

The background features a large, semi-transparent white arrow pointing from the left towards the right. Behind the arrow, there are two distinct images: on the left, a close-up of a blue gas burner with a flame; on the right, a close-up of a white ceramic gas burner. The overall background has a soft, blurred effect.

# Innovation Working Group

16 July 2012

## Agenda

1. Progress Update
2. NIA Governance document
3. NIC Governance document
4. Lunch
5. RIIO-ED1 and Innovation

## **ITEM 1: Progress Update**

# 1. Progress Update

1. Introductions
2. Minutes
3. Update
  - NIA consultation
  - Gas NIC
  - NIC, NIA, IRM licence drafting

Milestone	Indicative date
Consultation on RIIO licence conditions	Late July 2012
NIA consultation decision	August 2012
Electronic review of full NIA Governance document	August 2012
Electronic review of full NIC Governance document	August 2012
Informal consultation on NIC and NIA Governance documents	Late September 2012
Statutory consultation on NIC, NIA Governance document and licence conditions	Dec 2012/Jan 2013

## **ITEM 2: NIA Governance**

## Timetable for Drafting

<u>Chapter</u>	<u>Contents</u>	<u>Circulate</u>	<u>Comments</u>
<b><u>1. Introduction</u></b>		10/07/12	16/07/12
<b><u>2. NIA Projects</u></b>	Eligible NIA Projects	10/07/12	16/07/12
	Registration requirements	August	August/September
<b><u>3. Bid Preparation Costs</u></b>	Bid Preparation Costs.	August	August/September
<b><u>4. Reporting for NIA projects &amp; Project Audits</u></b>	Requirements for Network Innovation Annual Report & Project Audit	August	August/September
<b><u>6. Knowledge Transfer/Intellectual Property</u></b>	Knowledge Transfer	August	August/September
	Intellectual Property	August	August/September

\* Circulate drafting and gather comments online and if necessary discuss at teleconference.

## This meeting

- Decisions have yet to be made following the consultation. Today's draft reflects what we consulted on and we would like to take this opportunity to test the legal drafting of the criteria with you.
- Drafted the following chapters:
  - Introduction
  - Eligibility Criteria
- Continuous iterative process
  - May make changes to drafted sections based on comments and consultations
  - Some outstanding sections to be completed - flagged in the document and will be added into next draft
- Welcome high level comments – opportunity to provide more detailed written comments after meeting via email

## A. Introduction

- Contents of chapter
  - Background to the competition
  - The purpose of the Governance document
  - The use of key terms in the document (ie Project, Trial, Method)
  - The Structure of the overall document
- Key changes from LCNF/NIC/IFI
  - Follows the same structure of the LCN Fund but adapted for the NIA
  - The following terms are not used in the G85 document. They are based on those in use for the LCN Fund but have been updated to reflect the broader scope of the NIAs. Projects can be explained simply by breaking into the five parts below:
    - Problem: *means the issue that needs to be resolved,*
    - Method: *means the proposed way of investigating or solving the Problem,*
    - Trial: *means a limited, controlled and monitored test of the Method,*
    - Project: *means the Trial, research and development, or demonstration being proposed or undertaken, and*
    - Solution: *means the outcome if the Problem is solved.*



## B. Eligibility Criteria

- Contents of chapter
  - The purpose of the Eligibility Criteria
  - The need for projects to comply with the Eligibility Criteria to be eligible to use NIA to fund the Project
  - The Eligibility Criteria projects will need to comply with
- Key changes from LCNF/IFI
  - Eligibility criteria have been updated to reflect wider scope of innovation in the NIA, ie broader focus of NIA than both LCN Fund and IFI.
  - Criteria on project benefits reflects the wider range of possible benefits that NIA projects can deliver.
- Other points to note
  - Additional drafting will be added in future iterations for those projects involving non-financial benefits and non-default IPR will be added in future iterations.

## **ITEM 3: NIC Governance**

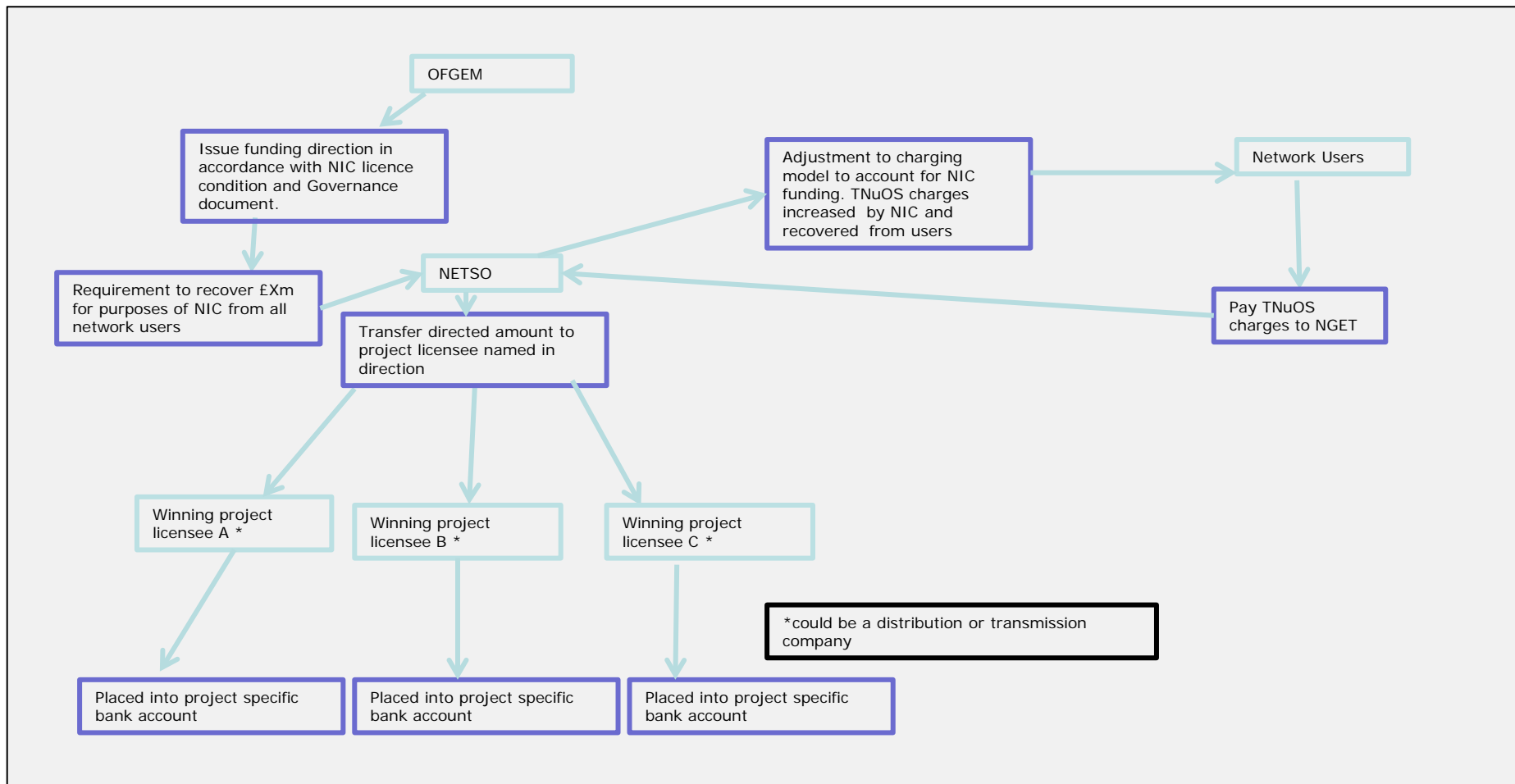
### 3. NIC Governance document

Chapter of document		Date for discussion	Status
Strawman circulated to group for discussion		March IWG	Completed
<b>Section A</b>			
Introduction		June IWG	Revising chapter based on comments
Collaboration		April IWG	Revising chapter based on comments
Annual competitive process	ISP process	June IWG	Revising chapter based on comments
	Full Submission Process	June IWG	Revising chapter based on comments
<b>Section B</b>			
Project Implementation		July IWG	To be discussed today – written comments by 30 July
Funding direction		July IWG	To be discussed today – written comments by 30 July
IPR		April IWG	Revising chapter based on comments
Royalties		June IWG	To be discussed today – written comments by 30 July

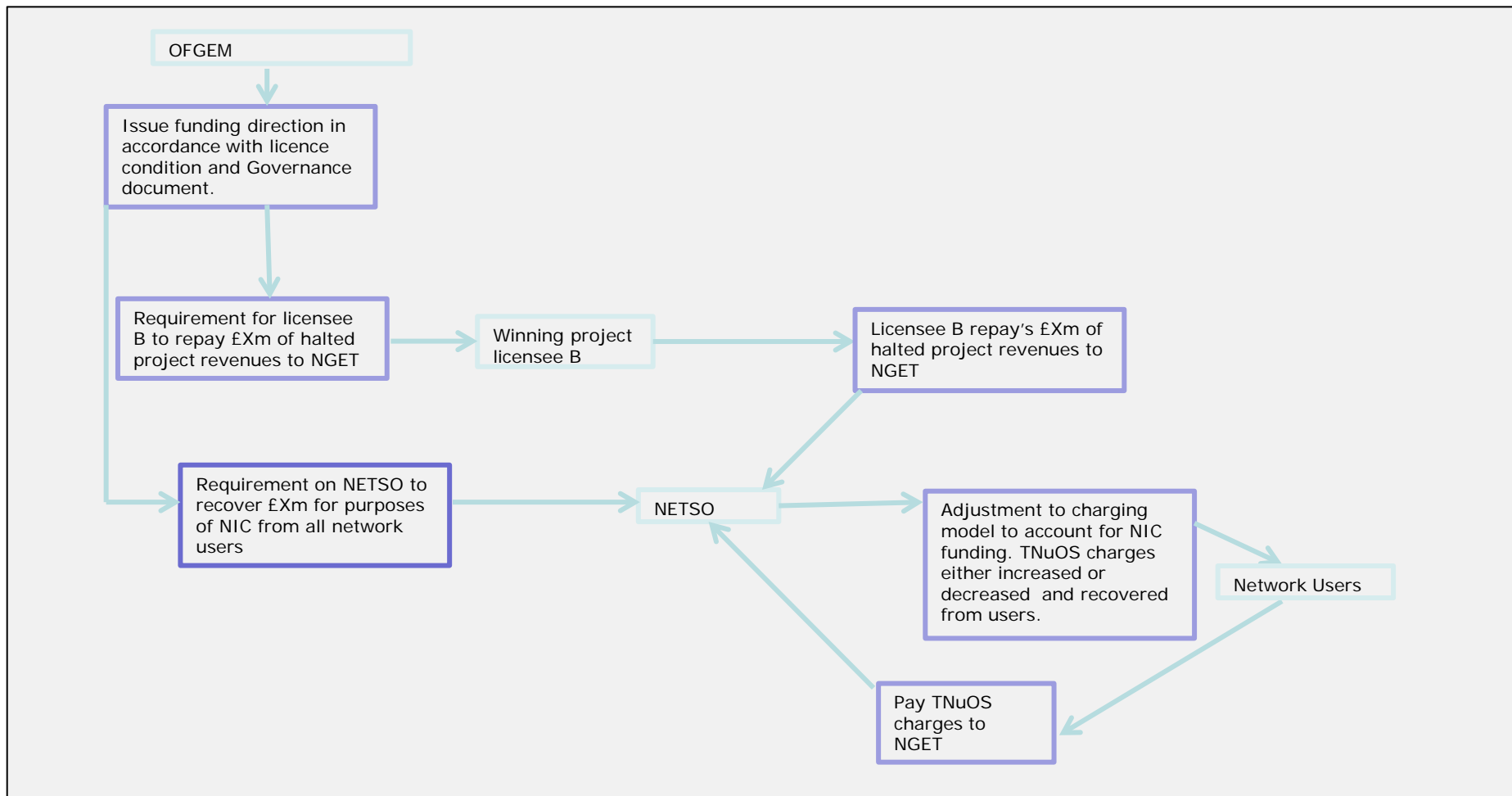
## A. Funding Direction

- Contents
  - Sets out the information that will be published in the funding direction and process for issuing it, each year
- Difference from LCNF
  - Funding Principle remains the same: All customers will fund projects as all can share in the benefits but,
  - The detailed funding mechanism varies from the LCNF

## A. Funding mechanism



## A. Funding Return Mechanism



## B. Royalties

- Contents
  - Any royalties need to be shared with customers in the proportion to which they have funded it.
  - Licensees keep royalties equivalent to their contribution to the project
  - Remaining Royalties returned to customers through funding direction
- Differences from LCNF
  - Mechanism for returning royalties is slightly different due to variation in the funding mechanism

## C. Project Implementation

- Contents
  - Compliance and Project Audits
  - Project Bank Account
  - Customer Protection
  - Data protection
  - Reporting Requirements (Six monthly reports and close down reports)
  - Halting a Project, Disallowed Expenditure
  - Applications for Contingency Funding
- Differences from LCNF
  - Provided additional guidance on what 6 monthly reports should contain
  - Otherwise broadly the same



### 3. Next steps - NIC

- Comments on drafting – COP 30 July
- Circulate full document for comments (IWG and LWG) – August
- Informal consultation on Governance document in September
- Statutory Consultation alongside RIIO licence conditions at the end of the year/start 2013.

## **Item 4: Innovation and ED1**

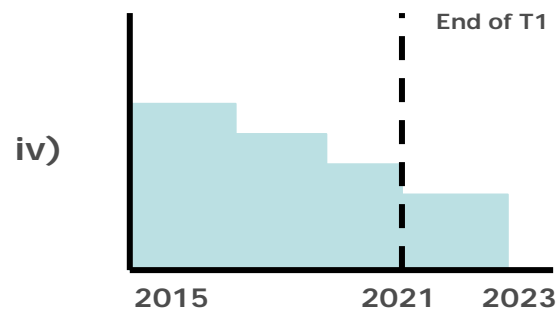
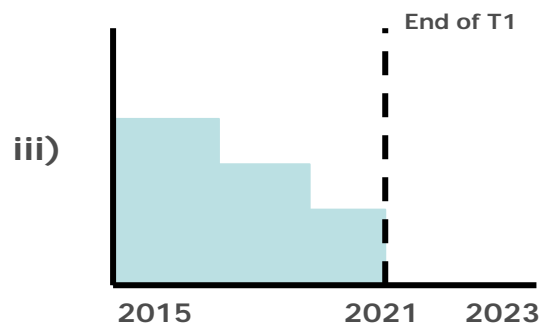
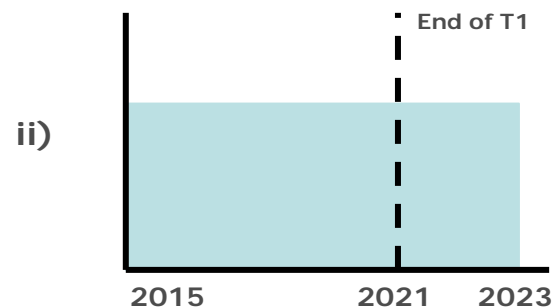
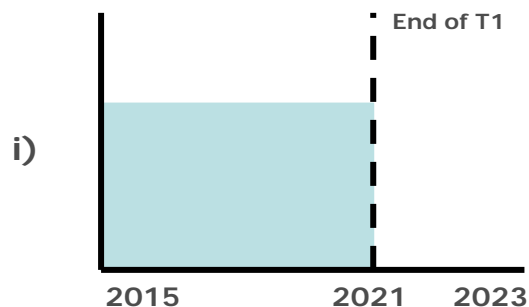
## 4. Background

- Intention is to implement the Innovation Stimulus in ED1 as for T1 and GD1
- Opportunity to discuss limited aspects of the stimulus pre RIIO-ED1 strategy consultation document – September 2012 including:
  - a. Level and duration of funding
  - b. Move from LCNF to NIC and NIA
  - c. Roll-out of LCNF projects
  - d. Innovation Strategy

## 4a. Level and duration of funding

- Background
  - Currently Electricity Transmission NIC funding is capped at £30m
  - NIC funding is intended to be “time-limited”
    - Intended to encourage step change in how licensees approach innovation and focus on projects which support transition to low carbon economy
- Range of possible funding options beyond 2015 (see next slide)

## 4a. Potential funding Options



Welcome views on the level and duration of funding?

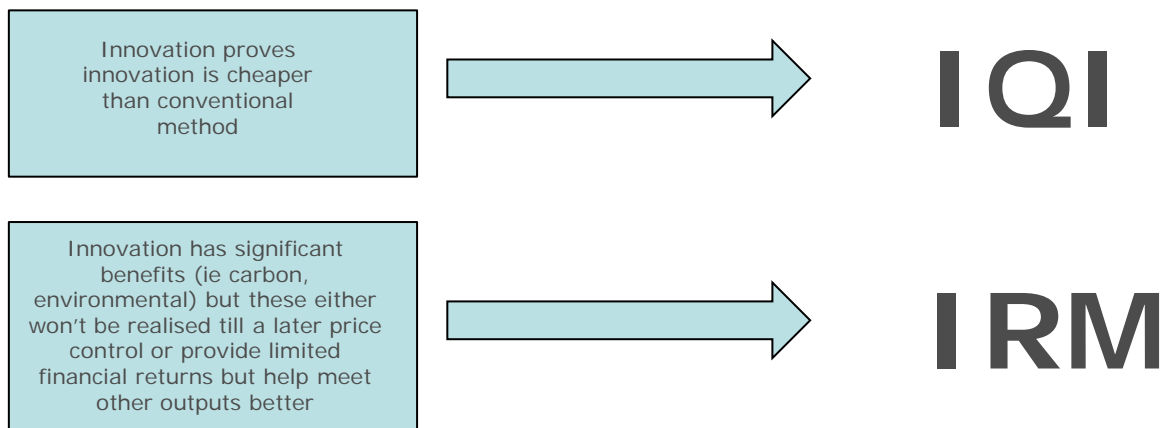
## 4b. Transition from LCNF to NIC

- Background
  - Some LCNF projects will continue into ED1, need to ensure the appropriate governance arrangements can remain in place
  - Transition from IFI to NIA
- Initial view
  - Keep CRC-13 and Governance document “live” in ED1 as it will only effect those with projects that still run. Continue to report LCNF projects in RIGs until last project has finished
  - Licensees have full visibility of NIA arrangements from T1/GD1

Do you agree with our proposal?

## 4c. Rollout of LCNF projects

- Background
  - Successful innovation projects should be deployed across licensees network and integrated in BAU
- ED1 rollout



Is there anything not covered by the above?

## 4d. Innovation strategy

- Background
  - We have an opportunity to consult on revising the guidance we have given on what we expect in the innovation strategy and how we set the companies' NIA
  - We can't give specific details on the assessment of strategies because this is ongoing for Gas Distribution and NGGT and NGET
- Welcome views on:
  - If additional requirements are needed, e.g. How DNOs plan to roll-out LCNF innovations into their business and how disseminated learning
  - Setting an expectation that the Innovation strategy should be a living document and updated on a yearly basis

Welcome views on the role of the innovation strategy





Promoting choice and value  
for all gas and electricity customers