



All Electricity Distributors

*Promoting choice and value for
all gas and electricity customers*

Direct Dial: 020 7901 7209
Email: rachel.fletcher@ofgem.gov.uk

Date: 18 June 2010

Dear Colleague,

Low Carbon Networks (LCN) Fund: Notice under Charge Restriction Condition (CRC) 13 of the Electricity Distribution Licence with respect to the LCN Fund Governance Document.

This letter constitutes formal notice under CRC 13 of the Electricity Distribution Licence of the Authority's intent to issue version 3 of the LCN Fund Governance Document for purposes connected with the regulation, governance and administration of the LCN Fund (the 'Notice'). A draft of the document is appended to this letter. **Representations or objections to this Notice should be made to Ofgem¹ on or before Friday 16 July 2010. Representations or objections that are received and not withdrawn will be considered by Ofgem prior to the document coming into effect on 22 July 2010.**

On 4 June 2010 we published version 2 of the LCN Fund Governance Document, which covered the arrangements relating to the First Tier Funding Mechanism and the initial screening process (ISP) of the Second Tier Funding Mechanism. Version 3 incorporates the following changes:

- we have added a new section covering the Full Submission stage of the Second Tier Funding Mechanism which covers:
 - the process for submitting and evaluating Second Tier Full Submissions,
 - the criteria used to evaluate Second Tier Full Submissions, and
 - the process for selecting the winning project(s), the conditions of implementation and project completion,
- we have added a new section covering the arrangements and structure of the Discretionary Funding for First and Second Tier projects. This incorporates and builds upon the principles previously contained in the Discretionary Reward chapter included for First Tier projects which has now been removed,
- we have added a new section which covers the default conditions for the treatment of Intellectual Property Rights (IPR) and have changed the references to IPR in the First Tier and ISP sections accordingly,
- we have revised the Introduction to Section Two so as to include the process for the Full Submission, and
- we have amended the First Tier Close-Down report requirements so that confidential and non confidential versions of the report can be submitted (where relevant).

In the new Full Submission section we have introduced a defined term 'Method' meaning the means by which the Project will be undertaken. Whilst it would be more consistent for us to use the same terminology throughout the document, we recognise the sensitivity

¹ Ofgem is the offices of the Gas and Electricity Markets Authority. The terms Authority and Ofgem are used interchangeably in this letter.

around changing any requirements for First Tier projects or for the Initial Screening Process, especially given that the deadline for submitting initial submissions is 21 June. We will therefore consider making the terminology consistent in a future version of the document.

Version 3 represents the complete version of the LCN Fund Governance Document.

Representations or objections to this Notice should be made to anna.rossington@ofgem.gov.uk on or before Friday 16 July 2010. Responses will be published on Ofgem's website unless marked as confidential.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Rachel Fletcher', is positioned above the typed name.

**Rachel Fletcher
Partner, Distribution
For and on behalf of the Gas and Electricity Markets Authority**