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Dear Dora,

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Low Carbon Networks Fund: Two Year Review

1. Thank you for the opportunity to respond to your consultation on the Two Year Review of the Low Carbon Networks Fund. We have appended our response to your specific questions to this letter. Our response is not confidential and we are happy for this to be published on the Ofgem website.
2. British Gas is committed to supporting the establishment of a low carbon energy sector. We are leading the industry in the deployment of smart meters and have installed over 400k meters in customer's properties.
3. The Low Carbon Network Fund (LCNF) provides an excellent opportunity for industry participants to work together to evaluate a range of smart grid technologies, customer propositions and commercial operating frameworks in a dedicated UK focussed environment. We are partnering with Northern Powergrid in the Customer Led Network Revolution project where we are working together to evaluate a number of smart grid technologies over the coming years.
4. We are conscious that the whole LCNF process is heavily geared towards Distribution Network Operators (DNOs) and that it is difficult for non DNOs to access funding without formally partnering with a DNO. Whilst smart grids are dependent on technology and DNO input, a major element of smart grids is customer engagement. We do not believe DNOs are well placed to support this and there is potential for the industry to miss opportunities as a result of the limitation of funding to DNOs only.
5. We do believe that the process for bidding for LCNF funding needs reforming. The very nature of these projects means that the scope can evolve during the implementation stages and it is not always practical or possible to keep rigidly to the initial bid scope throughout the life cycle of the project. We would advocate a two stage process where the initial bid is kept at a reasonably high level followed by a later second stage where a tighter scope is agreed within the boundaries of the initial bid.

If you have any questions on our response to not hesitate to contact me.

Yours sincerely


Kevin Woollard
Regulatory Manager

Low Carbon Networks Fund: Two Year Review – Responses to Specific Questions

1. Do respondents consider that the evaluation criteria have driven certain types of projects at the expense of other learning outcomes? If so, what are these learning outcomes and do they need to be specifically stimulated?

We believe that the evaluation criteria are broad enough to encourage a wide range of projects with a variety of learning outcomes. We are concerned that the bidding process may force companies to over commit on the initial bid submission. The process needs to find the right balance between being ambitious enough to attract funding but also be achievable and deliverable.

2. Do the evaluation criteria ensure that the LCN fund is compatible with future developments in smart grids?

We believe customer engagement is a key element in the future development of smart grids. The criteria are very network and technology focussed and more emphasis should be placed on projects that deliver learning related to customer engagement.

It was unclear at the bid stage what was reasonable to request funding for and what was not in terms of customer side technology. The criteria are 'networks-focussed' and the guidance felt to be discouraging customer side funding. An example of this is the provision of heat pumps and whether these could be included within the scope of LCNF.

3. We welcome your views and experiences on how we can enhance the requirements on learning dissemination for LCN Fund projects to ensure that industry gets the best value from them.

Due to the early nature of the Customer Led Network Revolution (CLNR) project we have not yet focussed on learning from other projects. There is probably little value in focussing on learning dissemination in the early stages of projects. Our experience to date is that any attempt to share learning has merely been a "project status update" rather than capturing any real learning. This activity should be focussed on at the later stages of the projects.

4. We welcome respondents' views on the level of duplication across first and second tier LCN Fund projects and what changes, if any, we should make to the LCN Fund governance to address this duplication.

I think we have to accept that there will be some level of duplication between projects as there are some fundamental pillars of activity that will be common across different projects such as network monitoring and customer engagement. The application of these will differ across projects and it is the different learning that can be gained from these activities that is important to focus on.

We have experienced an issue where different projects across industries are competing to recruit and gain access to consumers with different technologies installed. This is especially true for Electric Vehicles where the number of consumers using this type of technology is very small. This will be difficult to address via fund governance but there may be a role for Ofgem in publicising and co-ordinating project information across government departments.

5. We welcome views on whether there is merit in each DNO undertaking its own monitoring or whether this could be avoided if all monitoring data was held in a single place and accessible to all DNOs.

We believe that each DNO should undertake its own monitoring. We do not advocate holding monitoring data in a single place as this may increase data security issues. There may be benefits in agreeing some high level standards so that information is held within a consistent format at each DNO.

We know that Data Protection has presented our project with real issues in that it has been difficult to share data even with project partners. This aspect needs to be given more consideration at a strategic level as to how information relating to customers can be shared across the industry.

6. Given their wider scope, how can we best gain greater up front clarity in submissions on the learning outcomes of the larger, more complex projects?

There is a role for Ofgem to play in getting closer to these projects in order to appreciate the challenges faced and to be able to gain a full understanding of what is being delivered by each project. We do not underestimate the difficulties in this but if the industry is to gain full value from these projects Ofgem needs to be actively involved in regular monitoring of each project.

7. We would be interested to hear your views on your experiences of this website and other means of facilitating collaboration.

We have had little experience of the website to date due to the early stage of the CLNR project.

It should be recognised that the UK energy industry itself is by nature very conservative and, though very skilled at large scale projects, is not so familiar with innovative projects and not necessarily well geared at collaboration. The experiences that organisations can give or evidence in running similar projects previously should be a consideration.

8. How should we design the form and content of guidance on carbon benefits so that they are comparable across projects?

This is a difficult area and we would be interested if any other parties have produced anything that could be shared as best practice within the industry.

9. How can we improve the LCN fund first and second tier processes?

We do believe that the process as it stands is too rigid and does not provide sufficient flexibility to amend project scope within agreed boundaries as the project progresses. The forward looking nature of these types of projects clearly introduces a number of significant uncertainties in the larger second tier projects. It seems inappropriate that the bids should be structured as rigidly as they are and the process does not encourage visibility of these issues as much as it could. The project structure needs to allow more flexibility (stage gating etc) to facilitate and encourage flexibility where necessary.

10. How could we implement an additional stage to allow DNOs to amend submissions in response to comments from the Expert Panel or technical consultants without undermining the competitive nature of the process?

We believe there needs to be a much more collaborative approach to agreeing the scope of projects. Parties should be given the scope to amend submissions in response to comments from the panel or technical consultants.

11. We welcome your views on the suggested timings and whether or not the delay between project submissions and potential discretionary funding dampens the incentive.

At this stage we do not believe the suggested timings will dampen the incentive. As a minimum it will encourage parties to ensure projects are completed and closed down effectively and formal lessons learned and shared.

12. We would appreciate views on the easiest way to ensure a smooth transition from the LCN Fund to the new price control, whilst fulfilling the commitments we made on the LCN Fund in DPCR5 Final Proposals.

We do not have strong views on this. We appreciate that DPCR5 already has a capped budget for innovation projects this will still run on in RIIO-ED1 over and above the allowed revenue, just need to be mindful of duplicating funding in RIIO.