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RIIO-2 SIF Governance Document – WWU response

Dear Steve,

We welcome the opportunity to provide our views on the RIIO-2 Strategic Innovation Fund Governance Document Consultation.

The introduction of the Strategic Innovation Fund (SIF) scheme is essential to support large scale innovation to achieve the challenging Net Zero targets. The aspiration to operate a more flexible and agile mechanism than the existing NIC scheme is vital to respond quickly to emerging needs.

The opportunity to shape and support the setting of challenges is welcomed. Further detail on the earliest point that engagement will be undertaken will be useful to understand the horizons we will be working with and will enable us to plan how we can feed into the challenge setting process and how industry strategy documents can support you.

Our full participation in the scheme may be affected by the proposals specifically in the areas of the timelines associated with the three-phase application process for projects, the associated management of resources and the proposals on the minimum contribution level.

In relation to the specific questions raised in this consultation, we have limited our responses to those questions where we have a contribution to make in this letter and have also provided feedback on the issues log provided by Ofgem.

Our response is marked as not confidential and may be published in full. Should you have any queries on the responses please do not hesitate to contact me.

Yours sincerely

Sarah Williams
Director of Regulation

Question 1: Do you agree that our proposals to appoint and remunerate UKRI as our delivery partner provide value for money to energy consumers? If not, please explain why.

We support any initiative to appoint a delivery partner who has clear roles and responsibilities to deliver the SIF programme. It is difficult to comment on whether the proposed remuneration in the range of £4.5 to £12m for 5 years to administer the scheme, offers value for money without knowing the frequency of the challenge setting process. Ofgem's view on how this could be managed and whether transparent metric levels should be set will be useful.

Question 2: Do you have views on the means by which we can gather stakeholders' insight into strategic innovation priorities before developing a challenge?

The proposal to use the Gas and Electricity Network Innovation Strategy documents is sensible given the requirement for companies to produce and revise them every two years. Comprehensive stakeholder engagement is undertaken with wider industry and academia to produce the priority themes and it would be good to understand how much influence they will have to shape the SIF challenge themes.

It would be helpful if more information could be provided on the 'pre-challenge' setting processes to allow companies to have a view of the likely future roadmap of challenges to illustrate the themes and frequency of challenges being set. This will be particularly useful to enable engagement with third parties to develop project ideas and satisfy internal governance requirements for resourcing such projects.

Question 3: Do you consider our proposed three-phase approach suitable to support large-scale strategic network innovation projects, while encouraging learning and mitigating risk? If not, please set out your reasons why.

The three-phase approach is suitable to both support and mitigate the risks associated with a large-scale project however there is a concern that a higher level of resource will be required to support this process. Whilst not explicit in the document, the workshops highlighted that a successful scheme would receive many applications (5 per challenge theme per network was quoted) with the view that these would be down selected as the projects move across the phases. It would be helpful to understand Ofgem's understanding of the level of resources required to develop proposals against the challenges.

The three phases appear to add new limits and restrictions to project timelines, for example the average duration for a feasibility style project aligned to the discovery phase is currently 6 months however in the proposal the equivalent discovery stage is defined to be of a maximum duration of just 8 weeks. It would be helpful if comparison's can be made between GD1 NIC projects and proposed approach for SIF. Further detail to illustrate what should be covered by each of the new phases could be included in the governance document.

Additionally, the administrative processes extend project timelines due to the long gaps in between the phases. This will cause difficulties in resourcing projects internally and for third parties. Can changes be made to reduce the time in between phases to enable projects to proceed with the required pace and momentum to meet the challenging targets of Net Zero and provide for consistent resource across phases for companies and external resource to retain staff.

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Question 4: Do you consider that the indicative value and length of the different Project Phases will accommodate a wide range of network innovation projects to support net zero?

The project phases appear to be more restrictive and complex than that of other UKRI projects we have been involved in.

The value and length of project phases appear sufficient and workable for development projects where a product/service is being developed however where the project is focussed on energy system transition e.g. involving the testing of safety and economic cases for Hydrogen it is still unclear whether the length of the project phases are sufficient for these complex activities within a wider project.

The length of the different project phases and the administrative breaks in between them will bring delays to projects e.g. in table 2 on page 12, the project will be live between Feb 22 and March 22, re-starting in Aug 22 to Nov 22, and then will be paused until April 23 for the final phase. Excluding the start up timelines this equates to 13 months of time elapsing for just 6 months of project time. These 'admin breaks' will impact the delivery of Net Zero project delivery and any work to reduce them as fed back in the working groups should be considered.

Question 5: Do you agree with our proposed Eligibility Criteria? If not, please explain why.

Can further information be provided to clarify the level and assessment methodology of the materiality threshold and how that fits with the three-phase approach.

The assessment of "Eligibility Criterion 8: Projects must be sufficiently well developed and have a robust methodology so that they are capable of progressing in a timely manner" against the key principles of the three-phase approach are unclear i.e., the discovery phase is focussed on establishing this requirement and should not be a pre-requisite of obtaining funding for discovery.

Question 6: Do you have views on which parameters Ofgem should consider defining when setting Innovation Challenges? In particular, the types of organisation that need to participate in a consortium as project partners?

Collaboration within innovation projects and more widely is of key importance to WWU. In all cases we would be seeking to partner with the right organisations to deliver project results.

Question 7: Do you have views on the circumstances in which Ofgem may require a higher level of compulsory contribution towards projects?

Varying the level of compulsory contribution, coupled with the competitive nature of the scheme will produce much uncertainty when trying to forecast required budgets required for large projects (£5m+) and may discourage participation in the scheme.

Further information is required on the circumstances listed in 4.15 particularly where 'projects have the potential to deliver significant financial benefits for licensees'. We consider a low likelihood that projects will deliver financial benefits to companies but are more likely to deliver environmental and societal benefits which whilst they can be monetised do not deliver direct financial savings to licencees.

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Question 8: Do you agree with our proposed requirements to encourage collaboration and share learning? If not, please explain why.

We agree and support this point.

Question 9: Do you have views on whether and, if so, how the ENA Smarter Networks Portal and annual innovation conference could be improved better to achieve its aims of effectively disseminating learning and enabling partnerships between licensees and third parties?

The experiences of our stakeholders when attending the annual conference or using the portal are important. The networks are committed to improving that experience and several improvements and initiatives have been made recently to make it more interactive, make networks more accessible to innovators and to effectively share project learning.

Question 10: Do you agree with our proposals on requirements for project applications? If not, please explain why.

The application requirements are less onerous than that of an NIC bid however the requirements to provide a maximum of 400 words for eight questions and the additional requirement for seven separate supporting documents will require fair effort and may limit the number of applications that companies submit. The risk associated with resourcing the application process will need to be considered further at a later date once the first round of challenges have been completed.

Question 11: Do you agree with our proposals for the assessment process? If not, please explain why.

Further clarity is required on the assessment process to understand how the assessors will be appointed, how they will engage with the project team to understand its aims, how assessment will be undertaken fairly and consistently across all eligible projects and to understand what assessment criteria will be used.

Question 12: Do you agree with our proposals on requirements for reporting, and our proposals to monitor projects? If not, please explain why.

We support the proposals to monitor projects which are aligned with our experiences in other UKRI funded projects.

Further clarity is requested for the requirement in Sec 6.8 to arrange an annual public show & tell of the Alpha phase of a project. As this phase has an indicative duration of 4 months, do you intend that this is organised as a single event for all successful SIF alpha phases? If so it could feed into ideas for question 9.

Question 15: Do you agree with our proposed default rules for intellectual property rights and royalties for SIF projects? If not, please explain why.

It would be helpful if rules for default IPR were aligned across SIF and NIA in line with that set out in the Energy Network Innovation Process document.

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