

Respondent details		[Insert your contact details]			
No.	Electricity or Gas and NIC or NIA	Chapter Name	Page/Paragraph Ref	Comments	Suggested alternative drafting
	Electricity NIC		Pg 1 - First Paragraph	It would be helpful if this set out the relevant licence condition number.	
			Pg 1 - Third Paragraph	<p>We understand a separate consultation has been issued on how iDNOs and OFTOs will participate in the NIC. We will respond to this separately.</p> <p>The third paragraph states this Governance Document sets out regulation, governance and administration arrangements surrounding the NIC which Network Licensees are required to comply with as it if formed part of the licence. However it also states that the document is written in such a way as to be informative and accessible to third parties. It is essential that absolute clarity is provided in relation to those elements that a Licensee is required to comply with in order to ensure they are not in breach of Licence. At present we are concerned that several areas lack the required clarity. We also believe it is necessary to separate out what are background, overview and aspirations from absolute requirements or obligations.</p>	
		1. Introduction	Pg 5 – 1.1	<p>References to research, development and demonstration should be capitalised.</p> <p>Overtime needs to be two separate words.</p>	
			Pg 6	The introduction needs to include narrative explaining the Successful Delivery Reward scheme. It is not appropriate to cover this in the footnote. It is referred to in Chapter 8.	
			Pg 6 - 1.8	This states Ofgem expect Network Licensees to collaborate with each other and Non -Network Parties on Projects. This appears to be a statement of intent. How would this be applied in practice as if it formed part of the Licence? This should not be viewed as an end in itself.	

			Pg 7 - 1.14	<p>We believe the first sentence should be the other way round i.e. Network Licensees include Non-RIIO Network Licensees who are not regulated under the RIIO price control.</p> <p>This should not include iDNOs as this does not fit with the definition of Non-RIIO Network Licensees or Network Licensees. IDNOs should be included when DNOs are included under RIIO-ED1.</p>	
			Pg 7 - 1.20	References to development and demonstration should be capitalised as they are defined terms.	
			Pg 8 - 1.24	This states Ofgem will review the NIC after it has been in operation for at least 2 years. It would be helpful to have greater certainty regarding the timescale. The NIC will be introduced in electricity distribution at this time under ED1. While a review is necessary the timing may not be appropriate. Certainty will be required for ED1.	
		2.Collaboration and Project partner awareness	Summary	<p>This sets out that Network Licensees “should” collaborate. Again this appears to be an intent or point of principle. How would this be interpreted or applied as if it formed part of a licence condition? Is this an absolute requirement?</p> <p>What is a “collaboration website”? We suggest the term Potential Project Partner Awareness Portal is used instead.</p>	
			Pg 9 - 2.1	<p>This sets out that Ofgem “expect” Network Licensees to collaborate with each other and Project Partners on “many” of the Projects supported by the NIC. As above, how will this be applied as if it formed part of a licence condition?</p> <p>Should collaboration not extent to a Non-Network Party also as Project Partners are limited to other licensed entities and this paragraph also refers to others outside the energy industry.</p>	

			Pg 9 - 2.4	<p>Is the intention to have a common portal for the NIC across gas and electricity? If so 2.4 should be expanded.</p> <p>As this is just a potential partner awareness portal we do not believe the Screening and Full Submission Pro-forma should be held here, as required under the first bullet on page 10. This should be on the Awareness of Learning Portal and is covered in 2.9.</p> <p>We believe the portal should be open to the widest possible group of participants, not just Project Partners (which is limited to licensees). We believe this should be open to a Non-Network Party also, in which case the third and fourth bullet should be amended.</p>	
			Pg 10 – 2.5	<p>This states the portal must be “up to date at all times”. If this just has the link to the Ofgem website and potential partner details this is okay but if wider it needs to be less onerous.</p> <p>Is the intention that the Network Licensees would consult annually or just review annually?</p>	
			Pg10 – 2.7	Learning should not be restricted to Network Licensees.	
			Pg 10 – 2.9	The reference to the Project Progress Report should refer to Chapter 8 where further details are set out.	
			Pg 10 – 2.10	This requires “Project details” to be published on the Awareness of Learning Portal to be “up to date at all times”. If this can be interpreted as just the link and the most recent report that’s fine but if it means all Project details this is not practical. Clarity is required if this could be applied as if it were a licence obligation.	
			Pg 11 - 2.12	This seems to contradict details on page 9, particularly 2.4 and 2.8.	
			Pg 11 - 2.13	This states a Network Licensee will be expected to contribute to the costs associated within implementing and maintaining the portal. It needs to be clearer which costs we are allowed to incur and how they are recovered.	

		3. Annual Competitive Process	Pg 13 – 3.1	For clarity and to allow parties to plan, this should specify when the call for submissions will normally take place, at least the month.	
			Pg 13 - 3.2	Restrictions should be per annum and apply per Electricity Transmission Group as set out in the relevant licence condition.  The intention appears to be that there is only one Funding Licensee and the Funding Licensee is responsible for compliance on collaborative projects. This also needs to be made clear in 3.2	
			Pg 14 - 3.6	We understand charges are to be transferred to the Funding Licensee not the Network Licensee(s) implementing the winning Projects.  The last sentence needs tidied up. Brackets appear to be in the wrong place. Also “and” should be replaced with “are”.	
		4. Initial Screening Process	Pg 15 – 4.4	The last sentence states references to Network Licensee or Network Licensee Group in this section refer to the Funding Licensee. It would be clearer to just use the term Funding Licensee where relevant.	
			Pg 15 - 4.6	It would be helpful for planning purposes if this document could confirm when the Screening Submission will normally be announced and when the deadline will be e.g. the month.	
			Pg 16 - 4.8	As in 1.20, this should not refer to research or trialling as Method and Project only refer to Development and Demonstration.  “electricity transmission and” should be deleted from the second bullet.	

			Pg 17 – 4.11	As previously discussed we are concerned the requirements set out in the paragraph are overly restrictive and will prevent real value or benefits being delivered to address specific network or local issues where replicability across GB may be difficult to quantify, may be less certain or may be longer term. We believe requirements need to be more proportionate. Alternative wording may be across similar parts of the GB network?	
			Pg 17 - 4.13	Instead of “non-licensee parties” this should refer to “Non-Network Party” as used at the beginning of the document.	
			Pg 17 – 4.14	The wording in this section is very definite e.g. ‘how the Project <u>has</u> a Direct Impact’, ‘the expected proportion of the benefits <u>which will</u> accrue’. At this early stage of the project this language is not appropriate and will discourage less certain or more difficult projects.	
			Pg 18 - 4.16	References to development and demonstration should be capitalised.	
			Pg 19 - 4.21	It is important parties have some certainty, at least around the month, for planning purposes, particularly where projects are collaborative and involve third parties.	
			Pg 19 - 4.23	While the size and layout of the LCNF proforma itself is not an issue, the use of pdf format is awkward and time consuming. It would be better if this was issued in word to be converted to PDF when submitted.  As stated previously, it must be recognised that given the reduction in funding for preparation relative to the LCNF, this is likely to have an impact on resource, quality and detail of information provided and timescales for responding.	
			Pg 19 – 4.25	5 Working Days would be more appropriate.	
			Pg 20 - 4.30	Is reference to a year a calendar or regulatory year?  It is not clear what is intended by “This includes Projects which have passed ISP in previous years?”	
			Pg 20 – 4.32	We are not sure what this is meant to cover.	

			Pg 22 – Project Partners and external resourcing / funding	As Project Partners only covers network and non network licensees, the details should be extended to include External Funders or Non-Network Parties.	
		5. Full Submission Process	Pg 24 - 5.4	As with ISP, it would be helpful to have the month in which the Full Submission can normally be expected, particularly as this will need to fit in with charging and notification periods etc.	
			Pg 24 – 5.5	This seems to be inappropriate detail if it is to be applied as if it were a licence condition.	
			Pg 25 - 5.9	<p>The 4<sup>th</sup> bullet refers to the requested threshold for the funding of cost over-runs and differences compared to default arrangements. This is the first time this is referred to in this document. The appropriate reference should be made to the relevant part in Section B of the document.</p> <p>The 5<sup>th</sup> bullet – as above, the relevant reference to default arrangements for Direct Benefits should be provided.</p> <p>9<sup>th</sup> bullet – The link to the relevant section on the Successful Delivery Reward should be provided here.</p>	
			Pg 26 – 5.11	This should be wider than Project Partners. It should extend beyond Licensees to protect external third parties.	
			Pg 26 - 5.13	For clarity and consistency this paragraph should refer to Method(s) being Developed or Demonstrated rather than trialled.	

			Pg 28 - Direct Benefits and Reliability Penalties	<p>This states the Network Licensee may use Direct Benefits to cover all or part of Network Licensee compulsory contribution. They can also influence the Outstanding Funding Required. It should be noted that in many cases Direct Benefits may be difficult to quantify and given the nature of such projects, may be uncertain at the project initiation stage. This needs to be applied in a proportionate and pragmatic way.</p> <p>Further consideration should perhaps also be given to whether this has a perverse and unintended consequence e.g. discouraging projects with early benefit. This should be considered under the context of providing strong incentives and rewards for innovation under RIIO.</p>	
			Pg 29 - 5.28	We understood there was a maximum of £3m for the Successful Delivery Reward?	
			Pg 29 - 5.29	Arrangements need to be clearer in terms of when and how a project will be reviewed and awarded a Successful Delivery Reward.	
			Pg 30 - 5.30	<p>Expert Panel appears to be a defined term but is not included in the list of definitions.</p> <p>We also believe it would greatly improve the quality of the process if the Expert Panel is required to attend the annual conference and visit live projects. This should be reflected in the Governance process and document.</p>	
			Pg 30 - Evaluation Process	<p>This section repeats a lot of what is set out elsewhere and is very prescriptive. There is more detail here than set out in determining an eligible project. We do not believe this is all necessary. Also, the ability to comply with all the details set out will vary by project. It should not be too prescriptive. Trade-offs will be necessary.</p> <p>Greater emphasis should be placed on ensuring the Project is not capable of being delivered as business as usual and delivers new learning, Development and Demonstration that has real potential value.</p>	

			Pg 32 - 5.52	Details are too onerous, particularly ii. Projects will be to develop or demonstrate a method or solution. It must be recognised that there will be an element of uncertainty with regard to Projects and the potential impact on a Licensees network, and potentially greater uncertainty in relation to GB. While an estimate may be possible uncertainty must be recognised. This needs to be practical and proportionate.	
			Pg 34.	This refers to (b) but there is no (a) on previous pages.	
			Pg 35- (c)	Should be Network Licensee rather than network Licensee.	
			Pg 35 - (d)	Development and demonstration should be capitalised.	
			Pg 36 - 5.61 i	Should read “not been tried before”	
			Pg 36 - 5.62	This states collaboration between Network Licensees and other parties is a central objective of the NIC. This depends on the nature of the project and should not be seen as an end in itself.	
			Pg 37 - 5.63 vi	We note this suggests there is no option for the Network Licensee to subsequently have External Funding replaced by additional NIC Funding. Given experience under the LCNF it may be of benefit to have the option to replace or top-up funding in exceptional cases where unforeseen events occur or a situation arises outwith the Licensee’s control. If the project is still capable of delivering value this may be the best option for customers. It avoids all learning being lost.	
9			Pg. 39 – 5.69	Four Working Days is not sufficient to review and accept a Direction, given the detail to be included in 5.70. 10 Working Days would be preferable.	
		6. Introduction	Pg 41 – Chapter Summary	<p>The start of the introduction should be written as a proper sentence.</p> <p>Network licensee in the first paragraph should be a defined term “Network Licensee”.</p> <p>A full stop is required at the end of the first paragraph.</p>	



			Pg 41 – 6.3	<p>The timing of the report needs to be clearer e.g. from when and what is meant by “at least every six months”?</p> <p>When is the Close Down Report required? This needs to be clearly set out.</p>	
		7. Funding Direction	Pg 42 – First Paragraph	Needs a full stop at the end.	
			Pg 42 - 7.1	The 2 <sup>nd</sup> bullet should refer to transfers between the SO and the Funding Licensee only, not Network Licensees.	
			Pg 42 - 7.3	The word “usually” should be deleted in relation to Ofgem issuing the Funding Direction each year to allow it to be reflected in charges from 1 April. It also needs to be clear when this would be issued. The Project Direction is to be issued by 30 November. The Funding Direction should also have a specific date.	
		8. Project Implementation	General	The term Network Licensee is used repeatedly throughout this Chapter when we believe it should be Funding Licensee as the Funding Licensee is the party that is ultimately responsible.	
			Pg. 45 – Customer Protection	<p>It would be helpful if the plan had a defined title for clarity and consistency e.g. Customer Protection Plan.</p> <p>8.11 Requires the Funding Licensee to obtain approval of the engagement strategy at least two Months prior to initiating <b>any</b> Customer engagement. This can create significant delay. One month would be more appropriate.</p> <p>8.12 I think it should be the Funding Licensee's responsibility to publish the plan on its website, rather than the Network Licensee. Should this plan also go on the portal?</p> <p>The use of Network Licensee and Funding Licensee in this section are sometimes used interchangeably but have very different meanings. The section also needs to be reviewed to include a Non-Network Party in some cases rather than just Network Licensee and Project Partner.</p>	

			Pg 46 – Data protection	<p>Similar to above, the use of Network Licensee and Funding Licensee need to be reviewed. Also consideration should be given to including Non-Network Party.</p> <p>It would be helpful for clarity and consistency if the “strategy” had a defined title e.g. Data Protection Strategy.</p> <p>We are also concerned that this introduces unnecessary regulation. This section could simply require Licensees to comply with the Data Protection Act</p>	
			Pg 47 - 8.17	<p>It needs to be clear when the 6 monthly report is due e.g. from the date the Funding Direction is issued by Ofgem, or Project Direction, or date the Licensee determines the project commences?</p>	
			Pg 47 - 8.18	<p>We assume the ENA innovation portal is the Awareness of Learning Portal referred to in Chapter 2. For clarity and consistency this term should be used. Also 2.9 states the report must be on the Awareness of Learning Portal, it does not provide the alternative of publishing it on the Funding Licensee's website. This section should be consistent with Chapter 2.</p>	
			Pg 47 - 8.20	<p>The Executive Summary should also set out details of any delays or problems encountered.</p> <p>The business case update refers to the Funding Licensee and Network Licensee. I think it should be Funding Licensee in all cases.</p>	

			Pg 49 – 8.24	<p>The format for progress reports is very prescriptive but there's no guidance for close down reports. Some detail regarding Ofgem's expectations would be helpful to ensure reports meet requirements and to avoid several iterations. We suggest it should include:</p> <p><b>Executive Summary</b> – high level and simple overview for all interested parties</p> <p><b>Project review</b> – review of extent to which the project has met its objectives by comparison to project description set out in Full Submission Pro-forma</p> <p><b>Budget Report</b> – overall spend against budget, explaining any variance in excess of 5%, also highlighting any key items costing significantly more/less than anticipated with explanation. Also identifying any unspent Approved Amounts or Additional Funding for the Project.</p> <p><b>Learning outcomes</b> – summary of learning outcomes from the project and lessons learned, and how these have been disseminated and would influence future work</p> <p><b>SDRCs</b> – brief narrative against each of SDRCs and list of evidence of achievement</p> <p><b>IPR</b> – IPR generated/registered, ownership and royalty arrangements</p> <p><b>Risk management</b> – summary of risks highlighted in full submission proforma covering how managed, whether any became issues, and resulting actions/recommendations</p> <p><b>Conclusions</b> – summary of impacts and implications of the project, based on learning outcomes and extent to which predicted benefits of the Method(s) were demonstrated</p>	
			Pg 49 - 8.25	This needs to provide for the project being extended.	
			Pg 51 - 8.38	It seems odd that if Contingency Funding is required the project may not be eligible for a Successful Delivery Reward. Projects will be uncertain and in some cases the need for contingency could be outwith the Licensees control. The project could still deliver value for money and be successful.	

		9. Intellectual Property Rights	Pg 53	Please see separate submission.	
		Appendix 1 - Definitions		<p>All defined terms used in the document need to be checked to ensure a description is included in Appendix 1 and to ensure the descriptions are consistent with those set out in the Licence conditions. In particular, further consideration should be given to:</p> <ul style="list-style-type: none"> <li>- Allowable NIA Expenditure</li> <li>- Awareness of Learning Portal</li> <li>- Development</li> <li>- Demonstration</li> <li>- Initial Screening Process</li> <li>- Licensee</li> <li>- Project Partners</li> <li>- Method</li> </ul>	

Response template for NIC and NIA informal governance consultation