



**5 February 2016**

Dear Andrew,

Citizens Advice are pleased to respond to your letter on reviewing the benefits of the Low Carbon Networks Fund and the governance of the Network Innovation Competition and Allowance.

We do not have a firm view on whether the innovation allowance and competition is working adequately: for us, the jury is still out. We have undertaken substantial prior work in investigating the consumer impacts of Low Carbon Networks Fund projects which we would like to draw to the attention of your independent evaluators. In particular, in 2015, we commissioned SE<sup>2</sup> to capture the findings on consumer impacts from LCNF projects (see Annex A), reviewing thirteen distinct schemes that we judged would have particularly relevant consumer impacts.

On the basis of this work, we produced a recommendations report, *Where next for the smart energy consumer?* (see Annex B). Of particular relevance to your current work, we recommended that:

- Future projects based on behaviour change and efficiency should align with existing local initiatives. Smart grids should be a facilitator of local delivery of energy efficiency, not a rival or duplicate.
- A standard framework should be provided for projects taking part in the Network Innovation Competition to monitor complaints, participant demographics and satisfaction and attitudes.
- To speed up dissemination and implementation of results, Ofgem should publish an annual round-up of network innovation projects and a series of short thematic reports on innovation findings so far.

We have also recently given oral and written evidence to the Energy and Climate Change Committee's inquiry into [low carbon network infrastructure inquiry](#), which touches on many of these issues.

We also welcome proposals to potentially allow projects covering the broader energy system and to allow third party participants to compete for funding



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directly. Given the nature of the scheme, it may well be that network operators delivering network focussed projects are likely to be the most innovative and efficient bids. However, this need not always be the case. If network operators believe there are lower hanging fruits for innovation that encompass the broader energy system or if third parties believe they could deliver network focussed projects more efficiently, then they should have the opportunity to compete.

We look forward to participating in further discussions regarding network innovation and its impacts for consumers. If you or your independent evaluators have any questions about this response or the content of our reports, please do not hesitate to contact me.

Kind regards,

Morgan Wild

**Senior Policy Researcher**  
**Citizens Advice**