University of Strathclyde Engineering

20th September 2012

Grant McEachran
Head of RIIO-T1
Ofgem
107 West Regent St
Glasgow, G2 2BA

Response to Consultation on: "RIIO-T1: Initial Proposals for National Grid Electricity Transmission and National Grid Gas"

Dear Mr McEachran,

This response to the RIIO-T1 proposals is provided on behalf of the Institute for Energy and Environment and the Department of Electronic and Electrical Engineering at the University of Strathclyde. In relation to paragraph 2.17 of the overview document (below) we would urge that consideration be given to revising the innovation allowance upwards to a level closer to the 1% of revenue requested by NGET, for the reasons set out below.

> *2.17. NGET has requested an annual innovation allowance of 1 per cent of allowed revenue. We do not consider NGET has provided sufficient justification to merit this level of allowance. However, it has met the basic requirements set out in our Strategy Document and exceeded these in some areas. On this basis, we propose to provide NGET an allowance of 0.6 per cent.*

Due to its size, influence and world-leading technical expertise, NGET acts as a hub and catalyst for R&D within the UK, delivering innovation through its involvement in major research programmes (such as co-funding of EPSRC SUPERGEN projects) as well as through its funding of smaller, highly-focused investigations that address specific technical challenges. NGET investment in innovation through R&D helps to cement partnerships between stakeholders, industry and research groups which promote innovation over timescales that range from those addressing immediate issues to long-term strategic developments that ultimately benefit consumers through improved reliability of assets and control of costs. NGET has been tasked with implementing highly ambitious targets for integrating renewable generation and creating an infrastructure capable of delivering a low carbon network over the next 10 years. Changes on this scale call for levels of innovation that must be underpinned by an increasing investment in R&D in order to address the technical challenges that will arise.

Through its R&D Framework Agreements with leading UK Universities active in the fields of power systems and high voltage technologies, NGET is ensuring the maintenance of an effective UK research base relevant to its core business objectives. Much of the company's investment in R&D is leveraged through co-investment with other stakeholders to maximise efficiency. An additional benefit is the training and development of PhD students, who often progress into NGET where their expertise contributes to the retention and advancement of critical competencies within the company. Increasing the innovation allowance is entirely commensurate with the goal of establishing a firm foundation for the development, demonstration and deployment of new technologies to support the radical alterations in the use of the electricity transmission network that are anticipated during the coming decade.

Yours sincerely

Prof. Stephen McArthur
Head of Department, Electronic & Electrical Engineering
Director, Institute for Energy & Environment

Department of Electronic and Electrical Engineering
Royal College Building
204 George Street
Glasgow G1 1XW

t: +44 (0)141 548 2350 (Department)
+44 (0)141 548 4838 (Direct)
f: +44 (0)141 552 2487 (Department)
e: s.mcarthur@eee.strath.ac.uk

Head of Department:
Professor Stephen McArthur