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Date: 28 April 2023

Dear National Grid Electricity Distribution: West Midlands Plc,

**Strategic Innovation Fund – Approval of the Material Change request for National Grid Electricity Distribution: West Midlands Plc/ Shifting Currents**

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.<sup>1</sup>

On 4 April 2023, National Grid Electricity Distribution: West Midlands Plc was awarded SIF Funding for 'Shifting Currents' (the Project).<sup>2</sup> The purpose of the Project is to examine how the water industry and electricity networks can work together to increase electricity system flexibility and reduce demand. Further to this decision, on 4 April 2023, Ofgem issued a SIF Project Direction.<sup>3</sup>

Prior to the issuing of the Project Direction, on 23 March 2023 National Grid Electricity Distribution: West Midlands Plc submitted a change request for the Project to the Authority. The change request was submitted due to:

- Shifting deliverables and SIF Funding requested from the Funding Party (National Grid Electricity Distribution: West Midlands Plc) to a Project Partner (Smart Grid Consultancy Limited) to reflect resource availability within the Project consortium.

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<sup>1</sup> <https://www.ofgem.gov.uk/publications/sif-governance-document>

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

<sup>3</sup> <https://www.ofgem.gov.uk/publications/strategic-innovation-fund-round-2-discovery-projects-approved-funding>

Ofgem and UKRI reviewed the Material Change request prior to the Project Direction being issued on 4 April 2023, and the Authority subsequently approving the change request, no changes to the Project Direction issued on 4 April 2023 are necessary.

### **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.

As set out above, Ofgem reviewed this Material Change request and the reasoning provided for it prior to issuing the Project a Project Direction on 4 April 2023 and considers it to satisfy the Eligibility Criteria in chapter 2 of the SIF Governance because:

- The Material Change does not impact the scope of deliverables or timing of the deliverables are set out in the Project
- The Funding Party has provided sufficient justification for the shift in resources and has clearly articulated its confidence in the Project Partner being able to deliver additional work packages
- The Material Changes does not impact the number or role of stakeholders in the Project
- The Material Change results in a greater contribution from the Project Partners towards the Project's total costs, which helps to provide confidence that the Project is providing value for money to consumers

### **Decision**

As a result of the reasons outlined above, Ofgem approves of this Material Change request. As these changes were incorporated on the Project Direction issued to the Project on 4 April 2023, no changes have been to that Project Direction.

If you would like to discuss any of the issues, you can contact Ofgem via [networks.innovation@ofgem.gov.uk](mailto:networks.innovation@ofgem.gov.uk). Alternatively, you can contact UKRI via [SIF\\_Ofgem@innovateuk.ukri.org](mailto:SIF_Ofgem@innovateuk.ukri.org).

Yours sincerely,

**Marzia Zafar**

**Deputy Director of Strategy & Decarbonization**

**For and on behalf of the Authority**