

Annex 1: Summary of responses

Overview of respondents

We received eleven responses in total to the consultation from twelve organisations. Scottish and Southern Energy and Scotia Gas Networks submitted a joint response. We received responses from network operators a supplier and an industry body, the Energy Networks Association (ENA). The ENA only responded to questions eleven and twelve.

These responses are available [here](#).

1. Do you agree with a fixed annual allowance for bid costs for all licensees and an annual cap per bidding group of £175k or 5% of annual NIC funding request, whichever amount is the smaller? If not please provide evidence to justify an alternative level of cap.

All of those who responded agreed in principle with a cap on bid costs in order to drive efficiency, but there were a range of views on the level at which the cap should be set.

One respondent highlighted the need to keep costs low as the number of participants in the NIC is expected to increase in comparison to the number of licensees involved with the LCN Fund. Only three of the ten respondents agreed with the proposed level of the cap, with alternative suggestions ranging from £250k to £500k, or up to 10% of total project cost. These respondents believed a higher cap is required, unless there is a reduction in the expectations of the expert panel.

2. We welcome views from stakeholders on whether the funding for bid preparation costs should be funded from the existing funding set aside for funding the NIC, or alternatively, should it be raised in addition to the annual NIC allowance?

The respondents were split on the question of funding of bid preparation costs from the amount set aside for NIC projects. Some respondents were concerned that if no extra funding is made available, then the amount available for implementing projects will be reduced.

Other respondents agreed with the suggestion that these costs should be recovered from the funding set aside for the NIC as they did not wish to see the customer being charged more.

3. Do you agree with the proposed high level eligibility criteria? If you do not agree then please explain why.

Respondents largely agreed with the proposed eligibility criteria. One respondent disagreed arguing that new commercial arrangements should not form part of NIA projects. They also felt that the proposed criteria were ambiguous and could allow inefficient expenditure of customers' money.

The first gate criteria were largely accepted, but one licensee highlighted that the financial benefit the projects may deliver should be valued over subsequent price controls. Another licensee argued that this criterion should not be restricted to financial benefits, but should also include safety or environmental benefits.

4. Do you agree with our proposed approach to funding projects with non-financial benefits? If you do not agree then please explain why.

The responses to this question were mixed. Those who disagreed with our proposal did so because they were concerned Ofgem may not have adequate resources for approving

the projects in a timely manner, and, because they felt they have adequate internal systems in place to assess projects with non-financial benefits. One licensee suggested that Ofgem could audit projects on an *ex-post* basis.

5. Do you agree with our proposal that licensees should self certify projects against the eligibility criteria? If you do not agree then please explain why.

Most respondents agreed with the proposals, arguing that self-certification has been successful under both the Innovation Funding Incentive (IFI) and the First Tier of the Low Carbon Networks Fund. One licensee argued that Ofgem should retain greater control over the certification of projects.

6. Do you agree with our proposal that licensees should register projects with Ofgem before they begin? If you do not agree then please explain why.

One licensee did not agree with the proposal as they saw no benefit from registering projects. Three respondents agreed with the proposals. The remaining respondents agreed with the proposal for projects to be registered but noted their concern regarding the potential burden the proposal could place on Ofgem.

7. Do you agree that in the three sets of circumstances, described above, licensees should require Ofgem's permission before registering the project? If you do not agree then please explain why.

The majority of respondents agreed with the proposal for projects that would not conform to the default IPR arrangements and involve payments to related undertakings. Three respondents argued that projects with non-financial benefits should not be required to seek Ofgem's permission before being started. Some also noted their concern regarding the potential delays to projects that could be caused by seeking permission from Ofgem and that decisions should be made in a timely manner.

8. Do you agree with our proposal to include an annual cap on internal expenditure? If you do not agree then please explain why.

Seven respondents agreed with the proposal to include a cap on internal expenditure in order to encourage efficiency and collaboration. Three respondents did not agree, arguing that licensees should be allowed to use any resources in order to undertake projects.

9. What proportion of a licensee's NIA do you consider would be an efficient level of internal expenditure? Please include evidence and justification of your view.

One respondent did not suggest a proportion as they disagree with a cap on expenditure, instead proposing that licensees should be required to explain why they have used particular resources on annual basis. One respondent did not have a strong opinion.

The remaining respondents suggested a cap of between 25% and 50%. Two DNO respondents indicated that the proportion of IFI funding used for internal expenditure is currently around 20-25%. Respondents also noted that different types of project involve varying levels of internal expenditure.

10. What elements of the current IFI annual report work best; and what would you improve to make these reports more effective as knowledge dissemination tools?

The majority of respondents felt that the current IFI annual reports are useful knowledge dissemination tools. A number of respondents passed comment on the knowledge dissemination tools available.

One respondent suggested allowing more flexibility to licensees to innovate in how they disseminate learning from projects they suggested a high level requirement to share learning rather than prescriptive guidelines detailing reporting requirements in the Governance Document. Another respondent suggested removing the requirement for an annual report and commented that the project registration document could be updated with learning from the project.

Another licensee suggested that Ofgem should produce an annual report to industry based on the reports completed by the network companies. Finally, a respondent suggested that licensees should signal in their annual report whether in their opinion a technology was ready for use by other licensees

11. Do you agree with our proposal for sharing the NIA annual reports? In addition, what other means are there of disseminating this learning to all interested parties?

Most respondents agreed with our proposals. Seven agreed with the proposals and three had reservations. One licensee argued that once project reports are in the public domain, any further requirement for dissemination of learning is unnecessary.

Two respondents highlighted the new developments in ways of disseminating learning. Alternative means of dissemination included the ENA website, individual businesses websites, and through events tailored to specific stakeholder groups.

12. Would an annual NIA conference be a useful tool for disseminating the knowledge gained from NIA projects? Why?

There was widespread support from respondents for an annual conference. A few respondents suggested that an annual conference is good for showcasing at a high level the innovation which is taking place, but does not lead to the dissemination of detailed learning required to use innovative methods in business as usual.

Due to the greater number of projects under NIA, there was support for a change in format or in the information presented.

13. Do you agree with our proposals requiring licensees to share the learning from NIA projects? If you do not agree then please explain why.

Nine respondents largely agreed with the proposals, though there were some caveats around commercially sensitive or confidential information. One licensee argued that it can seem unfair to share knowledge with licensees who declined the opportunity to collaborate on a project after the project has been successful. One licensee disagreed with the proposal, arguing that due to IPR and cost considerations, there should be no general requirement on licensees to share learning.

14. Do you agree with our proposed approach on IPR?

Five out of the six DNOs agreed with the proposed approach on IPR, although they highlighted the need for flexible arrangements for certain R&D projects. The DNO who disagreed argued that the majority of their projects require bespoke IPR arrangements

and on the basis of the proposals in the consultation letter they would require permission from Ofgem to implement these projects.

Only one non-DNO respondent agreed with the proposed approach. The remaining two respondents who agreed to this question argued that it is necessary to have greater flexibility than the default arrangements will provide. Many of the respondents referred to the flexibility in the IPR arrangements for the IFI, citing them as useful for the NIA.

15. Should a carve out for commercial products be included with the default IPR arrangements?

All DNOs who responded to this question directly felt the proposal would encourage participation by academia, small R&D providers and new entrants. One DNO argued that greater clarity is required regarding the treatment of Relevant Background IPR.

The non-DNOs who responded disagreed with the proposed IPR arrangements in general.

16. Should the carve out be limited to projects focusing on lower technical readiness levels?

The respondents were split on this question, with those in disagreement with the proposal arguing that flexibility is important for maximising benefits for the consumer. Others who disagreed believe that a carve-out should apply more broadly to include new modifications to mature products.

17. If a carve out is provided, should other requirements be placed on the licensee to ensure best value for consumers?

All respondents agreed on the importance of ensuring value for money for consumers. One licensee agreed that additional requirements should be placed on projects making use of the carve out. Two DNO respondents suggested possible alternatives to the proposed IPR arrangements. One suggested that companies should report and justify IPR arrangements annually, and the other suggested that the Lambert agreements¹ should be used.

¹ <http://www.ipo.gov.uk/lambert>