

National Grid – Network Innovation Allowance Governance Document consultation response						
Respondent	Chapter Name	Reference	Comment	Suggested alternative drafting	Response	Changes made (Y/N)
NG	Throughout	Throughout	All references to 'regulatory year' should be 'formula year' for gas			
NG	Throughout	Throughout	Typographical and grammatical checks are required			
NG		Footnote 5 page 7	States between 1 and 9 will not be eligible for NIA funding.	"... Projects with a TRL 1 and 9 will not be eligible for NIA funding"		
NG	Projects	1.18	<p>Could it possible under the NIA review section 1.18 to include networks in that review and in particular latter year project start up discussion to be so that we understand the proposals and impact on innovation as the RIIO period comes to an end</p> <p>Could Ofgem also consider building in a rolling incentive mechanism consistent with the shrinkage incentive</p>	1.18 "Ofgem in conjunction with licensees will undertake a review of the NIA after it has been in operation for at least two years. In addition a joint review will take place in 2019 to understand the impacts of R&D projects commencing in the latter years of the RIIO period...."	As set out above we have previously indicated that the ISF is a time limited mechanism.	
NG		3.3	There is no minimum size of a NIA project however currently we group very small projects together (£5k to £20k) and create one over arching project to enable rapid small develop, feasibility reports or small funding elements of research collaborations to take place (examples of this are in our IFI Annual report). As part of the annual progress reporting process we provide individual project reports. This does not seem possible under NIA as each project has to be registered separately? Can you please comment or consider extending our proposal under 3.22/23 below.			
NG		3.4	<p>We expect that projects that have previously been funded under IFI funding will be able to receive funding under the NIA.</p> <p>We have completed case studies and sent to the Ofgem IWG highlighting where projects may not meet the criteria as we understand it. Feedback on</p>			

National Grid – Network Innovation Allowance governance document consultation response
November 2012

			case studies should help resolve issues. These projects are included in our current IFI annual reports.			
NG		3.6 applies to all bullet point list	Suggest new wording which supports previous response from Ofgem.	A specific piece of new (i.e. unproven in GB) equipment (incl. control and communication systems and software) that will have a direct impact on the network business of the licensee. Or the words from IFI “that will enhance the performance of the gas network”.	Direct Impact needs to be retained so projects are directly related to the network business of the licensee (see above)	
NG		3.12	We can perhaps estimate or assume that replication is possible across GB for some innovation solutions so we shall state this where applicable but not quantify. Refer to IWG case studies for examples of this issue.			
NG		3.20	Typo “Method It”			
NG	Registration	3.22 / 3.23	All network operators are part of larger research associations eg STP, EPRI, PRCI. How will projects funded through a portfolio agreement be registered and reported as the projects are not costed separately but do apply to different work areas. This approach is efficient, provides good leverage and creates the most value at the higher TRL level 2/3. We have provided case study examples to the IWG Feedback on case studies may resolve this issue. We suggest 2 options to achieve a successful outcome: 1. Be covered by having a third criteria where we may seek approval from Ofgem for this type of research to continue. 2. Provide new criteria - suggested words shown here to the right.	Suggested new item 3.23 iii) It is requesting to register a combination of projects as part of an annual combined portfolio from a research institute or similar research organisation. A project provides a collaborative arrangement that either improves the efficiency of or accelerates the development of innovation and transfer of innovation to business as usual.		

National Grid – Network Innovation Allowance governance document consultation response
November 2012

NG		3.26	Suggest new wording	Where multiple Licensees wish to recover Allowable NIA Expenditure for the purposes of a collaborative Project all Licensee Partners must be named on the NIA Project Registration Page. It should be made clear at the time of registration what contribution each Funding Licensee will be making.		
NG		3.27	It states there is only one project registration page per project. If a project is joint electric and gas does this need to be registered in both schemes or once?			
NG		Section 3, Table 3.1 Revenue allowed	Our business plans are not allowances so it would be inaccurate to refer to business plans. Allowances are not provided at this granularity. (Also applicable to 4.15)		This is something that the DNO's do as part of LCN fund first and second tier and will be a criterion of the NIC	
NG		Para 4.6	We would like to understand further the customer			

NG		onwards Para 4.16	<p>protection point for gas and electricity.</p> <p>We would like to understand how 4.16 would operate in practice when R&D projects may continue over many years until implemented and therefore benefits realised.</p> <p>There is no mention of this process in the licence draft for calculating annual Eligible NIA Expenditure nor contained in Initial Proposals or licence modifications?</p> <p>The basic principle is that the benefits of any successfully implemented Innovation are shared with customers through the sharing factors under RIIO (Initial Proposals suggest c63%), the benefit does not just accrue to the licensee. Indeed, ongoing benefits will be 100% returned customers post 2020/21.</p> <p>The netting off of benefits cannot be done robustly for a number of reasons:</p> <ul style="list-style-type: none"> • Direct benefits are supposed to be compared against Business Plan figures – but the Business Plan was not prepared at that extremely detailed level, so the comparison cannot be made in a robust manner and it would not reflect allowances. • The Consultation implies that savings need to be anticipated over the period of the Business Plan i.e. to 2020/21. Estimating savings potentially 8 years ahead would be extremely subjective. • The point above suggests that “Direct Benefits” may cover all benefits from whatever activity. Many projects will have knock-on benefits through many other parts of the business. Identifying and quantifying these would be highly subjective. 			
----	--	----------------------	--	--	--	--

National Grid – Network Innovation Allowance governance document consultation response

November 2012

NG	Knowledge Transfer	Table 6.1	<p>The table wording needs amending.</p> <p>The outcomes and Planned Implementation relates to demonstration / trials. This needs to reflect Research outcomes too.</p>	<p>The following sections are only required for those Projects which have completed since the 1st April 2013 or since the previous years NIA Annual Report.</p>		
NG	IPR	Section 7	<p>We are pleased to see the new IPR Chapter is much simpler.</p>			
NG		7.5	<p>Please clarify that the intention is that the obligation to publish Relevant Foreground IPR and background IPR as set out in clause 7.5 only applies to the final project progress report as referenced in paragraph 6.5 and not in each annual project progress report.</p>			
NG		7.6	<p>Please clarify how technically an automatic licence to use will work legally and in practice? For example when the Relevant Foreground IP and background IP are included within the Project Progress Information, is it the intention that that publication will also include provisions that grant licence rights? The Licensee is required to obtain the appropriate arrangements to allow such access, however the concept of “use” is wide and the Licensee should clarify in the grant of the licence to other licensees what usage rights are granted.</p>			
NG		7.7	<p>Project Partners do not necessarily need ownership of IPR to achieve objectives of NIA – a licence may suffice. We propose the wording “or appropriate licences” is added</p>	<p>“...shall retain all rights in or appropriate licences...”</p>		
NG		7.8	<p>Joint ownership of IPR is difficult to manage (particularly when shares are defined by proportional work) and it is often easier for one party to own and</p>			

National Grid – Network Innovation Allowance governance document consultation response
November 2012

			license to others. Project Partners do not necessarily need ownership of IPR to achieve objectives of NIA – a licence may suffice			
NG		7.10	“...and following completion of the Project...as well as future pricing commitments (eg firm pricing for post Project products, discounts arrangements etc) offered by Project Partners”. To the extent the Licensee is required to comply with The Utilities Contracts Regulations 2006 (UCR) when subsequently procuring products, these highlighted requirements would put the Licensee in direct conflict with its obligations under UCR, as it would by necessity place the Project Partner at an unfair advantage against other suppliers in a competitive tendering event. Can this wording that we have extracted above be deleted			