

The Innovation Funding Incentive & Registered Power Zones Annual Reports – 2005/6

Introduction

The Distribution Network Operators (DNO) have now published their 2nd annual reports for their Innovation Funding Incentive (IFI) and Registered Power Zone (RPZ) activities. The reports cover the period from 1 April 2006 to 31 March 2006. They are provided here on our website but will also be available on the companies' websites.

Both the IFI and RPZ schemes were introduced as part of the Distribution Price Control Review (DPCR4) which came into effect on 1 April 2005.

IFI

With our agreement, the DNOs commenced their IFI activities on 1 October 2004, six months before DPCR4 came into effect. They reported their IFI activities for this period at the end of July 2005. These initial reports provide a useful reference point to compare the companies' 2005/6 activities with.

The best overall indicator of a DNO's level of IFI activity is its R&D intensity. This shows the level of R&D investment expressed as a percentage of turnover. The average level of R&D intensity across the companies has risen to 0.21% for 2005/6 compared with 0.08% a year ago. The range of values is between 0.08% and 0.39%. Currently, the IFI scheme has a cap of 0.5% and so there is still room for growth in R&D investment under the scheme.

RPZ

Three RPZs have now been registered by Ofgem. They are, in order of registration:

- Central Networks – Skegness & Fens RPZ
- Scottish Hydro Electric Power Distribution – Orkney RPZ
- EDF Energy – Martham Primary RPZ

Review of IFI & RPZ

As part of the original IFI and RPZ proposals we proposed that the schemes should be reviewed after two years. This review process is now planned to commence this autumn so that any recommendations resulting from it could be applied in the third year of the schemes' operation.