

Decision

Decision: Network Innovation Competition Successful Delivery Reward application 2025

Publication date:	19 February 2026
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In April 2025, we¹ received an application for a Successful Delivery Reward (SDR) from one network company which completed its Network Innovation Competition (NIC) project.

This document sets out our assessment of the project's SDR application and the resulting level of award.

¹ The terms 'we', 'us', 'our' refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority

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1. Introduction

This section provides the context behind our decision-making for the SDR.

Context and related publications

Innovation is important to ensure that network companies support the transition to a smarter, more flexible, sustainable low-carbon energy system and reduce costs to consumers by finding new ways of operating and developing their networks.

Accordingly, our framework for regulating network companies contains mechanisms to stimulate innovation. Within the Revenue=Incentives+Innovation+Outputs (RIIO-1) price control framework, Network Licensees had access to the NIC and Network Innovation Allowance (NIA). While the RIIO-1 price control framework ended on 31 March 2021, a number of the RIIO-1 NIC projects remain in flight, and Ofgem will therefore continue to make decisions on these RIIO-1 projects during the course of the RIIO-2 and RIIO-3 price control framework.

In accordance with the NIC Governance Document,² before licensees were awarded funding for NIC projects, projects were assessed through an Initial Screening Process (ISP) before they were eligible to be developed into Full Submissions. The Full Submissions were reviewed by Ofgem and an independent Expert Panel. The Expert Panel upon assessment made recommendations to Ofgem on which projects should be awarded funding and Ofgem, based on the recommendations from the Expert Panel, made a final funding decision.

All NIC projects awarded funding in or before Relevant Year³ 2016/2017 were eligible to apply to Ofgem for a SDR once the project was completed.

The SDR is a financial reward that Network Licensees can apply for on completion of NIC projects that are delivered efficiently. The SDR is designed to reward projects that are well managed and completed at least to the standard expected given the information provided in the Full Submission. The Successful Delivery Reward Criteria (SDRC) against which the assessed project is judged is set out in its Project Direction.⁴

The Network Licensee must provide sufficient evidence to allow Ofgem to evaluate the application. The Network Licensee may be asked to resubmit its application in light of any clarification asked by Ofgem. Any resubmission or additional evidence submission may affect the timing of our decision. Ofgem may also use any other information it has gathered throughout the duration of the Project to inform its evaluation. If Ofgem considers that there is insufficient evidence to evaluate the application, then the request for a SDR will be rejected and the Network Licensee will be notified.

² [Version 3.0 of the Network Innovation Competition governance documents | Ofgem](#)

³ Capitalised terms not otherwise defined in this document have the meaning given to them in Appendix 1 of the Electricity NIC Governance Document.

⁴ The project direction for the assessed project is linked in the bullet point list at the end of this section.

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As per the NIC Governance Document, a Network Licensee makes a compulsory contribution of 10% of the total project funding approved at the start of the project. This is the maximum value of a SDR that can be awarded for a project.

There is an annual window for completed NIC projects to apply for their SDR. As required by the NIC Governance Document, the assessed submission was made by 01 May 2025. We used the application submitted, along with other evidence received in the course of the project, to assess whether the project had been well managed and met the SDRC set out in the Project Direction.

Having considered the application, we have decided to award the following:

- Angle-DC – Awarded £1,242,758.35, representing 84% of the potential reward.

Table 1: Decision on the Successful Delivery Reward

Project	Funding Mechanism	Licensee	Licensee compulsory contribution (£)	Total SDR award (£)
Angle-DC	Electricity NIC	SP Energy Networks (SPEN)	1,483,890.57	1,242,758.35

Related publications:

- [Angle-DC Project Direction](#)

Our Decision-Making Process

The process for assessing the SDR applications is set out in the NIC Governance Documents. Network Licensees are required by their respective NIC Licence Conditions to comply with the NIC Governance Documents as if it formed part of the licence. Paragraph 8.63 – 8.65 and Appendix 3 of the NIC Governance Document sets out our assessment process and the three elements of our assessment are summarised here:

- Whether the project-specific SDRC, contained in its Project Direction, had been met to a quality that we expected and delivered on time – weighted at 50% of the potential reward.
- Whether the SDRC were met cost-effectively – weighted at 25% of the potential reward.

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- The management of the project, in particular how risk and uncertainty were controlled and how significant changes to the project were managed – weighted at 25% of the potential reward.

We place greater weighting on the first element because it is directly related to evaluating how the SDRC were met. The remaining weighting is split evenly between cost effectiveness and project management.⁵

We assess projects on a case-by-case basis, using:

- Evidence submitted in the applications.
- Responses from the companies to our supplementary questions (if any).
- Evidence gathered by us during the life of the project.

We adopt a standard assessment process to ensure the projects are treated consistently and fairly.

Our assessment of each project considers the types of evidence for quality set out in Paragraph 11 of Appendix 3 of the NIC Governance Document.

Some projects undergo changes in their scope, methodology and expected outputs, which can be expected due to the nature of innovation projects. To incorporate these changes into the Project Directions, the licensees have to submit change requests to us for approval.

When we assess whether to approve these change requests, we consider whether there has been a material change in circumstances and whether the changes are in consumers' interest. We are not at that time evaluating the licensee's management of the change request, and our approval of the request does not influence our decision on the level of the award under the SDR.

We reduce the amount of the reward where we believe the licensee had not made full use of the available risk management tools.

⁵ See [previous decisions](#) for consistency of weighting.

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As per the NIC Governance Document, part of our assessment of the SDR is to consider whether the project was delivered cost effectively. We note that where Network Licensees have demonstrated that they have applied new and innovative approaches to underspend against the budget they have received the reward for cost effectiveness. We have not rewarded these Network Licensees for underspending budgets where they have not demonstrated underspending, as the underspend may simply reflect an inaccurate, and possibly overstated, initial budget.

2. Angle-DC

This section explains our considerations and final decision regarding the SDR application for Angle -DC.

Our considerations

Ofgem awarded SPEN funding for Angle-DC in 2015. Angle-DC explored reinforcing distribution networks by adapting existing electronic technologies to build a Medium Voltage DC (MVDC) link. Its objective was to smooth the way for the integration of increasing volumes of renewable generation alongside growing electricity demand.

Did the Project Meet its SDRC?

- 2.1 SPEN mostly met its eight deliverables on time. However, it was only able to provide interim results for SDRC 6. SPEN was also unable to deliver meaningful outage and energy availability for SDRC 7. It stated that it needed more time to gather data for both deliverables.
- 2.2 It plans to mitigate the situation by providing relevant data at a later date. SPEN had made assurances to Ofgem that it would do so during the funding decision process. Nonetheless, at the time of its SDR application, SPEN was not able to fulfil these criteria and this assessment must be based on the information available in the application.
- 2.3 We, therefore, do not consider the project to have fully met all eight criteria. Our scoring marked this element out of eight to represent the eight deliverables. We took off a half point for SDRC 6 and 7 not being fully met. SPEN was consequently awarded 87% of the award available for this element.

Were the SDRC cost-effectively delivered?

- 2.4 The Angle-DC project overspent by £221,000, which SPEN absorbed as a business. The total Angle-DC budget was only 1.5% higher than expected.
- 2.5 SPEN explain that cost differences were affected by Covid-19 and higher converter station building costs. It additionally argues that budget variances were a result of uncertainty in costs for equipment due to the novelty of the technology it was exploring.
- 2.6 Ofgem approved a project change request from SPEN that extended its deadlines. SPEN asked for these amendments as it wanted to reduce costs by redesigning its converter station building.
- 2.7 Only the project's Contingency budget line was above 5% variance. SPEN says it used its contingency budget almost entirely to cover additional converter station building and converter costs.

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2.8 Overall, we consider that the project was cost-effectively delivered and have awarded the full amount available for this element.

How well was the Project managed?

2.9 SPEN managed multiple risks with its project such as interference with a railway bridge, noise issues with the transformer building, and Covid-19.

2.10 It established task forces to deal with key risks and used a risk register. On top of that, SPEN spotted several opportunities in the project such as installing its Holistic Circuit Condition Monitoring (HCCM) system during an outage.

2.11 The application also details SPEN's change request for the project, which it proposed in order to save costs.

2.12 However, SPEN did not fully meet SDRC 6 and 7. As it did not meet these deliverables due to a lack of time, we consider this as evidence of inadequate project management.

2.13 We consider the project, in total, to have been well managed apart from not meeting two deliverables fully. We marked this element out of five and awarded SPEN a three in reflection of our considerations. It, therefore, received 60% of the award available for this element.

Our decision

2.14 SPEN handled its Angle-DC costs effectively, and it was largely able to manage its project and SDRCs well. However, it did not fully meet two SDRCs and for that reason we have decided not to award SPEN the full SDR award.

2.15 As a result, we have decided to award SPEN £1,242,758.35.

Table 2: Angle-DC Project Award

SDR criterion	Weighting	Available (£)	Awarded (£)	Awarded as percentage of Available
SDRC Delivery	50%	741,945.285	649,202.124	87%
Cost effectiveness	25%	370,972.643	370,972.643	100%
Project management	25%	370,972.643	222,583.586	60%
Total	100%	1,483,890.57	1,242,758.35	84%

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*The award is broken down as follows: 50% of the total award is calculated under the project specific SDRC delivery; 25% weighting is awarded for cost effectiveness; and a further 25% is awarded for project management.

Send us your feedback

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

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

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