

To:

National Grid Electricity Transmission Plc
SP Transmission plc
Scottish Hydro Electric Transmission Plc
National Grid Electricity System Operator Ltd
National Grid Gas Plc
Cadent Gas Ltd
Northern Gas Networks Limited
Scotland Gas Networks Plc
Southern Gas Networks Plc
Wales & West Utilities Ltd.

Direct Dial: 0141 354 5416

Email: Steven.McMahon@ofgem.gov.uk

Date: 25/08/2021

Dear network companies and the ESO,

Direction to issue the SIF Governance Document

1. Each of the companies to whom this direction is addressed is the holder of a licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 or section 7 of the Gas Act 1989.
2. In accordance with paragraphs:
 - a. 5.7.14 of Special Condition 5.7 (The strategic innovation fund) of the Gas Transporter Licence held by National Grid Gas plc;
 - b. 9.13.13 of Special Condition 9.13 (The strategic innovation fund) of the Gas Transporter Licence held by Cadent Gas Limited, Northern Gas Networks Limited, Scotland Gas Networks plc, Southern Gas Networks plc, and Wales and West Utilities Limited;
 - c. 9.19.13 of Special Condition 9.19 (The strategic innovation fund) of the Electricity Transmission Licence held by National Grid Electricity Transmission Plc, SP Transmission plc and Scottish Hydro Electric Transmission Plc; and
 - d. 3.4.12 of Special Condition 3.4 (The strategic innovation fund) of the Electricity Transmission Licence held by National Grid Electricity System Operator Limited,

on 02/06/2021 the Gas and Electricity Markets Authority (“the Authority”)¹ published on its website the text of the proposed SIF Governance Document and stated that representations must be made on or before 30/06/2021.

3. Representations were made by 11 respondents, which we have carefully considered. We have placed all non-confidential representations on our website. Our response to these representations is set out in the issues log and our decision letter, published online alongside this direction.²

¹ The terms “the Authority”, “we” and “us” are used interchangeably in this document.

² The issues log and decision letter are accessible here: <https://www.ofgem.gov.uk/publications/sif-governance-document>

4. We have made a number of changes to the proposed text of the SIF Governance Document as a result of our consideration of representations by respondents and to ensure that the governance arrangements for the SIF achieve our desired policy objectives, as set out in the RIIO-2 Final Determination³ and our decision letter published alongside this direction.⁴ We have also made typographical changes, where necessary, to improve drafting within the proposed text of the SIF Governance Document. The full text of the SIF Governance Document as well as a track change version compared with that published on 02/06/2021 are published online alongside this direction.⁵
5. The reason for this direction is to give effect to a document which details the arrangements and governance of the strategic innovation fund, which we decided to introduce in the RIIO-2 Final Determination.
6. This direction is our notice of reasons for the purposes of section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986.
7. Now the Authority pursuant to the provisions of:
 - a. Special Condition 5.7.11 (The strategic innovation fund) of the Gas Transporter Licence held by National Grid Gas plc;
 - b. Special Condition 9.13.10 (The strategic innovation fund) of the Gas Transporter Licence held by Cadent Gas Limited, Northern Gas Networks Limited, Scotland Gas Networks plc, Southern Gas Networks plc, and Wales and West Utilities Limited;
 - c. Special Condition 9.19.10 (The strategic innovation fund) of the Electricity Transmission Licence held by National Grid Electricity Transmission Plc, SP Transmission plc and Scottish Hydro Electric Transmission Plc; and
 - d. Special Condition 3.4.9 (The strategic innovation fund) of the National Grid Electricity System Operator Licence,hereby directs that the RIIO-2 SIF Governance Document is issued and will have effect from 03/09/2021.

For more information regarding this direction you should contact Graeme Barton (graeme.barton@ofgem.gov.uk).



Steve McMahon

Deputy Director, ED Sector, Networks

Signed on behalf of the Authority and authorised for that purpose by the Authority

³ RIIO-2 Final Determinations – Core Document, paragraphs 8.52-8.60;
<https://www.ofgem.gov.uk/publications/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

⁴ The direction letter is accessible here: <https://www.ofgem.gov.uk/publications/sif-governance-document>

⁵ A clean and track change copy of the SIF Governance Document is accessible here:
<https://www.ofgem.gov.uk/publications/sif-governance-document>