

# Ofgem's Innovation Hub

**Our mission is** to embed innovation across the energy sector and within regulation, and enable and stimulate innovation (in technologies, products, services, business models and methodologies) that benefit current and future consumers and deliver Net Zero at least cost.

**We will achieve this by** being strategic in our leadership, agile in how we regulate and through services we deliver to innovators.

## Our services

Guides

Feedback

Sandbox

Strategic  
Innovation  
Fund

Insights

Advice and guidance

Regulatory relief

Funding

Improving regulation

- **Network innovation stimulus** is a core feature of RIIO. Innovation in **technologies, products, services, methodologies and business models** is a key sector issue that the Hub allows us to better address.
- Consumers have **inherent (but not risk free) interests in innovation** – the Hub works to deliver on this interest while de-risking innovation to best protect consumers.

Introduction to the  
Strategic Innovation Fund (SIF)  
+ Network Innovation Allowance (NIA)

# We're part of a wider landscape

### Innovation Hub

#### Ofgem and Innovate UK

- Strategic Innovation Fund
- Innovation Sandboxes
- Regulatory change
- Policy and innovation coordination with DESNZ
- Other UKRI innovation funding programmes



### Knowledge Transfer Network

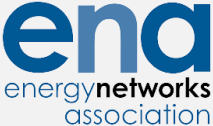
- iX Challenges (innovation procurement)
- Innovation from other programmes
- Cross-sector partnerships

InnovateUK  
KTN

## The Energy Network Innovation Ecosystem

### Energy Networks Association

- Smarter Networks Portal
- Network Innovation Allowance
- Leading Industry initiatives
  - E.g. Open Networks Project



### Energy Innovation Centre (EIC)

- Supporting third parties to develop energy network expertise
- Developing network partnerships for NIA and SIF



# Introduction to SIF:

## What is SIF technically speaking?

The SIF (Strategic Innovation Fund) is a **£450m fund** designed to drive the innovation needed to **transform gas and electricity networks** for a low-carbon future, with the investment from 2021-26 (ES0/GT/GD/ET) and 2023-2028 (ED).

- focuses on **'big, strategic, risky'** projects, with projects typically being within the 3-8 TRL range.
- **funding drawn through compulsory levy** (consumers paying). Only licensees and their partners can access the fund.
- **part of RIIO-2** price controls.

## VISION & MISSION

1. To **find and fund** ambitious, innovative projects which can **facilitate the UK's transition to net zero, at lowest cost to consumers.**

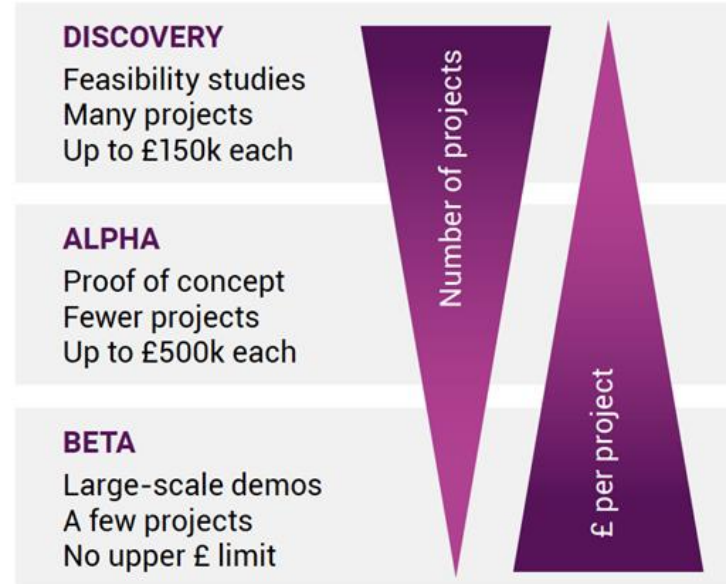
Reflects  
Ofgem's org  
focus/values

2. To **help transform the UK into the 'Silicon Valley' of energy.**

Reflects  
IUK's org  
focus/values



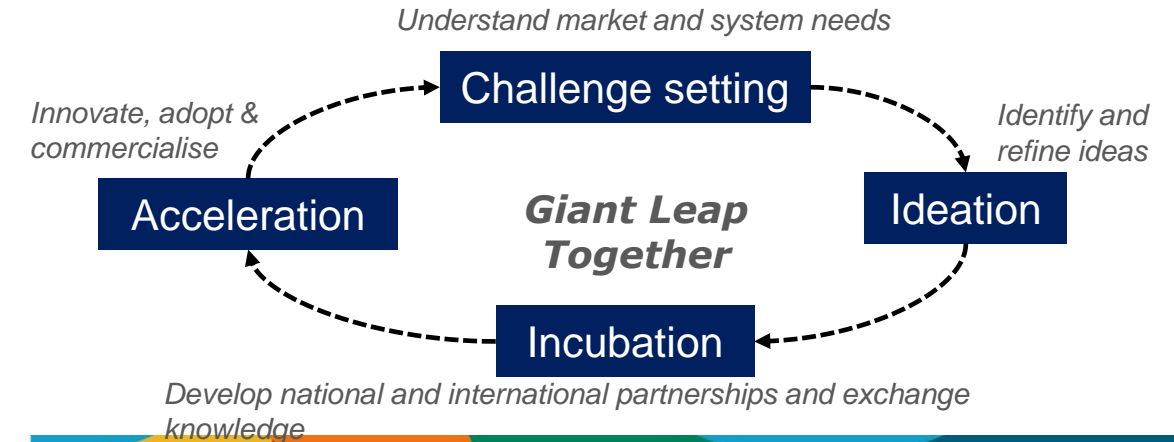
## SIF FUNDING MODEL



The SIF utilises a phased funding model (roughly aligned in scale to pre-seed, seed and Series A). This allows us to:

- De-risk the funding by ensuring scrutiny at each phase of funding
- Create a coordinated funding timeline for the innovation landscape to work to

## SIF OPERATING MODEL



# What is the Strategic Innovation Fund in numbers?

*A major investment programme to drive energy network innovation*

- Paid for by **consumers** on their energy bills
- **£450m** available over the next five years
- Designed to help energy **network users** and **consumers**
- A **new** type of innovation competition process

## An Early Indication of Benefits

**>£2.6bn**  
potential cost  
savings by  
2035\*

**>7.1  
mtCO<sub>2</sub>e**  
potential  
emissions  
savings by  
2035\*

\*general illustrative figures, based on projections and recognising that many projects may not progress to full rollout

## The numbers so far

**201**  
project  
funded

**£136m**  
SIF funding  
allocated to  
projects

**£20.6m**  
additional  
contributions

**300**  
different  
organisations  
funded

**70+**  
SME  
additional  
support

# Our Vision and Mission:

**Where** are we going, and **why** are we going there:

**VISION**

**Accelerate the UK's transition to net zero, at lowest cost to the consumer**

**Make the UK the best country for energy businesses to grow and scale**

**MISSION**

**Helping People**

**Helping the Planet**

**Helping Business**

**Ensuring value for money for energy consumers**

**Accelerating net zero delivery**

**Enabling diverse collaboration to deliver change**

**Creating transformative products and services**

**Enabling energy security**

**Supporting the best ideas to grow and scale**

**Empowering people in businesses and communities**

**Making energy systems more resilient and robust**

**Encouraging finance and investment**

# Our Strategy:

What are we going to focus on, to achieve our vision and fulfil our purpose:





Any questions?



# Funding governance:

## Strategic Innovation Fund Eligibility Criteria

**1. Projects must address the Innovation Challenge set by Ofgem.**

2. Projects must have clearly identified potential to deliver a net benefit to gas or electricity consumers (whomever is paying for the innovation).

3. Projects must involve network innovation.

4. Projects must not undermine the development of competitive markets.

5. Projects must be innovative, novel and/or risky.

6. Projects must include participation from a range of stakeholders.

7. Projects must provide value for money and be costed competitively.

8. Projects must be well thought through and have a robust methodology so that they are capable of progressing in a timely manner.

Detailed descriptions available in Chapter 2 [SIF Governance Document](#)

# Round 4 Innovation Challenges:

Learnings and developments from the previous rounds are effectively mapped across to develop new challenges, such as for Round 4 which was announced on **8<sup>th</sup> March**.

Round 4	Faster network development
	Greater heat flexibility
	Embedding resilience
	Accelerating towards net zero energy networks

		Round 1				Round 2				Round 3			
		Whole system integration	Heat	Zero emissions transport	Data and digitalisation	Supporting a just energy transition	Improving energy system resilience and robustness	Preparing for a net zero power system	Accelerating decarbonisation of major demands	Whole system network planning	Novel technical, process and market approaches	Unlocking energy system flexibility to accelerate electrification of heat	Power to gas for system flexibility
Round 2	Supporting a just energy transition												
	Improving energy system resilience and robustness												
	Preparing for a net zero power system												
	Accelerating decarbonisation of major demands												
Round 3	Whole system network planning												
	Novel technical, process and market approaches												
	Unlocking energy system flexibility to accelerate electrification of heat												
	Power to gas for system flexibility												
Round 4	Faster network development												
	Greater heat flexibility												
	Embedding resilience												
	Accelerating towards net zero energy networks												



# SIF Round 4 challenges:



## **Challenge 1: Faster network development**

*Accelerating the pace of network development to meet net zero*

## **Challenge 2: Greater heat flexibility**

*Increasing development and use of heat flexibility for network and system benefit*

## **Challenge 3: Embedding resilience**

*Preparing energy networks for a resilient net zero transition*

## **Challenge 4: Accelerating towards net zero energy networks**

*Developing an efficient net zero energy system*