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UKRI Innovate UK

Strategic Innovation Fund

Impact Report

JUNE 2026

Foreword

Having led SIF since 2023 and worked in energy network innovation for over 15 years, I am committed to helping the sector better articulate the impact we deliver. We fund innovation to enable a modern, clean, secure and affordable energy system that supports growth and improves lives. Over the past five years, the Ofgem Strategic Innovation Fund (SIF), delivered by Innovate UK, has brought unprecedented oversight and transparency to network innovation. This report shows how we are tracking projects, assessing economic and carbon impact, and demonstrating value for energy bill payers.

As we enter the next price control, this is a moment to take stock and move forward with confidence. Together with Ofgem, DESNZ, network and industry leaders, we have set a clear, ambitious direction for SIF, with impact at its core. The mission led challenges defined by the Energy Network Innovation Taskforce demonstrate ambition and strong collective commitment across the sector.

Now, delivery must be our focus. We are calling on projects to prioritise real world impact, transitioning innovation into business as usual deployment. Our strengthened collaboration model, with Innovation Delivery Groups at its heart, will accelerate progress, raise ambition, remove barriers and show progress against challenge delivery. Alongside robust project oversight and improved cost benefit analysis, this gives us the tools to succeed.

We are already seeing examples of quality delivery, but consistency must improve. Stronger knowledge sharing, clearer evidence of value, enabling greater innovator participation, and continued leadership will be critical to scaling the best ideas and achieving system wide impact.

At Innovate UK and Ofgem, we are committed to working across the portfolio to unlock barriers and helping networks demonstrate the value of bill payer investment. We will continue to track progress and report transparently.

The foundations are in place, the ambition is shared, and the commitment is clear. Now we must maintain the momentum and deliver. By working together with focus and urgency, we can turn innovation into impact at scale, ensuring modernised energy networks enable growth, improve lives and tackle climate change.

Thank you to all our stakeholders for your continued engagement. Now let's deliver.

Jodie Giles
Deputy Director - Ofgem Strategic Innovation Fund

Executive summary

The Ofgem Strategic Innovation Fund (SIF) invests £500m of consumer bill funding into energy network innovation. The origin of this funding places a clear obligation on funded projects: innovation must deliver real, measurable value back to bill payers, accelerate the transition to a decarbonised energy system, and support economic growth.

Energy network innovation is vital for facilitating the transition away from fossil fuels towards a clean, green energy system, but innovation is only meaningful if projects are deployed into business as usual (BAU) and learnings are properly shared, including where projects have failed. Throughout the programme, the goal has been to actively stimulate innovation through direct funding and ongoing support to projects as they develop innovative ideas. The ultimate aim is for innovations to deploy, drive meaningful transformation within the energy system, and deliver better outcomes for the customers, the climate and the economy.

Prior to SIF, successful innovation projects did not consistently deploy at scale, and consumer benefits were not reliably delivered. The past five years (2021-2026) of the SIF programme have already introduced an important level of oversight and transparency to this process. This must continue for the energy sector to evidence faster delivery of a decarbonised system, so that the people paying for it can benefit, and businesses can grow.

We are at a critical point in both the SIF programme lifecycle and energy innovation landscape as we transition to the new RIIO3 price control period. It is important to explore the tangible outcomes and broader significance of the SIF programme and better understand what impact the SIF has had so far and is likely to deliver in future.

This report examines what SIF has delivered, what it is projected to deliver, and where further action – by network operators, regulators, and wider stakeholders – is needed to unlock the full potential of the programme.

Key Findings:

- SIF projects have the potential to deliver **£31.318bn[1] in benefits by 2050**
- Environmental benefits make up the largest share of the total benefits at 48%, equating to 78.6 MtCO2e
- Transition rates between funding phases are higher in areas such as flexibility and resilience, consistent with more incremental innovation profiles
- There has been a decline in funding sought across SIF Rounds as the programme has progressed, which may suggest networks prefer to submit innovation applications earlier in a price control period, while prioritising business plan development toward the end.
- There are several limitations to the cost benefit analysis (CBA) submitted by SIF projects. To improve accuracy when analysing benefits, a two-stage evaluation process was undertaken

There are ongoing challenges in energy network innovation where SIF has already made a difference, but where further action by stakeholders is needed so transformational innovation can achieve the clean, secure and affordable GB energy system of the future. A critical priority is improving reporting - both at the projection stage and after delivery - so that funded projects can clearly evidence the value they create for consumers. We will continue to work closely with Ofgem and networks to improve reporting and then scrutinise network delivery through the Annual Innovation Meeting. This and a number of further recommendations are summarised in the table overleaf

1 Based on projects deploying and achieving all forecast benefits

Challenge	What SIF has done	Recommendations
Inconsistent quality and reliability of project benefits	▪ Strengthen programme structures to support detailed understanding of impact and insights. ▪ Developed evaluation approaches to consistently analyse projects.	▪ **Networks** to use redesigned CBA to enhance the quality, robustness and clarity of innovation net benefits ▪ **Ofgem** to lead and develop common impact framework for innovation mechanisms ▪ **SIF** to continually review and strengthen benefit reporting process, including expanding benefit evaluation approaches
Limited knowledge sharing and transparency	▪ Established an Annual Community Forum event for Beta projects. ▪ Included show and tell requirements for all closing projects. ▪ Introduced eligibility criteria for projects to demonstrate a clear plan for open data, knowledge sharing, and dissemination of learnings. ▪ Introduced Innovation Delivery Groups in RIIO3 to promote cross-project learning	▪ **Networks** to increase the transparency of reporting successes (the 'what went right') and challenges (the 'what can be improved') ▪ **Networks** to ensure high quality accurate reporting that includes clear demonstration of the lessons learned from wider industry ▪ **Ofgem** to support or create a centralised platform focused on facilitating knowledge sharing
Similar, repetitive or overlapping innovation proposals	▪ Introduced targeted Innovation Challenges. ▪ Introduced Innovation Delivery Groups in RIIO-3 to analyse previous innovation, clarify gaps, and facilitate cross-project coordination. ▪ Introduced additional eligibility criteria for projects to demonstrate how they build on previous innovation work.	▪ **Networks** to strengthen their ongoing review of the innovation landscape to gain clearer insight into existing activity and aim to reduce the risk of duplication or overlap via Innovation Delivery Groups ▪ **Ofgem** to give clearer and more detailed definition on the differences between SIF and other innovation funding ▪ **SIF** to introduce clear guidance on Innovation Charter development to proactively reduce incremental innovations and encourage collaborations
Barriers to SME participation	▪ Introduced partner requirements against challenges ▪ Established an Ideation process	▪ **Networks** to enhance their engagement and collaboration with SMEs as partners, ensuring clear routes for partnering on projects and communication pathways for sharing outcomes ▪ **Ofgem** to explore a support service for innovators across all innovation funding ▪ **Networks** to continue to support innovator and SME inclusivity at Annual Innovation Summit ▪ **SIF** to incorporate ideation into RIIO3
Barriers to innovation deployment	▪ Analysed potential barriers via Playbook on Energy Network Innovation. ▪ Introduced a £50m Deployment Phase via RIIO3 SIF. ▪ Introduced additional eligibility criteria to understand a project's scalable approach earlier.	▪ **Networks** to embed processes to support successful BAU adoption including clear pathways that enable early-stage innovations' route to eventual deployment ▪ **Networks** to appoint a named deployment owner or Senior Business Sponsor for each innovation project

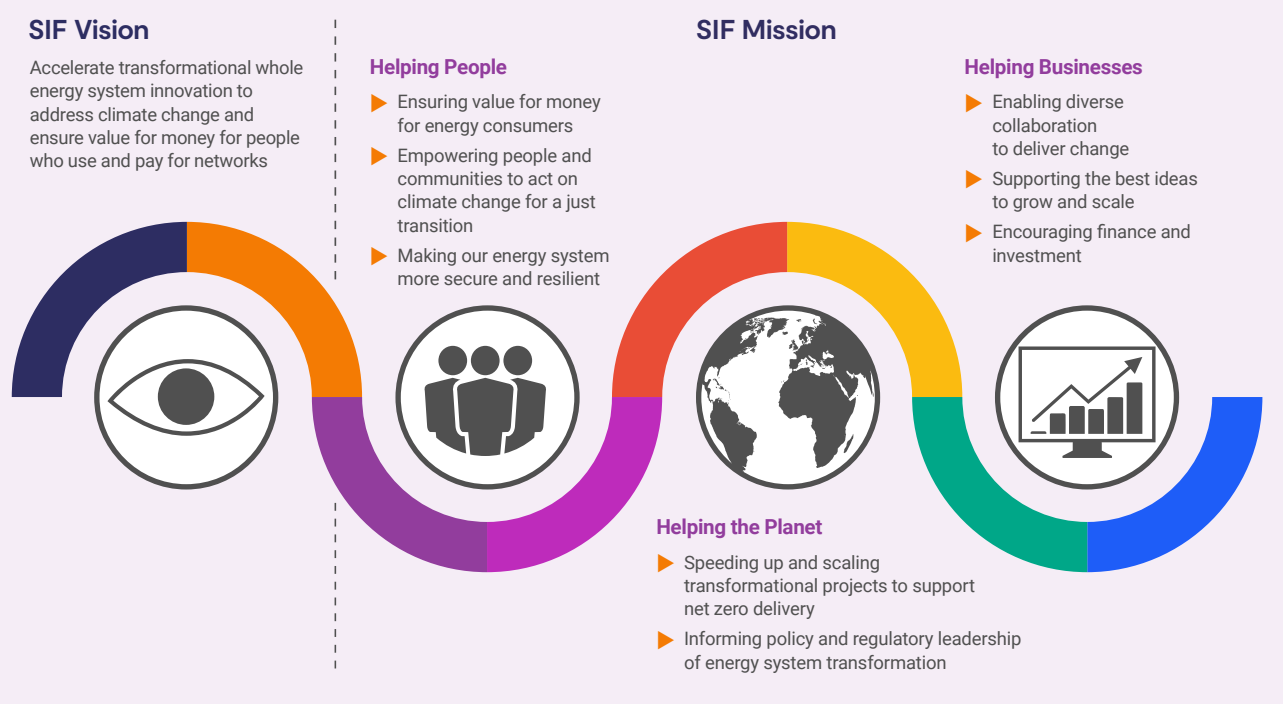
An Introduction to SIF

The RIIO (Revenue = Incentives + Innovation + Outputs) price control framework was designed by Ofgem to regulate the revenues of energy network companies in Great Britain (GB). Through RIIO, Ofgem encourages innovation and investment while setting specific performance targets on gas and electricity network companies with the aim of maximising value delivered to GB energy consumers.

The SIF programme is part of the RIIO framework and is designed to support transformational projects to accelerate the transition to a low-carbon energy system at the lowest cost for people who use and pay for energy networks. The SIF also aims to drive collaboration between energy companies, innovators, and other stakeholders to develop new technologies and solutions that deliver growth. SIF is delivered by Innovate UK in patnership with of Ofgem.

Energy network innovation has previously been supported within the RIIO framework under funding streams such as the Innovation Funding Incentive (IFI), Low Carbon Networks Fund (LCNF), Network Innovation Competition (NIC), and Network Innovation Allowance (NIA) which is ongoing. SIF has been designed to introduce a greater level of oversight, transparency and reporting than these previous iterations, to ensure greater value for money and benefits are delivered for consumers.

Figure 1: SIF Vision and Mission



SIF innovation projects move through three discrete phases: Discovery (initial feasibility study), Alpha (proof of concept), and Beta (large-scale demonstrator). Whilst most projects begin at Discovery phase, since 2023 SIF has enabled projects to bid straight to Alpha or Beta if ready. Conversely, not all projects continue past Discovery or Alpha phase.

What SIF has funded

As of January 2026, the SIF has received 426 applications, of which 299 were funded, giving an overall approval rate of 70%. Approval rates vary by phase, with Discovery at 76%, Alpha at 65% and Beta at 58%. This is reflective of the greater risk involved in Beta projects as well as the greater level of scrutiny applied during assessment.

To facilitate understanding of projects funded through the SIF programme, and how they fit within the wider energy ecosystem, a categorisation approach has been developed. For more detail on these insight themes, see the SIF Project Directory. This approach facilitates evaluation of project benefits and helps conduct analysis of what sort of projects are seeking SIF funding. Table 1 shows the project volume and combined funding per phase for each insight theme.

Table 1: SIF project funding and breakdown by theme

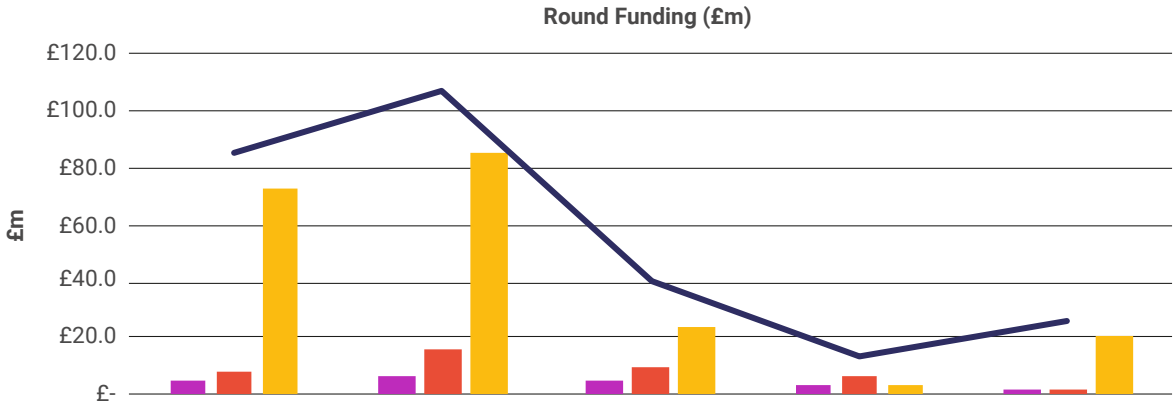
	Discovery		Alpha		Beta			Total	
Insight Theme	Funding (£m)	Project Volume	Funding (£m)	Project Volume	Funding (£m)	Project Volume	Average £m per project	Funding (£m)	Project Volume
Accelerating connections for a net zero energy transition	£3.7m	27	£6.5m	15	£15.8m	4	£3.9m	£26.m	46
Advancing system resilience, strength and robustness	£3.8m	30	£10.5m	22	£53.m	8	£6.6m	£67.3m	60
Advancing whole system strategic planning for future networks	£2.7m	21	£3.6m	8	£19.m	3	£6.3m	£25.3m	32
Enabling a decentralised and just energy transition	£2.9m	24	£2.4m	5	£20.7m	3	£6.9m	£26.m	32
Enabling digitalisation and repurposing of the gas network	£5.4m	47	£9.m	21	£51.7m	8	£6.5m	£66.1m	76
Harnessing flexibility for a resilient energy future	£1.4m	12	£3.3m	7	£26.3m	3	£8.8m	£31.m	22
Supporting the decarbonisation of heat and transport	£1.7m	15	£6.6m	14	£18.m	2	£9.m	£26.2m	31
Funded Total	**£21.7m**	**176**	**£41.8m**	**92**	**£204.4m**	**31**	**£6.6m**	**£267.9m**	**299**
No Fund	**£7.1m**	**56**	**£21.7m**	**49**	**£174.5m**	**22**	**£7.9m**	**£203.2m**	**127**

After the SIF was launched in 2021, it became apparent that the annual structure of Discovery, Alpha and Beta phases was a blocker to the ambition of fast fail/ fast implementation innovation. In collaboration with energy networks, SIF introduced 'straight to Alpha and Beta', where projects could apply directly to these phases without completing the previous phase. Prior to the introduction of 'straight to Alpha and Beta', SIF projects were expected to follow a linear progression path from Discovery to Alpha and then to Beta. The implementation of 'straight to' allowed applicants to submit directly to the phase that best aligns with their project's maturity.

We can observe project quality and maturity by analysing the transition of projects between phases, by applying the assumption that development would lead to projects progressing to the next SIF phase. If we use concluded Discovery and Alpha projects to assess this behaviour, the data suggests that Discovery projects have a 20% likelihood of progressing to Beta while Alpha projects have a higher Beta progression rate of 41%. This is to be expected as Discovery projects are often more speculative and risky, however once they advance to Alpha, they show a stronger likelihood of maturing to receive Beta funding. There is no clear correlation between electricity and gas projects in terms of likelihood to progress from Discovery to Beta.

On a per theme basis, the lowest transition rates between phases are observed within 'Supporting the decarbonisation of heat and transport' (13.3%) and 'Enabling a decentralised and just energy transition' (15.8%). The highest transition rates are in 'Harnessing flexibility for a resilient energy future (27.3%) and 'Advancing system resilience, strength and robustness (27.6%). Whilst there are many reasons a project may not progress all the way to Beta phase, the higher transition rates are within themes that focus on what could be considered as 'incremental' innovation, rather than the transformative projects SIF is designed to support. This indicates that energy networks generally submit projects that are closer to their core activities and save the network money, rather than projects where benefits accrue outside the networks.

Graph 1: Funding distribution per round



	SIF Round 1	SIF Round 2	SIF Round 3	SIF Round 4	SIF Round 5
Discovery (£m)	£4.6	£6.1	£5.7	£2.9	£2.4
Alpha (£m)	£8.0	£16.1	£9.8	£6.2	£1.8
Beta (£m)	£71.5	£84.0	£23.9	£3.8	£21.3
Total (£m)	**£84.0**	**£106.2**	**£39.3**	**£12.9**	**£25.5**

To date, £267.9m, representing 60% of the SIF fund, has been awarded across five rounds. Each round invites proposals that respond to a defined set of **innovation challenges**. Graph 1 illustrates the distribution of funding across the SIF programme.

It is important to note Round 5 is still open for submissions across all phases and Round 4 is still open to Alpha and Beta applications. Graph 1 shows a clear linear decline in funding across rounds following Round 2, except for Round 5 Beta. Further investigation would be needed to understand this dynamic, however this trend could be driven by a behavioural shift over the price control period, indicating that networks may prefer to submit innovation applications earlier, while prioritising business plan development toward the end of the period. This leads to an incentive for networks to hold back on submitting projects at the end of a price control in preference for more favourable mechanisms in the subsequent price control.

On deeper analysis of the distribution of SIF funding we identified that businesses account for the largest share, 62%, of SIF funding sought. This reflects a core success of the SIF programme in fulfilling its mission to 'help businesses'. However, the funding split between large businesses (£88.32 million) and small medium enterprises (SMEs) (£71.1 million) indicates a stronger uptake among larger organisations. This disparity may stem from the requirement for project partners to input into a 10% financial contribution towards project costs, which larger firms may be in better positioned to meet, or from capability gaps within smaller organisations, such as limited access to resources, expertise, or bid development support.

Measuring Impact

Ofgem requires SIF projects to submit a CBA when applying for Alpha and Beta phase funding, where they are required to quantify their net benefits. As the CBA is the primary method for a project to demonstrate its potential benefits, it is important to consider its limitations when determining the total benefit from SIF funded projects.

- **Optimism bias**: There are varying degrees of optimism bias in projects' benefits calculations, most commonly inflating net benefits as a result of a lack of forecasting of the lifecycle costs of innovation deployment
- **Inconsistent methodologies**: There is a high degree of variation in the approaches for calculating benefits, which creates difficulties for undertaking comparative and aggregative analysis that is dependent on CBA data
- **Poor quality and low project maturity**: There is significant variability in CBA quality. Additionally, due to Alpha projects relatively low development maturity, there is a high degree of uncertainty related to the likelihood of their innovation of realising the stated quantitative benefits
- **Overlapping project scopes**: Where projects address the same area of focus, indirect benefits may end up being double counted

Due to the identified issues, a two-stage evaluation of CBA data was created to improve the accuracy of our overall impact assessment.

Stage One Confidence Analysis: This focussed on evaluating the quality and design of the methodologies by checking six key characteristics of a typically well-designed, high-quality methodology. By reviewing each specific element of a project's quantitative methodology, we aimed to identify quality issues that may reduce our confidence in the output of those calculations. From here we provided projects feedback with the aim that future iterations of the projects' CBAs would feature design improvements and improved forecast accuracy.

As part of this process, we introduced a RAG (Red/Amber/Green) scoring system, which enables us to apply discounted adjustments to project's quantitative net benefits based on our confidence assessment of projects developed benefits calculations. This process also allowed us to introduce a level of consistency through using the RAG scoring assessment to analyse each projects CBA.

Stage Two Maturity Analysis: The focus of stage two was to evaluate the likelihood that a project will deploy and ultimately deliver its forecasted benefits. The principle applied is that projects demonstrating sufficient maturity have a higher possibility of delivering their benefits, whereas projects with a low level of maturity have a reduced possibility of deploying and realising benefits. This does not mean projects with less maturity are poor, rather it is expected that Alpha Phase projects would be less mature and not all would progress to Beta.

To ensure that projects are sufficiently developing and being managed effectively, Innovate UK appoints a monitoring officer to each project, who regularly assess projects on a set of six defined performance criteria[2]. For the maturity analysis, we used the monitoring officers' regular assessment scores but excluded the cost criterion as it is not a direct indicator of a project's long-term benefit realisation. By aggregating the most recent

2 Scope, time, cost, exploitation, risk management, project management.

project scores and comparing this total to the maximum possible score, we derived a maturity percentage for each project. This percentage was subsequently applied as an adjustment factor to the quantified benefits, ensuring that benefit forecasts more accurately reflect the relative maturity of the innovation's development.

By completing this two-stage evaluation, we can undertake a more accurate analysis of benefits provided in project CBAs. Analysis has focused specifically on funded live projects to understand the financial, environmental, and societal benefits they may generate by 2050.

Impact Delivered

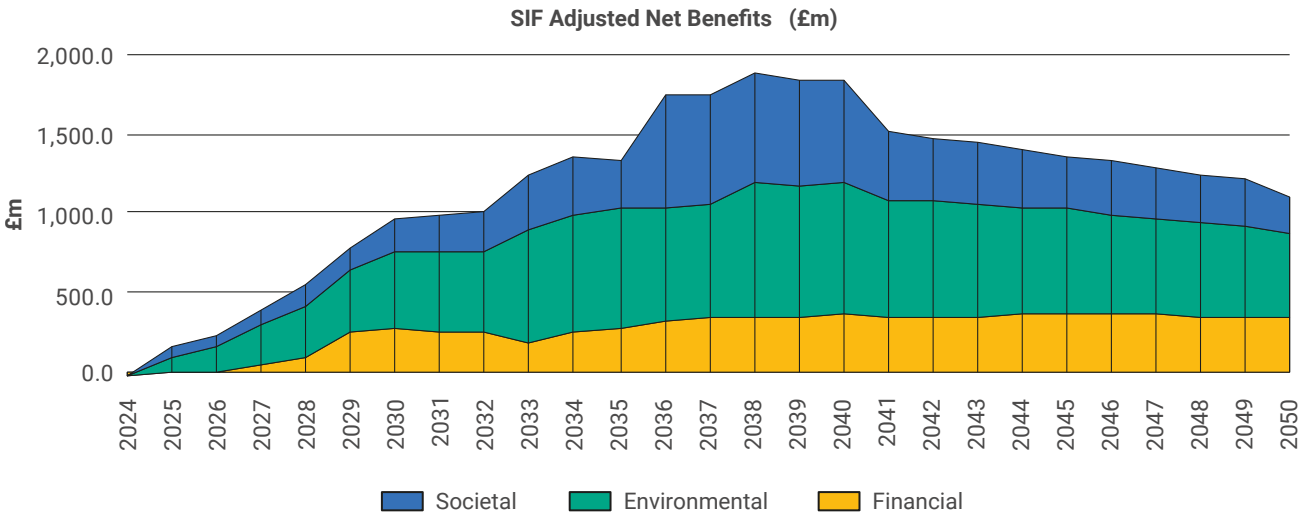
Measuring SIF impact results in a final value of £31,318m of SIF benefits by 2050. More detailed project case studies can be found in the SIF Annual Report **here**. Progression through SIF phases does not guarantee project deployment or that forecasted benefits will be delivered, however projects which don't deploy can have other potential benefits, such as enhanced policy input, knowledge and learning. Failing fast, enabled by the SIF phased approach, is an opportunity for lessons learned, rather than a negative outcome.

We can further break down project benefits into financial (such as avoided network reinforcement costs), environmental (such as reduction in CO_2), and societal (such as warmer homes for vulnerable consumers).

Environmental benefits make up the largest share of the total SIF benefits at 48%, followed by societal benefits at 29% and financial benefits at 23%. The greater proportion of environmental benefits suggests that either there is more opportunity for environmental benefits to be realised given that SIF projects are targeting net zero, or that projects may have unidentified benefits to strengthen financial and societal impacts.

It is important to recognise there is a lag between when innovation funding is awarded during the RIIO-2 period (2021-2026, or 2028 for DNOs) and when the resulting benefits are expected to materialise. This enables a more accurate assessment of the long-term return on SIF investment.

Graph 2: In-year benefit realisation



Graph 2 shows benefit realisation peaking in 2038 with an in-year impact of £1,875m. Financial and environmental impacts remain relatively steady beyond 2036 through to 2050, while societal benefits follow a more distinct peak. The graph also shows that benefit realisation from the current SIF portfolio is expected to peak in the fifth price control period (2036-2041), assuming price controls continue to follow the current five-year format.

The value of environmental benefits is the largest contribution towards the SIF programme impact and equates to 78.6 MtCO2e. This reflects a core success of the programme in fulfilling its mission of 'helping the planet'. Projects under the theme of 'Enabling digitalisation and repurposing of the gas network' are the primary driver of this type of benefit, although benefits are driven by four projects that account for ~88% of the total expected environmental benefit. This is likely to be related to the opportunities in the reduction in the use of gas and associated environmental benefits of repurposing the gas network.

When populating financial benefits into their CBAs, projects use varied terminology or description to define those benefits, which creates barriers to analysing the benefits at a programme level. To understand the make-up of financial benefits and view trends, we grouped them into estimated categories based on common financial impact types we have received from SIF projects so far:

- Balancing costs
- Capital Expenditure (CAPEX)
- Connection
- Decommissioning costs
- Development and deployment costs for innovations
- Flexibility procurement
- Operational Expenditure (OPEX)
- Resilience provision

CAPEX and Connection are the key drivers for financial benefit, with a combined benefit of £5,373m or 78% of reported financial value. This indicates that higher potential for impact when SIF projects target network build, upgrade and connection related innovations. Decommissioning and Resilience show low reported financial benefits, across all SIF projects, indicating either limited opportunity for impact or that these areas are overlooked as an innovation benefit. Targeted solutions that accelerate safe retirement of aging assets and reduce stranded asset risk may unlock further opportunity for impact in the transition to a net zero energy network. Whereas resilience measures to withstand shocks and maintain service continuity may increase in criticality due to changes in environmental conditions because of climate change.

To analyse societal benefits, we applied monetary values to each benefit type (such as customer minutes lost, or customer interruptions) using conversion factors contained within the CBA template. While this approach aligns societal benefits into a monetary equivalent value, this also limits our ability to understand a broader range of potential societal impacts that projects could identify. Further work is required in this area to ensure wider societal benefits can be quantified.

As previously noted, unlike the relatively steady benefit realisation of financial and environmental benefits, societal benefit has a more distinct peak, with realisation concentrated in 2036-2040. This is caused by a shift from costs to benefits within the 'Enabling a Decentralised and Just Energy Transition' theme, driven mainly by project SHIELD (Smart Heat and Intelligent Energy in Low-Income Districts).

There are several critical projects which account for 71% of the SIF's projected impact by 2050, as listed in Table 2.

Table 2: Critical projects for SIF benefit realisation

Project	Financial %)	Environmental (%)	Societal (%)	SIF Impact Contribution (%)
NextGen Electrolysis	4%	20%	10%	34%
FutureGrid: CO_2	-5%	13%	1%	9%
DSuite	3%	2%	3%	8%
Digital Platform for Leakage Analytics (DPLA)	0%	6%	0%	6%
CReDo+: Climate Resilience Demonstrator	1%	0%	4%	5%
Look NorthH2	4%	1%	0%	5%
Smart Heat and Intelligent Energy in Low-Income Districts (SHIELD)	0%	1%	3%	4%
Total Contribution	**7%**	**43%**	**21%**	**71%**

Our existing two-stage evaluation framework addresses CBA robustness at a general level, however a more detailed analysis is planned to test the reliability of these high-impact projects.

Lessons learned

It is important to recognise both where SIF has achieved significant impact and where there are ongoing challenges. The aim is to enable more effective and efficient innovation development and deployment, ultimately driving stronger outcomes.

Inconsistent quality and reliability of project benefits

As detailed earlier, there are issues when using submitted project CBAs to analyse SIF benefits, with variations in quality and approaches making comparison and aggregation difficult. To address issues identified with project CBAs, SIF will introduce a redesigned CBA for RIIO3 with a clearer, innovation-focussed template, and minimum evidence requirements to improve consistency and comparability. This will be issued along with strengthened guidance to applicants. Requirements for evidencing project benefits will be proportional to each phase and projects will be given detailed feedback to ensure they can improve the accuracy of benefit calculations when applying for the next phase. If an Alpha project does not progress to Beta, they will still be required to submit a revised CBA at the end of the project, and a robust assessment of the benefits of any potential commercialisation will be undertaken. Additionally, SIF will further strengthen programme structures to support detailed understanding of impact and insights, including implementing improved data systems.

Limited knowledge sharing and transparency

Whilst the centralised sharing of project outputs via either the Smarter Networks Portal or Future Energy Networks Innovation Portal has aimed at improving transparency and accessibility, not all projects clearly and honestly report on outcomes, with some treating reporting as an end of project formality. Networks prioritise delivering their own projects over engaging with the outputs from other projects, leading to knowledge loss or inefficiencies. SIF has already introduced the annual Community Forum event for Beta projects as a more structured opportunity for knowledge sharing, disseminating learning and accelerating adoption. In RIIO3, an Annual Innovation Meeting (AIM) will be held with senior energy stakeholders to discuss progress on delivering the challenges, promote transparency and collaboration on removing barriers. Cross-sector Innovation Delivery Groups (IDGs) will deliver annual performance reports including updates on learnings, insights and dissemination. Beta projects will be required to keep a learning and data log. Additional eligibility criteria will be introduced requiring projects to demonstrate a clear approach to open data, knowledge sharing, and dissemination of learnings.

Similar, repetitive or overlapping innovation proposals

There is a concern of duplication or similarity of innovations being addressed across innovation mechanisms, such as SIF and NIA, where multiple projects may pursue overlapping objectives or explore comparable solutions. An additional area of concern is whether networks are favouring incremental innovations, which could be considered BAU or efficiency improvements, over genuinely novel or step change innovations. While incremental innovation projects can still deliver value, they risk diverting SIF resources away from more ambitious opportunities which deliver truly transformational innovation. SIF has set out a series of innovation challenges which have evolved to become more effective. The breadth of early rounds sometimes limited the focus needed to generate high-impact projects. Subsequent rounds had a tighter scope, however, feedback from innovators highlighted the importance of balancing specificity with flexibility. The fifth round introduced a

longer, multi-year structure to give innovators more time to develop robust proposals and engage meaningfully with the process. SIF is taking a programmatic approach to RIIO3 with a taskforce setting long-term, industry-led missions to address the most critical challenges facing the energy sector. The challenges will be delivered by IDGs who will be responsible for creating an innovation charter that ensures collaboration and cross project learning, as well as proactively taking steps to reduce incremental innovation. Additional eligibility criteria will be introduced requiring projects to clearly demonstrate how they build upon existing or previous innovation work and articulate how they provide additional value or advancement. This will assist with assessing the impact of programmes of work rather than projects in isolation.

Barriers to SME participation

There remain barriers to SME participation in innovation funding, as evidenced by the greater percentage of SIF project partners being larger organisations. SIF introduced a process known as 'ideation' as part of the programme, where innovators are supported to engage with energy networks about their ideas. This has continuously evolved to be more effective, with the approach in 2025 including workshops and webinars to focus on problem statements, as well as one-to-one engagement with innovators. This engaged with 491 individuals from 307 different organisations, 50% of whom had not previously applied for SIF funding. Ideation will continue in RIIO3, to support participation by the greatest range of innovators.

Barriers to innovation deployment

Whilst not all innovations are expected to reach deployment, barriers need to be reduced for those which can feasibly be rolled out. SIF has previously commissioned a '**Playbook on Energy Network Innovation**' to understand barriers to deployment and has continued to analyse potential barriers reported by Beta projects and through ongoing engagement with the innovation community. This analysis has identified interconnected barriers which collectively account for the deployment gap between successfully trialled innovations and their adoption into BAU operations.

The most prevalent barrier is the absence of a clear operational owner within network organisations to drive adoption once a project completes its funded phase. Innovation teams develop and trial solutions, but without a named individual on the BAU side with the authority, dedicated time and senior backing to take an innovation forward, projects stall after their funded phase ends. This ownership gap creates a transition gap between innovation completion and BAU operations where knowledge is lost, staff move on and momentum dissipates. In turn, this makes it difficult to secure the senior stakeholder buy-in needed to commit investment to deployment, because there is no internal champion translating the innovation into operational terms. These three barriers – ownership, transition and buy-in – form a causal chain: addressing ownership at the front end has the greatest potential to resolve all three.

There also remains the structural barrier within the RIIO price control framework itself. Network operators are incentivised to deliver cost efficiency, which can directly disincentivise investment in deploying innovation where benefits are longer-term or accrue outside the deploying network.

To address these learnings, a new deployment phase will be introduced in RIIO3 for innovations where there are no other funding routes for timely deployment. This is so benefits from these innovations are realised sooner within the current price control, rather than networks waiting until the next price control to deploy. Additional eligibility criteria will be introduced for SIF projects to provide a clear scalable pathway for deployment at Alpha and Beta phase.

How we can all be part of improving outcomes

In this report we explored the SIF data, lessons we've learned and actions we are taking, but we can only deliver impact with the support of our partner stakeholders. Here are a few things we'd like to see more of.

Energy networks

SIF is calling for all **projects to use the opportunity created by the redesigned CBA template** to improve the accuracy and reliability of their submitted CBAs and deliver detailed and robust benefits modelling. Whilst some projects already have high quality CBAs, such as Nature4Networks, Wayl-ease, and Future Fleet, ideally all projects should. This will embed a greater level of accuracy and consistency within the SIF programme, enable greater confidence in reported benefits, and ensure we can all demonstrate impact as a result of the bill payer money invested.

SIF encourages networks to **increase transparency in reporting on project difficulties and failures**, not only successes. Honest reporting on what has not worked, and why, is as valuable to the sector as reporting on what has. Projects should treat reporting and dissemination as an opportunity to share success and learnings to accelerate innovation across the sector, rather than as a formality.

Participation in Innovation Delivery Groups will strengthen networks' ongoing review of the innovation landscape to gain clearer insight into existing activity and reduce the risk of duplication or overlap within innovation proposals. Innovation Delivery Groups will enable communities of practice, activley tracking progress towards challenge delivery, and working collaboratively with Innovate UK, Ofgem and DESNZ to remove barriers to delivery of impact.

Whilst the new SIF deployment fund will enhance opportunities for innovations to be rolled out, networks need to **consistently embed processes for successful BAU adoption within projects from the outset**. Networks should appoint a named deployment owner for each innovation project at the earliest feasible stage, and no later than Beta phase. This individual should sit within the BAU structure, not the innovation team, and should have sufficient seniority, authority and dedicated time to drive adoption beyond the funded phase. Projects where this has been done from the outset have consistently shown stronger deployment outcomes. This will help more innovations successfully deploy and increase the value and benefits to consumers, as well as contributing to a net zero energy system.

Barriers to SME participation in SIF need to be reduced. In particular, networks should be more open to working with SMEs as partners as well as with larger businesses and invest time into developing innovative ideas from new players. This could increase the number, variety and transformational potential of innovations, which in turn will lead to greater benefits. The Annual Innovation Summit needs to be made more inclusive with free entry for SMEs and new innovators, and greater opportunities for collaboration and networking.

Ofgem

Innovate UK and Ofgem work as one team to deliver the SIF. The following points are items we are working on together or would like to explore with Ofgem in future to help improve the impact of innovation funding.

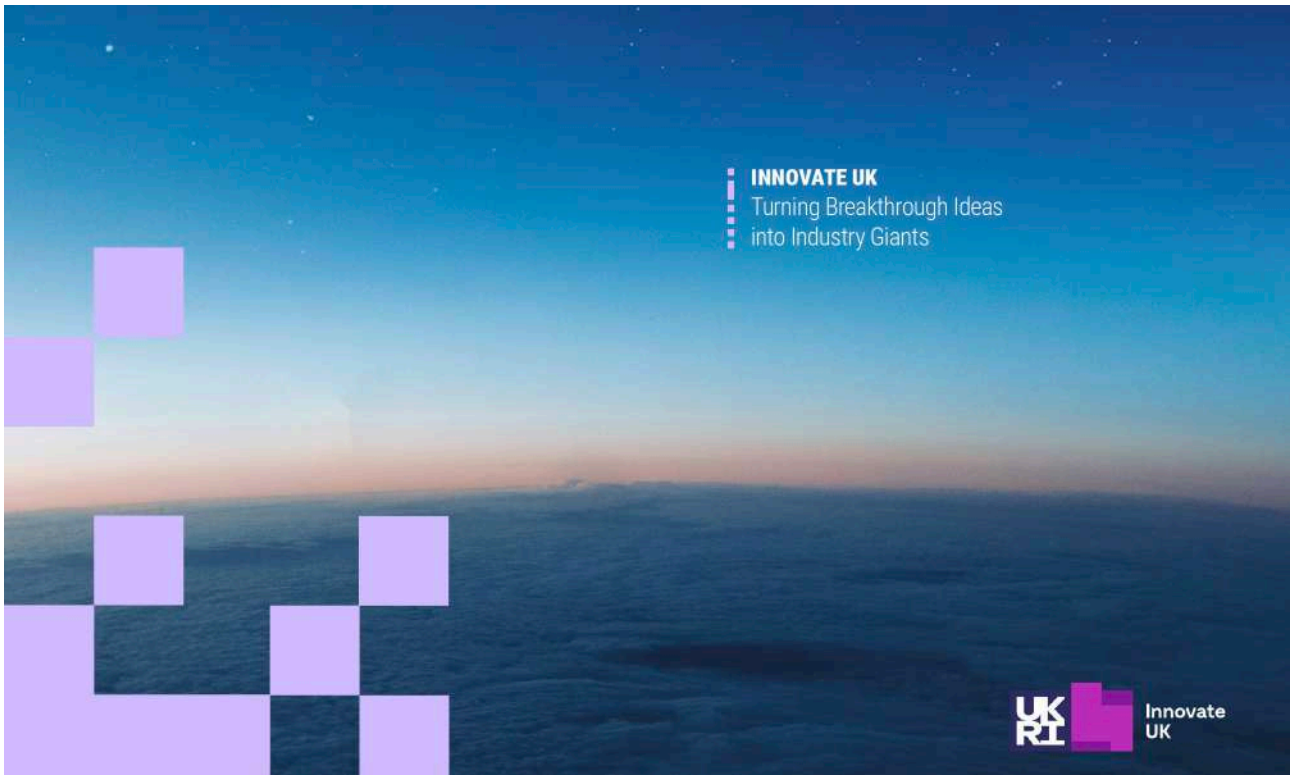
There needs to be **greater definition of the differences between SIF and other innovation funding** such as NIA, including what sort of innovation Ofgem expects to see in each. This would help reduce the similarity of innovations being pursued across different funding mechanisms, and place incremental innovation outside of SIF. This should include leading and developing a common impact framework for innovation mechanisms.

Ofgem could **support the creation of a single online portal for all energy network innovation projects** to facilitate knowledge sharing and dissemination, including publication of data sources so innovation can be learned from. This will make it easier to show how innovation is delivering value and benefits to consumers, as well as help potential innovators identify opportunities and avoid repeating projects which haven't worked.

Ofgem could **consider how deployment of innovation can be reflected in how network performance is measured**. The current incentive framework rewards cost efficiency, which can work against the adoption of innovation where upfront deployment costs are incurred. Where Ofgem has introduced targeted incentives that align with innovation adoption, deployment has followed. Extending this approach - so that networks are recognised for successfully deploying proven innovations, not only for trialling them - would make adoption a rational business decision rather than one that requires exceptional internal championing.

For innovations delivering whole-system benefits where no single licensee captures the full value, Ofgem **could explore mechanisms for collective commitment to deployment**, such as cross-network stakeholder groups that can jointly assess and invest in solutions through RIIO. A centralised approval process for innovations proven through SIF, removing the need for each network to independently re-validate, would reduce a significant barrier to cross-network adoption.

Innovate UK's commitment to delivery of impact



Innovate UK's **Prospectus**, launched in March 2026, outlines how the organisation will support the journey from innovation to growth, with improved systems and processes and focussing on delivery of impact. This will help programmes of innovation projects, such as SIF, tell a better story about the outcomes achieved for the customer money invested.

For more information about the Strategic Innovation Fund visit **ofgem.gov.uk/sif**

The Strategic Innovation Fund is an Ofgem programme delivered through a partnership with Innovate UK.

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