

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>

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 RIIO-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/>

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/>

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
	<p>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.</p>
Planned implementation	<p>Details on whether and how the Gas Transporter or Electricity Transmission Licensee plans to modify its operations based on learning from the Project.</p> <p>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.</p>
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.~~

~~7.11.7.10.~~ 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.

~~7.12.7.11.~~ 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

~~7.13.7.12.~~ 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

[7.14.7.13.](#) 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.