' and 'the Authority' as well as the terms 'we', 'us' and 'our' interchangeably. Ofgem is the Office of the Gas and Electricity Markets. The Authority is the Gas and Electricity Markets Authority and is the governing body of Ofgem, consisting of non-executive and executive members.

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Condition F2 (Innovation Funding) of the Electricity System Operator (ESO) Licence held by National Energy System Operator (NESO).

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# 1. Introduction

## Section summary

This chapter sets out the purpose and objectives of the NIA. It also sets out the distinction between the NIA and the Strategic Innovation Fund (SIF).

1.1. RIIO-3 establishes the regulatory arrangements necessary to deliver a clean, secure, and affordable energy system for Great Britain by 2050, supporting significant capital investment in Licensees, protecting consumers from future price volatility, and ensuring that costs are recovered fairly and no consumer is left behind.

1.2. Innovation is a key element of the RIIO model for price controls and our approach is focused on creating an environment that allows innovation to thrive across the whole system.

1.3. To deliver a low-carbon energy system that is reliable, affordable and efficient, at a pace in line with our Net Zero targets, Licensees must find new ways of developing and operating the energy networks to facilitate the whole system energy transition.

1.4. Within RIIO-3, we support innovation in a number of ways, including through the Totex Incentive Mechanism (TIM) which encourages innovation within the core price control framework.

1.5. The additional network innovation stimulus for RIIO-3 consists of the NIA and the SIF. These innovation incentives are outcome-focused and aim to deliver deployable projects that can be rolled out to business as usual across multiple networks, contributing to the realisation of commercial, environmental and social benefits.

1.6. Whilst the NESO is not part of RIIO-3, as it operates under its own distinct regulatory framework, it will still participate in both the NIA and the SIF and will therefore be subject to this Governance document in line with its Licence Conditions. NESO is subject to all requirements applicable to the Gas Transporter, Electricity Distribution and Electricity Transmission Licensees unless specified otherwise.

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## Differences and similarities between the NIA and the SIF

1.7. The NIA and the SIF are distinct, but complementary funding mechanisms. They reflect the need for companies to have flexible research and development pots, alongside the need for greater pace, direction, risk tolerance and support required due to the Net Zero transition.

1.8. The NIA is a baseline allowance that each Licensee receives to fund innovative Projects as part of its price control settlement. The NIA funds research and development by Licensees that they are not otherwise incentivised to undertake, with improvements leading to financial and environmental benefits for consumers.

1.9. The SIF is a competitive innovation funding which Licensees can apply for to support typically higher-risk, higher-reward – transformative Net Zero Projects, including those that challenge existing business models, and thus enable more rapid deployment of proven innovation. Licensees and Project Partners must deliver innovation Projects that are deployed at pace and at scale, whilst delivering net benefits to energy consumers. It does this through a multi-phase approach designed to address the biggest challenges facing the Licensee.

1.10. Additionally, the SIF offers funding for the deployment of proven innovation that has no other viable route to be funded in the price control and is a route for deployment of NIA projects. For more information, check the SIF Governance Document<sup>2</sup>.

1.11. The table in Appendix 1 provides a steer on the distinction between the two funds. The table is provided for the purposes of guidance and should not be interpreted as additional eligibility criteria. Reflecting the diverse nature of innovation approaches and Projects, Licensees and third-party innovators are encouraged to seek further guidance where needed.

### RIIO-3 NIA

1.12. The RIIO-3 NIA provides an allowance to Licensees to fund Research, Development and Demonstration trials between Technology Readiness Levels (TRLs) 2-8, which meet the

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<sup>2</sup> [Add link to RIIO-3 SIF Governance Document](#)



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requirements set out in Chapter 3 of this Document. The maximum amount of NIA funding available to each Licensee is set out in its RIIIO-3 NIA Licence Condition.

1.13. NIA Projects must interact with the Programmatic Approach set out in the RIIIO-3 SIF Governance Document, where relevant and appropriate. This will be relevant when any live NIA Projects fall under the Innovation Challenges set by the Energy Network Innovation Taskforce, and in these cases appropriate participation is expected in the associated Innovation Delivery Groups (IDGs). NIA Projects are expected to update relevant IDGs on their progress and share key learning which supports the mission-led outcomes of any relevant IDG. Where relevant, Licensees are expected to collaborate with the IDGs on resolving barriers to further innovation that could be identified by NIA projects.

1.14. Licensees must collaborate with each other and with other persons in the energy supply chain (i.e. suppliers, independent network operators, generators, gas producers and other third parties) on NIA Projects.

1.15. Gas Transporter and Electricity Transmission Licensees and NESO have access to RIIIO-3 NIA funds until the end of the RIIIO-3 price control on 31 March 2031, Electricity Distribution Licensees until the end of the RIIIO-ED3 price control on 31 March 2033.

## **RIIO-2 NIA**

1.16. The RIIIO-2 price control for Gas Transporter and Electricity Transmission Licensees and NESO ended on 31 March 2026, and ends for Electricity Distribution Licensees on 31 March 2028. Projects that have been funded under the RIIIO-2 NIA are subject to the RIIIO-2 NIA Governance Document<sup>3</sup>.

1.17. Gas Transporter and Electricity Transmission Licensees' and NESO's Projects funded under RIIIO-2 can continue under the Carry-over Network Innovation Allowance (CNIA), which will cease to be effective on 31 September 2027. The CNIA is set out in the RIIIO-3 Licence Condition for RIIIO-3 network companies. For NESO, the CNIA is set out in Condition F2 of NESO's ESO Licence.

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<sup>3</sup> [Add link to RIIIO-2 NIA Governance Document](#)

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## Compliance

1.18. Licensees are required by the RIIO-3 NIA Licence Condition to comply with this document. Licensees must ensure that their collaboration with others in the context of the NIA is in line with this document.

1.19. If Ofgem considers that a Licensee has not complied or is not complying with the requirements of this document, we will generally engage with the Licensee and may seek further information. If Ofgem considers that a Licensee has not complied or is not complying, Ofgem may determine that all or some of the expenditure in question is Unrecoverable NIA Expenditure in accordance with the RIIO-3 NIA Licence Condition. Where Ofgem considers that NESO may not have complied with this document, Ofgem may consider taking enforcement action<sup>4</sup> including with respect to NESO's obligations in Part A of Condition F1 (Expenditure and allowed revenue) - please see the Enforcement Guidelines<sup>5</sup> for further information on Ofgem's enforcement powers.

1.20. For NIA Projects with a total value greater than £1m, the Licensee must instruct an independent financial and reporting audit at any time Ofgem requests it to do so. This will include requiring the Licensees to demonstrate that the Project is compliant with the RIIO-3 NIA Licence Condition, the Regulatory Instructions and Guidance<sup>6</sup> and the RIIO-3 NIA Governance Document. The Licensee must include, within the scope of the audit, any terms or items which Ofgem has requested be included. The cost of the audit must be borne by the Funding Licensee as part of the Project total spend. For Projects above the value threshold, the independent audit must be clearly budgeted for at Project registration. The Funding Licensee is responsible for appointing an independent auditor on behalf of the Project Participants and should make the final report available to Ofgem no later than three months after it was requested.

1.21. The RIIO-3 NIA Licence Condition (and Condition F2 in the case of NESO) and the RIIO-3 NIA Governance Document in no way relieve affected parties, including Licensees and Project Partners, from their responsibility to ensure ongoing compliance with legislation, including competition, data protection, environment and consumer protection laws.

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<sup>4</sup> we have statutory enforcement powers under the Gas Act 1986 and the Electricity Act 1989

<sup>5</sup> See: [The Enforcement Guidelines | Ofgem](#)

<sup>6</sup> The Regulatory Instructions and Guidance is not applicable to NESO.

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1.22. An Annual Innovation Meeting, or equivalent meeting, will be convened by Ofgem with senior Licensee representatives. These meetings provide a forum for reviewing progress, discussing compliance and promoting transparency as well as peer learning.

## **Review**

1.23. Ofgem may from time to time, following consultation with Licensees and other interested parties, revise this document in accordance with the RIIO-3 NIA Licence Condition.

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## 2. Supporting collaboration and project learning dissemination

### Section summary

This chapter requires that Licensees collaborate with a range of parties to develop and facilitate Projects funded through the NIA. It requires Licensees to develop innovations, report on Projects and disseminate Project learnings.

- 2.1. The requirements of this chapter apply unless the Authority has given its consent in writing for the Licensee not to comply with those requirements.
- 2.2. We expect Licensees to collaborate with each other and, where appropriate, with third-party innovators, to develop innovations [in partnership with stakeholders](#), [share](#) Project [data](#), and disseminate Project learnings as Project Partners on the Projects funded by the NIA.
- 2.3. Licensees must have in place efficient and effective processes that promote partnerships with third parties. This should include processes aimed at offering suitable support, information and guidance to innovators new to the energy sector, innovators less familiar with energy system challenges, to small and medium enterprises, and to early-stage innovators. Licensees should work collaboratively, so that this support aimed at improving access to network innovation partnership opportunities is realised in the most efficient and effective manner.

### Developing innovations in partnership with stakeholders

- 2.4. We expect Licensees to collaborate with each other and Project Partners on the Projects supported by the RIIO-3 NIA. Licensees should work closely with other parties in the energy supply chain to develop previously unexplored technological, operational or commercial arrangements that have the potential to facilitate the energy system transition and/or address consumer vulnerability. Licensees may benefit from the technologies used and lessons learned in other industries; therefore, partnerships with others outside the energy industry could be valuable. Other parties such as local authorities, consumer representatives and universities may be carrying out pilot studies, as well as professional market researchers

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carrying out consumer research, and collaboration could offer opportunities for Licensees to better understand the impact of these studies.

2.5. To help Ofgem better understand how proposals from innovators progress, each Licensee is required to maintain a Project Log of their early interactions with innovators and share it with Ofgem on request. To reduce reporting burden, this may be an extract from the Innovation Measurement Framework Tables submitted by Licensees as part of their annual Regulatory Reporting Packs (RRPs), where this table is a requirement. Ofgem may follow up on the contents of the Project Log in relation to rejected ideas in order to understand how these ideas can be explored through alternative routes. Where such follow-up occurs, Licensees must provide the requested information in full. Where it would inform the SIF programme, Ofgem may request that Innovate UK also receive the data.

2.6. In RIIO-3, under the SIF programme, a Programmatic Approach has been introduced to set clear, long-term strategic direction to elevate energy innovation and create a strong call to action that sets clear expectations for transformative Projects. Under the NIA, where relevant and proportionate, Licensees are expected to work collaboratively with the relevant Innovation Delivery Groups and with other organisations in the energy sector to explore technological, operational or commercial innovation ideas that address the Innovation Challenges set by Ofgem.

## Sharing Project data

2.7. Licensees must make it clear in Project Registration Information (as detailed in Table 3.1 below) and Project Progress Information (as detailed in Table 6.1 below) how any data gathered in the course of a Project (and de-sensitised, if necessary) can be requested by interested parties. We expect Licensees to document any reasons for de-sensitising data, such as commercial sensitivities or other regulatory restrictions.

2.8. We require the Licensee to treat all data gathered or created in the course of a Project as Presumed Open to all and accordingly share data with requesting parties as per the Data Best Practice Guidance principles; unless the Licensee can demonstrate it is not in consumers' interests to do so, or that there are other regulatory, legal or commercial reasons not to do so. Where data cannot be open, we require Licensees to provide the requesting parties with reasons why the requested data cannot be shared, and to identify and deliver a de-sensitised version incorporating the minimum number of changes.

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2.9. In RIIO-3, Ofgem requires all Licensees to publish Project information on a single Dissemination Platform, managed by a Single Entity Supplier on behalf of all Licensees.

2.10. All data gathered or created in the course of a Project must be made available on the Dissemination Platform in a way that makes it easily accessible for an audience ranging from consumer, researcher to innovator.

2.11. Furthermore, Licensees, Single Entity Suppliers and third parties should not prohibit or make difficult any reasonable requests to facilitate digital links between websites and platforms that seek to enhance project learning or dissemination activities.

2.12. When publishing information on the Dissemination Platform, Licensees must use reasonable endeavours to act in accordance with the Data Best Practice Guidance issued by Ofgem for all data within RIIO-3 NIA Projects.<sup>7</sup>

2.13. Licensees must have a publicly available data policy setting out how the data used and generated by NIA Projects will comply with Data Best Practice Guidance, including how data and software processing scripts will be made available to stakeholders.

## Sharing learning

2.14. Facilitating knowledge transfer is one of the key principles of the RIIO-3 NIA. Ultimately, consumers are funding Projects and we want the learning to be disseminated and utilised as effectively as possible to ensure that all Licensees, and therefore all consumers, can benefit from NIA Projects.

2.15. Projects must ensure learning is shared as widely as possible, ensuring contact with different stakeholder groups and where relevant and proportionate, the SIF Programmatic Approach Innovation Delivery Groups (IDGs).

## Dissemination Platform

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<sup>7</sup> The Data Best Practice Guidance is published here on Ofgem's website: [\[link to DBPG\]](#)

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2.16. All Licensees are required to use a single online Dissemination Platform to share learnings, comply with reporting requirements and share Project data.

2.17. We require Licensees and the Single Entity Supplier managing the Dissemination Platform to work collaboratively to maintain the platform, so that the following requirements are met, as a minimum:

- Inclusion of links to the Ofgem website, to direct potential Project Partners to the RIIO-3 NIA Governance Document;
- A function is included which enables potential Project Partners to record their name, contact details and a summary of their business, idea, proposal or service;
- Inclusion of a contact point for each Licensee, to which potential Project Partners can submit Project ideas;
- Project Registration Information for all RIIO-3 NIA Projects, in accordance with paragraph 3.36;
- By 31 July in each Regulatory Year, Project Progress Information for each RIIO-3 NIA Project, in accordance with paragraphs 6.3 – 6.9; and
- The Closedown Report reported by the Licensee following completion of the Project, including the net benefit statement.

2.18. We require Licensees to ensure that Project details published on the Dissemination Platform are kept up to date, including links to websites and attachments.

2.19. In addition, Licensees must annually review the Dissemination Platform, share that review with Ofgem, and make appropriate changes to improve its accessibility and content. We expect this review to be informed by stakeholder consultation on the quality of information provided by and the usability of the Dissemination Platform, ensuring accessibility for an audience ranging from consumers and researchers to innovators.

2.20. The Dissemination Platform must allow for digital links with other digital platforms that request it, where the requestor can evidence to Ofgem that those digital links are in the interests of Ofgem's innovation funding stream objectives and those of Licensees and third-party innovators. The Single Entity Supplier of the Dissemination Platform will not prohibit or make difficult any reasonable requests to facilitate these digital links.

### **Additional information**

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2.21. The Dissemination Platform is not intended to constrain the Licensees from using other routes to identify and award contracts to Project Partners. Regardless of which route has been used, it is the responsibility of the Licensees to ensure applicable procurement rules have been followed.

2.22. The use of the Dissemination Platform is not intended to constrain the Dissemination activities of the Licensees. The Dissemination Platform should not be used as the sole means of disseminating learning, and Licensees should, for example, also organise and participate in wider industry forums to disseminate learning from Projects.

## **Annual Innovation Summit**

2.23. Licensees must collectively organise, with Ofgem approval, an Annual Innovation Summit. The Summit will be held every Regulatory Year for Licensees, Project Partners and for any interested third parties. The aims of the Summit are to:

- i. Facilitate new introductions between potential Project Partners, enabling conversations that can lead to novel innovation Projects being submitted into NIA and the SIF.
- ii. Advertise and explore company and sector challenges, including taking a strategic approach to linking with the SIF Programmatic Approach, where relevant.
- iii. Disseminate novel learning from innovation projects, including but not limited to the SIF and NIA Projects conducted since the previous Annual Innovation Summit (subject to any confidentiality or IPR arrangements approved before Registration).
- iv. Demonstrate the leadership of GB energy networks and innovators in a global energy context, including but not limited to the contribution of innovation to improving consumer vulnerability, and advancing sustainability, Net Zero and economic growth.
- v. Demonstrate, where feasible, the interconnected and whole-systems nature of a clean, flexible and affordable energy system for all consumers.

2.24. Licensees are expected to collaborate with one another, Ofgem, and Innovate UK in order to deliver the Summit aims.



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2.25. Attendees may be charged a nominal sum for attending the Annual Innovation Summit. Income from charges is not to exceed the efficient cost to the Licensees of organising the Annual Innovation Summit. Any charges must not prevent or discourage participation for third-party innovators or the wider sector.

2.26. Licensees must annually review the Annual Innovation Summit, share that review with Ofgem, and make appropriate changes to improve its accessibility and content. We expect this review to be informed by stakeholder consultation on the quality of information provided by and the usability of the Annual Innovation Summit, ensuring accessibility for innovators, Licensees and the wider sector.

2.27. Where having more than one event serves the aims stated above, and it is clear that this would be a more effective and efficient use of funding, Ofgem may agree to a cohesive annual programme of innovation events.

### **Additional Information**

2.28. The provision of the Annual Innovation Summit is not intended to constrain the dissemination activities of the Licensees. The event should not be used as the sole means of disseminating learning as Licensees should, for example, be engaging in and organising wider industry forums to disseminate learning from Projects.

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## 3. RIIO-3 NIA Projects

### Section summary

This chapter sets out the requirements for a Project to qualify as a RIIO-3 NIA Project, how Projects should be documented and registered, and how Project changes are managed. It also includes the requirement to assess the impact of innovation upon consumers in vulnerable situations.

3.1. Subject to the constraints imposed by the amount of a Licensee's RIIO-3 NIA allowance, and factors outlined in paragraph 3.4, there is no minimum or maximum size for a RIIO-3 NIA Project.

3.2. Licensees can only recover Total NIA Expenditure on RIIO-3 NIA Projects which are registered by midnight on 31 March 2031.

### Project portfolio

3.3. A range of Methods and Solutions is needed to facilitate the energy system transition and/or address consumer vulnerability. This will help de-risk NIA spend and deliver benefits to consumers.

3.4. Therefore, we expect Licensees to maintain a balanced portfolio of Projects. This means that Licensees should not, for example, focus unduly on:

- one Method or Solution,
- specific equipment, technology or methodology;
- Projects at high TRL; or a select group of Project Partners.

### Eligibility and process Requirements

3.5. The Licensee must be able to demonstrate to Ofgem that Projects meet the six sets of requirements set out below.

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3.6. A Project may not be eligible for NIA funding where the Authority has previously communicated to Licensees that for policy reasons no further NIA funding is to be provided in a particular area.

**Requirement 1 – facilitate energy system transition and/or benefit consumers in vulnerable situations**

3.7. Eligibility requirement 1: A Project must have the potential to facilitate the energy system transition and/or benefit consumers in vulnerable situations.

3.8. Process requirement 1: To demonstrate that the Project meets eligibility requirement 1, the Licensee must explain clearly in its Project Eligibility Assessment (PEA), with reference to any supporting evidence that already exists, at least one of the following:

- How the Project has potential to facilitate the energy system transition; and/or
- How the Project has potential to benefit consumers in vulnerable situations.

**Requirement 2 – potential to deliver a net benefit to consumers**

3.9. Eligibility requirement 2: A Project must have the potential to deliver a Solution that provides a net benefit to consumers of the Licensee, as the context requires. This could include delivering a Solution at a lower cost than the most efficient Method currently in use on the Licensee's network (or energy system in the case of NESO), or wider benefits, such as social, environmental or wider energy supply resilience.

3.10. Process requirement 2: To demonstrate that the Project meets eligibility requirement 2, the Licensee must be able to set out in its PEA:

- A calculation of the estimated benefits of the Solution (not required for Projects conducting Research) and a description of the recipients of those benefits;
- An estimate of how replicable the Method is across GB in terms of the number of sites, the sort of site the Method could be applied to, or the percentage of the GB Gas Transportation System and/or electricity transmission or distribution system to which it could be rolled-out; and
- An outline of the costs of rolling out the Method across GB.

**Requirement 3 – involve Research, Development or Demonstration**

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3.11. Eligibility requirement 3: A Project must involve the Research, Development or Demonstration of at least one of the following:

- A specific piece of new equipment (including monitoring, control and communications systems and software);
- A specific piece of new technology (including analysis and modelling systems or software), in relation to which the Method is unproven;
- A new methodology (including the identification of specific new procedures or techniques used to identify, select, process, and analyse information);
- A specific novel arrangement or application of existing gas transportation, electricity transmission or electricity distribution equipment, technology or methodology;
- A specific novel operational practice directly related to the operation of the GB Gas Transportation System, electricity transmission or electricity distribution; or
- A specific novel commercial arrangement.

3.12. Process requirement 3: To demonstrate that the Project meets eligibility requirement 3, the Licensee must detail in its PEA what the Project involves and explain how the Project satisfies this requirement.

#### **Requirement 4 – develop new learning**

3.13. Eligibility requirement 4: A Project must develop new learning that can be applied by other Licensees.

3.14. Process requirement 4: To demonstrate that the Project meets eligibility requirement 4, the Licensee must be able to explain in its PEA how the learning that will be generated by the Project could be used by other Licensees.

#### **Requirement 5 – be innovative**

3.15. Eligibility requirement 5: A Project must be innovative (i.e. not a business as usual activity) and have an unproven business case entailing a degree of risk warranting a limited Research, Development or Demonstration Project to demonstrate its effectiveness. This could include Projects which are untested at scale, or in relation to which there are risks, which might prevent the widespread deployment of the equipment, technology or methodology.

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3.16. Process requirement 5: To demonstrate that the Project meets eligibility requirement 5, the Licensee must explain the following in its PEA:

- Why the Project is innovative;
- Why the Licensee cannot fund such a Project as part of its business as usual activities; and
- Why the Project can only be undertaken with the support of the NIA, including reference to the specific risks (e.g. commercial, technical, operational or regulatory) associated with the Project. Where the Solution is already in use outside GB and the Project seeks to explore its potential adoption in GB, the Licensee must explain what specific risks related to the Solution's use in GB justify the use of NIA funding.

#### **Requirement 6 – not lead to unnecessary duplication**

3.17. Eligibility requirement 6: A Project must not lead to unnecessary duplication of any other Project, including but not limited to IFI, LCNF, NIA, NIC or SIF projects already registered, being carried out or completed.

3.18. Process requirement 6: To demonstrate that the Project meets eligibility requirement 6, the Licensee must demonstrate in its PEA that no unnecessary duplication will occur as a result of the Project, and evidence how the Project builds on existing or previous initiatives in their own portfolio, in other countries, sectors or Licensee areas. If applicable, the Licensee must justify why they are undertaking a Project similar to other network innovation Projects ongoing or undertaken previously.

3.19. Unnecessary duplication is likely to occur if the Project is not expected to lead to new learning, for example where a Project involving a piece of equipment, technology or methodology has been undertaken in one location and is then repeated in another location. However, for the avoidance of doubt, the following are unlikely to be considered unnecessary duplication:

- Projects that address the same Problem, but use a different Method; and
- Projects that use the same technology, equipment or methodology but will, upon Project completion, have reached different TRLs.

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## Documentation requirements

### Project Eligibility Assessment

3.20. Before Registration of a Project, the Funding Licensee(s) must produce a PEA, and publish it on the Dissemination Platform. Through the information contained in the PEA, the Licensee must demonstrate to Ofgem that the Project meets the eligibility and process requirements set out in paragraphs 3.5-3.19.

3.21. The PEA must be approved by a senior network manager responsible for implementing RIIIO-3 NIA Projects, whose job title and name is to be included, and published on the Project Registration Page of the Dissemination Platform.

### Maintaining a consistent methodology for calculating Project benefits

3.22. To ensure a consistent approach in assessing the benefits of Projects, we require Licensees to work together to maintain a consistent methodology for calculating the net benefit of Projects.

3.23. The Licensee must use a methodology to estimate the net benefit of the solution of the Problem. This estimate must be accompanied by a qualitative summary of the resources the Licensee currently uses to address the Problem.

3.24. In the case of a Project involving Development or Demonstration, the Licensee must be able to use the methodology to explain the net benefit of the Project including:

- Estimating the costs of delivering the Solution (at the scale being tested within the Project) through the most efficient Method currently in use on the GB Gas Transportation System/ the GB Transmission System/ the GB Distribution System - the Base Case Cost; and
- Estimating the costs of replicating the Method, at the scale being tested in the Project, once it has been proven successful - the Method Cost.

3.25. The difference between the Base Case Cost and the Method Cost for a Development or a Demonstration is the financial benefit of the Project. Where a Licensee wants to test more than one Method it must outline the financial benefit of each separate Method.

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3.26. The types of benefit included in net benefit are not restricted to financial benefits. Benefits may also include non-financial benefits (such as environmental benefits, social benefits, or carbon cost) that can have a financial value assigned that is calculated under approved methodologies, such as the RIIO-3 cost benefit analysis model,<sup>8</sup> green book guidance,<sup>9</sup> or the whole system cost benefit analysis model developed by the Single Entity Supplier.<sup>10</sup>

## Registration process requirements

3.27. Projects must be registered on the Dissemination Platform. For the avoidance of doubt, there must only be one Project Registration Page for each Project, even where there are multiple Funding Licensees. This means that, when a Project involves more than one Funding Licensee, they must nominate one Funding Licensee to undertake the Registration. However, all Funding Licensees are responsible for ensuring that they comply with this document.

3.28. Registered projects, whilst not generally requiring formal approval from Ofgem, may be subject to Ofgem review in the first 10 Working Days following registration. Further questions may be raised on Project suitability as well as the PEA to provide clarity. Additionally, where a Licensee intends to register a NIA Project which is substantively similar to a previously rejected SIF project, it must inform Ofgem by emailing [networks.innovation@ofgem.gov.uk](mailto:networks.innovation@ofgem.gov.uk) of their intention to register said Project prior to its Registration.

3.29. There are three circumstances in which a Licensee must seek explicit approval from Ofgem before the Registration of a Project. Such requests for approval should be sent to [networks.innovation@ofgem.gov.uk](mailto:networks.innovation@ofgem.gov.uk). These are where the Licensee is:

- Requesting an exemption from the default conditions for intellectual property rights (IPR) set out in chapter 7;
  - Intends to make payments to itself or to Related Undertakings as set out in chapter 4;
- or

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<sup>8</sup> The RIIO-2 cost benefit analysis model can be found here: <https://www.ofgem.gov.uk/publications-and-updates/riio-2-final-data-templates-and-associated-instructions-and-guidance> [Update]

<sup>9</sup> <https://www.gov.uk/government/collections/the-green-book-and-accompanying-guidance-and-documents>

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- Requests to deviate from the Energy Networks Innovation Process on a Project as set out in chapter 5.

3.30. Where the Licensee wishes to register a Project in one of the circumstances described in paragraph 3.29, it must make a written submission to Ofgem prior to Registration. Ofgem will review the submission and will only approve the Registration of the Project where it considers that a satisfactory justification has been supplied. Ofgem will undertake this review and respond to the request within 20 Working Days of receipt of the submission. If, during the 20 Working Day evaluation period following the submission of the request Ofgem considers that additional information will be needed to assess whether the Registration of the Project should be approved, Ofgem may extend the deadline for its decision by up to 20 Working Days, from the day when that additional information is provided.

3.31. Ofgem's past approval during RIIO-2 of the Registration of a Project in one of the circumstances detailed in paragraph 3.29 will continue to have effect during RIIO-3, provided that there are no Material Changes in circumstances following such approval that might have led Ofgem to reach a different conclusion had they been known to Ofgem at the time of such approval. If there are any such Material Changes in circumstances, the Licensee must submit a new request for approval of the Registration of a Project.

3.32. Where a Licensee has explained in its PEA why it (or its Project Partners) will face commercial harm as a result of the disclosure of any of the information required in Table 3.1 below and has informed Ofgem when registering the Project, then it is not required to publish this information. However, if information subsequently comes to Ofgem's attention which might reasonably have had a bearing on our initial assessment of commercial harm then, depending on the facts, either all or some of Total NIA Expenditure on the Project may be declared Unrecoverable NIA Expenditure (in the case of Gas Transporter, Electricity Distribution or Electricity Transmission Licensees).

3.33. Where multiple Licensees wish to recover Total NIA Expenditure for the purposes of a collaborative Project, then Funding Licensees must be named on the Project Registration Page. Where there are multiple Funding Licensees, it must be made clear at the time of Registration what contribution each Funding Licensee will be making.



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3.34. If the Licensee is not seeking Ofgem approval to register a Project for one of the reasons identified in paragraph 3.29, the Project will be registered when the Licensee publishes the information required for the Registration on the Dissemination Platform.

3.35. A Project can be registered at any time during the Regulatory Year.

3.36. Projects must not be started until 10 Working Days after Registration. Where the Licensee has sought Ofgem's approval to register a Project, it cannot be started until such approval has been given (as per paragraph 3.29). Where Ofgem has requested further information during the 10 Working Day registration period from the Licensee on the PEA or Project Registration (as per paragraph 3.28), the project can only start once Ofgem has, in writing, communicated satisfaction with the response provided.

3.37. A Licensee can still register a Project, even if it does not expect to incur any Total NIA Expenditure (for example, because a Project is funded by a third party). In that way, subject to paragraph 3.41, if Total NIA Expenditure is unexpectedly incurred by the Licensee, it will be eligible to recover Total NIA Expenditure incurred.

3.38. The Funding Licensee(s) will provide the following information in Table 3.1 on the Project Registration Page.

**Table 3.1: Information required for the Registration of RIIO-3 NIA Projects**

Information required	Description
Project title	
Project contact and email	As a minimum the central inbox, preferably name and email address of project manager or senior responsible manager
Funding Licensee(s)	The Licensee(s) which register(s) the Project and recover(s) the Total NIA Expenditure from consumers.
Eligibility	This section should explain to Ofgem's satisfaction why the Project meets the eligibility and process requirements specified in paragraphs 3.5-3.19.
Duplication	Projects must clearly demonstrate how they build upon existing or previous innovation initiatives

Information required	Description
	<p>and articulate how they provide additional value or advancement. These initiatives should include sector wide programmes and Projects and may include previous NIA projects or previous SIF Phases including unsuccessful applications.</p> <p>(Questions to add to the Registration form:</p> <ul style="list-style-type: none"> <li>• Has the Project, or a substantively similar one, applied to the SIF before?</li> <li>• Is the Project an extension of a previously or currently funded NIA project?</li> <li>• Has a literature review been conducted before Registration?)</li> </ul>
Problem statement(s)	This should outline the Problem(s) which is/are being addressed by the Project.
Method(s)	<p>This section should set out the Method or Methods that will be used in order to understand or provide a Solution to the Problem and deliver the 'key outputs' identified under the 'Success criteria' section below. The type of Method should be identified, where possible, eg technical or commercial.</p> <p>Apart from projects involving specific novel commercial arrangement(s), this section should also include a Measurement Quality Statement and Data Quality Statement.</p>
Scope, objectives, and benefits	The scope and objectives of the Project should be clearly defined, including the net benefit for consumers (for example, financial, environmental, social). This section should also estimate the net benefits which would directly accrue to the GB Gas Transportation System and/or GB Transmission System and/or GB Distribution System. These should be set out by

Information required	Description
	Work Package or at a similarly granular level to allow for meaningful analysis.
Consumer vulnerability impact assessment	Details of the expected effects of the Method(s) and Solution(s) upon consumers in vulnerable situations.
Success criteria	Details of how the Funding Licensee will evaluate whether the Project has been successful, and key outputs the project aims to deliver.
Project Partners and external funding	Details of actual or potential Project Partners, their respective roles, and external funding support as appropriate.
Potential for new learning	Details of what the parties expect to learn and how the learning will be disseminated.
Scale of Project	The Funding Licensee should justify the scale of the Project – including the scale of the investment relative to the potential benefits. In particular, it should explain why there would be less potential for new learning if the Project were of a smaller scale.
Geographical area	Details of where the Project will take place. If the Project is a collaboration, the Funding Licensee area(s) in which the Project will take place should be identified.
Relevant Foreground IPR	Details of expected Relevant Foreground IPR which will be generated in the Project. If applicable, this must also explain if Background IPR will be required to use the Relevant Foreground IPR.
Data access details	A description of how any data (de-sensitised where necessary) that are expected to be gathered in the course of the Project can be requested by interested parties, and, if applicable, reasons why such data cannot be released to interested parties.

Information required	Description
	This requirement may be met by including a link to the publicly available data sharing policy, which is required by virtue of paragraphs 2.7-2.13.
Revenue allowed for in the RIIO-3 settlement	An indication of the funding provided to the Licensee within the RIIO-3 settlement <sup>11</sup> ( <u>or the latest Business Plan determination for NESO</u> ) that is likely to be surplus to requirements as a result of the Project. Where there is more than one Funding Licensee, this should also be broken down by Funding Licensee.
Indicative Total NIA Expenditure on Project	An indication of the Total NIA Expenditure that the Funding Licensee expects to reclaim for the whole of the Project. Where there is more than one Funding Licensee, this should be broken down by Funding Licensee. We also expect Licensees to break down their projected spend by Work Package or at a similarly granular level to allow for meaningful analysis.

### Assessing the impact of innovation upon consumers in vulnerable situations

3.39. As per Table 3.1 above, Licensees must assess the expected effects of the Method(s) and Solution(s) upon consumers in vulnerable situations.<sup>12</sup> This assessment forms part of the PEA and must include an assessment of distributional impacts (technical, financial and wellbeing-related) on consumers in vulnerable situations.<sup>13</sup>

<sup>11</sup> This is funding related to expenditure included in the Gas Transporter and Electricity Transmission Licensees' settlement for RIIO-2, as detailed in the RIIO-2 Final Determination available here: <https://www.ofgem.gov.uk/publications-and-updates/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator> ; and for Electricity Distribution Licensees as detailed in RIIO-ED2 Final Determination available here: <https://www.ofgem.gov.uk/publications/riio-ed2-final-determinations> [UPDATE FOR RIIO-3]

<sup>12</sup> Full details on Ofgem's approach to identifying and defining consumers in vulnerable situations can be found in our Consumer Vulnerability Strategy 2025: <https://www.ofgem.gov.uk/publications-and-updates/consumer-vulnerability-strategy-2025>

<sup>13</sup> Ofgem has separately produced guidance on assessing the distributional impacts of economic

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## Project change requirements

3.40. Once a Project has been registered, the Funding Licensee will not be able to change the following aspects of the Project:

- Project title;
- Problem statement(s);
- Objectives;
- Success criteria; and
- The IPR arrangements.

3.41. Further, although the Funding Licensee can reduce the level of payment that was registered to be made to a Related Undertaking, it cannot either increase the payment or make a payment to an additional Related Undertaking without receiving approval from Ofgem.

3.42. If the Funding Licensee can demonstrate that there will be a benefit to changing aspects of the Project not listed in paragraph 3.40 based on learning after the Project has been started, it may do so. The Licensee must update the information on the Project Registration Page (including an explanation of why the change has been made). For the avoidance of doubt, this change could include early termination of the Project. In the event of early termination, or if changes exceeding 10% are made to the Project budget or timeline, Ofgem must be notified as soon as possible by emailing [networks.innovation@ofgem.gov.uk](mailto:networks.innovation@ofgem.gov.uk).

## Additional requirements

3.43. The Licensee, its contractors and its Project Partners must:

- Not visit the premises of any consumer for sales or marketing activities in connection with or otherwise in the context of the Project; and

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regulation and consumer archetypes:

[https://www.ofgem.gov.uk/sites/default/files/docs/2020/05/assessing\\_the\\_distributional\\_impacts\\_of\\_economic\\_regulation\\_1.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2020/05/assessing_the_distributional_impacts_of_economic_regulation_1.pdf) (August 2024)

[https://www.ofgem.gov.uk/sites/default/files/2024-02/Ofgem\\_archetypes\\_update\\_2024\\_FinalReport\\_v4.1.3\\_.pdf](https://www.ofgem.gov.uk/sites/default/files/2024-02/Ofgem_archetypes_update_2024_FinalReport_v4.1.3_.pdf) (February 2024)

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- Have regard to the implementation of the smart meter roll-out in the geographical area relevant to the Project to ensure that the Project does not impede the implementation of the roll-out in any way.

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## 4. Recovering Total NIA Expenditure

### Section summary

This chapter details what Licensees can and cannot recover as Total NIA Expenditure, including expenditure relating to equipment, Internal Resources, payments to Network Users and additional costs such as those of maintaining the Dissemination Platform.

This chapter should be read in conjunction with the RIIO-3 NIA Licence Condition. In the event of any conflict, the licence takes precedence.

4.1. We specify the level of NIA funding available to each Licensee in its RIIO-3 NIA Licence Condition.

### Compulsory contribution

4.2. Gas Transporter, Electricity Distribution or Electricity Transmission Licensees can recover 90% of their Total NIA Expenditure. The remaining 10% of Total NIA Expenditure must come from sources other than the RIIO-3 NIA, such as the Gas Transporter, Electricity Distribution or Electricity Transmission Licensee's totex, shareholder funds or other external sources. For the avoidance of doubt, if there is more than one Funding Licensee on a Project, then each Funding Licensee can only recover 90% of its expenditure on the Project from its Total NIA Expenditure. NESO can recover 100% of its Total NIA Expenditure, owing to its different funding mechanism from the RIIO-3 network companies.

### Total NIA Expenditure relating to equipment

4.3. If Total NIA Expenditure relates to equipment (including control and/or communications systems and/or software) then:

- It must be incurred with the objective of facilitating the energy system transition and/or addressing consumer vulnerability;

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- It must be incurred in relation to the research, development, procurement, installation, operation, maintenance or decommissioning of equipment which will have a Direct Impact on the Licensee's network (or energy system in the case of NESO);;
  - It must not be related to the procurement, installation, operation or decommissioning of any device on any consumer's premises that measures the consumption of energy and provides such measurement data to an Energy Supplier; and
  - It will be deemed to be connected to and form part of the Licensee's network (or energy system in the case of NESO); if it is being used to test the impact of electricity and/or gas demand of commercial or domestic consumers on the Licensee's network (or energy system in the case of NESO); for the purposes mentioned in the first bullet.

## Payments to Network Users

4.4. If Total NIA Expenditure involves payments to a Related Undertaking to remunerate a Network User for the actions it takes as part of the Project then:

- All payments that are proposed to be made to any Related Undertaking must be declared before Registration and will require approval from Ofgem before the Project can be registered;
- The Licensee must simultaneously offer the same terms to similar Network Users on the part of the network that is within the Project boundary and must have used reasonable endeavours to identify similar Network Users; and
- The payment cannot be made to affiliated Licensees undertaking the RIIO-3 NIA Project, which are Related Undertakings, except to cover the marginal operating costs of running existing Licensee owned generation or storage plants that are solely necessary for the purposes of the Project. Such marginal operating costs must be declared at the time of Registration and will require approval from Ofgem before the Project can be registered.

## Unrecoverable NIA Expenditure

4.5. Licensees cannot recover any expenditure as part of Total NIA Expenditure which does not satisfy the requirements of this RIIO-3 document; this is deemed to be Unrecoverable NIA Expenditure for Gas Transporter, Electricity Distribution and Electricity Licensees.



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## **Derogations from technical requirements and standards of performance**

4.6. Meeting the eligibility and process requirements for Projects detailed in paragraphs 3.5-3.19 does not exempt the Licensee from complying with its licence obligations to conform to all technical requirements, standards of performance, or other legislative requirements. If the Licensee wishes to seek a derogation from any technical requirements or from the requirements of any incentive scheme, it must do so through the relevant bodies and/or existing mechanisms (if any). Without a valid derogation, any increase in payments associated with failure to comply with the technical requirement or incentive scheme that occurs through undertaking a RIIO-3 NIA Project is deemed Unrecoverable NIA Expenditure.

## **Deducting Direct Benefits from Total NIA Expenditure**

4.7. Where the Licensee receives a Direct Benefit as a result of undertaking the Project, the estimated value of the Direct Benefit must be used to cover the expenditure incurred on the Project and so must be deducted from Total NIA Expenditure.

## **Recovery of additional costs**

4.8. The proportion of Total NIA Expenditure that the Licensee can spend on its own internal resources over the course of RIIO-3 is set out in the RIIO-3 NIA Licence Condition. Only that proportion of Total NIA Expenditure can be spent internally, e.g. on salaries.

4.9. Although the Licensee's membership of an external body cannot, on its own, be registered as a Project, where there are costs attributable to membership of external bodies in the context of NIA Project, the Licensee may put their membership costs into the internal cost category on a Project. For the avoidance of doubt, only external memberships that are necessary for Project Partners to undertake a Project can be recovered as external expenditure. Ofgem requires Licensees to share information on their membership costs and the added value these services bring, when requested.

4.10. Efficiently incurred costs associated with implementing and maintaining the Dissemination Platform (detailed in chapter 2) and the Energy Networks Innovation Process document (detailed in chapter 5) can be recovered within Total NIA Expenditure. Additionally, efficiently incurred costs associated with organising the Annual Innovation Summit (detailed in chapter 2) can be recovered within Total NIA Expenditure. In the case of the Annual Innovation Summit, the contribution from each Licensee may be proportional to its overall

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NIA funding. Recovery of these costs is subject to Ofgem being satisfied that the outcomes and requirements of these activities are being met, in the most effective and efficient manner possible.

## 5. Regulatory reporting for RIIIO-3 NIA Projects

### Section summary

This chapter describes the reporting requirements that Licensees must satisfy. It includes requirements to publish annual summaries of NIA activities and to adhere to the Energy Networks Innovation Process.

5.1. The Licensee must report to Ofgem the required details of its Total NIA Expenditure as set out in:

- **Standard Special Condition A40** (Regulatory Instructions and Guidance) of the Gas Transporter Licence, or
- **Standard Licence Condition SLC 46** (Regulatory Instructions and Guidance) of the Electricity Distribution Licence, or
- **Standard Licence Condition B15** (Regulatory Instructions and Guidance) of the Electricity Transmission Licence.
- NESO must provide the individual summary reports outlined below alongside its regulatory submissions through the annual NESO Financial Model process (as governed by Condition F5 and the NESO Financial Handbook) or the consolidated NESO Cost Template (as governed by Condition G2 and the NESO Performance Arrangements Governance Document).

### Publishing annual summaries of NIA activities

5.2. To provide transparency to Ofgem and other stakeholders concerning the portfolio of activities that have been undertaken and the benefits that have been derived from NIA funds, we require Licensees to publish annual summaries of NIA activities.

#### Licensee Annual Summary Reports

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5.3. By 31 July each year, each Licensee must publish an annual summary of NIA activity.<sup>14</sup> This must:

- Summarise the progress of the Licensee's NIA activities over the past Regulatory Year;
- Summarise how the NIA activities relate to the Electricity Network Innovation Strategy or Gas Network Innovation Strategy, as those strategies pertain to the energy system transition and/or consumers in vulnerable situations;
- Summarise the Licensee's collaboration with external Project Partners over the past Regulatory Year;
- Demonstrate that the Licensee has a balanced RIIO-3 NIA Project portfolio;
- Highlight areas of significant new learning;
- Summarise deployment efforts, including case studies of deployed Projects, as well as updated figures on total number of deployed projects and a summary of total benefits of funding to date (eg cost savings, emissions reductions etc)<sup>15</sup>;
- Summarise all ongoing or planned Projects for future Regulatory Years; and
- Be approved by the senior network manager responsible for implementing RIIO-3 NIA Projects.

5.4. We expect the annual summary to refer to the Dissemination Platform, where further detail on Projects can be found. The Licensee must publish this summary on its website and add a link to the summary on the Dissemination Platform.

5.5. Licensees can combine the requirement detailed in paragraph 5.3 with other reporting requirements, such as reporting required on IFI, LCNF, NIA, NIC or SIF projects being carried out or completed.

### **Collective industry-wide summary report**

5.6. By 31 October each year, Licensees must develop and publish a collective summary report of NIA activities. The report must:

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<sup>14</sup> For the avoidance of doubt, if multiple licences are held by one corporate group, this report can be published at corporate group level.

<sup>15</sup> Numbers provided should reflect those included in Innovation Measurement Framework tables filled in by Licensees every year.

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- Aggregate individual summary reports produced by Licensees, enabling readers to understand the RIIO-3 NIA Projects undertaken by Licensees and the interlinkages between those Projects;
  - Include an aggregated benefits table;
  - Include details around deployment efforts, such as case studies of deployed projects (setting out lessons learned), as well as updated figures on total number of deployed projects per company and per funding pot<sup>16</sup>
  - Include a log detailing the implementation of RIIO-3 NIA Projects, which contains reference to individual Project Registration Information and details from Project Progress Information reports; and
  - Include a log with details of all ongoing or planned Projects for future Regulatory Years.

5.7. The report must be published on the Dissemination Platform, and Licensees must link to it from their websites. Licensees can combine the requirements detailed in paragraph 5.6 with other reporting requirements, such as reporting required on IFI, LCNF, NIA, NIC or SIF projects being carried out or completed.

## **Publishing the Energy Networks Innovation Process**

5.8. To provide transparency to third parties and consolidate the outputs produced by Licensees to fulfil the requirements of this document, Licensees must work together to develop, maintain and publish the Energy Networks Innovation Process on the Dissemination Platform.

5.9. The Energy Networks Innovation Process must be first published on 1 April 2026.

5.10. Licensees must thereafter review the Energy Networks Innovation Process at least every two years, or when explicitly requested by Ofgem, and make appropriate changes to update and improve its accessibility and content.<sup>17</sup> We expect this review to be informed by stakeholder consultation on the quality of information provided by and the usability of the Dissemination Platform.

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<sup>16</sup> Data provided should reflect those included in Innovation Measurement Framework tables filled in by Licensees every year.

<sup>17</sup> For example, the Energy Networks Innovation Process must be reviewed again by 1 April 2026 and every two years after that.

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5.11. Licensees must demonstrate how they have complied with the Energy Networks Innovation Process on all Projects. Where the Licensee wishes to deviate from the Energy Networks Innovation Process on a Project, it must notify other Licensees and seek approval from Ofgem before registering the RIIO-3 NIA Project.

5.12. The Energy Networks Innovation Process must be consistent with the requirements of this document and must include details on:

- How third parties can submit innovation ideas and how these will be reviewed;
- The use of NIA funding together with other sources of funding;
- The calculation of net benefit to consumers;
- The treatment of IPRs;
- The consumer vulnerability impact assessment and how this is undertaken;
- The end to end project process for RIIO-3 NIA Projects; The RIIO-3 NIA Project data which will ordinarily be shared with requesting parties and how it can be requested;
- Developing Measurement Quality Statements;
- Developing Data Quality Statements;
- Quality assurance best practice;
- Project reporting and Dissemination;
- Supporting data table formats, and the requirement for the data in these tables to be shared with Ofgem and other Licensees;
- The methodology for reporting Solutions deployed into business as usual activities; and
- Templates for Registration and Project Progress Information reports.

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## 6. Knowledge transfer

### Section summary

This chapter sets out the knowledge transfer requirements of the NIA. It includes requirements concerning the contents of Project Progress Information reports, including the Closedown Report.

6.1. The following requirements relating to knowledge transfer are set out in this document:

- Supporting collaboration and project learning dissemination (chapter 2);
- Annual summaries of NIA activity (chapter 5);
- the Project Progress Information (this chapter 6);
- the treatment of IPR (chapter 7).

6.2. The Licensee should also seek to identify other mechanisms to ensure the effective Dissemination of learning, both during and after the completion of Projects.

### Publishing Project Progress Information

6.3. The Licensee must publish the Project Progress Information on the Dissemination Platform by 31 July each year for each Project that was ongoing or completed in the preceding Regulatory Year. If a Project is halted, then Project Progress Information must be published sooner: as soon as possible, but at the latest by 31 July following the halting of the Project.

6.4. Project Progress Information should provide sufficient information for third parties to understand what has been learned from the Project and should be sufficient to allow other Licensees to replicate the Project and minimise the likelihood of unnecessary duplication of the Project using their NIA in future. If the RIIIO-3 NIA Project generates IPR that Ofgem has agreed prior to Registration does not need to be shared, the Project Progress Information must provide sufficient information for other Licensees to determine whether the IPR would be of value.

6.5. Where the Licensee has explained in its PEA and informed Ofgem prior to Registration why it (or a Project Partner) is not able to disclose any of the information required in Table 6.1, then it is not required to publish this information in the Project Progress Information. If the Authority later considers that information has been unreasonably withheld by the Licensee, then, depending on the facts, all or some of the Total NIA Expenditure on the Project in question may be declared Unrecoverable NIA Expenditure.

6.6. All Project Progress Information reports, including Closedown Reports, may be subject to Ofgem review and further questions may be raised to provide clarity on findings and lessons learned so far.

6.7. Projects with overall NIA in excess of £1m must present findings (including whether Research, Development and Demonstration activities were successful or not) at a public show and tell event. This event may be held in person or as an online webinar and must provide interested stakeholders with an opportunity to ask questions and engage with the Project team. Webinars must be recorded and made available on a suitable sharing platform.

6.8. For Projects with overall NIA in excess of £1m, Ofgem also reserves the right to organise direct follow-ups in between the publishing of Project Progress Information reports to assess how the Project is progressing and seek clarification where needed.

6.9. The Project Progress Information must include the following sections in the order that they appear below.

**Table 6.1: Required Project Progress Information**

Section	Description
Project title	As at Registration
Scope, objectives, and benefits	As at Registration
Success criteria	As at Registration
Performance compared to the original Project aims, objectives, benefits, and success criteria	Details of how the Project is investigating/solving the Problem statement(s) described in Project Registration Information. Details of how the Project is performing/has performed relative to its aims, objectives,



	benefits and success criteria, as well as against key outputs indicated during Registration.
Required modifications to the planned approach during the course of the Project	The Licensee should state any changes to its planned methodology and describe why the planned approach proved to be inappropriate.
Lessons learned for future Projects	<p>Recommendations on how the learning from the Project could be exploited further.</p> <p>This may include recommendations on what form of trial will be required to move the Method to the next TRL.</p> <p>The Licensee should also state if the Project discovered significant problems with the trialled Methods.</p> <p>The Licensee should comment on the likelihood that the Method will be deployed on a large scale in future.</p> <p>The Licensee should discuss the effectiveness of any Research, Development or Demonstration undertaken.</p>
Data access details	<p>A description of how any data (de-sensitised where necessary) gathered in the course of the Project can be requested by interested parties, and, if applicable, reasons why such data cannot be released to interested parties.</p> <p>This requirement may be met by including a link to the publicly available data sharing policy, which is required by virtue of paragraph 2.7-2.13.</p>
Foreground IPR	A description of any Foreground IPR that has been developed by the Project and how this will be owned.

The following additional sections are also required once the Project has been completed, i.e. in the Closedown Report.

Total NIA Expenditure on Project	The final Project spend must be provided, broken down by Work Package or at a similarly granular level to allow for meaningful analysis.
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The outcomes of the Project	<p>Comprehensive details of the Project's outcomes are to be reported. Where quantitative data is available to describe these outcomes it should be included in the Project Progress Information. Wherever possible, the performance improvement attributable to the Project should be described. If the TRL of the Method has changed as a result of the Project this should be reported.</p> <p>The Licensee should highlight any opportunities for future Projects to develop learning further. Where further detail is required, a learning report may be attached to Project Progress Information.</p>
Planned implementation/deployment	<p>Details on whether and how the Licensee plans to modify its operations based on learning from the Project.</p> <p>If the Solution is not ready to be used or implemented, the Licensee should explain what needs to happen before the Solution can be implemented. The Licensee can break down the implementation requirements into actions required to be taken by the Licensees and actions required to be taken by any other persons. This information should be consistent with logs maintained by Licensees tracking the implementation of Projects. The project should also indicate whether it plans to apply to the SIF following completion, if known.</p>
Net benefit statement	<p>A qualitative and quantitative statement of whether the Project has delivered and is expected to deliver any net benefits. This will provide an update to the statement of projected net benefits required at project registration (as set out in table 3.1). Where a completed Project</p>

	<p>is expected to deliver benefits, the statement should detail:</p> <ul style="list-style-type: none"> <li>a) the net benefits the Project delivered during implementation, and</li> <li>b) where applicable, the net benefits the Project is forecast to deliver, should the innovative solution be implemented more widely, including in the long term.</li> </ul> <p>The Licensee must include alongside the net benefit statement the calculations underlying the net benefits reported, alongside a clear explanation of methodology and assumptions, the rationale for assumptions and supporting evidence. Where quantification of Project benefits is not possible, the Licensee must submit a qualitative statement which explains the benefits, and which explains why no quantification of benefits was undertaken. Where a net benefit statement includes information which the Licensee considers commercially sensitive, the Licensee may publish a redacted version, explaining the reasons for redaction, and submit an unredacted version to Ofgem.</p>
Other comments	Any additional content as required.

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## 7. Intellectual Property Rights

### Section summary

To facilitate knowledge transfer we have created default arrangements for IPRs. This chapter sets out these default arrangements.

7.1. Projects financed by the NIA may create IPR either for the Funding Licensee or for any Project Partners (whether for one, both or jointly). However, Licensees must ensure the Dissemination of knowledge and protect consumers from excessive payments.

7.2. The Licensee is required to enter into contractual arrangements with Project Partners which reflect the arrangements described in this chapter. The purpose of these arrangements is to:

- Ensure the Dissemination of knowledge generated by each Project; and
- Protect consumers against paying excessively for products or approaches (in relation to which they have contributed to the cost of development by providing NIA funding).

7.3. Given the light touch nature of these arrangements, we expect the vast majority of Projects to be able to comply with the requirements of this condition. However, if a potential Project Partner is not prepared to enter into contractual arrangements on this basis, we are willing to consider alternative arrangements on a case by case basis where all Project Partners have agreed to the proposed alternative. In any event, all alternative IPR arrangements must comply with eligibility requirement 4 as set out in paragraph 3.13.

### Knowledge Dissemination

7.4. Licensees must ensure that their IPR arrangements allow for the Dissemination of knowledge in respect of a Project. This knowledge may be the information, understanding or skills necessary to reproduce or simulate the outcome of a Project. It may also be the knowledge necessary to avoid a negative outcome. Where the deployment of IPR materially reduces the cost, difficulty or time associated with reproducing the outcome of a Project, this would also constitute IPR which is material to the Dissemination of knowledge.

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7.5. Relevant Foreground IPR is Foreground IPR that other Licensees will need to utilise in order to implement the Method(s) being Developed or Demonstrated in the Project. As per Table 3.1, in the Project Registration Information, Licensees must describe their expectation of the Relevant Foreground IPR which will be generated in the Project. As per Table 6.1, in the Project Progress Information, Licensees must also identify the Foreground IPR in sufficient detail to enable others to identify whether they need to use it. It is not expected that the confidential details of IPR would be disclosed in Project Progress Information, only sufficient information to enable others to identify whether the IPR is of use to them.<sup>18</sup> Where Background IPR is required to use the Relevant Foreground IPR, this must also be clearly stated in the Project Registration Information (Table 3.1).

7.6. Foreground IPR within Commercial Products is not Relevant Foreground IPR. However, these Commercial Products must be made available for purchase by Licensees after the Project and in line with paragraphs 7.8 to 7.11 below.

7.7. In all Projects, unless approval has been granted to deviate from default IPR rules, all Licensees will have the automatic right to use Relevant Foreground IPR within their network system, royalty free. The Licensee will ensure that arrangements are in place to allow such access.

## Ensuring value

7.8. For the avoidance of doubt, each Participant in the Project shall retain all rights in and to its Background IPR.

7.9. Each Participant shall own all Foreground IPR that it independently creates as part of the Project. Where Foreground IPR is created jointly, it may be owned in shares that are in proportion to the funding and work done in its creation. However, in circumstances where:

- The Licensee owns all the Foreground IPR generated by the Project; and
- The Licensee complies with paragraph 7.7 of this chapter,

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<sup>18</sup> This includes cases where Ofgem has agreed prior to Registration that certain IPR generated by a Project does not need to be shared.

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we will consider the Project to conform with the default IPR arrangements.

7.10. The Licensee is required to consider and enter into contractual arrangements that have the potential to provide best long-term value to all consumers during and following the completion of the Project.

7.11. The Licensee must, where appropriate, record the Background IPR, Foreground IPR and Relevant Foreground IPR within contractual agreements with Project Partners, and finalise the Background IPR, Foreground IPR and Relevant Foreground IPR in the Project Progress Information report published after project closedown.

## **Guidance for third parties on the treatment of IPR**

7.12. Third-party innovators are a key stakeholder and valuable contributor(s) in the innovation process. To help enable increased third-party involvement (as per paragraphs 5.8-5.12), Funding Parties must work together to develop and maintain illustrative guidance which helps third-party innovators understand the default IPR arrangements which underpin the operation of the NIA.

## **Deviating from default IPR rules**

7.13. Where a Licensee wishes to deviate from the default requirements for IPR set out in this chapter, it must:

- Demonstrate how the learning from the Project can be successfully disseminated to Licensees and other interested parties;
- Take into account any potential constraints or costs caused, or resulting from, the proposed IPR arrangements; and
- Justify why the proposed IPR arrangements provide value for money for consumers.

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## 8. Definitions

### Section summary

This chapter contains definitions of terms used within this document.

In the event of conflict with terms defined within licences, definitions contained in the licence will take precedence.

### Annual Innovation Meeting (AIM)

Means the annual meeting hosted by Ofgem with the purpose to bring together energy leaders to raise the collective ambition to find, test and deploy transformative technologies.

### Annual Innovation Meeting (AIM)

Means the annual meeting hosted by Ofgem with the purpose to bring together energy leaders to raise the collective ambition to find, test and deploy transformative technologies

### Annual Innovation Summit

Means the annual event bringing together network companies, third-party innovators, industry leaders and experts, to promote stakeholder collaboration and facilitate dissemination of learnings from innovation Projects.

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### Authority

Means the Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000. Used interchangeably with the term "Ofgem".

### Background IPR

All the intellectual property owned or licensed to a Participant at the start of a Project.

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### Base Case Cost

The lowest cost method of delivering the Solution (on the scale outlined as part of the Project) which has been proven on the GB Gas Transportation System and/or electricity transmission or distribution system.

### Carry-over Network Innovation Allowance (CNIA)

Means the allowance provided by Special Condition 5.3 (Carry-over Network Innovation Allowance) and Condition F2 of NESO's ESO Licence (Innovation Funding) to extend the RIIO-2 Network Innovation Allowance for an additional Regulatory Year, and the first half of the following Regulatory Year.

### Commercial Product

Products which have Background IPR identified prior to the commencement of the Project.

### Data Best Practice Guidance

Means the guidance document issued by the Authority in accordance with:

- **Special Condition 9.5** (Digitalisation) of the National Transmission System Gas Transporter Licence
- **Special Condition 9.5** (Digitalisation) of the Gas Transporter Licence held by the gas distribution companies
- **Special Condition 9.5** (Digitalisation) of the Electricity Transmission Licence

8.1. **Condition F3 (Digitalisation) of the National Grid Electricity System Operator and Gas System Planner Licences held by NESO.** **Special Condition 9.5** (Digitalisation) of the Electricity Distribution Licence

### Data Quality Statement

Sets out the provisions and approaches that will be applied during data collection and storage to ensure:

a) that the data and background information (metadata) are of sufficiently good quality that the data can be shown to be appropriate for the Project; and



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b) that the data can be found, understood, and reused by stakeholders in the future.

### Demonstration

Activity between TRL 7-8 focussed on generating and testing Solutions on the network and take it to a stage where it represents a commercially viable option and/or can be transferred to business as usual.

### Development

Activity between TRL 4-6 focussed on generating and testing Solutions to the Problem.

### Direct Benefits

Any benefits of the Project accruing to the Licensee during the Project implementation, and include funding related to expenditure included in the Gas Transporter, Electricity Distribution or Electricity Transmission Licensee's settlement for the RIIO-3 price control period (or NESO's forecast expenditure in its latest Business Plan) that will be surplus to requirements as a result of undertaking the Project.

### Direct Impact

Where the deployment or use of the Method (will in the case of Research) lead to a directly related measurable change or (in the case of a Development or Demonstration) cause a directly related measurable change in the operation of the GB Gas Transportation/ GB Distribution System/GB Transmission System in a controllable way. Where the Method involves measures that aim to reduce or shift the electrical and/or gas demand of commercial or domestic consumers, it is deemed to be controllable.

### Dissemination

Means the activity undertaken to share learning from a Project.

### Dissemination Platform

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The online digital resource where Project registration, Project data sharing and Project learning is shared with the public [[Add Link](#)].

### Electricity Distribution Licence

A licence granted under section 6(1)(c) of Electricity Act 1989.

### Electricity Distribution Licensee

The holder of an Electricity Distribution Licence.

### Electricity Network Innovation Strategy

Means a document, or suite of documents, published by Electricity Transmission Licensees and by Electricity Distribution Licensees that complies, or together comply, with the requirements of the [Electricity Transmission SLC B16.9](#), and [Electricity Distribution SLC 48A](#).

### Electricity Transmission Licence

A licence granted under section 6(1)(b) of the Electricity Act 1989.

### Electricity Transmission Licensee

The holder of an Electricity Transmission Licence.

### Energy Networks Innovation Process (ENIP)

Collective guidance document produced by Licensees to provide transparency to third parties and a consistent approach in managing the delivery, assessing and reporting the benefits of RIIO-3 NIA Projects.

### Energy Network Innovation Taskforce

Means an independent group of industry experts who define Innovation Challenges for energy network ecosystem for endorsement by Ofgem.

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## Energy Supplier

The holder of a Gas Supplier Licence or Electricity Supply Licence.

## Electricity System Operator (ESO) Licence

A licence first granted under section 6(1ZA) of the Electricity Act 1989 and currently held by National Energy System Operator (NESO).

## External Funder

An entity (that is not a Gas Transporter, [Electricity Distribution](#) and Electricity Transmission Licensee) that provides funding for the Project without requiring a return on their investment.

## Foreground IPR

All intellectual property created by or on behalf of the Participants, and Licensees to whom they licence intellectual property, agents and sub-contractors, as part of, or pursuant to the Project, including all that subsisting in the outputs of the Project.

## Funding Licensee

The Licensee that registers a RIIO-3 NIA Project and uses their NIA to fund a Project.

## Gas Network Innovation Strategy

Means a document, or suite of documents, published by Gas Transporter Licensees that complies, or together comply, with the requirements of the Gas Transporter licence SSC A28.

## Gas Transporter Licence

A licence granted under section 7 of the Gas Act 1986.

## Gas Transporter Licensee

The holder of a Gas Transporter Licence.

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## GB

Means Great Britain

### GB Distribution System

The system consisting (wholly or mainly) of electric lines owned or operated by licensed distributors that are used for the distribution of electricity from grid supply points or generation sets or other entry points to the points of delivery to consumers or authorised electricity operators or any transmission licensee in its capacity as operator of that licensee's transmission system or the GB Transmission System, and includes any remote transmission assets (owned by a Transmission Licensee within England and Wales) that are operated by that authorised distributor and any electrical plant, electricity meters, and metering equipment owned or operated by it in connection with the distribution of electricity, but does not include any part of the GB Transmission System.

### GB Gas Transportation System

The combined Pipe Line Systems of the Gas Transporter Licensees who are subject to this document.

### GB Transmission System

The system consisting (wholly or mainly) of high voltage electric lines owned or operated by transmission Licensees within Great Britain and used for the transmission of electricity from one generating station to a sub-station or to another generating station or between sub-stations or to or from any interconnector. This includes any electrical plant or meters owned or operated by any transmission licensee within Great Britain in connection with the transmission of electricity.

### Innovation Challenge

Means the strategic challenge which is recommended by the Energy Networks Innovation Taskforce as part of Programmatic Approach.

### Innovation Delivery Groups or IDGs

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Means a cohort of industry expert, third-party innovators and Licensees who focus on the coordination and delivery of an Innovation Challenges.

#### Innovation Funding Incentive or IFI

An innovation allowance provided to network companies in previous network price controls.

#### Internal Resource

Refers to how Licensees resource their teams to deliver the innovation projects.

#### Low Carbon Networks Fund or LCNF

An innovation funding mechanism for Electricity Distribution Licensees in previous price controls.

#### Licensees

Term used across document to collectively refer to Gas Transporter, Electricity Distribution and Electricity Transmission Licensees, and NESO.

#### Licensee Partner

A Licensee which is participating in a Project and which is not the Funding Licensee.

#### Material Changes

Means a change which could reasonably be believed to have caused the Authority to change its original decision that the Project should be funded.

#### Measurement Quality Statement

Defines the measurement requirements with associated data quality objectives, the measurement procedures and techniques to be used, and the mechanisms to ensure the traceability, reliability and comparability of the measurement results. The statement should follow best practice and guidance in its content and approach and ensure measurement data

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are associated and reported together with a measurement uncertainty. It should also include the approach used to assess the data against the data quality objectives.

### Method

The proposed way of investigating or solving the Problem. This may be done by either:

- Research: which means activity undertaken to investigate the Problem based on observable facts;
- Development: which means activity focussed on generating and testing Solutions to the Problem; or
- Demonstration: which means activity focussed on demonstrating and testing technologies/practices on the network which address the Problem and take them to a stage where they can be transferred into business as usual.

### Method Cost

The costs of replicating the Method, at the scale being tested in the Project, once it has been proven successful.

### NESO

Means the body established under the Energy Act 2023 as an independent system planner and operator.

### Network Innovation Competition or NIC

Innovation funding mechanism for high value innovation projects in the RIIIO-1 price control.

### Network User

A consumer, or the holder of a Gas Supply Licence, a Gas Shipper Licence, Gas Transporter Licence, Electricity Supply Licence, Electricity Distribution Licence, Electricity Transmission Licence or Electricity Generation Licence with whom the Gas Transporter and Electricity Transmission Licensee has a direct contractual relationship.

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### Net Zero

Means the achievement of net zero carbon dioxide emissions.

### NIA

Means the Network Innovation Allowance provided by the RIIO-3 NIA Licence Condition.

### Participant

A party who is involved in a Project. A Participant will be one of the following: Gas Transporter Licensee, Electricity Distribution Licensee, Electricity Transmission Licensee, NESO, Licensee Partner, Project Partner, External Funder, Project Supplier or Project Supporter.

### Presumed Open

Has the same meaning as in the Data Best Practice Guidance.

### Problem

The issue that needs to be resolved or better understood.

### Programmatic Approach

Means setting and delivering a long-term strategic direction for energy network innovation. It involves fostering greater collaboration and ensuring clear accountability among all parties to ensure transformative projects are progressed effectively and deliver system-wide outcomes.

### Project

The Research, Development or Demonstration being proposed or undertaken.

### Project Eligibility Assessment or PEA

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Documentation prepared by the Licensee prior to initiation of a Project, demonstrating that the Project and funding comply with all criteria and conditions set out in this document.

### Project Log

Means the log that each Funding Party must maintain which includes a record of what potential Projects a Funding Party has considered submitting to the NIA, a summary of the Problem the proposed Project would attempt to solve, and the reasoning for why the Project was or was not the subject of a NIA Application.

### Project Partner

A non- Licensee Participant that makes a contractual commitment to contribute equity to the Project (e.g. in the form of funding, personnel, equipment) the return on which is related to the success of the Project.

### Project Progress Information

A summary of Project progress which complies with the requirements set out in chapter 6 of this document.

### Project Registration Information

The information which Funding Licensees must publish on the Dissemination Platform in order to use funding under the NIA.

### Project Registration Page

The page on the Dissemination Platform where the Project Registration Information is published.

### Project Supplier

A party that makes a contractual commitment to supply a product or service to the Project according to standard commercial terms that are not related to the success of the Project.



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### Project Supporter

A party that makes no contractual or binding commitment to the Gas Transporter, Electricity Distribution and Electricity Transmission Licensee or any other Participant in relation to the Project but who intends to endorse and provide support to the Project and agrees to be publicly named as a supporter of the Project.

### Registration

Registration is the process by which a Project is registered on the Dissemination Platform, following which an automatic 10-day Working Day review period will be triggered before the Project can start.

### Regulatory Instructions and Guidance, or RIGs

Means the document of that name published by the Authority in accordance with Standard Special Condition A40 (Regulatory Instructions and Guidance) of the Gas Transporter Licence, or Standard Condition B15 (Regulatory Instructions and Guidance) of the Electricity Transmission Licence and Standard Condition 46 (Regulatory Instructions and Guidance) of the Electricity Distribution Licence.

### Regulatory Year

Means a period of twelve months commencing on 1 April at, for Gas Transportation and Electricity Transmission Licensees 05:00 and ending on the following 1 April immediately before 05:00, and for Electricity Distribution Licensees at 00:00 and ending on the following 1 April immediately before 00:00. The first such Regulatory Year ( $t=1$ ) in RIIO-3 commences on 1 April 2026 at 05:00 hours for Gas Transportation and Electricity Transmission Licensees, and on 1 April 2028 at 00:00 for Electricity Distribution Licensees.

### Related Undertaking

In relation to the licensee, means any undertaking in which the licensee has a participating interest within the meaning of section 421A of the Financial Services and Markets Act 2000.

### Relevant Foreground IPR

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Any Foreground IPR that is required in order to undertake the Project.

## Research

Activity between TRL 2-3 undertaken to investigate or gather evidence regarding the Problem based on observable facts.

## RIIO

RIIO stands for (Revenue = Incentives + Innovation + Outputs). It is Ofgem's framework, stemming from the conclusions of the RPI-X@20 project, implemented in network price controls.

## RIIO-2

The network price control which ran between 31 March 2021 and 1 April 2026 for Gas Transporter and Electricity Transmission Licensees, and NESO, and which runs between 31 March 2023 and 1 April 2028 for Electricity Distribution Licensees.

## RIIO-2 NIA

NIA awarded to Licensees in RIIO-2.

## RIIO-2 NIA Governance Document

means the document issued by the Authority to set out arrangements for the governance and administration of the RIIO-2 NIA.

## RIIO-3

The network price control which runs between 1 April 2026 and 31 March 2031 for Gas Transporter and Electricity Transmission Licensees, and between 1 April 2028 and 31 March 2033 for Electricity Distribution Licensees.

## RIIO-3 NIA

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NIA awarded to Licensees in RIIO-3.

### RIIO-3 NIA Licence Condition

Either:

8.2. **Special Condition 5.2** (The RIIO-3 network innovation allowance) of the Gas Transporter Licence held by National Gas Transmission plc.

8.3. **Special Condition 5.2** (The RIIO-3 network innovation allowance) of the Gas Transporter Licence held by Cadent Gas Limited, Northern Gas Networks Limited, Scotland Gas Networks plc, Southern Gas Networks plc, and Wales and West Utilities Limited.

8.4. **Special Condition 5.2** (The RIIO-3 network innovation allowance) of the Electricity Transmission Licence held by National Grid Electricity Transmission Plc, SP Transmission Ltd and Scottish Hydro Electric Transmission Plc.

[Condition F2 \(Innovation Funding\) of the Electricity System Operator Licence held by National Energy System Operator \(NESO\).](#)

### RIIO-3 NIA Governance Document

means this document issued by the Authority under the RIIO-3 NIA Licence Condition.

### RIIO-3 NIA Project

means those projects undertaken by the licensee that appear to the Authority to satisfy such requirements of the RIIO-3 NIA Governance Document as are necessary to enable the projects to be funded under the provisions of RIIO-3 NIA Licence Condition.

### RIIO-3 SIF Governance Document

Means the document issued by the Authority under the RIIO-3 SIF Licence Condition.

### Single Entity Supplier

The organisation responsible for delivery of the assigned task, e.g. Innovator Support Services, Dissemination Platform, or Annual Innovation Summit.

### Solution

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The means of solving or investigating a Problem.

### Strategic Innovation Fund or SIF

Innovation funding mechanism in the RIIIO-3 price control for funding for whole system transformational innovation Projects for Net Zero.

### Technology Readiness Level or TRL

A measure used to assess the maturity of evolving technologies. It is graded on a scale from 1 to 9, where, for the purposes of the NIA:

- TRL 1: Pure research that is theoretical or experimental work undertaken to acquire new scientific or technical knowledge for its own sake rather than directed towards an application
- TRL 2-3: Applied research driven by a desire to broaden scientific and technical knowledge for application on the network, related to an identified problem. It typically includes investigating the underlying foundation of phenomena and observable fact
- TRL 4-6: Development activities with a more commercial application including technology validation and or demonstration in a working environment
- TRL 7-8: Full scale demonstration in a working environment to test and improve technologies so they are ready for commercial deployment
- TRL 9: Application of technology in its final form, ie the technology has been proven.

### Total NIA Expenditure

means expenditure that satisfies the relevant requirements of the RIIIO-3 NIA Governance Document and partly recovered by the licensee under the RIIIO-3 Licence Condition.

### Unrecoverable NIA Expenditure

means expenditure that the Authority has determined does not satisfy the requirements of the RIIIO-3 NIA Governance Document, in accordance with the provisions of that document, and [which Gas Transporter, Electricity Transmission Licensees, and Electricity Distribution Licensees](#) cannot recover as part of Total NIA Expenditure.

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### Working Day

means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or any other day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom.

## Appendix 1 – Similarities and Distinction between NIA and SIF

Similarities	NIA	SIF
Intended outcome	Both funds are outcomes focused, either <ul style="list-style-type: none"> <li>• for deployment of innovation and/or;</li> <li>• learnings from Projects to be shared to move the whole energy system forward in the Net Zero transition.</li> </ul>	
Distinctions	NIA	SIF
Area of focus	<p>Projects must have the potential to facilitate the energy system transition and/or benefit consumers in vulnerable situations.</p> <p>Partly identified in the Programmatic Approach, but discretion for Licensee and/or Project Partners to identify challenges at working level.</p> <p>Includes Projects focused on near-term challenges created by the Net Zero transition, within existing business models.</p>	<p>Focused on whole system Projects, focused on delivering Net Zero in a cost-competitive way that demonstrates good value for money for the consumer.</p> <p>Long term, strategic, and transformational innovation.</p> <p>Innovation Challenges identified through Programmatic Approach.</p>
Scale and complexity	Projects that do not require demonstrators of £3-5m and above.	<p>i) larger scale projects that typically require demonstrators of £3-5m and above;</p> <p>ii) complex Projects with a wide range of Project Partners.</p>
Ambition level	<p>Projects with a range of Technology Readiness Levels (TRLs).</p> <p>Allows for near-term work reflecting changes in consumer priorities, led by government policy or unexpected events.</p>	<p>Transformative Projects that challenge existing business models are encouraged.</p> <p>‘Moonshot’ (defined as radically ambitious, high-risk, high reward) ideas are encouraged, as these can benefit from more direction and support.</p>
Regulatory implications	Projects that can be delivered with minimal regulatory oversight and	Projects that require greater regulatory engagement and

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	support.	support due to potential regulatory barriers.
Structure	Flexible Use-it-or-Lose-It allowance.  Collaboration amongst other Licensees and Project Partners is encouraged.	Competitive fund networks can apply for collaboratively.