Southampton

School of Electronics and Computer Science

Rachel Fletcher Partner, Smarter Grids and Governance Office of Gas and Electricity Markets 9 Millbank London SW1P 3GE

22nd November 2010

Dear Rachel

Open letter consultation on innovation stimuli

The University of Southampton is a member of the IET Power Academy and Power Networks Research Academy and has long history of supplying graduate engineers and high quality R&D to the UK power sector.

We have undertaken a number of R&D projects funded through the IFI scheme, both for individual utilities and as part of larger consortia. IFI funding has been instrumental in gaining the active involvement of utilities; providing access to their data, knowledge and ultimately their plant for demonstrators.

The recent SUPERGEN AMPerES project involved co-operative R&D between six universities, primarily funded by EPSRC but with IFI support from eight electric network utilities. The key drivers of the AMPerES project can be summarised as "the need for the UK to maintain reliability of energy supply at minimum cost in the context of ageing plant and a drive to deploy renewable and distributed generation". The project has highlighted the gap between the world-class fundamental research funded by the Research Councils and the more applied R&D eligible for IFI funding.

Whilst the RIIO proposals for an innovation stimulus package are to be welcomed and provide the network companies with an improved incentive for demonstrating novel solutions there is a danger that the funding gap between fundamental research and technology demonstrators will widen further.

In response to the question '*What speculative investment companies should include in their business plans...' we* would stress the need to ring-fence an element of funding for speculative R&D. Without the support of a mechanism analogous to IFI the gap between fundamental research and innovation stimulus funded projects will become unreasonably wide. There is a clear danger that enhanced funding for demonstrators will become available at the same time as the innovative research needed to provide the ideas is running down.

The links between the network utilities and the research providers will be broken at the point in time when we face a colossal challenge of facilitating a low carbon economy and meeting our renewable targets whilst maintaining safe, secure and reliable energy supplies.

Yours sincerely

Prof Alun Vaughan Head of Electrical Power Engineering Research Group