

Attached is your response template, completed in relation to the points we make below:  
Your open letters, dated 10 & 19 October 2012, seek responses to the following two questions:

- 1) *We invite stakeholders to comment on the proposed drafting of the NIC and NIA Governance Documents. Does the drafting reflect our policy decisions?*
- 2) *Do you think there are any barriers within the current drafting of the NIC and NIA governance documents which could prevent innovative energy efficiency solutions receiving either NIC or NIA funding?*

This response from Siemens focuses on 2). We would like to build upon Ofgem's existing awareness of issues that we think are likely to occur in the implementation of NIC and NIA governance in relation to Background IPR.

Siemens has long-standing business relationships in electricity transmission with National Grid (NG), Scottish Power and SSE, and also in gas transmission with NG. As a network equipment manufacturer we deliver solutions and provide long-term services in most aspects of energy transmission. Innovation has been in the culture of Siemens since we were founded in the 1840s, and wherever possible we like to work jointly with our customers on innovative solutions, in most cases building upon existing Siemens products and systems. Siemens is keen to engage with the GB electricity and gas transmission Licensees on appropriate NIC and NIA project opportunities.

NIC and NIA have their roots in LCNF, and Siemens has over 2 years' experience of LCNF activities with a number of electricity distribution Licensees. Accordingly, we have been involved whilst the IPR governance arrangements evolved, and are familiar with, and accepting of, the definitions of "Background IPR" that we would normally bring to an LCNF project, and of "Foreground IPR" that may be created in the course of an LCNF project.

Our remaining comments relate to NIC/NIA only in the RIIO-T1 context. Considering a Technology Vendor as a Participant in a NIC/NIA project, we foresee difficulties in implementing the governance arrangements for Background IPR, as set out in the 19 Oct 2012 Chapters for the Electricity NIC and NIA Governance Documents. In the context of Question 2) above, it is Siemens' view that, unless some further consultation takes place, this could become a barrier to Technology Vendors' participation in NIC/NIA projects.

- A) In the context of projects funded through NIC/NIA, Siemens accepts Ofgem's principles behind licensing Background & Foreground IPR, in order to maximise the value to consumers through re-deployment of successful NIC/NIA projects.
- B) We envisage that a number of potential NIC/NIA projects could be based upon Background IPR from Technology Vendors, for whom this IPR is a fundamental differentiator in their normal business activities. Siemens would participate in such projects, provided the Background IPR licensing does not require disclosure of information that might end up in the public domain, or potentially otherwise become available to a competitor.
- C) Background IPR licensing is not something that is regularly and consistently done by all Technology Vendors, and can become quite complex when set against their normal product development roadmaps. This is particularly true for Technology Vendors who operate globally; it may be less of an issue for SMEs. In Siemens' case, it would be unusual for Foreground IPR developed during a NIC/NIA type of project to be brought back into our normal product development roadmap.
- D) The pricing of Background IPR licences for future re-deployment of successful NIC/NIA projects with (other) Licensees is likely to be approached differently by different Technology Vendors. Since "firm pricing" and "negotiated future use of IPR" are NIC/NIA project evaluation criteria, in our view further consultation with representative Technology Vendors would be appropriate in order to assure that Ofgem can take a balanced evaluation approach across all classes of Technology Vendor.
- E) Should Ofgem decide to undertake this further consultation, we would suggest that consideration be given to the value of the "solution" represented by a NIC/NIA project. The cost of Background IPR licences is, of course, only one element of the value of the "solution".

Should Ofgem wish to take up our suggestion in D), Siemens would be pleased to be included in any further consultation on this point.

Regards

***Colin Johnston***

***Siemens Energy  
Sir William Siemens Square  
Frimley  
GU16 8QD  
United Kingdom***

***Tel: +44 (0) 780 882 3144***

***Fax: +44 (0) 845 605 3741***