

Interested parties

Email: networks.innovation@ofgem.gov.uk

Date: 14 February 2025

Consultation on updates to the Strategic Innovation Fund Governance document

The Strategic Innovation Fund (SIF) is a 5-year £450 million initiative to encourage innovation that will unblock the energy transition. SIF was launched in July 2021 by Ofgem as a RIIO¹⁻² funding mechanism. The SIF focuses on finding and funding ambitious, innovative projects with the potential to accelerate the transition to net zero and delivering net benefits to energy consumers.

Ofgem is the decision-maker in relation to the SIF. To support the SIF's operation, Ofgem partnered with Innovate UK, part of UK Research and Innovation (UKRI). As per the SIF Governance Document, Innovate UK's role is to deliver the SIF in line with the SIF Governance Document, including making recommendations to Ofgem on operational matters.

To date, the SIF has issued 4 rounds of Innovation Challenges that Networks and innovator partners have responded to with Applications for funding, with the SIF programme providing funding of £235 million for 246 Projects.

We² are currently reviewing and updating the SIF Governance document to reflect the additional guidance and evolved processes after two years of practical use. This revision ensures alignment with established practices and provides clarity moving forward. This consultation seeks feedback on the following changes:

1. Referencing of additional dissemination portal and associated requirements for quality and accessibility;

¹ RIIO stands for Revenue = Incentives + Innovation + Outputs

RIIO-2 is the price control period which runs between 2021-2026 for Electricity System Operator, Electricity Transmission, Gas Transmission and Gas Distribution sectors and from 2023 for the Electricity Distribution sector. RIIO-2 is our approach to ensuring that monopoly companies who own and operate our gas and electricity networks have enough revenue to run an efficient network that delivers what customers need.

² The terms the "Authority", "Ofgem", "we", "our" and "us" are used interchangeably in this document. The Authority refers to the Gas and Electricity Markets Authority. Ofgem is the Office of the Gas and Electricity Markets Authority

2. Detailing additional guidance and evolved process for the Application Process, Assessment and Project Delivery;
3. Introducing two defined terms 'Cycle' and 'Stage Gate';
4. Updating organisation references e.g. National Energy System Operator (NESO) and Department for Energy Security and Net Zero (DESNZ).

As we move towards RII0-3, a further consultation will take place to reflect any changes to the SIF programme which may be required. Therefore, any consultation responses put forward during this consultation that is outside the changes presented, may not be answered but may be kept and addressed in a future consultation.

Next steps

We will use the responses to assess the changes made to the SIF Governance document and determine a final draft to be published in March 2025.

Stakeholders are invited to respond to this consultation **no later than 5pm on 14 March 2025**.

All responses to this consultation should be sent to networks.innovation@ofgem.gov.uk, SIF_ofgem@iuk.ukri.org and sam.walker@ofgem.gov.uk.

We also ask that any network licensee without views or comments on our proposals to provide confirmation of receipt and their nil response to the email addresses above by the consultation close.

The annex to this letter details our approach to handling consultation responses and explains that respondents can request their response (in full or in part), be kept confidential.

Subject to our consideration of stakeholder responses to the consultation questions, we will publish an update in March 2025 (alongside non-confidential responses to this consultation).

Yours sincerely,

Marzia Zafar
Deputy Director for Strategy & Decarbonisation
For and behalf of the Authority

Annex: Your response, data and confidentiality

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on this document's front page.

We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, data and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

We believe that consultation is at the heart of good policy development. We welcome any

comments about how we've run this consultation. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

Please send any general feedback comments to stakeholders@ofgem.gov.uk.