

Southern Electric Power Distribution (SSEN-D) 1 Forbury Place Forbury Road Reading RG1 3JH

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Date: 28 April 2023

Dear Southern Electric Power Distribution PLC,

## Strategic Innovation Fund - Approval of the Material Change request for Southern **Electric Power Distribution PLC / Dynamic Networks**

The Strategic Innovation Fund (SIF) supports network innovation that contributes to the achievement of Net Zero, while delivering net benefits to energy consumers. It facilitates collaboration with other public funders of innovation so that activities appropriately funded by network consumers are coordinated with activities funded by Government, and funding gaps are avoided. The SIF Governance Document sets out the governance and administration of the SIF.1

On 4 April 2023, Southern Electric Power Distribution PLC was awarded SIF Funding for Dynamic Networks (the Project). The Project is exploring ways to manage networks to speed up connection of low carbon technologies in residential developments. Further to this decision, on 4 April 2023 Ofgem<sup>3</sup> issued a SIF Project Direction.<sup>4</sup>

On 19 April 2023, Southern Electric Power Distribution PLC submitted a Material Change request for the Project to the Authority. The Material Change request was submitted due to:

A change in work package 5 in the Project Direction, which focuses on trial site selection. The Funding Party has now stated that the Project will focus its Discovery Phase activities on producing a list of potential trial sites that are technically suitable

https://www.ofgem.gov.uk/publications/updated-sif-governance-document

https://www.ofgem.gov.uk/publications/strategic-innovation-fund-round-2-discovery-projects-approved-funding
The terms the "Authority", "Ofgem", "we" and "us" are used interchangeably in this document. The Authority refers to the Gas and Electricity Markets Authority. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>4</sup> https://www.ofgem.gov.uk/publications/strategic-innovation-fund-round-2-discovery-projects-approved-funding

for a trial at a later stage of the Project, rather than selecting a site in the Discovery Phase.

• The change to work package 5 constitutes a Material Change as set out in paragraph 6.21 of the SIF Governance Document as it is a change in circumstances which change the scope of a Project Deliverable.

The Material Change request proposed the following changes to the schedule of the SIF Project Direction issued on 4 April 2023:

- In table 3, under milestone 5, key task number 5 has been amended to reflect that the Discovery Phase activities will be focused on the producing a list of potential sites for trial sites at a later stage of the Project. The Project plans on further refining the list producing in the Alpha Phase, if successful at the Alpha Phase.
- In table 3, under milestone 5, the first bullet under 'Milestone(s)' has been amended to reflect that the Discovery Phase activities will be focused on producing a list of potential trial sites that are suitable for a trial and further refining this list as the Project progresses. As result, the milestone set out at this point will focus on the trial site requirements and a delivery for the Alpha Phase, should the Project be successful at the Alpha Phase.

## Ofgem's review

As set out in chapter 1 of the SIF Governance Document, Ofgem is the decision-maker in the SIF. Furthermore, as set out in chapter 6, Ofgem will consider Material Changes in circumstances and requests to change SIF Project Directions on a case by case, and will engage with monitoring officers on Projects to support the assessment of Material Change requests.

Ofgem has reviewed this Material Change requested submitted by Southern Electric Power Distribution PLC and has engaged with the monitoring officer on the Project. Ofgem has reviewed the reasoning for the Material Change submitted by the Southern Electric Power Distribution PLC and considers it to satisfy the Eligibility Criteria in chapter 2 of the SIF Governance because:

- The Project still plans to produce a list of potential trial sites which will be consider
  additional metrics and factors and will be revised in the Alpha Phase (if successful).
  This provides Ofgem with the confidence that the Project will be able to progress in
  the Discovery Phase in a timely manner.
- The Material Change put forward does not represent any change to the cost of deliverables, the distribution of SIF Funding amongst the Project Partners, or the total costs of the Project.

The Project is including additional metrics and factors as part of its decision making
process for a trial site, should the Project be successful in the future Project Phases,
helping ensure the site chosen provides value for money and is costed
competitively.

As such, UKRI recommended approval of the Material Change request to Ofgem.

#### **Decision**

As a result of the reasons outlined above, Ofgem approves of this Material Change request.

In accordance with Section 17 of the Project Direction issued on 4 April 2023 and paragraph 6.22 of the SIF Governance Document, the amended SIF Project Direction for Southern Electric Power Distribution PLC / Dynamic Networks is published in the Schedule 1 of this letter. The amended SIF Project Direction is effective as of the date of this letter and, unless stated otherwise, supersedes the SIF Project Direction issued on 4 April 2023. The letter constitutes notice pursuant to section 49A (Reasons for decisions) of the Electricity Act 1989 and 38A (Reasons for decisions) of the Gas Act 1986.

If you would like to discuss any of the issues, you can contact Ofgem via <a href="mailto:networks.innovation@ofgem.gov.uk">networks.innovation@ofgem.gov.uk</a>. Alternatively, you can contact UKRI via <a href="mailto:SIF">SIF Ofgem@innovateuk.ukri.org</a>.

Yours sincerely,

Marzia Zafar

Deputy Director of Strategy & Decarbonization

For and on behalf of the Authority

### **Schedule: Amended SIF Project Direction**

#### 1. PROJECT DETAILS

SIF Project Direction reference: SSEND/Dynamic Networks/SIFIESRR/Rd2\_Discovery

Application number: 10058665

Project title: Dynamic Networks

Innovation Challenge/Project Phase: Improving energy system resilience and robustness /

Discovery Phase round 2

Project start date: 3 April, 2023 Project end date: 30 June, 2023

SIF Approved Amount for SIF Funding: £139,273

Total Compulsory Contribution<sup>5</sup>: £15,475

#### 2. PREAMBLE

This SIF Project Direction is issued by the Gas and Electricity Markets Authority (the "Authority") to Southern Electric Power Distribution (the "Funding Party") pursuant to the SIF Governance Document issued pursuant to Special Condition 9.9 of the Electricity Distribution Licence (the "Licence"). It sets out the conditions to be complied with in relation to Dynamic Networks (the "Project") as a condition of it being funded under the SIF Funding Mechanism.<sup>6</sup>

Unless otherwise specified, defined terms in this SIF Project Direction have the meaning given to them in the Licence or Appendix 1 of the SIF Governance Document.

References to specific sections of the Funding Party's Application in this SIF Project Direction are, for ease of reference, made by referring to the section number in the Funding Party's Application.

## 3. PROJECT SPECIFIC CONDITIONS

In accepting funding for the Project, the Funding Party is subject to the following Projectspecific condition(s):

#### **Condition 1**

The Funding Party must not spend any SIF Funding until contracts are signed with the Project Partners named in Table 1 for the purpose of completing the Project.

 $<sup>^{\</sup>rm 5}$  The Compulsory Contribution is defined in the SIF Governance Document.

 $<sup>^{\</sup>rm 6}$  The SIF Funding Return Mechanism is defined in the SIF Governance Document.

## **Table 1. Project Partners**

E.ON ENERGY SOLUTIONS LIMITED BARINGA PARTNERS LLP

#### Condition 2

The Funding Party must report on the financial contributions made to the Project as set out in its Application. Any financial contributions made over and above that stated in its Application should also be reported and included within the Project costs template.

#### **Condition 3**

The Funding Party must participate in all meetings related to the Project that they are invited to by Ofgem, UKRI and DESNZ (formerly BEIS) during the Project Phase.

#### Condition 4

Prior to the end of the Discovery Phase, the Funding Party must provide to the monitoring officer a summary of how the related or similar Projects identified in the Project's Application are informing the Project.

#### 4. COMPLIANCE

The Funding Party must comply with Special Condition 9.9 of the Electricity Distribution Licence (the "Licence"), the SIF Governance Document and with this SIF Project Direction.

#### **5. SIF APPROVED AMOUNT**

The SIF Approved amount of £139,273 (as detailed under Section 1: Project details of this Project Direction) will be recovered by National Grid Electricity System Operator from GB customers and transferred to the Funding Party. The Funding Party is responsible for notifying National Grid Electricity System Operator of the bank account details to which transfers must be made, in addition to completing Annex 2 of this SIF Project Direction. If a Funding Party is required to return funding to National Grid Electricity System Operator, the reverse applies. The Funding Party must provide bank account details to National Grid Electricity System Operator within two weeks of accepting this SIF Project Direction.

#### 6. PROJECT BUDGET

The Project Budget is set out in Annex 1 of this SIF Project Direction.

The Funding Party must report on expenditure against each line under the category total in the Project Budget and explain any projected variance against each line as part of its detailed report which will be provided, in accordance with Chapter 7 of the SIF Governance Document. The Funding Party must report variations in the Project budget as outlined in Chapter 6 of the SIF Governance Document.

#### 7. PROJECT IMPLEMENTATION

The Funding Party must undertake the Project in accordance with the commitments it has made in the Application and with the conditions of this SIF Project Direction. These include (but are not limited to) the following:

- (i) undertake the Project in accordance with its Application,
- (ii) complete the Project on or before the Project completion date as detailed under section 1 of the schedule of this SIF Project Direction, and
- (iii) disseminate the learning from the Project at least to the level described in chapter 3 of the SIF Governance Document. Dissemination of learning must be carried out whether the Project was concluded successfully or otherwise.

#### 8. REPORTING

Ofgem and UKRI may issue guidance (and amend it from time to time) about the structure and content of the Project reporting required by Chapter 6 of the SIF Governance Document. The Funding Party must follow this guidance in preparing the reports.

Each Project not intending to submit an Application to the next Project Phase must submit an end of Project Phase report to the monitoring officer. Projects which are not successful at the next Project Phase must either retrospectively complete an end of Phase report and publish it on the Smarter Networks Portal, or publish their unsuccessful Application (redacted where necessary) and close out meeting slides for this Project Phase on the Smarter Networks Portal.

#### 9. MONITORING

The Funding Party must comply with any reasonable request for information by its monitoring officer at UKRI and related deadlines. Ofgem, with the support of UKRI, will together monitor Project delivery, impacts and benefits. Throughout the term of the Project, progress is monitored by UKRI through a monitoring officer. The monitoring officer is the first point of contact for official notifications, queries and correspondence with UKRI and the Authority, unless otherwise required by this SIF Project Direction.

As detailed in Chapter 6 of the SIF Governance Document, meetings with the monitoring officer will take place at regular intervals, as advised by Ofgem or the monitoring officer during the delivery of the Project, and at the end of each Project Phase.

#### **10. EVALUATION**

The Funding Party has acknowledged when it submitted its Application for this Project, that reporting information and data gathered during the Project's timescales (as detailed in Section 1 of this SIF Project Direction) will be used to evaluate Project performance. In addition, the Funding Party may be required to provide requested information outside of the Project timescales and, in particular, for the period from the Project end date to the end of the SIF Programme. Further data and reporting information may be requested (frequency and method based on requirement) outside of standard monitoring and reporting requirements as deemed necessary. Further data and information requirements must be complied with by the Funding Party and Project Partners.

#### 11. DATA SHARING

As set out in Chapter 3 of the SIF Governance Document, the Funding Party must follow Data Best Practice Guidance with regards to all data gathered or created in the course of a Project. We expect the Funding Party to document any reasons, such as commercial sensitivities, for desensitising data. As defined by, and in accordance with, Data Best Practice Guidance, Funding Parties must have a data triage process. Where multiple Project Partners are collaborating on a Project, the consortium must adopt a consistent Open Triage Process for the data related to the Project. Ofgem may require that Project information and data is also shared with other specified parties, such as parties working on complementary innovation funding programmes (subject to redaction of sensitive data).

## 12. CYBER SECURITY

It is the responsibility of the Funding Party and all Project Partners to implement and maintain appropriate security measures to protect personal data in accordance with The GDPR (General Data Protection Regulation)<sup>7</sup> and <u>DPA (Data Protection Act) 2018</u><sup>8</sup>. Protection of computer systems from unauthorised access or being otherwise damaged or made inaccessible must be in place alongside effective working practices. These must be maintained in line with the Funding Party's IT Management Strategies and policies.

## **13. PROJECT MILESTONES**

The Funding Party must verify in its end of Project Phase meeting with the monitoring officer whether the Project milestones have been achieved or explain why they have not been.

Project milestones are outlined below in Table 3, based upon details contained within Question 7 and Appendix Question 9 in the Funding Party's.

<sup>&</sup>lt;sup>7</sup> https://ec.europa.eu/info/law/law-topic/data-protection/data-protection-eu en

<sup>8</sup> https://www.legislation.gov.uk/ukpga/2018/12/contents/enacted

Table 3. Project milestone<sup>9</sup>

	Droinet			SIF Funding
Reference	Project milestone	Deadline	Evidence	Request
				<b>(100%)</b> <sup>10</sup>
	Work package 1:	June 30,	Overall work package	£15,429.53
	Project	2023	objectives: Management of	
	Management		discovery deliverables, project	
			performance, end stage report	
			and alpha application etc.	
			Key tasks:	
			Management of project plan	
			and delivery against it - oversite	
			of all work pack delivery	
			2. Management of collaboration	
			events, outputs etc	
Milestone 1			3. UKRI engagement	
THICSCOTIC 1			4. Management of end stage	
			activities	
			5. Budget management	
			8. Partner management	
			9. Regular meetings	
			Milestone(s):	
			- Mid Point Review:	
			Assessment of delivery of	
			outputs against plan.	
			(£7,714.76).	
			- End stage review:	
			Assessment of delivery of	

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<sup>&</sup>lt;sup>9</sup> As outlined in in the Application or Project Plan appendix.

Where Project Applications were not explicit on milestone(s) as a percentage of total SIF Funding Request, milestone(s) as a percentage of total project costs were applied to the SIF Funding Request. In some circumstances where the information needed to complete this table was not available in an Application, Funding Parties were requested to provide this information separately.

			outputs against plan. (£7,714.76).	
Milestone 2	Work package 2: Technical	June 30, 2023	Overall work package objectives: Define the high level architecture and functional specification for an interoperable smart control platform.  Key tasks:  1. Define functional and technical specification for the solution to be integrated with EV and HP 2. Determine required technical and commercial data flows. 3. Discussion with potential suppliers/vendors 4. Plan to update of configure the end point control	£20,073.85
			<ul> <li>Milestone(s): <ul> <li>Mid Point Review:</li> <li>Assessment of delivery of outputs against plan.</li> <li>(£10,036.93)</li> <li>Functional Specifications</li> <li>Defined: A set of specifications and a project plan for the tech development is completed. (£9,033.23).</li> <li>Completion of close out activities and input into</li> </ul> </li> </ul>	

				1
			end stage report:	
			Assessment of delivery of	
			outputs against plan.	
			(£1,003.69).	
	Work package 3:	June 30,	Overall work package	£36,094.75
	Cost Benefit	2023	objectives: Deliver an economic	
	Analysis		evaluation tool and Cost Benefit	
			Analysis model that will	
			consider costs and benefits of	
			dynamic connections solutions.	
			Key tasks:	
			1. Identification of use solution	
			hypothesis	
			Identify direct and indirect	
			benefits, categories and data	
			sources to quantify the benefits	
			3. Identification of direct and	
			indirect costs, categories and	
Milestone 3			sources to evidence the costs	
			4. Building CBA model	
			5. Identification of scenarios for	
			senility analysis.	
			Milestone(s):	
			- Costs and benefit	
			categories identified:	
			Description of cost and	
			benefit categories with	
			the sources that will	
			provide data and any	
			assumptions that will be	
			made to perform the	
			economic assessment.	
			(£10,828.43).	

Milestone 4	Work package 4: Customer & Stakeholder Engagement	June 30, 2023	- Mid Point Review:     Assessment of delivery of outputs against plan:     Assessment of delivery of outputs against plan.     (£7,218.95) Cost Benefit Analysis     Model: Excel based     economic evaluation tool.     (£14,437.90) Completion of close out activities and input into end stage report:     Assessment of delivery of outputs against plan.     (£3,609.48).  Overall work package objectives: Consumer insights; consumer willingness; stakeholder engagement plan for the Alpha phase.  Key tasks: 1. Identify stakeholders to engage in Alpha phase; Understand decarbonisation aspirations of stakeholders. 2. Develop engagement strategy and rules	£7,341.19
			Milestone(s):  - Mid Point Review:  Assessment of delivery of outputs against plan.  (£3,670.60)	

			<ul> <li>Stakeholder Map and Engagement Plan Developed: Clearly defined set of consumed insights, including mapping, segmentation and an engagement plan for Alpha. (£3,303.54).</li> <li>Completion of close out activities and input into end stage report: Assessment of delivery of outputs against plan. (£367.06).</li> </ul>	
Milestone 5	Work package 5: Trial Site Analysis	June 30, 2023	Overall work package objectives: Align existing and required data to complete the heat mapping and grid analysis tools required for fast and effective planning of low carbon technology and E.ON Dynamix deployment.  Key tasks:  1. Initial grid analysis 2. Analyse site characteristics and identify 3. Understanding decarbonisation aspirations of LA/new developers to engage 4. Explore the need for detailed Grid analysis 5. Define rules for Alpha, Beta site requirements and a delivery plan for Alpha trials	£14,721.55

			Milestone(s):	
			- Trial Site Requirements	
			Agreed: Trial site	
			<u>requirements</u> agreed,	
			supported by a <u>high level</u>	
			grid analysis, and a	
			delivery plan for	
			refinement in Alpha.	
			completed grid analysis,	
			trial site requirements	
			and a delivery plan for	
			Alpha. (£5,888.62).	
			- Mid Point Review:	
			Assessment of delivery of	
			outputs against plan.	
			(£5,888.62).	
			- Completion of close out	
			activities and input into	
			end stage report:	
			Assessment of delivery of	
			outputs against plan.	
			(£2,944.31).	
	Work package 6:	June 30,	Overall work package	£42,195.67
	Regulatory and	2023	objectives: Review the	
	commercial review		regulatory enablers and barriers	
			for the selected commercial and	
			business model(s).	
Milestone 6				
			Key tasks:	
			Research and identify	
			business and commercial	
			models	
			2. Review commercial models	
			vs regulatory framework	

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			3. Analyse gaps and enablers	
			4. Discussions/workshop with	
			SSE stakeholders to validate the	
			gaps	
			5. Production of regulatory	
			enablers and barriers report	
			Milestone(s):	
			- Agreed business and	
			commercial model:	
			Validated business and	
			commercial model.	
			(£16,878.27).	
			- Mid Point Review:	
			Assessment of delivery of	
			outputs against plan.	
			(£4,219.57).	
			- Regulatory barriers	
			identified and action plan	
			for alpha developed:	
			Validated regulatory	
			barriers and enablers and	
			agreement on proposed	
			solutions for Alpha phase.	
			(£18,988.05).	
			- Completion of close out	
			activities and input into	
			end stage report:	
			Assessment of delivery of	
			outputs against plan.	
			(£2,109.78).	
	Work package 7:	Juno 20		£2 /17 01
	Work package 7: Residential	June 30,	Overall work package	£3,417.01
Milestone 7		2023	objectives: Review of available	
	Demand		updated residential LCT demand	
	Assessment		models/assumptions.	

	Key tasks:  1. Review the assumptions in the current domestic demand model  2. Establish the assumptions that can be changed/ need to	
	be informed by the trial site  Milestone(s):  - Mid Point Review:  Assessment of delivery of outputs against plan.  (£1,366.80).  - Residential LCT Demand review completed and recommendations for Alpha made: A findings	
	report and a clear set of recommendations.  (£1,366.80).  - Completion of close out activities and input into end stage report:	

## 14. USE OF LOGO

The Funding Party and the Project Partners, External Funders and Project Supporters or subcontractors<sup>11</sup> must not use the Innovate UK/UKRI and/or Ofgem logo for purposes associated with the Project in any circumstances.

Assessment of delivery of

outputs against plan.

(£683.40).

As an alternative for use of both Ofgem and UKRI logos, all external Project communications must include the following standard form of wording:

 $<sup>^{11}</sup>$  As detailed in the Application.

(i) "this project is funded by network users and consumers under the Strategic Innovation Fund, an Ofgem programme managed in partnership with UKRI."

For additional guidance, refer to the communications and media guidelines for competition winners, detailed as part of your delivery pack. These guidelines are designed to help with some suggestions and encourage you to take a proactive approach to communicating about your Project.

#### 15. SHARING OF LESSONS LEARNED

The Funding Party is required to ensure that the sharing of lessons learned and the facilitation of knowledge transfer is conducted as effectively as possible, to ensure that all parties, and therefore all consumers including future consumers, can benefit from Projects.

As contained within Chapter 3 of the SIF Governance Document, we require the Funding Party to work collaboratively to maintain the ENA Smarter Networks Portal so that all reporting and dissemination of learnings on Projects (as required by chapter 6 of the SIF Governance Document) is available via the ENA Smarter Networks Portal.

#### 16. COLLABORATION

The Funding Party must collaborate with third-party innovators as Project Partners, as well as work closely with other parties in the energy supply chain, as set out in Chapter 3 of the SIF Governance Document.

The Funding Party must collaborate with other parties and with UKRI to organise an annual conference in a format appropriate to enabling the building of consortiums and disseminating learning widely. The conference may be a single event for gas and electricity, or more than one event, as appropriate.

#### 17. AMENDMENT OR REVOCATION

As set out in Chapter 7 of the SIF Governance Document, this SIF Project Direction may be amended or revoked under the following circumstances:

- if the Funding Party considers that there has been a material change in circumstance that requires a change to the SIF Project Direction, and the Authority agrees; or
- (ii) to reflect amendments made to the Licence.

#### 18. HALTING OF PROJECTS

This SIF Project Direction is subject to the provisions contained in Chapter 7 of the

SIF Governance Document relating to the halting of Projects. By extension, this SIF Project Direction is subject to any decision by the Authority to halt the Project to which this SIF Project Direction relates and to any subsequent relevant SIF Funding Direction issued by the Authority pursuant to Special Condition 9.9 of the Electricity Distribution Licence (the "Licence").

Further to the requirements in Chapter 7 of the SIF Governance Document, in the event the Authority decides to halt the Project, to which this SIF Project Direction relates, to which this SIF Project Direction relates, the Authority may issue a statement to the Funding Party clarifying the effect of that halting decision as regards to the status and legal force of the conditions contained in this SIF Project Direction.

#### **NOW THEREFORE:**

In accordance with the SIF Governance Document issued pursuant to Special Condition 9.9 of the Electricity Distribution Licence (the "Licence") of the Licence the Authority hereby issues this SIF Project Direction to the Funding Party in relation to the Project.

This constitutes notice of reasons for the Authority's decision pursuant to section 49A (Reasons for decisions) of the Electricity Act 1989.

Failure to comply with the conditions of this SIF Project Direction means that Ofgem may treat all or part of the SIF Approved Amount received by the Funding Party as SIF Disallowed Expenditure.

## **ANNEX 1: PROJECT BUDGET**

SIF Project Direction costs				
Cost Category Total Project costs				
	(£)			
Labour	133,292			
Materials	0			
Subcontracting	0			
Travel and subsistence	7,980			
Other costs	13,476			
Total	154,748			

Project finances				
Project Partner	Total project costs (£)	Project Compulsory Contribution (%) <sup>12</sup>	Project Compulsory Contribution (£)	Total SIF Funding requested (£)
SSEN	27,853	125%	15,475	12,378
DISTRIBUTION				
LIMITED				
E.ON ENERGY	43,485	0%	0	43,485
SOLUTIONS				
LIMITED				
BARINGA	83,410	0%	0	83,410
PARTNERS				
LLP				
Total	154,748	11%	15,475	139,273

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 $<sup>^{12}</sup>$  The Project contribution is calculated as percentage of the SIF Funding requested per Project Partner and for the Project.

# ANNEX 2 TO SCHEDULE: TEMPLATE OF BANK ACCOUNT DETAILS TO BE PROVIDED TO NG ESO (revenue.invoice@nationalgrideso.com)

Company name:		

## **Primary Contact Details (only one contact permitted)**

First Name:

Last Name:

Email address:

Mobile phone number:

Work phone number:

#### **Address details**

Address name:

Street address:

City:

State / region:

Post code:

PO box: (if applicable)

PO box post code: (if applicable)

## **Banking details**

These should be evidenced in non-editable format. The evidence provided must show company name and bank details and it should be dated within the last 6 months. Any of the below documents will suffice:

- Bank statement (scanned document)
- Void cheque
- Paying in slip
- Screenshot of online banking (showing a logged in account with bank account and sort code, with browser visible)