

## Decision

# Decision on Network Innovation Allowance RIIO-2 Governance V4 Update

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As part of RIIO-ED2, Ofgem gave Distribution Network Operators (DNOs) a Network Innovation Allowance (NIA) for the first three years of the price control. In October 2025, we decided to award additional NIA funding to most DNOs for the final two years of the price control. We also stated our intention to change the RIIO-2 NIA Governance Document to allow DNOs to keep registering projects past 31 March 2026. In December we launched this consultation, which proposed the amendments needed to facilitate this change.

All respondents to this consultation supported our proposed modifications to the RIIO-2 NIA Governance Document. We have decided to implement these changes effective immediately.

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

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**Decision on Network Innovation Allowance RIIO-2 Governance V4 Update**

**Contents**

**1. Introduction..... 4**  
Context and related publications ..... 4

**2. Decision on Network Innovation Allowance RIIO-2 Governance V4 Update ..... 5**  
Consultation Overview ..... 5

**3. Next Steps ..... 6**

**Send us your feedback ..... 7**

## Decision on Network Innovation Allowance RIIO-2 Governance V4 Update

### 1. Introduction

In this section we explain the context behind this decision on our consultation.

#### Context and related publications

As part of RIIO-ED2, DNOs were given a NIA allowance with the flexibility to allocate the funds across the whole price control period provided projects were registered by 1 April 2026. Funding was approved for the first three years, with a review scheduled to decide whether further funding was needed for the final two years of the price control.

In October 2025 we decided further funding will be allocated to most DNOs for the final two years of RIIO-ED2. We also decided to change the NIA RIIO-2 governance to allow DNOs to continue registering projects past 31 March 2026. This consultation proposed amendments to the NIA RIIO-2 Governance Document to facilitate that change.

The consultation proposed modifications to paragraph 3.2 of the NIA RIIO-2 Governance Document. They would not affect Gas Transporter or Electricity Transmission Licensees as these companies will be able to access NIA funding under the RIIO-3 price control from 1 April 2026.

Related publications:

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

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## 2. Decision on Network Innovation Allowance RIIO-2 Governance V4 Update

This section summarises the consultation responses and our decision to modify the NIA RIIO-2 Governance Document.

### Consultation Overview

#### Response feedback

- 2.1 We had four responses to this consultation.
- 2.2 All respondents agreed with our proposals to modify the NIA RIIO-2 Governance Document to allow DNOs to continue registering projects past 31 March 2026.
- 2.3 One respondent asked to reword the definition for the “Revenue allowed for in the RIIO-2 settlement” section in Table 3.1 to reflect the increase in allowances DNOs were awarded for the final two years of RIIO-ED2.
- 2.4 One response queried when references to Gas Transporter and Electricity Transmission companies would be removed as they would be subject to the NIA RIIO-3 Governance Document from 1 April 2026. They added that references to RIIO-1 NIA could be removed and noted formatting issues in the document.

#### Our decision

- 2.5 We have decided to implement the originally proposed amendments to the governance document.
- 2.6 We will change the “Revenue allowed for in the RIIO-2 settlement” section in Table 3.1 to reflect the increase in allowances DNOs have been awarded.
- 2.7 We have decided not to remove references to Gas Transporter and Electricity Transmission companies as projects funded under RIIO-2 NIA allowances will still be subject to the RIIO-2 NIA Governance Document, as will projects funded under the Carry-over NIA (CNIA). Gas Transporter and Electricity Transmission projects funded under RIIO-3 NIA allowances will be subject to the RIIO-3 NIA Governance Document.
- 2.8 We have decided to not remove RIIO-1 NIA references in the document as they set the relevant context under which the RIIO-2 NIA governance operates.
- 2.9 Formatting and typographical issues have been resolved with a new template used for the governance document.
- 2.10 We also made clarifications to the text regarding the electricity system operator.

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### **3. Next Steps**

- 3.1 This is our last decision regarding the NIA RIIO-2 Governance Document V4.
- 3.2 The NIA RIIO-2 Governance Document V4 will be in force upon publication.
- 3.3 DNOs will be able to register NIA projects past 31 March 2026.

## Decision on Network Innovation Allowance RIIO-2 Governance V4 Update

### 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](mailto:stakeholders@ofgem.gov.uk).