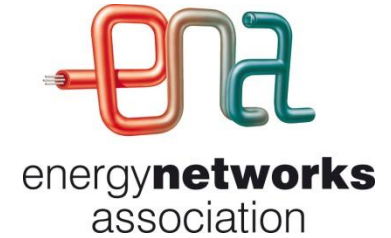


# Low Carbon Networks Fund



## DNO Perspectives Governance and Delivery

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# Views on the LCNF

- DNOs highlighted the need for more funding for innovation in the early stages of the DPCR5 review
- Through ENA and the joint Ofgem / Industry forums, DNOs have helped define the LCNF
- DNOs are therefore enthusiastic about the future role of networks
- Some details of LCNF structure still need defining - continued work needed
- It is critical that all parts of the electricity sector focus on the long term needs for the UK – this is not just about “flagship” projects, we need real solutions which will facilitate the UK’s low carbon transition

# Innovation

- LCNF will build on the excellent R&D work done by the DNOs under the IFI scheme, and we will continue R&D activities in addition to the LCNF
- LCNF Tier 1 will
  - enable DNOs to “scale up” demonstrations of low carbon technologies,
  - and facilitate the development of innovative commercial relationships with customers,
  - and develop a smaller number of bigger projects compared to IFI.
- LCNF Tier 2 could place the UK as a global leader in demonstration of smarter grids

# LCNF Tier 1

- DNOs believe there needs to be a pragmatic and flexible approach to T1 rules and process during the initial stages.
  - Development and sharing of IPR
  - “Smart” Integration with customers – meters, HEMS, appliances
  - Collaboration with energy retailers
  - Fair mechanism for reward process
- We therefore welcome the two year review point, and ongoing Government / Regulator discussion
- Some coordination may be necessary to avoid unnecessary duplication, and to ensure DNOs develop a spectrum of tools and techniques over the DPCR5 period.

# LCNF Tier 2

- Potentially varying levels of engagement by DNOs on T2 / first round participation
- Critically, Tier 2 projects need to encourage innovation across the energy delivery chain:
  - DNOs intend to build credible bids, but published timescales are tight and work is already well underway.
  - Rules / scope / eligibility should initially be “relaxed” to allow for innovation (and bearing in mind some projects are already quite well defined)
  - “Smart” individuals and companies – need to enable the best to participate. Risk of missing quality components embedded in bigger bids
- Timescales for first round of bidding – tight!

# Some details still to be finalised

- DNOs committed to working these through with Ofgem
  - Rules / scope / eligibility criteria
  - Selection panel challenge – Knowledge v Impartiality?
  - What are the “baseline” assumptions – useful for comparing competitive bids
  - LCNF may be a critical enabler for a city / region – concern for reputation of “Smart Grids” ability to deliver
  - Risk management during delivery phase – not all risks will be identifiable and therefore able to be assessed at the bidding stage.
  - DNO reward mechanism – criteria and assessment methodology
- Time is limited to finalise these details !

# Collaboration with 3<sup>rd</sup> Parties

- Introduction of smarter grids require new entrants and incumbents to participate
  - New technologies
  - Cross sector transfer – particularly from ICT
  - Commercial arrangements eg. ancillary service providers
  - Skills and resources
  - Academic partnerships
- Planning to establish an industry register of organisations wishing to assist in the development of LCN projects, hosted by ENA
- Also encourage direct contact with DNOs who will have processes for evaluation and selection

# Summary

- DNOs are committed to helping to facilitate the UK's Low Carbon Transition
- Believe that LCNF is a genuine opportunity for DNOs to help deliver this future
- Some details still be finalised, learn together as the scheme develops
- Avoid unintended consequences and manage risk
- Encourage continued engagement with all stakeholders