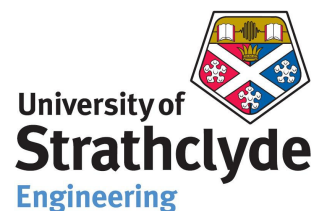


Neil Copeland  
The Office of Gas and Electricity Markets  
9 Millbank  
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November 19<sup>th</sup> 2012

Dear Neil,

**Re. Informal consultation on the Network Innovation Competition (NIC) and Network Innovation Allowance (NIA) governance documents**

I welcome the opportunity to respond to some of the governance arrangements highlighted in Ofgem's letter under the above title published on October 10, 2012. I make my response after consulting some colleagues responsible within the University of Strathclyde for the drafting and finalisation of contractual agreements but make my response as an individual senior academic who has been active in a number of research projects with network licensees in Britain.

Although the informal consultation of October 10, 2012 is not concerned with the principle that there should be particular funding mechanisms in respect of network innovation, I take this opportunity to welcome these mechanisms. The UK's energy industry faces a very large number of extremely difficult challenges, notably in respect of replacement of ageing assets and in accommodation of a lower carbon economy (which, in turn, encompasses both generation and use of electricity). Meeting these challenges will require significant innovation and world class engineering expertise. UK universities have played a critical role in developing this expertise through PhD programmes facilitated by partnerships between industry, the UK research councils and the European Commission and via projects directly sponsored by companies to address immediate research questions. It would be a grave mistake to consider that PhD programmes need only deliver a few graduates to fill future academic positions within the universities. A great many more are needed to provide the engineering leadership that the industry requires to meet its present and future challenges. (This much seemed very apparent to me at the recent Low Carbon Networks Fund conference in Cardiff). Development of this human resource is very much in energy users' long-term interests and investment by the network licensees in critical 'human capital' is essential if research and development (R&D) projects are to be well managed by the networks licensees, the learning from R&D captured and business practices improved and rolled into 'business as usual'. This investment in 'human capital' is, it seems to me, unlikely to be quantified and recovered within the NIC or NIA funding but should not be overlooked in wider RIIO settlements by either the network licensees or Ofgem.

A particular aspect of NIC and NIA governance to which attention is drawn by the informal consultation concerns intellectual property. I highlight a couple of statements from Ofgem's letter of October 10<sup>th</sup> and build my response around them.

1. "Given that knowledge dissemination is a key aspect of the policy principles behind the NIC and NIA, we believe that 'know-how' IPR generated through NIC/NIA funding should be made freely available to GB network licensees."

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This is not entirely inconsistent with the way in which universities operate where they are incentivised to disseminate knowledge through academic publications. However, one thing that universities will want to consider is whether project outputs might be applicable by parties other than GB network licensees and whether there might be any commercial value in the associated IP.

It is quite normal and correct that collaborating parties are under an obligation not to disclose another party's confidential information without prior written consent. It is also my experience that network licensees often require that universities seek permission from them before publishing project outputs. In light of the policy principle of the NIC and NIA in respect of knowledge dissemination, it might be asked whether clarity is required on the *kind* of information that should be regarded as confidential and which, with due regard to the protection of individuals' rights (not least those of consumers), it would be in the wider interests of consumers and of the facilitation of carbon reduction to allow to be disclosed at some appropriate juncture<sup>1</sup>.

2. "Where third parties are likely to develop IPR through NIC or NIA projects we expect them to provide funding or contributions to the projects which reflect the benefits they expect to receive through the project."

The benefits universities receive are likely to be restricted to the funding received to carry out the actual work and the associated contributions towards a university's key performance metrics, e.g. publications. The only contributions universities can reasonably provide are in-kind. These include the opportunity to steer PhD, Master's or undergraduate projects towards themes that complement NIC or NIA funded work and to provide insights arising out of academics' wider 'knowledge networks'.

Yours sincerely,



Dr Keith Bell

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<sup>1</sup> A couple of examples might be useful. 1. Can innovation stakeholders be confident that network licensees will always be prepared to share 'negative' outcomes – where something did not work as intended or expected – as well as 'positive' ones? ('Negative' outcomes can often be as useful as 'positive' ones). 2. Access to technical data is often required to build compelling evidence for new practices or investment and yet is often restricted. For further discussion, see K.R.W Bell, and A.N.D. Tleis, "Test system requirements for modelling future power systems", *IEEE Power & Energy Society General Meeting*, Minneapolis, July 2010.

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