



Making a positive difference  
for energy consumers

Energy innovators  
Innovation-supporting  
organisations  
Other interested parties

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## **Innovation Link evaluation and evolution – request for feedback**

In December 2016, Ofgem launched the Innovation Link as a dedicated service for businesses looking to offer innovative products and services in the energy sector. Its core services – Fast Frank Feedback<sup>1</sup> and the Energy Regulation Sandbox<sup>2</sup> – aim to help innovators navigate the regulatory framework, understand what it means for them and trial or launch new products or services in the best interest of consumers.

Almost five years and 500 engagements later, we believe it is time to take stock and ask what impact the Innovation Link has had, how to make the current services more effective, and how to evolve the Link's offer to most effectively support innovation, particularly in the context of the country's decarbonisation ambitions.

To this end, we want to invite innovators and other stakeholders to share their views on the future evolution of the Innovation Link. Mindful that the Link forms part of a broader network of innovation-supporting services in the GB energy sector, we are keen to hear from all interested parties.

To ground our deliberations in evidence, Ofgem commissioned an external evaluation of the Innovation Link, which we are publishing today.

### **Evaluation**

The consultancy firm CEPA was appointed to conduct the independent evaluation of the Link's services. CEPA concluded that our services meet their original objectives, that they remain necessary for innovators and could be broadened.

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<sup>1</sup> <https://www.ofgem.gov.uk/publications-and-updates/what-fast-frank-feedback-can-and-cannot-offer>

<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/energy-regulation-sandbox-guidance-innovators>

The report's findings expand on the barriers that innovators face in navigating the energy sector, its markets and regulatory framework. It also highlights the diversity of innovators that access the Link's services both in terms of the maturity of their propositions and the support they require.

Importantly, CEPA found that our services can support innovators in overcoming some of the prevailing barriers, accelerating the time it takes to reach the market, help them understand how regulation applies to them, give them confidence to take the next step, and improve investor confidence. The Sandbox specifically enables innovators to trial something that would otherwise not be possible within existing regulations, while continuing to protect consumers.

In turn, the Innovation Link can benefit energy consumers by reducing the time to get innovations to market, by making innovators' proposals more consumer-focused, and by feeding into regulatory developments through the unique insights we gain from working directly with innovators.

We are pleased that our services achieve their objectives, while fully acknowledging that we don't achieve these outcomes for every innovator, all the time. As CEPA rightly highlights in the report, attribution and impact measurement of a service like ours is a challenge, and we have plans in place to improve our monitoring tools to be better able to meet that challenge.

## **Evolution**

To protect the interests of energy consumers now and in the future, Ofgem is working to deliver a greener, fairer energy system. Ofgem's Decarbonisation Action Plan (2020)<sup>3</sup> highlights the key role innovation will play in achieving net zero. As per our Forward Work Programme 2021/22<sup>4</sup>, Ofgem is developing a Strategic Change Programme, setting out priority areas to enable an energy transition that works for all energy consumers, with innovation being a key enabler. In this context, we are considering how the Innovation Link can evolve to help facilitate innovation and support a fair and inclusive net zero at lowest cost to consumers.

CEPA's evaluation report makes important recommendations for how we can improve and expand our services. Stakeholders have also told us that there is scope for greater alignment between innovation-supporting organisations by, for instance, clearly setting-out

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<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/ofgem-s-decarbonisation-action-plan>

<sup>4</sup> <https://www.ofgem.gov.uk/publications-and-updates/forward-work-programme-202122>

how our services complement each other, making the customer journey between our services as seamless as possible, and developing common resources where we support innovators on similar issues. We are keen to hear stakeholder views on these recommendations, as well as on other strategic questions.

- Should we continue to focus the lion's share of our resources on providing bilateral innovator support, or shift to multi-lateral support, such as producing regular guidance and Sandbox offers that help multiple innovators or whole business models at a time? What are the pros and cons, risks and trade-offs we should consider?
- We provide the Fast Frank Feedback service, that helps innovators to navigate the regulatory framework, on an innovation-agnostic basis. What would be the risks, unintended consequences and benefits of operating this and other services in a way that gives greater attention to innovations that facilitate decarbonisation or tackle challenges for particular groups of consumers, such as, vulnerable groups?
- Our current Sandbox offer is demand-led, responding to what innovators are looking to bring to market. In other countries, sandboxes are often policy-led, designed by the regulator (or sponsoring ministry) to test regulatory responses or solutions to specific policy issues. Should Ofgem additionally explore using policy sandboxes, and if so, what could make them attractive to innovators?
- Various organisations provide services to energy innovators: funding or support with funding applications; incubation and acceleration support; trial or demonstration spaces; social networks for innovators; connecting innovators with organisations putting out calls for innovation; partnering with innovators. In this context, what roles should the Innovation Link fulfil that add greatest value? What can we provide that others cannot?
- How can a more seamless and holistic support journey to innovators be facilitated, and where could the Link slot in? For example, should we consider delivering services through partnership working or integrating with other service offerings, and what are the risks and benefits involved?

In line with Ofgem's aim to be more agile and responsive in how we regulate, we are inviting stakeholder views at this early stage, to shape our deliberations. Once we have concrete proposals for Innovation Link evolution, we will provide an update.

### **Responding to this request for feedback**

Stakeholders are invited to provide views on the evaluation results and the evolution of the Innovation Link by 20 July 2021, by emailing the Innovation Link team at [InnovationLink@ofgem.gov.uk](mailto:InnovationLink@ofgem.gov.uk), including any requests for meetings. If there is sufficient

interest, and subject to wider prioritisation, we will consider hosting dedicated online sessions on topics of wider interest to the innovator community.

Yours faithfully

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Head of Retail Market Policy