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Dear Neil

Non Statutory Consultation on the Electricity and Gas NIC and NIA Governance Documents

SSE and SGN welcome the opportunity to comment on the above documents as part of the recent consultation. We have participated fully in the Innovation Working Groups and previous consultations and are keen to give our input and help develop the documents further. I have attached a completed response matrix for each of the relevant documents. They set out our detailed comments on the documents.

In general terms we believe the documents have developed significantly since the last round of consultation. They are very informative. However we have a few remaining concerns which we have set out below.

All documents provide an overview of the relevant package including the background, the policy intent and some general guidance. However Network Licensees are required to comply with the documents as if they formed part of the licence. It is essential that elements that are intended for information or guidance only are clearly separated from elements that set out absolute obligations and requirements. At present it is not always clear what is an obligation and what is intended as guidance. Also those elements that are an obligation in some cases need to be more proportionate. For instance the assessment criteria for the NIA require the Network Licensee to set out how a proposed Project "will" make a contribution to the Carbon Plan and the contribution the roll-out of the Method across the GB "will" deliver. Obligations need to take greater account of the uncertainty involved in these projects. They must be practical and proportionate. We have highlighted specific instances of concern in the response matrix and alternative suggestions.

In relation to the Gas NIC, we believe significant progress is now being made through the Growth and Infrastructure Bill and hope this provides the clarity required to allow the NIC to be implemented from 1 April 2013. We understand there are still some issues regarding the precise timing of the Bill but believe this should allow the Governance Document to be finalised.

Finally, we still have some concerns regarding IPR arrangements. While we believe discussions are moving in the right direction, we are keen to ensure arrangements are balanced and proportionate. This is a complex area and we are keen to ensure it does not become overly burdensome for networks or third parties. We believe the focus should be on ensuring networks are able to make full use of their particular skills and expertise, developing and delivering innovative, turning learning in to business as usual and delivering network benefits for current and future customers, rather than developing and managing complex IPR arrangements of limited or uncertain future value. We have included along with our response matrix an example of a contract that we have developed that could be used with third parties. This has been developed with third party input. We believe they are reasonably practical and we are happy to engage in further discussion with Ofgem on the detail.

It is essential that IPR arrangements do not stifle innovation, collaboration and the essential skills that third parties bring to these projects, which networks require but would otherwise find difficult or costly to access.

I hope our comments are helpful. Please give me a call if you have any questions.

Yours sincerely

Beverley Grubb

Regulation Manager, Smarter Networks