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Our ref

Your ref

Date

-

21 November 2012

Dear Neil

**Re: Network Innovation Allowance and Competition –Non Statutory
Consultation Response**

Thank you for the opportunity to comment on the draft Network Innovation Allowance (NIA) and Network Innovation Competition (NIC) draft governance documents.

Please find attached completed a comment form as requested following our review of the NIA and NIC documents.

Your letter dated 10 October 2012 specifically asked two questions. Our response is set out below:

Question 1: We invite stakeholders to comment on the proposed drafting of the NIC and NIA Governance Documents. Does the drafting reflect our policy decisions?

Yes, but notwithstanding the observation in the attached comment log suggesting a need for improved clarity around set-up and ongoing operational costs associated with the NIA and NIC mechanisms.

Question 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?

The NIA and NIC criteria have significantly broader eligibility criteria compared to the existing Low Carbon Network Fund for DNOs. As such, we see no barriers to projects with energy efficiency components being brought forward.

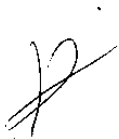
Your follow on letter dated 19 October 2012 asked us to further consider the proposed arrangements for treatment of IPR. We have no issues with the IPR principles you have set out in the documents circulated, although clearly this is not something we could retrospectively apply to our existing LCNF and IFI contracts. We consider that the guidance as drafted will allow our customers and partners to see more transparently how

benefits arising from newly developed projects are shared in a fair and consistent manner.

We can however see potential difficulties in dissecting royalties during the negotiation stage with new partners/suppliers, for IPR pre and post contract, when we don't know if the project will work. Consequently we are prepared to progress projects on the basis outlined, but should the wording become a barrier to developing certain types of projects would wish to discuss amendments with Ofgem. Therefore we welcome the proposed review of the NIA and NIC schemes after a period of operation.

I hope this response to your consultation helps to further develop the NIA and NIC arrangements under the RIIO framework. If you wish to discuss any of the aspects further please contact Roger Hey (rhey@westernpower.co.uk).

Yours sincerely

A handwritten signature in black ink, appearing to be 'AS', written over a faint dotted line.

Alison Sleightholm
Regulation and Government Affairs Manager
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