
RIIO-2 NIA Governance Document

Publication date: 27 August 2021

Contact: Graeme Barton, Senior Manager

Team: Networks

Tel: 020 7901 7000

Email: networks.innovation@ofgem.gov.uk

As part of the RIIO-2 network price control for electricity transmission, gas transmission, gas distribution and the electricity system operator commencing on 1 April 2021, network companies and the electricity system operator are awarded a Network Innovation Allowance (NIA) to fund innovation Projects.

This RIIO-2 NIA Governance Document sets out arrangements for the governance and administration of the RIIO-2 NIA.

This RIIO-2 NIA Governance Document will also be relevant to third-party innovators who wish to collaborate with network companies and the electricity system operator to take forward Projects.

© Crown copyright 2021

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the [Open Government Licence](#).

Without prejudice to the generality of the terms of the Open Government Licence the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

Any enquiries related to the text of this publication should be sent to Ofgem at: 10 South Colonnade, Canary Wharf, London, E14 4PU. Alternatively, please call Ofgem on 0207 901 7000.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to: psi@nationalarchives.gsi.gov.uk

Contents

Context	5
Associated documents.....	5
1. Introduction.....	6
RIIO-2 NIA	7
RIIO-1 NIA	7
Compliance.....	8
Review.....	8
2. Supporting collaboration	9
ENA Smarter Networks Portal	10
Developing partnerships with external stakeholders.....	10
Requirements	10
Additional information	10
Sharing learning.....	11
Requirements	11
Additional information	11
Sharing Project data	11
3. RIIO-2 NIA Projects.....	13
Project portfolio	13
Eligibility and process Requirements	13
Requirement 1 – facilitate energy system transition and/or benefit consumers in vulnerable situations	14
Requirement 2 – potential to deliver a net benefit to consumers	14
Requirement 3 – involve Research, Development or Demonstration	14
Requirement 4 – develop new learning	15
Requirement 5 – be innovative	15
Requirement 6 – not lead to unnecessary duplication	16
Documentation requirements.....	16
Project Eligibility Assessment.....	16
Maintaining a consistent methodology for calculating Project benefits	17
Registration process requirements.....	18
Assessing the impact of innovation upon consumers in vulnerable situations	22
Project change requirements	22
Additional requirements	23
4. Recovering Total NIA Expenditure	24

Compulsory contribution	24
Total NIA Expenditure relating to equipment.....	24
Payments to Network Users	25
Unrecoverable NIA Expenditure	25
Derogations from technical requirements and standards of performance	25
Deducting Direct Benefits from Total NIA Expenditure	26
Recovery of additional costs	26
5. Regulatory reporting for RIIO-2 NIA Projects	27
Publishing annual summaries of NIA activities	27
Individual summary reports.....	27
Collective industry-wide summary report	28
Publishing the Energy Networks Innovation Process	29
6. Knowledge transfer	31
Publishing Project Progress Information	31
Annual conference requirements	34
7. Intellectual Property Rights	36
Knowledge Dissemination	36
Ensuring value	37
Guidance for third parties on the treatment of IPR.....	38
Deviating from default IPR rules	38
8. Definitions.....	40

Context

Ofgem seeks to enable network companies and the electricity system operator to tackle the challenges associated with delivering net zero greenhouse gas emissions, while protecting the interests of consumers. The purpose of the RIIO-2 NIA is to provide funding to Gas Transporter and Electricity Transmission Licensees to allow them to carry out innovative Projects which focus on the energy system transition and/or addressing consumer vulnerability, and which companies would not otherwise take forward as part of business as usual activities.

This RIIO-2 NIA Governance Document provides for the governance and administration of the RIIO-2 NIA. It is issued by the Authority under the RIIO-2 NIA Licence Condition. Capitalised terms used in this RIIO-2 NIA Governance Document are defined in chapter 8.

We¹ have aimed to make this document accessible and informative to both Gas Transporter and Electricity Transmission Licensees, as well as to parties who may wish to collaborate with them to research, develop and trial new technological, operational or commercial arrangements.

Associated documents

- Special Condition 5.2 (The RIIO-2 network innovation allowance) of the Gas Transporter Licence held by National Grid Gas plc.
- Special Condition 5.2 (The RIIO-2 network innovation allowance) 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.
- Special Condition 5.2 (The RIIO-2 network innovation allowance) of the Electricity Transmission Licence held by National Grid Electricity Transmission Plc, SP Transmission Ltd and Scottish Hydro Electric Transmission Plc.
- Special Condition 4.6 (The RIIO-2 network innovation allowance) of the Electricity Transmission Licence held by National Grid Electricity System Operator Limited.

¹ In this document we use the terms 'Ofgem' and 'the Authority' as well as the terms 'we', 'us' and 'our' interchangeably. Ofgem is the Office of the Gas and Electricity Markets. The Authority is the Gas and Electricity Markets Authority and is the governing body of Ofgem, consisting of non-executive and executive members.

1. Introduction

Section summary

This chapter sets out the purpose and objectives of the NIA.

1.1. RIIO-2 will prepare the regulated network companies to deliver net zero greenhouse gas emissions at lowest cost to consumers, while maintaining world-class levels of system reliability and customer service, and ensuring no consumer is left behind.

1.2. Innovation is a key element of the RIIO model for price controls and our approach is focused on creating an environment that allows innovation to thrive across the whole system. The RIIO framework provides strong incentives for Gas Transporter and Electricity Transmission Licensees to innovate as part of business as usual activities.

1.3. In RIIO-2, we are also maintaining a strong additional stimulus for innovation, targeted at the challenges associated with delivering net zero greenhouse gas emissions by focusing funds on the energy system transition and/or addressing consumer vulnerability.

1.4. This is because certain innovation Projects are speculative in nature and yield uncertain commercial returns. In addition, where benefits are linked to the decarbonisation of the network or addressing consumer vulnerability, it may be difficult to commercialise the respective social, carbon and/or environmental benefits and shareholders may be unwilling to speculate on such Projects. This additional funding is designed to underpin the ethos, internal structures and third-party contracts that facilitate innovation.

1.5. The RIIO-2 innovation stimulus consists of the NIA, as explained below, and the Strategic Innovation Fund (SIF).² These two mechanisms are successors to past innovation stimulus initiatives such as the Innovation Funding Incentive (IFI), Low Carbon Networks Fund (LCNF) and Network Innovation Competition (NIC).

² Further details on the SIF can be found in chapter 8 of the RIIO-2 Final Determination – Core Document; https://www.ofgem.gov.uk/system/files/docs/2020/12/final_determinations_-_core_document.pdf

RIIO-2 NIA

1.6. The RIIO-2 NIA provides an allowance to Gas Transporter and Electricity Transmission Licensees to fund Research, Development and Demonstration trials between Technology Readiness Levels (TRLs) 2-8, which meet the requirements set out in Chapter 3 of this RIIO-2 NIA Governance Document. The maximum amount of NIA funding available to each Gas Transporter and Electricity Transmission Licensee is set out in its RIIO-2 NIA Licence Condition.

1.7. We expect Gas Transporter and Electricity Transmission Licensees to collaborate with each other and with other persons in the energy supply chain (ie suppliers, electricity distribution licensees, independent network operators, generators, gas producers and other third parties) on Projects.

1.8. Gas Transporter and Electricity Transmission Licensees have access to RIIO-2 NIA funds until the end of the RIIO-2 price control on 31 March 2026.

RIIO-1 NIA

1.9. The RIIO-1 price control for Gas Transporter and Electricity Transmission Licensees ended on 31 March 2021. Gas Transporter and Electricity Transmission Licensees' Projects that have been funded under the RIIO-1 NIA are subject to the RIIO-1 NIA Governance Document, and can continue in accordance with the agreed carry-over arrangements which will cease to be effective on 31 March 2022 for Gas Transporter and Electricity Transmission Licensees.³

1.10. Electricity Distribution Licensees continue to have access to RIIO-1 NIA funds until the end of the RIIO-ED1 price control on 31 March 2023. Those projects are also subject to the RIIO-1 NIA Governance Document.

³ The latest version of the RIIO-1 Gas NIA Governance Document will be available on this page: <https://www.ofgem.gov.uk/network-regulation-riio-model/network-innovation/gas-network-innovation-allowance>; and
The latest version of the RIIO-1 Electricity NIA Governance Document will be available on this page: <https://www.ofgem.gov.uk/network-regulation-riio-model/network-innovation/electricity-network-innovation-allowance>

Compliance

1.11. Gas Transporter and Electricity Transmission Licensees are required by the RIIO-2 NIA Licence Condition to comply with this RIIO-2 NIA Governance Document.

1.12. If Ofgem considers that a Gas Transporter or Electricity Transmission Licensee does not comply with the requirements of this RIIO-2 NIA Governance Document, it will explain why and ask the Gas Transporter or Electricity Transmission Licensee for further information. If, in the light of that information, Ofgem considers that a Gas Transporter or Electricity Transmission Licensee still does not comply with this RIIO-2 NIA Governance Document, Ofgem may determine that all or some of the expenditure in question is Unrecoverable NIA Expenditure.

1.13. This RIIO-2 NIA Governance Document does not relieve affected parties, including Gas Transporter and Electricity Transmission Licensees and Project Partners, from their responsibility to ensure ongoing compliance with legislation including competition, data protection, environment and consumer protection laws.

Review

1.14. Following consultation with Gas Transporter and Electricity Transmission Licensees, and other interested parties, Ofgem may from time to time revise this RIIO-2 NIA Governance Document in accordance with the RIIO-2 NIA Licence Condition.

2. Supporting collaboration

Section summary

This chapter requires that Gas Transporter and Electricity Transmission Licensees collaborate with a range of parties to develop and facilitate Projects funded through the NIA. It requires Gas Transporter and Electricity Transmission Licensees to work collaboratively to maintain the ENA Smarter Networks Portal for this purpose, share learning and share Project data.

2.1. Collaboration between Gas Transporter and Electricity Transmission Licensees and external stakeholders on NIA is essential to ensure that benefits are delivered from NIA funding.

2.2. We expect Gas Transporter and Electricity Transmission Licensees to collaborate with each other and Project Partners on the Projects supported by the RIIIO-2 NIA. Gas Transporter and Electricity Transmission Licensees should work closely with other parties in the energy supply chain to explore what technological, operational or commercial arrangements have the potential to facilitate the energy system transition and/or address consumer vulnerability. Gas Transporter and Electricity Transmission Licensees may benefit from the technologies used and lessons learned in other industries, including the telecoms and information technology sectors; therefore, partnerships with technology providers and others outside the energy industry could be valuable. Other parties such as local authorities and universities may be carrying out pilot studies and collaboration could offer opportunities for Gas Transporter and Electricity Transmission Licensees better to understand the impact of these studies.

2.3. The requirements of this chapter apply unless the Authority has given its consent in writing for the Gas Transporter and Electricity Transmission Licensee not to comply with those requirements.

ENA Smarter Networks Portal

2.4. Gas Transporter and Electricity Transmission Licensees have established an online ENA Smarter Networks Portal⁴ and are required to use it to develop partnerships with external stakeholders and enable external parties to bring forward ideas for Projects, share learning, and share Project data.

Developing partnerships with external stakeholders

Requirements

2.5. Gas Transporter and Electricity Transmission Licensees must work collaboratively with each other to maintain the ENA Smarter Networks Portal or to develop an equivalent portal (if more effective or cost-efficient than the ENA Smarter Networks Portal) so that the following content continues to be available:

- Links to the Ofgem website, to direct potential Project Partners to the RIIIO-2 NIA Governance Document;
- A function which enables potential Project Partners to record their name, contact details and a summary of their business, idea, proposal or service; and
- A contact point for each Gas Transporter and Electricity Transmission Licensee, to which potential Project Partners can submit Project ideas.

2.6. Gas Transporter and Electricity Transmission Licensees must work collaboratively to ensure that the ENA Smarter Networks Portal is up to date. In addition, Gas Transporter and Electricity Transmission Licensees must annually review the ENA Smarter Networks Portal and make appropriate changes to improve its accessibility and content. We expect this review to be informed by stakeholder consultation on the quality of information provided by and the usability of the ENA Smarter Networks Portal.

Additional information

2.7. The ENA Smarter Networks Portal is not intended to constrain the Gas Transporter and Electricity Transmission Licensees from using other routes to identify and award contracts to

⁴ <https://www.smarternetworks.org/>

Project Partners. Regardless of which route has been used, it is up to the Gas Transporter and Electricity Transmission Licensees to ensure applicable procurement rules have been followed.

Sharing learning

2.8. Facilitating knowledge transfer is one of the key principles of the RIIIO-2 NIA. Ultimately, consumers are funding Projects and we want the learning generated to be disseminated as effectively as possible to ensure that all Gas Transporter and Electricity Transmission Licensees, and therefore all consumers, can benefit from Projects.

2.9. The ENA Smarter Networks Portal is used to share learning from Projects.

Requirements

2.10. We require Gas Transporter and Electricity Transmission Licensees to work collaboratively to maintain the ENA Smarter Networks Portal so that the following content is available, as a minimum:

- Project Registration Information for all RIIIO-2 NIA Projects; and
- By 31 July in each Regulatory Year, Project Progress Information for each RIIIO-2 NIA Project, including the final Project Progress Information which is reported by the Gas Transporter and Electricity Transmission Licensee following completion of the Project.

2.11. We require the Gas Transporter and Electricity Transmission Licensees to ensure that Project details published on the ENA Smarter Networks Portal are kept up to date.

Additional information

2.12. The provision of the ENA Smarter Networks Portal is not intended to constrain the Dissemination activities of the Gas Transporter and Electricity Transmission Licensees. The ENA Smarter Networks Portal should not be used as the sole means of disseminating learning as Gas Transporter and Electricity Transmission Licensees should, for example, be engaging in wider industry forums to disseminate learning from Projects.

Sharing Project data

2.13. Gas Transporter and Electricity Transmission Licensees must make it clear in Project Registration Information (as detailed in Table 3.1) and Project Progress Information (as detailed in Table 6.1) how any data gathered in the course of a Project (and de-sensitised, if

necessary) can be requested by interested parties. We expect Gas Transporter and Electricity Transmission Licensees to document any reasons for de-sensitising data, such as commercial sensitivities or other regulatory restrictions.

2.14. We require Gas Transporter and Electricity Transmission Licensees to treat all data within RIIO-2 NIA Projects as open to all by default and so to share data with requesting parties, unless the Gas Transporter and Electricity Transmission Licensee can demonstrate it is not in consumers' interests to do so or that there are other regulatory or commercial reasons not to do so. Where data cannot be open, we require Gas Transporter and Electricity Transmission Licensees to provide the requesting parties with reasons why the requested data cannot be shared, and to identify and deliver a de-sensitised version incorporating the minimum number of changes.

2.15. When publishing information on the ENA Smarter Networks Portal, Gas Transporter and Electricity Transmission Licensees must use best endeavours to act in accordance with the Data Best Practice Guidance issued by Ofgem for all data within RIIO-2 NIA Projects.⁵

2.16. Additionally, Gas Transporter and Electricity Transmission Licensees must have a publicly available data policy setting out how the data used and generated by Projects will comply with Data Best Practice Guidance, including how data will be made available to stakeholders.

⁵ The Data Best Practice Guidance will be published here on Ofgem's website:
<https://www.ofgem.gov.uk/about-us/ofgem-data-and-cyber-security>

3. RIIO-2 NIA Projects

Section summary

This chapter sets out the requirements for a Project to qualify as a RIIO-2 NIA Project, how Projects should be documented and registered, and how Project changes are managed. It also includes the requirement to assess the impact of innovation upon consumers in vulnerable situations.

3.1. Subject to the constraints imposed by the amount of a Gas Transporter’s or Electricity Transmission Licensee’s RIIO-2 NIA and paragraph 3.4, there is no minimum or maximum size for a RIIO-2 NIA Project.

3.2. Gas Transporter and Electricity Transmission Licensees can only recover Total NIA Expenditure on RIIO-2 NIA Projects which are registered by midnight on 31 March 2026.

Project portfolio

3.3. We think that there is a need to explore a range of different Methods and Solutions to facilitate the energy system transition and/or address consumer vulnerability. This will help de-risk NIA spend and deliver benefits to consumers.

3.4. Therefore, we expect Gas Transporter or Electricity Transmission Licensees to maintain a balanced portfolio of Projects. This means that Gas Transporter or Electricity Transmission Licensees should not, for example, focus unduly on:

- one Method or Solution,
- specific equipment, technology or methodology;
- Projects at high TRL; or
- a select group of Project Partners.

Eligibility and process Requirements

3.5. The Gas Transporter and Electricity Licensee must, on request, be able to demonstrate to Ofgem that Projects meet the six sets of requirements set out below.

Requirement 1 – facilitate energy system transition and/or benefit consumers in vulnerable situations

3.6. Eligibility requirement 1: A Project must have the potential to facilitate the energy system transition and/or benefit consumers in vulnerable situations.

3.7. Process requirement 1: To demonstrate that the Project meets eligibility requirement 1, the Gas Transporter or Electricity Transmission Licensee must explain clearly in its Project Eligibility Assessment (PEA), with reference to any supporting evidence that already exists, at least one of the following:

- How the Project has potential to facilitate the energy system transition; and/or
- How the Project has potential to benefit consumers in vulnerable situations.

Requirement 2 – potential to deliver a net benefit to consumers

3.8. Eligibility requirement 2: A Project must have the potential to deliver a Solution that provides a net benefit to consumers of the Gas Transporter and/or Electricity Transmission Licensee, as the context requires. This could include delivering a Solution at a lower cost than the most efficient Method currently in use on the GB Gas Transportation System, the Gas Transporter’s and/or Electricity Transmission or Electricity Distribution Licensee’s network, or wider benefits, such as social, environmental or wider energy supply resilience.

3.9. Process requirement 2: To demonstrate that the Project meets eligibility requirement 2, the Gas Transporter or Electricity Transmission Licensee must be able to set out in its PEA:

- A calculation of the estimated benefits of the Solution (not required for Projects conducting Research) and a description of the recipients of those benefits;
- An estimate of how replicable the Method is across GB in terms of the number of sites, the sort of site the Method could be applied to, or the percentage of the GB Gas Transportation System and/or electricity transmission or distribution system to which it could be rolled-out; and
- An outline of the costs of rolling out the Method across GB.

Requirement 3 – involve Research, Development or Demonstration

3.10. Eligibility requirement 3: A Project must involve the Research, Development or Demonstration of at least one of the following:

- A specific piece of new equipment (including monitoring, control and communications systems and software);
- A specific piece of new technology (including analysis and modelling systems or software), in relation to which the Method is unproven;
- A new methodology (including the identification of specific new procedures or techniques used to identify, select, process, and analyse information);
- A specific novel arrangement or application of existing gas transportation, electricity transmission or electricity distribution equipment, technology or methodology;
- A specific novel operational practice directly related to the operation of the GB Gas Transportation System, electricity transmission or electricity distribution; or
- A specific novel commercial arrangement.

3.11. Process requirement 3: To demonstrate that the Project meets eligibility requirement 3, the Gas Transporter or Electricity Transmission Licensee must detail in its PEA what the Project involves and explain how the Project satisfies this requirement.

Requirement 4 – develop new learning

3.12. Eligibility requirement 4: A Project must develop new learning that can be applied by Gas Transporter and/or Electricity Transmission or Electricity Distribution Licensees.

3.13. Process requirement 4: To demonstrate that the Project meets eligibility requirement 4, the Gas Transporter or Electricity Transmission Licensee must be able to explain in its PEA how the learning that will be generated by the Project could be used by Gas Transporter and/or Electricity Transmission or Electricity Distribution Licensees.

Requirement 5 – be innovative

3.14. Eligibility requirement 5: A Project must be innovative (ie not a business as usual activity) and have an unproven business case entailing a degree of risk warranting a limited Research, Development or Demonstration Project to demonstrate its effectiveness. This could include Projects which are untested at scale, or in relation to which there are risks, which might prevent the widespread deployment of the equipment, technology or methodology.

3.15. Process requirement 5: To demonstrate that the Project meets eligibility requirement 5, the Gas Transporter or Electricity Transmission Licensee must explain the following in its PEA:

- Why the Project is innovative;
- Why the Gas Transporter or Electricity Transmission Licensee cannot fund such a Project as part of its business as usual activities; and
- Why the Project can only be undertaken with the support of the NIA, including reference to the specific risks (eg commercial, technical, operational or regulatory) associated with the Project. Where the Solution is already in use outside GB and the Project seeks to explore its potential adoption in GB, the Gas Transporter or Electricity Transmission Licensee must explain what specific risks related to the Solution's use in GB justify the use of NIA funding.

Requirement 6 – not lead to unnecessary duplication

3.16. Eligibility requirement 6: A Project must not lead to unnecessary duplication of any other Project, including but not limited to IFI, LCNF, NIA, NIC or SIF projects already registered, being carried out or completed.

3.17. Process requirement 6: To demonstrate that the Project meets eligibility requirement 6, the Gas Transporter or Electricity Transmission Licensee must demonstrate in its PEA that no unnecessary duplication will occur as a result of the Project. If applicable, the Gas Transporter or Electricity Transmission Licensee must justify why they are undertaking a Project similar to other network innovation Projects ongoing or undertaken previously.

3.18. Unnecessary duplication is likely to occur if the Project is not expected to lead to new learning, for example where a Project involving piece of equipment, technology or methodology has been undertaken in one location and is then repeated in another location. However, for the avoidance of doubt, the following are unlikely to be considered unnecessary duplication:

- Projects that address the same Problem, but use a different Method; and
- Projects that use the same technology, equipment or methodology but will, upon Project completion, have reached different TRLs.

Documentation requirements

Project Eligibility Assessment

3.19. Before Registration of a Project, the Funding Licensee(s) must produce a PEA. In the PEA, the Gas Transporter or Electricity Transmission Licensee must demonstrate to Ofgem

that the Project meets the eligibility and process requirements set out in paragraphs 3.5-3.18.

3.20. The PEA must be approved by a senior network manager responsible for implementing RIIO-2 NIA Projects and published on the Project Registration Page of the ENA Smarter Networks Portal.

Maintaining a consistent methodology for calculating Project benefits

3.21. To ensure a consistent approach in assessing the benefits of Projects, we require Gas Transporter and Electricity Transmission Licensees to work together to maintain a consistent methodology for calculating the net benefit of Projects.

3.22. The Gas Transporter or Electricity Transmission Licensee must use a methodology to estimate the net benefit of solution of the Problem. This estimate must be accompanied by a qualitative summary of the resources the Gas Transporter or Electricity Transmission Licensee currently uses to address the Problem.

3.23. In the case of a Project involving Development or Demonstration, the Gas Transporter or Electricity Transmission Licensee must be able to use the methodology to explain the net benefit of the Project including:

- Estimating the costs of delivering the Solution (at the scale being tested within the Project) through the most efficient Method currently in use on the GB Transmission System - the Base Case Cost; and
- Estimating the costs of replicating the Method, at the scale being tested in the Project, once it has been proven successful - the Method Cost.

3.24. The difference between the Base Case Cost and the Method Cost for a Development or a Demonstration is the financial benefit of the Project. Where a Gas Transporter or Electricity Transmission Licensee wants to test more than one Method it must outline the financial benefit of each separate Method.

3.25. The types of benefit included in 'net benefit' are not restricted to financial benefits. Benefits may also include non-financial benefits (such as environmental benefits, social benefits, or carbon cost) that can have a financial value assigned that is calculated under

approved methodologies, such as the RIIO-2 cost benefit analysis model,⁶ green book guidance,⁷ or the whole system cost benefit analysis model developed by the ENA.⁸

Registration process requirements

3.26. Projects must be registered on the ENA Smarter Networks Portal. For the avoidance of doubt, there must only be one Project Registration Page for each Project, even where there are multiple Funding Licensees. This means that, when a Project involves more than one Funding Licensee, they must nominate one Funding Licensee to undertake the Registration. However, all Funding Licensees are responsible for ensuring that they comply with this RIIO-2 NIA Governance Document.

3.27. The Registration process does not generally involve Ofgem approving Projects. However, there are three circumstances in which a Gas Transporter or Electricity Transmission Licensee must seek approval from Ofgem before the Registration of a Project. Such requests for approval should be sent to networks.innovation@ofgem.gov.uk. These are where the Gas Transporter or Electricity Transmission Licensee :

- Is requesting an exemption from the default conditions for intellectual property rights (IPR) set out in chapter 7;
- Intends to make payments to itself or to Related Undertakings as set out in chapter 4; or
- Asks to deviate from the Energy Networks Innovation Process on a Project as set out in chapter 5.

3.28. Where the Gas Transporter or Electricity Transmission Licensee wishes to register a Project in one of the circumstances described in paragraph 3.27, it must make a written submission to Ofgem prior to Registration. Ofgem will review the submission and will only approve the Registration of the Project where it considers that a satisfactory justification has been supplied. Ofgem will undertake this review and respond to the request within 20 Working Days of receipt of the submission. If, during the 20 Working Day evaluation period

⁶ The RIIO-2 cost benefit analysis model can be found here: <https://www.ofgem.gov.uk/publications-and-updates/riio-2-final-data-templates-and-associated-instructions-and-guidance>

⁷ <https://www.gov.uk/government/collections/the-green-book-and-accompanying-guidance-and-documents>

⁸ The whole system cost benefit analysis model developed by the ENA will evolve with use – the latest version can be found by searching the resource library on the ENA's website: <https://www.energynetworks.org/>

following the submission of the request Ofgem considers that additional information will be needed to assess whether the Registration of the Project should be approved, Ofgem may extend the deadline for its decision by up to 20 Working Days, from the day when that additional information is provided.

3.29. Ofgem's past approval during RIIO-1 of the Registration of a Project in one of the circumstances detailed in paragraph 3.27 will continue to have effect during RIIO-2, provided that there are no material changes in circumstances following such approval that might have led Ofgem to reach a different conclusion had they been known to Ofgem at the time of such approval. If there are any such material changes in circumstances, the Gas Transporter or Electricity Transmission Licensee must submit a new request for approval.

3.30. Where a Gas Transporter or Electricity Transmission Licensee has explained in its PEA why it (or its Project Partners) will face commercial harm as a result of the disclosure of any of the information required in Table 3.1 below and has informed Ofgem when registering the Project, then it is not required to publish this information. However, if information subsequently comes to Ofgem's attention which might reasonably have had a bearing on our initial assessment of commercial harm then, depending on the facts, either all or some of Total NIA Expenditure on the Project may be declared Unrecoverable NIA Expenditure.

3.31. Where multiple Gas Transporter and Electricity Transmission Licensees wish to recover Total NIA Expenditure for the purposes of a collaborative Project, then Funding Licensees must be named on the Project Registration Page. Where there are multiple Funding Licensees, it must be made clear at the time of Registration what contribution each Funding Licensee will be making.

3.32. If the Gas Transporter or Electricity Transmission Licensee is not seeking approval to register a Project for one of the reasons identified in paragraph 3.27, the Project will be registered when the Gas Transporter or Electricity Transmission Licensee publishes the information required for the Registration on the ENA Smarter Networks Portal.

3.33. A Project can be registered at any time during the Regulatory Year.

3.34. Projects must not be started until Registration has taken place. Where the Gas Transporter or Electricity Transmission Licensee has sought Ofgem's approval to register a Project, it cannot be started until such approval has been given.

3.35. A Gas Transporter or Electricity Transmission Licensee can still register a Project, even if it does not expect to incur any Total NIA Expenditure (for example, because a Project is funded by a third party). In that way, subject to paragraph 3.39, if Total NIA Expenditure is unexpectedly incurred by the Gas Transporter or Electricity Transmission Licensee, it will be eligible to recover Total NIA Expenditure incurred.

3.36. The Funding Licensee(s) will provide the following information in Table 3.1 on the Project Registration Page.

Table 3.1: Information required for the Registration of RIIO-2 NIA Projects

Information required	Description
Project title	
Funding Licensee(s)	The Gas Transporter and Electricity Transmission Licensee(s) which register(s) the Project and recover(s) the Total NIA Expenditure from consumers.
Eligibility	This section should explain why the Project satisfies the eligibility and process requirements specified in paragraphs 3.5-3.18.
Problem(s)	This should outline the Problem(s) which is/are being addressed by the Project.
Method(s)	This section should set out the Method or Methods that will be used in order to understand or provide a Solution to the Problem. The type of Method should be identified, where possible, eg technical or commercial. Apart from projects involving specific novel commercial arrangement(s), this section should also include a Measurement Quality Statement and Data Quality Statement.
Scope and objectives	The scope and objectives of the Project should be clearly defined including the net benefit for consumers (eg financial, environmental). This section should also estimate the financial benefits which would directly accrue to the GB Gas Transportation System and/or electricity transmission and/or distribution.

Information required	Description
Consumer vulnerability impact assessment	Details of the expected effects of the Method(s) and Solution(s) upon consumers in vulnerable situations.
Success criteria	Details of how the Funding Licensee will evaluate whether the Project has been successful.
Project Partners and external funding	Details of actual or potential Project Partners, their respective roles, and external funding support as appropriate.
Potential for new learning	Details of what the parties expect to learn and how the learning will be disseminated.
Scale of Project	The Funding Licensee should justify the scale of the Project – including the scale of the investment relative to the potential benefits. In particular, it should explain why there would be less potential for new learning if the Project were of a smaller scale.
Geographical area	Details of where the Project will take place. If the Project is a collaboration, the Funding Licensee area(s) in which the Project will take place should be identified.
Relevant Foreground IPR	Details of expected Relevant Foreground IPR which will be generated in the Project. If applicable, this must also explain if Background IPR will be required to use the Relevant Foreground IPR.
Data access details	<p>A description of how any data (de-sensitised where necessary) that are expected to be gathered in the course of the Project can be requested by interested parties, and, if applicable, reasons why such data cannot be released to interested parties.</p> <p>This requirement may be met by including a link to the publicly available data sharing policy, which is required by virtue of paragraphs 2.13-2.16.</p>

Information required	Description
Revenue allowed for in the RIIO-2 settlement	An indication of the funding provided to the Gas Transporter and Electricity Transmission Licensee within the RIIO-2 settlement ⁹ that is likely to be surplus to requirements as a result of the Project. Where there is more than one Funding Licensee, this should also be broken down by Funding Licensee.
Indicative Total NIA Expenditure on Project	An indication of the Total NIA Expenditure that the Funding Licensee expects to reclaim for the whole of the Project. Where there is more than one Funding Licensee, this should also be broken down by Funding Licensee.

Assessing the impact of innovation upon consumers in vulnerable situations

3.37. As per Table 3.1 above, Gas Transporter and Electricity Transmission Licensees must assess the expected effects of the Method(s) and Solution(s) upon consumers in vulnerable situations.¹⁰ This assessment forms part of the PEA and must include an assessment of distributional impacts (technical, financial and wellbeing-related) on consumers in vulnerable situations.¹¹

Project change requirements

3.38. Once a Project has been registered, the Funding Licensee will not be able to change the following aspects of the Project:

⁹ This is funding related to expenditure included in the Gas Transporter and Electricity Transmission Licensees' settlement for RIIO-2, as detailed in the RIIO-2 Final Determination available here: <https://www.ofgem.gov.uk/publications-and-updates/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

¹⁰ Full details on Ofgem's approach to identifying and defining consumers in vulnerable situations can be found in our Consumer Vulnerability Strategy 2025: <https://www.ofgem.gov.uk/publications-and-updates/consumer-vulnerability-strategy-2025>

¹¹ Ofgem has separately produced guidance on assessing the distributional impacts of economic regulation and consumer archetypes: https://www.ofgem.gov.uk/system/files/docs/2020/05/assessing_the_distributional_impacts_of_economic_regulation_1.pdf (May 2020) https://www.ofgem.gov.uk/system/files/docs/2020/05/ofgem_energy_consumer_archetypes_-_final_report_0.pdf (March 2020)

- Project title;
- Problem;
- Objectives;
- Success criteria; and
- The IPR arrangements.

3.39. Further, although the Funding Licensee can reduce the level of payment that was registered to be made to a Related Undertaking, it cannot either increase the payment or make a payment to an additional Related Undertaking without receiving approval from Ofgem.

3.40. If the Funding Licensee can demonstrate that there will be a benefit to changing aspects of the Project not listed in paragraph 3.38, based on learning after the Project has been started, it may do so. The Gas Transporter or Electricity Transmission Licensee must update the information on the Project Registration Page (including an explanation of why the change has been made). For the avoidance of doubt, this change could include early termination of the Project.

Additional requirements

3.41. The Gas Transporter or Electricity Transmission Licensee, its contractors and its Project Partners must:

- Not visit the premises of any consumer for sales or marketing activities in connection with or otherwise in the context of the Project; and
- Have regard to the implementation of the smart meter roll-out in the geographical area relevant to the Project to ensure that the Project does not impede the implementation of the roll-out in any way.

4. Recovering Total NIA Expenditure

Section summary

This chapter details what Gas Transporter and Electricity Transmission Licensees can and cannot recover as Total NIA Expenditure, including expenditure relating to equipment, internal resources, payments to Network Users and additional costs such as those of maintaining the ENA Smarter Networks Portal.

This chapter should be read in conjunction with the RIIO-2 NIA Licence Condition. In the event of conflict, the licence takes precedence.

4.1. We specify the level of NIA funding available to each Gas Transporter or Electricity Transmission Licensee in its RIIO-2 NIA Licence Condition.

Compulsory contribution

4.2. The Gas Transporter or Electricity Transmission Licensee can recover 90% of its Total NIA Expenditure. The remaining 10% of Total NIA Expenditure must come from sources other than the RIIO-2 NIA, such as the Gas Transporter or Electricity Transmission Licensee's totex, shareholder funds or other external sources. For the avoidance of doubt, if there is more than one Funding Licensee on a Project, then each Funding Licensee can only recover 90% of its expenditure on the Project from its Total NIA Expenditure.

Total NIA Expenditure relating to equipment

4.3. If Total NIA Expenditure relates to equipment (including control and/or communications systems and/or software) then:

- It must be incurred with the objective of facilitating the energy system transition and/or addressing consumer vulnerability;
- It must be incurred in relation to the research, development, procurement, installation, operation, maintenance or decommissioning of equipment which will have a Direct Impact on the Gas Transporter or Electricity Transmission Licensee's network;

- It must not be related to the procurement, installation, operation or decommissioning of any device on any consumer's premises that measures the consumption of energy and provides such measurement data to an Energy Supplier; and
- It will be deemed to be connected to and form part of the Gas Transporter or Electricity Transmission Licensee's network if it is being used to test the impact of electricity and/or gas demand of commercial or domestic consumers on the Gas Transporter or Electricity Transmission Licensee's network for the purposes mentioned in the first bullet.

Payments to Network Users

4.4. If Total NIA Expenditure involves payments to a Related Undertaking to remunerate a Network User for the actions it takes as part of the Project then:

- All payments that are proposed to be made to any Related Undertaking must be declared before Registration and will require approval from Ofgem before the Project can be registered;
- The Gas Transporter or Electricity Transmission Licensee must simultaneously offer the same terms to similar Network Users on the part of the network that is within the Project boundary and must have used reasonable endeavours to identify similar Network Users; and
- The payment cannot be made to affiliated Gas Transporter and Electricity Transmission Licensees undertaking the RIIIO-2 NIA Project, which are Related Undertakings, except to cover the marginal operating costs of running existing Gas Transporter and Electricity Transmission Licensee owned generation or storage plants that are solely necessary for the purposes of the Project. Such marginal operating costs must be declared at the time of Registration and will require approval from Ofgem before the Project can be registered.

Unrecoverable NIA Expenditure

4.5. Gas Transporter and Electricity Transmission Licensees cannot recover any expenditure as part of Total NIA Expenditure which does not satisfy the requirements of this RIIIO-2 NIA Governance Document; this is deemed to be Unrecoverable NIA Expenditure.

Derogations from technical requirements and standards of performance

4.6. Meeting the eligibility and process requirements for Projects detailed in paragraphs 3.5-3.18 does not exempt the Gas Transporter or Electricity Transmission Licensee from complying with its licence obligations to conform to all technical requirements, standards of

performance, or other legislative requirements. If the Gas Transporter or Electricity Transmission Licensee wishes to seek a derogation from any technical requirements or from the requirements of any incentive scheme, it must do so through the relevant bodies and/or existing mechanisms (if any). Without a valid derogation, any increase in payments associated with failure to comply with the technical requirement or incentive scheme that occurs through undertaking a RIIO-2 NIA Project is deemed Unrecoverable NIA Expenditure.

Deducting Direct Benefits from Total NIA Expenditure

4.7. Where the Gas Transporter or Electricity Transmission Licensee receives a Direct Benefit as a result of undertaking the Project, the estimated value of the Direct Benefit must be used to cover the expenditure incurred on the Project and so must be deducted from Total NIA Expenditure.

Recovery of additional costs

4.8. The proportion of Total NIA Expenditure that the Gas Transporter or Electricity Transmission Licensee can spend on its own internal resources over the course of RIIO-2 is set out in the RIIO-2 NIA Licence Condition. Only that proportion of Total NIA Expenditure can be spent internally, eg on salaries.

4.9. Although the Gas Transporter or Electricity Transmission Licensee's membership of an external body cannot, on its own, be registered as a Project, where there are costs attributable to membership of external bodies in the context of a Project, the Gas Transporter or Electricity Transmission Licensee may put their membership costs into the internal cost category on a Project. For the avoidance of doubt, any external memberships that are necessary for Project Partners to undertake a Project can be recovered as external expenditure.

4.10. Efficiently incurred costs associated with implementing and maintaining the ENA Smarter Networks Portal (detailed in chapter 2) and the Energy Networks Innovation Process document (detailed in chapter 5) can be recovered within Total NIA Expenditure. Additionally, efficiently incurred costs associated with organising the annual conference (detailed in chapter 6) can be recovered within Total NIA Expenditure.

5. Regulatory reporting for RIIO-2 NIA Projects

Section summary

This chapter describes the reporting requirements that Gas Transporter and Electricity Transmission Licensees must satisfy. It includes requirements to publish annual summaries of NIA activities and to adhere to the Energy Networks Innovation Process.

5.1. The Gas Transporter or Electricity Transmission Licensee must report to Ofgem the required details of its Total NIA Expenditure as set out in:

- Standard Special Condition A40 (Regulatory Instructions and Guidance) of the Gas Transporter Licence, or
- Standard Licence Condition B15 (Regulatory Instructions and Guidance) of the Electricity Transmission Licence.

Publishing annual summaries of NIA activities

5.2. To provide transparency to Ofgem and other stakeholders concerning the portfolio of activities that have been undertaken and the benefits that have been derived from NIA funds, we require Gas Transporter or Electricity Transmission Licensees to publish annual summaries of NIA activities.

Individual summary reports

5.3. By 31 July each year, Gas Transporter or Electricity Transmission Licensees must each publish an annual summary of NIA activity.¹² This must:

- Summarise the progress of the Gas Transporter or Electricity Transmission Licensee's NIA activities over the past Regulatory Year;

¹² For the avoidance of doubt, if multiple licences are held by one corporate group, this report can be published at corporate group level.

- Summarise how the NIA activities relate to the Electricity Network Innovation Strategy or Gas Network Innovation Strategy, as those strategies pertain to the energy system transition and/or consumers in vulnerable situations;
- Summarise the Gas Transporter or Electricity Transmission Licensee’s collaboration with external Project Partners over the past Regulatory Year;
- Demonstrate that the Gas Transporter or Electricity Transmission Licensee has a balanced RIIO-2 NIA Project portfolio;
- Highlight areas of significant new learning;
- Summarise all ongoing or planned Projects for future Regulatory Years; and
- Be approved by the senior network manager responsible for implementing RIIO-2 NIA Projects.

5.4. We expect the annual summary to refer to the ENA Smarter Networks Portal, where further detail on Projects can be found. The Gas Transporter or Electricity Transmission Licensee must publish this summary on its website and add a link to the summary on the ENA Smarter Networks Portal.

5.5. Gas Transporter and Electricity Transmission Licensees can combine the requirement detailed in paragraph 5.3 with other reporting requirements, such as reporting required on IFI, LCNF, NIA, NIC or SIF projects being carried out or completed.

Collective industry-wide summary report

5.6. By 31 October each year, Gas Transporter and Electricity Transmission Licensees must develop and publish a collective summary report of NIA activities. The report must:

- aggregate individual summary reports produced by Gas Transporter and Electricity Transmission Licensees, enabling readers to understand the RIIO-2 NIA Projects undertaken by Gas Transporter and Electricity Transmission Licensees and the interlinkages between those Projects;
- include an aggregated benefits table;
- include a log detailing the implementation of RIIO-2 NIA Projects, which contains individual Project Registration Information and details from Project Progress Information reports; and
- include a log with details of all ongoing or planned Projects for future Regulatory Years.

5.7. The report must be published on the ENA Smarter Networks Portal, and Gas Transporter or Electricity Transmission Licensees must link to it from their websites. Gas

Transporter and Electricity Transmission Licensees can combine the requirements detailed in paragraph 5.6 with other reporting requirements, such as reporting required on IFI, LCNF, NIA, NIC or SIF projects being carried out or completed.

Publishing the Energy Networks Innovation Process

5.8. To provide transparency to third parties and consolidate the outputs produced by Gas Transporter and Electricity Transmission Licensees to fulfil the requirements of this RIIO-2 NIA Governance Document, Gas Transporter and Electricity Transmission Licensees must work together to develop, maintain and publish the Energy Networks Innovation Process on the ENA Smarter Networks Portal.

5.9. The Energy Networks Innovation Process must be first published on 1 April 2021.

5.10. Gas Transporter and Electricity Transmission Licensees must thereafter review the Energy Networks Innovation Process at least every two years and make appropriate changes to update and improve its accessibility and content.¹³ We expect this review to be informed by stakeholder consultation on the quality of information provided by and the usability of the ENA Smarter Networks Portal.

5.11. Gas Transporter and Electricity Transmission Licensees must demonstrate how they have complied with the Energy Networks Innovation Process on all Projects. Where the Gas Transporter or Electricity Transmission Licensee wishes to deviate from the Energy Networks Innovation Process on a Project, it must notify other Gas Transporter and Electricity Transmission Licensees and seek approval from Ofgem before registering the RIIO-2 NIA Project.

5.12. The Energy Networks Innovation Process must be consistent with the requirements of this RIIO-2 NIA Governance Document and must include details on:

- How third parties can submit innovation ideas and how these will be reviewed;
- The use of NIA funding together with other sources of funding;
- The calculation of net benefit to consumers;

¹³ ie the Energy Networks Innovation Process must be reviewed again by 1 April 2023 and every two years after that.

- The treatment of IPRs;
- The consumer vulnerability impact assessment and how this is undertaken;
- The end to end project process for RIIO-2 NIA Projects;
- The RIIO-2 NIA Project data which will be ordinarily be shared with requesting parties and how it can be requested;
- Developing Measurement Quality Statements;
- Developing Data Quality Statements;
- Quality assurance best practice;
- Project reporting and Dissemination;
- Supporting data table formats, and the requirement for the data in these tables to be shared with Ofgem and other Gas Transporter and Electricity Transmission Licensees;
- The methodology for reporting Solutions deployed into business as usual activities; and
- Templates for Registration and Project Progress Information reports.

6. Knowledge transfer

Section summary

This chapter sets out the knowledge transfer requirements of the NIA. It includes requirements concerning the contents of Project Progress Information reports and the requirement to hold an annual conference to disseminate knowledge.

6.1. The following requirements relating to knowledge transfer are set out in this RIIO-2 NIA Governance Document:

- Sharing learning (chapter 2);
- Sharing Project data (chapter 2);
- Annual summaries of NIA activity (chapter 5);
- the Project Progress Information (this chapter 6);
- an annual conference (this chapter 6); and
- the treatment of IPR (chapter 7).

6.2. The Gas Transporter or Electricity Transmission Licensee should also seek to identify other mechanisms to ensure the effective Dissemination of learning, both during and after the completion of Projects.

Publishing Project Progress Information

6.3. The Gas Transporter or Electricity Transmission Licensee must publish the Project Progress Information on the ENA Smarter Networks Portal by 31 July each year. If a Project is halted, then Project Progress Information must be published as soon as possible, but at the latest by 31 July following the halting of the Project.

6.4. The Gas Transporter or Electricity Transmission Licensee must publish the Project Progress Information for each Project that has developed new learning in the preceding Regulatory Year on the ENA Smarter Networks Portal. This publication should provide sufficient information for third parties to understand what has been learned from the Project and should be sufficient to allow other Gas Transporter and Electricity Transmission Licensees to replicate the Project and minimise the likelihood that other Gas Transporter and Electricity Transmission Licensees will unnecessarily duplicate the Project using their NIA in future. If

the RIIO-2 NIA Project generates IPR that Ofgem has agreed prior to Registration does not need to be shared, the Project Progress Information must provide sufficient information for other Gas Transporter and Electricity Transmission Licensees to determine whether the IPR would be of value.

6.5. Where the Gas Transporter or Electricity Transmission Licensee has explained in its PEA and informed Ofgem prior to Registration why it (or its Project Partners) will is not able to disclose any of the information required in Table 6.1, then it is not required to publish this information in the Project Progress Information. If the Authority later considers that information has been unreasonably withheld by the Gas Transporter or Electricity Transmission Licensee, then, depending on the facts, all or some of the Total NIA Expenditure on the Project in question may be declared Unrecoverable NIA Expenditure.

6.6. The Project Progress Information must include the following sections in the order that they appear below.

Table 6.1: Required Project Progress Information.

Section	Description
Project title	As at Registration
Scope and objectives	As at Registration
Success criteria	As at Registration
Performance compared to the original Project aims, objectives and success criteria	Details of how the Project is investigating/solving the Problem described in Project Registration Information. Details of how the Project is performing/has performed relative to its aims, objectives and success criteria.
Required modifications to the planned approach during the course of the Project	The Gas Transporter or Electricity Transmission Licensee should state any changes to its planned methodology and describe why the planned approach proved to be inappropriate.
Lessons learned for future Projects	Recommendations on how the learning from the Project could be exploited further. This may include recommendations on what form of trial will be required to move the Method to the next TRL.

Section	Description
	<p>The Gas Transporter or Electricity Transmission Licensee should also state if the Project discovered significant problems with the trialled Methods.</p> <p>The Gas Transporter or Electricity Transmission Licensee should comment on the likelihood that the Method will be deployed on a large scale in future.</p> <p>The Gas Transporter or Electricity Transmission Licensee should discuss the effectiveness of any Research, Development or Demonstration undertaken.</p>
Data access details	<p>A description of how any data (de-sensitised where necessary) gathered in the course of the Project can be requested by interested parties, and, if applicable, reasons why such data cannot be released to interested parties.</p> <p>This requirement may be met by including a link to the publicly available data sharing policy, which is required by virtue of paragraph 2.13-2.16.</p>
Foreground IPR	<p>A description of any Foreground IPR that has been developed by the Project and how this will be owned.</p>
<p>The following sections are only required once the Project has been completed.</p>	
The outcomes of the Project	<p>Unless there are regulatory, contractual or commercial reasons not to do so, comprehensive details of the Project’s outcomes are to be reported. Where quantitative data is available to describe these outcomes it should be included in the Project Progress Information. Wherever possible, the performance improvement attributable to the Project should be described.</p> <p>If the TRL of the Method has changed as a result of the Project this should be reported.</p>

Section	Description
	The Gas Transporter or Electricity Transmission Licensee should highlight any opportunities for future Projects to develop learning further. Where further detail is required, a learning report may be attached to Project Progress Information.
Planned implementation	Details on whether and how the Gas Transporter or Electricity Transmission Licensee plans to modify its operations based on learning from the Project. If the Solution is not ready to be used or implemented, the Gas Transporter or Electricity Transmission Licensee should explain what needs to happen before the Solution can be implemented. The Gas Transporter or Electricity Transmission Licensee can break down the implementation requirements into actions required to be taken by the Gas Transporter or Electricity Transmission Licensees and actions required to be taken by any other persons. This information should be consistent with logs maintained by Gas Transporter and Electricity Transmission Licensees tracking the implementation of Projects.
Other comments	Any additional content as required.

Annual conference requirements

6.7. Gas Transporter and Electricity Transmission Licensees must collectively organise an annual conference. The annual conference will be held every Regulatory Year for Gas Transporter and Electricity Transmission Licensees, Project Partners and for interested third parties. Gas Transporter and Electricity Transmission Licensees must (subject to any confidentiality or IPR arrangements approved before Registration) highlight the key learning that has been developed since the previous annual conference.

6.8. This conference may be combined with, or form part of another conference, and may be held as an online forum if appropriate. Attendees may be charged a nominal sum for

attending the conference. Income from charges is not to exceed the efficient cost to the Gas Transporter and Electricity Transmission Licensees of organising the conference.

6.9. The annual conference may be a single event for gas and electricity or multiple events. We expect Gas Transporter and Electricity Transmission Licensees to agree the format of the annual conference.

7. Intellectual Property Rights

Section summary

To facilitate knowledge transfer we have created default arrangements for IPRs. This chapter sets out these default arrangements.

7.1. Projects financed by the NIA may create IPR either for the Funding Licensee or for any Project Partners (whether for one, both or jointly). However, Gas Transporter or Electricity Transmission Licensees must ensure the Dissemination of knowledge and protect consumers from excessive payments.

7.2. The Gas Transporter or Electricity Transmission Licensee is required to enter into contractual arrangements with Project Partners which reflect the arrangements described in this chapter. The purpose of these arrangements is to:

- Ensure the Dissemination of knowledge generated by each Project; and
- Protect consumers against paying excessively for products or approaches (in relation to which they have contributed to the cost of development by providing NIA funding).

7.3. Given the light touch nature of these arrangements we expect the vast majority of Projects to be able to comply with the requirements of this condition. However, if a potential Project Partner is not prepared to enter into contractual arrangements on this basis, we are willing to consider alternative arrangements on a case by case basis where all Project Partners have agreed to the proposed alternative. In any event, all alternative IPR arrangements must comply with eligibility requirement 4 as set out in paragraph 3.12.

Knowledge Dissemination

7.4. Gas Transporter and Electricity Transmission Licensees must ensure that their IPR arrangements allow for the Dissemination of knowledge in respect of a Project. This knowledge includes the knowledge necessary to reproduce or simulate the outcome of a Project. It also includes the knowledge necessary to avoid a negative outcome. Where the deployment of IPR materially reduces the cost, difficulty or time associated with reproducing the outcome of a Project, this would also constitute IPR which is material to the Dissemination of knowledge.

7.5. Relevant Foreground IPR is Foreground IPR that other Gas Transporter and Electricity Transmission Licensees will need to utilise in order to implement the Method(s) being Developed or Demonstrated in the Project. As per Table 3.1, in the Project Registration Information, Gas Transporter and Electricity Transmission Licensees must describe their expectation of the Relevant Foreground IPR which will be generated in the Project. As per Table 6.1, in the Project Progress Information, Gas Transporter and Electricity Transmission Licensees must also identify the Foreground IPR in sufficient detail to enable others to identify whether they need to use it. It is not expected that the confidential details of IPR would be disclosed in Project Progress Information, only sufficient information to enable others to identify whether the IPR is of use to them.¹⁴ Where Background IPR is required to use the Relevant Foreground IPR, this must also be clearly stated in the Project Registration Information (Table 3.1).

7.6. Foreground IPR within Commercial Products is not Relevant Foreground IPR. However, these Commercial Products must be made available for purchase by Gas Transporter and Electricity Transmission Licensees after the Project and in line with paragraphs 7.8 to 7.11 below.

7.7. In all Projects, unless approval has been granted to deviate from default IPR rules, all Gas Transporter and Electricity Transmission Licensees will have the automatic right to use Relevant Foreground IPR within their network system, royalty free. The Gas Transporter and Electricity Transmission Licensee will ensure that arrangements are in place to allow such access.

Ensuring value

7.8. For the avoidance of doubt, each Participant in the Project shall retain all rights in and to its Background IPR.

~~7.9. Each Participant shall own all Foreground IPR that it independently creates as part of the Project. Where Foreground IPR is created jointly, it may be owned in shares that are in~~

¹⁴ This includes cases where Ofgem has agreed prior to Registration that certain IPR generated by a Project does not need to be shared.

~~proportion to the funding contributed and work done by the relevant Project Partner in its creation.~~

~~7.10. Alternatively, the following arrangements would also be considered acceptable:~~

- ~~• the Gas Transporter or Electricity Transmission Licensee jointly owns all the Foreground IPR generated by the Project; and~~
- ~~• the Gas Transporter or Electricity Transmission Licensee complies with paragraph 7.7.~~

7.9. Each Participant shall own all Foreground IPR that it independently creates as part of the Project. Where Foreground IPR is created jointly, it may be owned in shares that are in proportion to the funding and work done in its creation. However, in circumstances where:

- The Network Licensee owns all the Foreground IPR generated by the Project; and
- The Network Licensee complies with paragraph 7.7 of this chapter,

we will consider the Project to conform with the default IPR arrangements.

7.10. The Gas Transporter or Electricity Transmission Licensee is required to consider and enter into contractual arrangements that have the potential to provide best long-term value to all consumers during and following the completion of the Project.

7.11. The Gas Transporter or Electricity Transmission Licensee must, where appropriate, record the Background IPR, Foreground IPR and Relevant Foreground IPR within contractual agreements with Project Partners, and finalise the Background IPR, Foreground IPR and Relevant Foreground IPR in the Project Progress Information report published after project closedown.

Guidance for third parties on the treatment of IPR

7.12. As per paragraphs 5.8-5.12, the Gas Transporter and Electricity Transmission Licensees must develop and maintain collective guidance on the treatment of IPRs in RIIO-2 NIA Projects. Each Gas Transporter or Electricity Transmission Licensee must apply the collective guidance to their contractual arrangements with Project Partners.

Deviating from default IPR rules

7.13. Where a Gas Transporter or Electricity Transmission Licensee wishes to deviate from the default requirements for IPR set out in this chapter, it must:

- Demonstrate how the learning from the Project can be successfully disseminated to Gas Transporter and Electricity Transmission Licensees and other interested parties;
- Take into account any potential constraints or costs caused, or resulting from, the proposed IPR arrangements; and
- Justify why the proposed IPR arrangements provide value for money for consumers.

8. Definitions

Section summary

This chapter contains definitions of terms used within this document.

In the event of conflict with terms defined within licences, definitions contained in the licence take precedence.

Authority

The Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000.

Background IPR

All the intellectual property owned or licensed to a Participant at the start of a Project.

Base Case Cost

The lowest cost method of delivering the Solution (on the scale outlined as part of the Project) which has been proven on the GB Gas Transportation System and/or electricity transmission or distribution system.

Commercial Product

Products which have Background IPR identified prior to the commencement of the Project.

Data Best Practice Guidance

Means the guidance document issued by the Authority in accordance with:

- Special Condition 9.5 (Digitalisation) of the National Transmission System Gas Transporter Licence
- Special Condition 9.5 (Digitalisation) of the Gas Transporter Licence held by the gas distribution companies
- Special Condition 9.5 (Digitalisation) of the Electricity Transmission Licence

- Special Condition 2.11 (Digitalisation) of the National Grid Electricity System Operator Licence

Data Quality Statement

Sets out the provisions and approaches that will be applied during data collection and storage to ensure:

- a) that the data and background information (metadata) are of sufficiently good quality that the data can be shown to be appropriate for the Project; and
- b) that the data can be found, understood, and reused by stakeholders in the future.

Development

Activity between TRL 4-6 focussed on generating and testing Solutions to the Problem.

Demonstration

Activity between TRL 7-8 focussed on generating and testing Solutions on the network and take them to a stage where they represent a commercially viable option and/or can be transferred to business as usual.

Direct Benefits

Any benefits of the Project accruing to the Gas Transporter or Electricity Transmission Licensee during the Project implementation, including funding related to expenditure included in the Gas Transporter or Electricity Transmission Licensee's settlement for the RIIO-2 price control period that will be surplus to requirements as a result of undertaking the Project.

Direct Impact

Where the deployment or use of the Method will (in the case of Research) lead to a directly related measurable change or (in the case of a Development or Demonstration) cause a directly related measurable change in the operation of the GB Distribution System/GB Transmission System in a controllable way. Where the Method involves measures that aim to reduce or shift the electrical and/or gas demand of commercial or domestic consumers, it is deemed to be controllable.

Dissemination

Means the activity undertaken to share learning from a Project.

Electricity Distribution Licence

A licence granted under section 6(1)(c) of Electricity Act 1989.

Electricity Distribution Licensee

The holder of an Electricity Distribution Licence.

Electricity Network Innovation Strategy

Means a document, or suite of documents, published by Electricity Transmission Licensees that complies, or together comply, with the requirements of the Electricity Transmission SLC B16.9.

ENA Smarter Networks Portal

Means <https://www.smarternetworks.org/>

Energy Networks Association or ENA

ENA is the industry body funded by UK and Irish gas and electricity transmission and distribution and gas transporter licence holders.

Energy Networks Innovation Process

Collective guidance document produced by Gas Transporter and Electricity Transmission Licensees to provide transparency to third parties and a consistent approach in managing the delivery, assessing and reporting the benefits of RIIO-2 NIA Projects.

Energy Supplier

The holder of a Gas Supplier Licence or Electricity Supply Licence.

Electricity Transmission Licence

A licence granted under section 6(1)(b) of the Electricity Act 1989.

Electricity Transmission Licensee

The holder of an Electricity Transmission Licence.

External Funder

An entity (that is not a Gas Transporter or Electricity Transmission Licensee) that provides funding for the Project without requiring a return on their investment.

Foreground IPR

All intellectual property created by or on behalf of the Participants, Gas Transporter and Electricity Transmission Licensees to whom they licence intellectual property, agents and sub-contractors, as part of, or pursuant to the Project, including all that subsisting in the outputs of the Project.

Funding Licensee

The Gas Transporter and Electricity Transmission Licensee that registers a RIIO-2 NIA Project and uses their NIA to fund a Project.

Gas Network Innovation Strategy

Means a document, or suite of documents, published by Gas Transporter Licensees that complies, or together comply, with the requirements of the Gas Transporter licence SSC A28.

Gas Transporter Licence

A licence granted under section 7 of the Gas Act 1986.

Gas Transporter Licensee

The holder of a Gas Transporter Licence.

GB

Means Great Britain

GB Distribution System

The system consisting (wholly or mainly) of electric lines owned or operated by licensed distributors that are used for the distribution of electricity from grid supply points or generation sets or other entry points to the points of delivery to consumers or authorised electricity operators or any transmission licensee in its capacity as operator of that licensee's transmission system or the GB Transmission System, and includes any remote transmission assets (owned by a Transmission Licensee within England and Wales) that are operated by that authorised distributor and any electrical plant, electricity meters, and metering equipment owned or operated by it in connection with the distribution of electricity, but does not include any part of the GB Transmission System.

GB Gas Transportation System

The combined Pipe Line Systems of the Gas Transporter Licensees who are subject to this RIIO-2 NIA Governance Document.

GB Transmission System

The system consisting (wholly or mainly) of high voltage electric lines owned or operated by transmission licensees within Great Britain and used for the transmission of electricity from one generating station to a sub-station or to another generating station or between sub-stations or to or from any interconnector. This includes any electrical plant or meters owned or operated by any transmission licensee within Great Britain in connection with the transmission of electricity.

Innovation Funding Incentive or IFI

An innovation allowance provided to network companies in previous network price controls.

Low Carbon Networks Fund or LCNF

An innovation funding mechanism for Electricity Distribution Licensees in previous price controls.

Licensee Partner

A Gas Transporter and Electricity Transmission Licensee which is participating in a Project and which is not the Funding Licensee.

Measurement Quality Statement

Defines the measurement requirements with associated data quality objectives, the measurement procedures and techniques to be used, and the mechanisms to ensure the traceability, reliability and comparability of the measurement results. The statement should follow best practice and guidance in its content and approach and ensure measurement data are associated and reported together with a measurement uncertainty. It should also include the approach used to assess the data against the data quality objectives.

Method

The proposed way of investigating or solving the Problem. This may be done by either:

- Research: which means activity undertaken to investigate the Problem based on observable facts;
- Development: which means activity focused on generating and testing Solutions to the Problem; or
- Demonstration: which means activity focused on demonstrating and testing technologies/practices on the network which address the Problem and take them to a stage where they can be transferred into business as usual.

Method Cost

The costs of replicating the Method, at the scale being tested in the Project, once it has been proven successful.

Network Innovation Competition or NIC

Innovation funding mechanism for high value innovation projects in the RIIO-1 price control.

Network User

A consumer, or the holder of a Gas Supply Licence, a Gas Shipper Licence, Gas Transporter Licence, Electricity Supply Licence, Electricity Distribution Licence, Electricity Transmission Licence or Electricity Generation Licence with whom the Gas Transporter and Electricity Transmission Licensee has a direct contractual relationship.

NIA

Means the network innovation allowance provided by the RIIO-2 NIA Licence Condition.

Participant

A party who is involved in a Project. A Participant will be one of the following: Gas Transporter Licensee, Electricity Transmission Licensee, Licensee Partner, Project Partner, External Funder, Project Supplier or Project Supporter.

Problem

The issue that needs to be resolved or better understood.

Project

The Research, Development or Demonstration being proposed or undertaken.

Project Eligibility Assessment or PEA

Documentation prepared by the Gas Transporter and Electricity Transmission Licensee prior to initiation of a Project, demonstrating that the Project and funding comply with all criteria and conditions set out in this document.

Project Progress Information

A summary of Project progress which complies with the requirements set out in chapter 6 of this document.

Project Partner

A non-Gas Transporter and Electricity Transmission Licensee Participant that makes a contractual commitment to contribute equity to the Project (e.g. in the form of funding, personnel, equipment etc.) the return on which is related to the success of the Project.

Project Registration Page

The page on the shared portal where the Project Registration Information is published.

Project Registration Information

The information which Funding Licensees must publish on the ENA Smarter Networks Portal in order to use funding under the NIA.

Project Supplier

A party that makes a contractual commitment to supply a product or service to the Project according to standard commercial terms that are not related to the success of the Project.

Project Supporter

A party that makes no contractual or binding commitment to the Gas Transporter and Electricity Transmission Licensee or any other Participant in relation to the Project but who intends to endorse and provide support to the Project and agrees to be publicly named as a supporter of the Project.

Registration

Registration is the process by which a Project is registered on the Smarter Networks Portal before the Project can start.

Regulatory Year

means a period of twelve months commencing on 1 April at 05:00 and ending on the following 1 April immediately before 05:00. The first such Regulatory Year (t=1) commences on 1 April 2021 at 05:00 hours.

Related Undertaking

In relation to the licensee, means any undertaking in which the licensee has a participating interest within the meaning of section 421A of the Financial Services and Markets Act 2000.

Relevant Foreground IPR

Any Foreground IPR that is required in order to undertake the Project.

Research

Activity between TRL 2-3 undertaken to investigate or gather evidence regarding the Problem based on observable facts.

RIIO

RIIO stands for (Revenue = Incentives + Innovation + Outputs). It is Ofgem's framework, stemming from the conclusions of the RPI-X@20 project, implemented in network price controls.

RIIO-1

The network price control which ran between 1 April 2013 and 31 March 2021 for Gas Transporter and Electricity Transmission Licensees.

RIIO-1 NIA

NIA awarded to Gas Transporter and Electricity Transmission Licensees in RIIO-1.

RIIO-1 NIA Governance Document

means the document issued by the Authority to set out arrangements for the governance and administration of the RIIO-1 NIA.

RIIO-2

The network price control which runs between 1 April 2021 and 31 March 2026 for Gas Transporter and Electricity Transmission Licensees.

RIIO-2 NIA

NIA awarded to Gas Transporter and Electricity Transmission Licensees in RIIO-2.

RIIO-2 NIA Licence Condition

Either:

- Special Condition 5.2 (The RIIO-2 network innovation allowance) of the Gas Transporter Licence held by National Grid Gas plc.
- Special Condition 5.2 (The RIIO-2 network innovation allowance) 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.
- Special Condition 5.2 (The RIIO-2 network innovation allowance) of the Electricity Transmission Licence held by National Grid Electricity Transmission Plc, SP Transmission Ltd and Scottish Hydro Electric Transmission Plc.
- Special Condition 4.6 (The RIIO-2 network innovation allowance) of the Electricity Transmission Licence held by National Grid Electricity System Operator Limited.

RIIO-2 NIA Project

means those projects undertaken by the licensee that appear to the Authority to satisfy such requirements of the RIIO-2 NIA Governance Document as are necessary to enable the projects to be funded under the provisions of RIIO-2 NIA Licence Condition.

RIIO-2 NIA Governance Document

means the document issued by the Authority under the RIIO-2 NIA Licence Condition.

Solution

The means of solving or investigating a Problem.

Strategic Innovation Fund or SIF

Innovation funding mechanism in the RIIO-2 price control for strategically important innovation projects.

Technology Readiness Level or TRL

A measure used to assess the maturity of evolving technologies. It is graded on a scale from 1 to 9, where, for the purposes of the NIA:

- TRL 1: Pure research that is theoretical or experimental work undertaken to acquire new scientific or technical knowledge for its own sake rather than directed towards an application
- TRL 2-3: Applied research driven by a desire to broaden scientific and technical knowledge for application on the network, related to an identified problem. It typically includes investigating the underlying foundation of phenomena and observable fact
- TRL 4-6: Development activities with a more commercial application including technology validation and or demonstration in a working environment
- TRL 7-8: Full scale demonstration in a working environment to test and improve technologies so they are ready for commercial deployment
- TRL 9: Application of technology in its final form, ie the technology has been proven.

Total NIA Expenditure

means expenditure that satisfies the relevant requirements of the RIIO-2 NIA Governance Document and partly recovered by the licensee under the RIIO-2 Licence Condition.

Unrecoverable NIA Expenditure

means expenditure that the Authority has determined does not satisfy the requirements of the RIIO-2 NIA Governance Document, in accordance with the provisions of that document, and cannot be recovered as part of Total NIA Expenditure.

Working Day

means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom.