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14 August 2026

Dear Sir/Madam,

Citizens Advice welcomes the opportunity to respond to Ofgem's Innovative Delivery Incentive Guidance Document. We are the statutory consumer advocate for energy consumers in Great Britain. This response is not confidential and may be published on your website.

Having reviewed the proposal, we set out our feedback below

Executive summary

We, in principle, support Ofgem's proposed Innovative Delivery Output Delivery Incentive (ODI-F) and the introduction of an independent panel. The incentive has the potential to encourage network companies to move successful innovation projects into business as usual. However, we believe several aspects of the proposal need greater transparency and accountability.

- Network companies should provide solid evidence when claiming their projects are innovative. Ofgem should also explain why projects only need to deliver £5 million in savings (down from £10 million) to qualify.
- Additionally, we also believe that every panel must include an economic expert to double-check benefit claims.
- Companies should not be rewarded for "collaborating with NESO." Working closely with NESO is already part of the transmission operator's responsibility. Customers should not pay for transmission operators meeting their existing obligations.
- Ofgem should audit projects after launch to verify that the promised benefits are actually delivered.

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- Finally, penalties for poor performance should apply to all areas—not just power outages—to keep the incentive fair and balanced.

Our core principle is that financial rewards should only go to network companies that deliver genuine, proven value to energy bill payers.

The detailed responses underpinning these views are set out in our full response below.

Q1. Do you agree with the proposed five eligibility criteria? If not, what would you propose to change and why?

We broadly agree with the proposed criteria.

However, greater emphasis should be placed on the level of detail and justification that transmission operators provide regarding their project eligibility for the ODI-F. As highlighted in our report *Making Innovation Count*, network companies exhibit significant inconsistencies in documentation across their innovation portfolios, with wide variations in quality and detail.[1]

We are particularly concerned about Criterion 1 (defined behaviour areas) and Criterion 2 (innovative approach). Other criteria rely on concrete, objective thresholds such as proving £5 million in net consumer benefits, demonstrating deployment after 1 April 2026, or proving the project is not rewarded through alternative funding or incentives. In contrast, Criteria 1 and 2 rely entirely on qualitative self-justification by transmission operators, increasing the risk of ambiguity and subjectivity. We have concerns about how Ofgem will verify claims made by transmission operators that a project is truly "novel", and there is a high risk of inconsistency across transmission operators in how they interpret what constitutes an "innovative" approach.

[1] Citizens Advice (2025) Making Innovation Count - A Transparency Review of NIA and SIF Projects, p.4

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To overcome the ambiguity, Ofgem must mandate that network operators provide explicit comparative evidence with their submission. Transmission operators should be required to contrast their proposed approaches directly with sector practices or their own practices, demonstrating where the innovation occurred. Also, Ofgem must scrutinise and verify these qualitative justifications to ensure that consumer-funded incentives are awarded for truly innovative project delivery.

Ofgem should also explain in the guidance document why £5 million is an appropriate threshold. In the Draft Determinations, Ofgem noted that all three Transmission Operators (TOs) considered the original £10 million threshold per behaviour area too difficult to achieve.[2] It would be helpful if Ofgem explained in the guidance document why TOs found the original £10 million threshold unachievable and why £5 million was chosen as the new target. The guidance document provides an ideal opportunity to do so.

We maintain that financial incentives should be strictly reserved for high-impact innovations that drive substantial, transformational change across the network. Lowering the threshold to £5 million may set the bar too low, rewarding BAU improvements at energy billpayers' expense.

Q2. Are the proposed eligibility criteria and associated guidance clear and workable? In particular, are the 'requirements for assessments of economic benefits' in Appendix 1 of the Innovative Delivery Incentive Guidance document clear and sufficient?

We welcome the requirements for assessments of economic benefits. Our primary concern is whether estimated benefits will be audited. To maintain accountability, a reliable auditing mechanism must be introduced to verify that estimated aggregate benefits are realised in practice. We recognise that this might mean using sampling methods rather than inspecting every project.

Regarding eligibility criterion 5, we would welcome clarification on what 'net consumer benefits' mean in practice. Specifically, when these benefits take the form of direct financial savings to the

[2] Ofgem (2025) Decision - RIIO-3 Final Determinations – ELoweringlectricity Transmission, p.69

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networks, Ofgem must clarify whether the 'net consumer benefits' involve the network passing the entire cost saving or only a portion of it to energy bill payers.

Q3. Based on the eligibility criteria, are there likely to be a range of eligible examples for the first assessment window in 2027/28?

No answer provided.

Q4. Do you agree with the role and composition of the proposed Innovative Delivery Incentive Panel? If not, what would you propose to change and why?

Yes. We support the creation of an independent Innovative Delivery Incentive Panel.

Q5. Is the range of experience and/or expertise we are seeking from the proposed Panel appropriate for their role? Are there other types of expertise that the Panel will require?

While the overall range of expertise is appropriate and we welcome the inclusion of economic analysis within the proposed range of panel expertise, we are concerned that there is currently no guarantee an economic expert will sit on every panel. Given that one of the core objectives is to assess whether implemented projects deliver verifiable value to energy consumers, embedding economic expertise on the panel is crucial for a robust evaluation.

Q6. Do you agree with the proposed assessment and decision-making process? If not, what would you propose to change and why?

Yes, we agree with the proposed assessment and decision-making process. However, we urge Ofgem to provide greater clarity regarding the operational timeline. Defining set timeframes for initial reviews, panel evaluations and final determination announcements will improve transparency.

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Q7. Do you agree with Ofgem's role in checking the completeness and eligibility of licensee Panel Submissions?

Yes, we have no objection to Ofgem taking on the screening role.

Q8. Do you agree with our proposed overall approach to the assessment criteria ie, assessing examples based on 'baseline', 'good', or 'excellent' performance? If not, what would you propose to change and why?

Yes, we agree with the proposed approach of evaluating criteria.

Q9. For each of the five individual assessment areas:

- Do you agree with the proposed criteria? If not, what would you propose to change and why?

Yes, we broadly agree with the proposed assessment criteria. However, we have concerns regarding the criteria of "effective NESO collaboration".

Effective NESO collaboration is inherently qualitative and difficult to measure accurately. Unlike concrete metrics such as demonstrated savings (i.e. a criterion for savings in supply chain and/or contracting) and reductions in unplanned non-fault outages (i.e. a criterion for effective outage management). Collaboration lacks an objective performance baseline, making objective verification difficult.

Additionally, the collaboration with NESO is already mandated under the CSPN Coordination Governance Document[3], and furthermore is incentivised through the SO: TO ODI-F, which, as we have already outlined, offers companies significant rewards for relatively low spending (such as

[3] Ofgem (2026) CSNP Coordination Governance Document, p.12

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£8 million compared to costs of £1 million in one year of RIIO-2.[4] Rather than encouraging better collaboration through incentive criteria, we believe it is more appropriate to tighten and set a higher baseline directly within the CSNP governance framework itself, as it risks using energy billpayer money to reward activities that TOs are required to perform as part of their duties.

- Do you consider the proposed criteria provide sufficient guidance to the Panel without restricting its discretion?

Yes, we believe that the proposed approach retains sufficient discretion for the Panel to evaluate different innovation projects.

However, we are concerned about the ambiguity of certain terms used in the governance document's assessment criteria, such as 'sector-leading' (p. 21) and 'significant' (p.23). These terms are vague and open to broad interpretation by both TOs and Panel members. Therefore, we recommend that Ofgem provides clear, objective definitions for these terms or replace them with more concrete criteria. While flexibility is desirable, it must be carefully balanced with consistency across the assessment process.

- How well do the criteria drive the positive behaviours we are seeking to incentivise through the Innovative Delivery ODI-F?

We believe that the Innovative Delivery ODI-F has the potential to encourage more innovation projects being implemented. However, we have concerns regarding the category of effective NESO collaboration. Collaboration with NESO is already mandated under the CSPN Coordination Governance Document. Rather than introducing additional consumer-funded incentives, Ofgem should tighten governance and elevate baseline requirements directly within the CSNP framework.

[4] Citizens Advice (2024), Response to RIIO-3 Sector Specific Methodology for the Gas Distribution, Gas Transmission and Electricity Transmission Sectors

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- Are there any unintended consequences from our proposed criteria?

No. We do not believe the proposed criteria will result in significant unintended consequences.

Q10. Do you agree with the proposed two-stage approach to Panel scoring?

Yes, we agree with the proposed two-stage approach to Panel scoring.

Q11. Should the Panel's report and recommendations include any other information?

Yes. We recommend that the Panel's report include the individual scores and supporting justifications from each panel member. Because panel decisions may not always be unanimous, providing these individual breakdowns to Ofgem will offer valuable insight into differing expert perspectives. This increased transparency will support better decision-making.

We expect these evaluation reports to be made publicly available (subject to appropriate redactions for commercial confidentiality) to give external stakeholders clear visibility into how final determinations are reached, particularly since energy billpayers directly fund these financial rewards through their energy bills.

Q12. Do you agree with the proposed approach to calculating IDIPASt, which is the value of the licensee's Innovative Delivery ODI-F performance reward? If not, what do you propose to change and why?

Yes. We agree with the general calculation framework for IDIPASt. Specifically, we support capping performance rewards so that total payments do not exceed the net consumer benefits generated across all eligible examples. We also agree with applying a negative revenue adjustment for underperformance in effective outage management, ensuring operators remain accountable for service quality.

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However, Ofgem should clarify in the guidance document why negative revenue adjustments are restricted to outage management rather than enforced across all criteria. We believe that a fair and symmetric incentive framework must balance both sides: rewarding network operators for higher performance and imposing financial consequences when they fall short of the baseline requirements. Therefore, the deduction mechanism should be implemented across all categories.

Q13. Do you agree with the proposed reward formula to calculate IDIPASt?

Yes, we agree with the proposed formula.

Q14. Do you agree with the trigger points for a negative adjustment for 'effective outage management' and for the adjustment to be 30% of the licensee's total reward across all behaviour areas?

We cannot take a definitive position on this question because the proposed 30% adjustment figure lacks transparent justification. Without clear context showing how this specific percentage was calculated, it is impossible to evaluate whether 30% is proportionate and effective. We ask Ofgem to publish a full explanation in the guidance document detailing the methodology and assumptions behind this figure.

Yours sincerely,

Tunghing Sum