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Dear Dora

### **Low Carbon Networks (LCN) Fund: Two Year Review**

Thank you for the opportunity to provide feedback on the year two review.

Our experience of LCN Fund to date has been very positive, in particular we welcome the responsiveness and openness of the process. It is now notable that the LCN Fund has gained a positive reputation both within Europe and across the world.

Please find below our response to the tabled questions, should you wish any expansion or clarification on any point feel free to contact me.

Yours sincerely



Stewart A Reid  
Future Networks & Policy Manager

### **Response to 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 the current criteria have not in themselves excluded any particular appropriate solutions.

The term "Smart Grid" has developed to encompass a vast range of topics, given this breadth it is important that the LCNF criteria maintain clear boundaries, ensuring the UK energy consumers see a return. It is important that this return is considered in its

broadest sense to include cost reduction, carbon saving, network reliability and acceleration of the networks ability to enable key UK targets. We recognise the importance that the LCN Fund has given to learning as an outcome of benefit to consumers, where equal weighting is given to learning that is positive (an approach ‘works’) or negative (an approach ‘fails’).

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

Yes. The LCN Fund evaluation criteria ensure that DNOs only trial smart grid innovations which are compatible with the UK’s overall position regarding greenhouse gas emissions and climate change. As the UK’s position evolves, then the LCN Fund should follow this automatically.

The UK is positioned as a world leader driving action on this agenda, reflected in the vision set out in the UK Low Carbon Transition Plan and the carbon budgets mandated under the Climate Change Act. Future smart grid developments which do not contribute to these goals should not be trialled under the LCN Fund, hence SSEPD believe the current evaluation criteria are appropriate.

## **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.**

Learning dissemination is a key measure of the success of each project; as such the existing arrangements encourage the application of rigour and innovation to this topic. We do not believe that a rigid learning format is appropriate – to apply ‘rules’ has the potential to stifle innovation in this important area.

As each project matures and starts to deliver robust learning we anticipate that DNOs will experiment with different approaches and that by this process a best practice will evolve. This can already be seen in submissions which now include e.g. the production of free issue training material and courses crafted to target specific audiences, enhanced WEB portals etc. It is clear that traditional conferences are only a small part of the answer.

Going forward, we support the use of the LCN Fund discretionary award to encourage effective learning dissemination and to accelerate this process. A central online hub for LCNF learning would be a valuable addition, linking to each DNO portal and ensuring visibility and accessibility.

Furthermore, we believe that the current close-down reporting arrangements could be expanded to include a requirement for DNOs to report on learning dissemination. This would build a useful record of the type of dissemination activities which have been carried out across the duration of the LCN Fund, allowing DNOs to learn from each others’ practices and adopt, rather than reinvent, successful methods and approaches.

Ofgem could also consider placing a requirement on DNOs to interact directly with the DECC/Ofgem Smart Grid Forum (SGF). SSEPD’s experience of learning dissemination

associated with our LCN Fund projects to date has demonstrated the value of direct interaction and dialogue during – rather than after – project delivery.

We would recommend SGF builds on the peer-to-peer forums led by EA Technology to establish communities of practice focussed on specific themes (based on emerging typology of LCN Fund projects/research areas). The key role of the SGF would be in identifying members of the policy community who need to understand the outputs from LCN Fund projects and may have an interest in shaping the ongoing direction of projects based on initial learning.

We would welcome the creation of such forums to formalise opportunities for DNOs to pro-actively engage policy stakeholders in discussion. Enabling DNOs to request a policy briefing workshop with such groups would provide a mechanism for dissemination and receipt of feedback on interim findings. Alternatively working groups could set out an annual programme of dissemination workshops, at which DNOs would be able to book slots.

#### **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.**

Year 1 and 2 projects do see recurring themes, e.g. network monitoring; however monitoring is a foundation stone and we would have expected it to feature heavily. In this regard, because a topic is addressed in a number of projects, this highlights the importance of the issue rather than suggesting duplication. Different projects addressing the same theme in different ways provide valuable learning.

In fact the criteria, as currently defined, have enabled DNOs to select the most appropriate technologies both in terms of readiness and appropriateness. The criteria are also suitably high level to allow 'left field' solutions to emerge; tighter criteria would have the effect of stifling these innovations and are more likely to result in duplication.

To date the evidence is of a broad range of projects covering multiple topics. Based on our own intent and that of others it is clear that DNOs will put considerable effort into avoiding duplication of learning both to strengthen future bids and to ensure that the significant effort and cost associated with running large scale innovation programme are appropriately focussed.

That said, to some extent, there is value in duplication of projects as this enables cross-comparison of a range of solutions to similar network problems in different contexts. Given that DNOs operate in discrete geographic areas with distinct combinations of physical and social characteristics (climate, population density, infrastructure, economic activity patterns, culture etc.), projects trialling similar methods and technologies can be viewed as duplication of the desire to find solution rather than duplication of learning. This will increase the validity of findings and enable investigation of the reasons underpinning different levels of impact.

To reduce unintended duplication, the format for publishing information on LCN Fund projects should be updated. It is not conducive to comparison of projects, and therefore to DNOs quickly establishing the scope of current activity and potential

duplication. Collating information on projects in a searchable database as proposed by the ENA would be a welcome addition to the current governance arrangements.

**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.**

Monitoring and management of data is likely to be a significant cost element in the future, as a result there will be a direct impact on the efficiency of each DNO. Gathering of the right amount of data efficiently and optimising its value, will be a major factor affecting the efficiency of DNOs in the future, as a result it is essential that individual DNOs retain control of gathering, processing and utilisation.

Centralisation of this data will force a 'one size fits all' solution which by its nature will default to the most conservative implementation and discard the opportunity to develop efficient, fit for purpose solutions in a competitive environment. Such an approach has the potential to stifle innovation.

In relation to data gathering, specifically, in LCN Fund trials it is important to make this information available to all DNOs for analysis, within the requirements of data protection and cyber security.

**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?**

Small, narrow scope projects are by definition simple to measure and evaluate; however it is clear that complex interactions begin to appear when large scale projects are undertaken. These complexities reflect the true nature of the challenges that the industry will face when adopting multiple large scale solutions into business as usual, as a result it is essential that these projects are undertaken and learning secured.

It is possible to break the projects into elements and identify the learning associated with each aspect; however this effectively simulates the aggregation of multiple Tier 1 projects and could neglect the deeper learning that these large projects can generate.

There is little doubt that at the outset of these large projects that there are challenges and learning that has not yet been anticipated, recognising and capturing this insight and learning when it does appear is essential. Indeed this is one of the purposes of such projects.

On this basis the concept of "evolved learning outcomes" could be applied to these larger projects where the learning is enhanced on an annual basis to reflect the additional insight that the project is or anticipates generating. This will have the added benefit of keeping learning dynamic and ensure that projects do not stagnate becoming fixated solely on a narrow band of learning outcomes generated up to five years ahead of their conclusion.

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

As a DNO, to date, the level collaboration facilitated by any website has been negligible; in our experience the most successful engagement have been a result of contact made directly at conferences, trade missions, EU collaborations (FP7 & EEGI) and direct email correspondence.

A second source of new collaborations has been references from existing partners, both academic and commercial.

For smaller innovators often with limited sales force or contacts, organisations like the Energy Innovation Centre (EIC) and some consultancies have provided useful new collaborators and partners.

This pattern would suggest that a website on its own, while useful, is not a key part of the facilitation of collaborations.

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

We agree that benefit comparison is problematic, primarily as a result of the breadth of challenges and solutions being addressed.

We believe that the carbon benefits should remain indicative and qualitative and not used for direct comparison however it is important that credibility should be assessed. It is more important that the outputs of the project capture the actual carbon impact of the solution in comparison to business as usual by taking into account previously unknown factors such as human behaviour, manufacturers efficiency claims, unanticipated overheads etc.

As with many aspects of the LCN Fund, we would prefer that flexibility is maintained in any guidance to allow for, for example, projects not thought of when the guidance was conceived or new approaches and ideas to be progressed.

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

The process in year two was significantly better than year one, primarily as a result of the interim bilateral and the more streamline question process. We understand the rationale of the panel influencing bids and have benefited from this already; however if the freedom to rewrite bids was further enhanced there is a danger that the panel begin to “steer” rather than select bids. This would significantly alter the workings and outcomes of the LCN Fund.

**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 this is very difficult and to some extent places too much responsibility on the panel. However, there may however be potential for the expert panel to provide feedback at the ISP stage where they can highlight the elements of learning they would like to see coming out of a particular project and any particular reservations they would anticipate. This would allow all parties insight into the views of the panel in advance of bid submission hopefully reducing the chance of any major rewrite suggestions.

In relation to this point it will become increasingly important that the panel are fully conversant with the learning and learning gaps from existing projects when considering future bids and as such they should be a key part of the learning dissemination process.

**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.**

The flow of incentive funding is an important aspect of the LCN Fund package, evidence to date is that projects are rapidly establishing momentum but it does take time. We believe the existing arrangements for discretionary funding should be maintained to allow enough projects to become established to ensure “best in class” is rewarded rather than “first past the post”.

**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.**

It would seem appropriate that the DPCR5 LCN Fund Governance arrangements are kept in place during RIIO ED1 for legacy projects that bridge the two periods.