



Company Secretary
Electricity North West Limited
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*Promoting choice and value for all gas
and electricity customers*

Our Ref: ENWT2002
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Date: 19 July 2010

Dear Colleague,

Decision on Electricity North West Limited (ENW) Low Carbon Networks (LCN) Fund Second Tier Screening Submission

In the Final Proposals of the electricity Distribution Price Control Review (DPCR5), we proposed a £500m Low Carbon Networks (LCN) Fund to encourage the DNOs to use the DPCR5 period to try out new technology, operating and commercial arrangements. The objective of these trials and demonstration projects is to help DNOs understand how they provide security of supply at value for money as Great Britain (GB) moves to a low carbon economy, and what role they could play in facilitating the low carbon and energy saving initiatives that are underway to tackle climate change

The regulation, governance, and administration of the LCN Fund are set out in the LCN Fund Governance Document¹ issued pursuant to Charge Restriction Condition 13 of the Electricity Distribution Licence. The LCN Fund Governance Document states that under the Second Tier Funding Mechanism, DNOs can submit project proposals which compete annually for funding. In order to compete for this funding, a project must first pass the Initial Screening Process (ISP). Under the ISP, DNOs must submit a summary proposal of their project (Screening Submission) which the Authority will use to assess the project against the Eligibility Requirements set out in the LCN Fund Governance Document.

ENWT2002 – Corridor Manchester Smart City

On 21 June 2010, Electricity North West Ltd submitted a Screening Submission summarising their Second Tier LCN Project entitled 'Corridor Manchester Smart City'² (the Project). The Authority has now assessed the Project against the Eligibility Requirements using the information provided in the Screening Submission. The Authority considers the Project has **met the Eligibility Requirements and has therefore passed the ISP**. The Authority's reasons are set out below.

Authority's reasons

In order to pass the ISP a Second Tier LCN Project must meet at least one of the four specific requirements set out in Chapter 2 of the LCN Fund Governance Document.

¹ Version 2 of the Governance document can be found at:
<http://www.ofgem.gov.uk/Networks/ElecDist/lcnf/Pages/lcnf.aspx> alongside the Authority's Notice of its intention to publish version 3 of the Governance document.

²The first page of ENW's Screening Submission for their Project 'Corridor Manchester Smart City' can be found at:
<http://www.ofgem.gov.uk/Networks/ElecDist/lcnf/stlcnf/Documents1/ENWT2002summary.pdf>

A Second Tier LCN Project must involve the trialling on the Distribution System of at least one of the following:

- A specific piece of new (i.e. unproven in GB) equipment (including control and communications systems and software) that has a Direct Impact on the Distribution System,
- A novel arrangement or application of existing Distribution System equipment (including control and communications systems software),
- A novel operational practice directly related to the operation of the Distribution System, or
- A novel commercial arrangement.

The Authority notes the Project will involve the deployment of new equipment, including a distribution energy management system (DEMS), onto the existing Distribution System. The Project will seek to integrate this equipment to provide manage network constraints and reduce the need for network reinforcement. Innovative commercial arrangements will also be explored. Consequently, the Authority considers that the Project meets all the specific requirements.

In addition to meeting at least one of the specific requirements, a Second Tier LCN Project must also meet all of the criteria set out in Chapter 2 of the LCN Fund Governance Document. The Authority has considered ENW's Project against all these criteria.

(a) Accelerates the development of a low carbon energy sector

The Authority notes the Project [REDACTED] [REDACTED] [REDACTED] in order to facilitate the lower cost connection of low carbon distributed generation (DG) and electric vehicle charging points onto the distribution system. This will reduce the dependence on centralised high carbon generation which is cited within the Department of Energy and Climate Change's (DECC) Low Carbon Transition Plan⁴ to reduce the UK's carbon emissions. The Authority is therefore satisfied the Project meets this criterion

(b) Has a Direct Impact on the operation of the distribution network

The Authority notes the development of a distributed energy management system will enable Electricity North West to manage and control distribution network constraints in a measurable way in order to facilitate the lower cost connection of electric vehicle (EV) charging points and DG onto the distribution network. The Authority is therefore satisfied the Project meets this criterion.

(c) Creates new knowledge that can be shared amongst DNOs

The Authority notes the Project will create new learning such as; the effective accommodation of EV charging points on the network; [REDACTED] [REDACTED] gathering data that allows the distribution operator to balance local demand and generation. The Authority considers such a trial on a highly utilised network will create new knowledge that is beneficial to DNOs. The Authority notes the learning will be captured and disseminated [REDACTED] [REDACTED] The Authority is therefore satisfied that the Project meets this criterion.

(d) Has the potential to deliver net benefits to existing and/or future customers

The Authority considers, the Project, will [REDACTED] that will allow customers to engage effectively with the network enabling customers to reduce their

³ Demand side management entails actions that influence the quantity or patterns of use of energy consumed by end users, such as actions targeting reduction of peak demand during periods when energy-supply systems are constrained

⁴ http://www.decc.gov.uk/en/content/cms/publications/lc_trans_plan/lc_trans_plan.aspx

energy bills. The Authority also notes [REDACTED] tools allow network resources to be managed more efficiently reducing the need for future network reinforcement and thus lowering customers' distribution use of system (DUoS) charges. The Authority is therefore satisfied that the Project meets this criterion.

(e) Focuses on network Solutions which are at the trialling stage and require Second Tier funding

The Authority notes the Project will integrate proven technologies in a manner which has not been trialled at this scale before using the learning from previous smaller trials. The Authority is therefore content the Project meets this criterion.

This decision constitutes notice pursuant to section 49A of the Electricity Act 1989.

If you have any questions in relation to this letter please contact Mark Askew at mark.askew@ofgem.gov.uk or on 0207 901 7022.

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

Rachel Fletcher

Partner, Distribution

Signed on behalf of the Authority and authorised for that purpose by the Authority