

Press Release

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OFGEM GIVES GREEN LIGHT FOR A SMARTER FUTURE

- Ofgem awards £45.5 million for five diverse innovation projects through its pioneering Low Carbon Networks (LCN) Fund
- Innovative projects to pave way for the cost effective and timely connection of low carbon technology
- Projects could lead to long term savings for consumers

Ofgem has today approved £45.5 million for five innovative projects which aim to help make the electricity distribution network smarter and meet the challenges of moving to a low carbon economy.

The funding comes from the LCN Fund which is now in its third year. The fund supports projects which display the potential to accelerate the development of a low carbon energy sector, provide value for money to customers and deliver financial benefits to consumers.

This year's successful projects involve:

- ways to make the connection of distributed generation (such as local solar panels and wind turbines) cheaper and faster,
- managing the impact of distributed generation on the network cost effectively
- managing the network more efficiently by controlling voltage
- an intelligent socket to control the charging of electric vehicles, reducing stress on the network at peak times
- examining the most cost effective use of batteries for storing electricity.

Hannah Nixon, Senior Partner for Distribution at Ofgem said: "The energy mix and technology is changing and the way networks operate has to change too – that's why Ofgem set up the ground-breaking LCN Fund three years ago. By promoting investment in innovation now we can help avoid problems and expensive fixes in the future.

The first projects are starting to provide valuable learning. This is being shared across the industry and more widely, which is one of the main objectives of the scheme. While it is still early days for the LCN Fund it is clear there is excellent progress being made."

An independent expert panel advised Ofgem on the projects. It assessed the projects against criteria that ensure they have the potential to deliver value for money to consumers. Through this review process, the panel challenged costs and scrutinised how well the projects matched the scheme's criteria. These include a need for there to be clear benefit for distribution customers. Following the review process, five projects were approved. Two further projects, while being seen to be innovative, did not sufficiently fulfil the criteria and were therefore not eligible for the final funding award.

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Notes to editors

1. A summary of the successful projects are below, for full details read our fact sheet <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=148&refer=Media/FactSheets>

or our website <http://www.ofgem.gov.uk/Networks/ElecDist/lcnf/stlcnf/Pages/stp.aspx>

DNO	Project	Location	Cost
Electricity North West	Investigating how reducing voltage on the distribution network can reduce peak demand.	North West England	£7.2 m
Scottish Power Distribution	Trialling a holistic approach to the connection process for distributed generation to tackle barriers to timely connection.	Scottish borders	£7.4 m
Southern Electric Power Distribution & EA Technology	Trialling a technology that will allow a cluster of electric vehicles to re-charge without stressing the distribution system and trial the delivery of a network project by a third party.	GB wide	£4.2 m
Eastern Power Networks	Investigating the optimisation of a range of battery services with the aim of improving the economics of storage.	Bedfordshire	£13.2 m
Western Power Distribution (West Midlands)	Investigating, measuring, monitoring and mitigating Fault Level, a technical issue that can limit the connection of distributed generation. If successful this could allow for cheaper and quicker connections.	Birmingham	£13.5 m

2. The two projects which did not receive funding were Northern Powergrid's GB Flexibility Market project and Scottish Hydro Electric Power Distribution's PATHS project. Ofgem and the expert panel thought that PATHS was an innovative and potentially important project. However, Ofgem and the expert panel had concerns over the proportion of benefits and risks that could be attributable to electricity distribution customers compared to the funding that they would contribute to the project.

The GB Flexibility Market proposal was deemed innovative with real potential to deliver benefits. The project did not sufficiently demonstrate that it would adequately deliver

against the value for money criterion. In particular, there were concerns about costs of contractors and the process followed to select them. In addition, we were concerned about the allocation of costs across the parties that would receive benefits from the project. However we acknowledge the value of a project in this area and would encourage submissions covering this in future years.

3. The Low Carbon Networks Fund's independent expert panel brings knowledge and expertise covering energy network industries, environmental policy, technical and engineering issues, economics and finance, and consumer interests. The expert panel members are: Dr Robin Bidwell, Sharon Darcy, Prof. Nick Jenkins, Prof. David Newberry and Sean Sutcliffe.

The projects were judged against the following criteria:

The degree to which the solution being trialled:

- accelerates the development of a low carbon energy sector & has the potential to deliver net financial benefits to future and/or existing customers
- impacts on the operation of the distribution network
- provides value for money to distribution customers, and generates new knowledge that can be shared amongst all network operators.

The degree to which the project:

- demonstrates a robust methodology and readiness of the project,
- is being delivered cost effectively,
- involves other partners and external funding, and
- is relevant and timely.

4. Ofgem announced the Low Carbon Networks Fund (LCN Fund) in August 2009 which runs from April 2010 to March 2015. The fund will make available up to £500 million over the five years, encouraging and enabling the companies to trial new technology, operating and commercial arrangements which can aid the transition to a low carbon energy sector. £64 million funding is available each year in the competitive element of the fund and a further £80 million is available over the five years to help fund smaller scale projects. A further £100 million is available over the five years as a discretionary award to reward projects which bring particular value in helping the networks adapt to climate change while providing security of supply and value for money to consumers.
5. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

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