



Electricity distribution network operators (DNOs) and other interested parties

*Promoting choice and value for all gas and electricity customers*

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Date: 01 February 2013

### **Low Carbon Networks (LCN) Fund: content and structure of second tier close-down reports**

We are seeking views on the content of close-down reports that outline the learning delivered by second tier LCN Fund projects. We are keen to engage with all interested parties on this issue to ensure that the second tier close-down reports deliver learning in a way that provides the most value.

As the first close-down reports are due in early 2014, we are seeking initial views on the content of reports ahead of a full consultation in mid May 2013. We expect to issue the decision in autumn 2013 to allow DNOs enough time to develop their close-down reports. We also propose to use the same structure for projects delivered through the Network Innovation Competitions.

Please send any comments you have on the questions raised in this letter to [lnfund@ofgem.gov.uk](mailto:lnfund@ofgem.gov.uk) by **29 March 2013**.

### **Background**

The LCN Fund<sup>1</sup> provides up to £500 million to encourage DNOs to trial new technologies and operating and commercial arrangements. The objective of these trials is to generate learning to help all DNOs understand how they can provide security of supply at value for money as Great Britain moves to a low carbon economy. The LCN Fund is made up of two tiers. The first tier provides funding for small scale projects. The second tier provides funding for a smaller number of flagship projects, which we award through an annual competition. This letter focuses on the dissemination of learning generated through the second tier projects.

### **First tier close-down reports**

We have now seen the first closedown reports from first tier projects. The structure of first tier closedown reports is set in the LCN Fund governance document. However, after discussing these reports with the individual DNOs, we considered that further information will be useful for knowledge dissemination and this information has been included in the reports. In particular, we requested an executive summary and a section describing the physical components and knowledge required to replicate the outcomes of a project, showing how this knowledge and any necessary intellectual property can be accessed by other GB DNOs. We intend to include these two sections as a requirement for first tier closedown reports in the next version of the governance document.

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<sup>1</sup> More information on the LCN Fund is available on the [Ofgem website](http://www.ofgem.gov.uk)

## Second tier close-down reports

DNOs must also provide a close-down report for each second tier project that receives LCN Funding. We are issuing this consultation to gain views to inform our guidance on the content of second tier closedown reports. These reports must provide sufficient information for other network operators to understand what has been learnt from projects, so they are an essential element in the dissemination of learning from the LCN Fund. We are keen to ensure that close-down reports contain the necessary information for parties to fully understand the implementation and outcomes of projects.

As explained in the LCN Fund Governance Document, we intend to use the first tier close-down reports as template for the second tier close-down reports (please see Annex 1). However, second tier projects are larger in scale and might require further information than the first tier reports. Therefore, we are keen to understand what other information DNOs might need to effectively replicate the methods trialled in projects. You can see the range of information provided in first tier closedown reports on the Ofgem website<sup>2</sup>.

We would appreciate your comments on the following in particular:

- 1. Is the structure outlined in Annex 1 sufficient for second tier closedown reports, or should we require information on further areas?*
- 2. Should there be a requirement for DNOs to consult with other DNOs on their close-down reports before publication?*

We would appreciate responses to these two questions. Please send all responses to [lcnfund@ofgem.gov.uk](mailto:lcnfund@ofgem.gov.uk) by **29 March 2013**.

## Next steps

Following consideration of initial views, we will publish a full consultation on the structure of closedown reports in mid 2013, before publishing a decision before the end of 2013.

If you would like to discuss any of the issues raised in this letter, please contact Sam Williams ([sam.williams@ofgem.gov.uk](mailto:sam.williams@ofgem.gov.uk) or 020 7901 0532).

Yours faithfully,

Dora Guzeleva

**Head of Networks Policy: Local Grids**

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<sup>2</sup> An example of a SSE first tier close-down report can be found [here](#).

## Annex 1 – LCN Close-Down Report structure

This is the structure of First Tier closedown reports required by Low Carbon Networks Fund Governance Document v.5. New areas are highlighted in red. Note that for Second Tier closedown reports, we will require those sections that are “as per registration” to be “as per full submission”.

Information required in First Tier LCN Project Close-Down Reports Section	Description
Project Title	As per Registration
Project Background	As per Registration
Scope and objectives	As per Registration
Success criteria	As per Registration
Executive summary	A summary of the work undertaken, outcomes delivered and learning generated by the project.
Details of the work carried out	Details of what Methods the DNO trialled. The DNO should also describe the trialling methodology that it used.
The outcomes of the Project	Comprehensive details of the project’s outcomes are to be reported. Where quantitative data is available to describe these outcomes it should be included in the report. Wherever possible, the performance improvement attributable to the Project should be described. If the TRL of the Method has changed as a result of the Trial this should be reported.
Performance compared to the original Project aims, objectives and success criteria	Details of whether and how the Project helped solve the distribution issue described in the First Tier LCN Project Registration Pro-forma. Details of how the Project performed relative to its aims, objectives and success criteria.
Required modifications to the planned approach during the course of the Project	The DNO should state any changes to its planned methodology and describe why the planned approach proved to be inappropriate.
Significant variance in expected costs and benefits	The DNO should describe if any parts of the Project ended up costing more or less than expected (+/- 10 per cent). In relevant cases, the DNO can link the cost changes to the section on required modifications to the planned approach. If costs were different to what the DNO expected, the DNO should provide details of why this was the case. The DNO should discuss whether the benefits of the Project matched the DNO's expectations. This should include any changes to incentive payments and any changes to

	expected savings in revenue allowed for in the DPCR5 settlement.
Lessons learnt for future Projects	<p>Recommendations on how the outcome of the project could be exploited further.</p> <p>This may include recommendations of what form of trialling will be required to move the Method to the next TRL.</p> <p>The DNO should also state if the Project discovered significant problems with the trialled Methods.</p> <p>The DNO should comment on the likelihood that the Method will be deployed on a large scale in future.</p> <p>The DNO should discuss the effectiveness of any contractual Methods that formed part of the Project.</p>
Project replication	List of all physical components and knowledge required to replicate the outcomes of this project, also showing how the required IP can be accessed by other GB DNOs.
Planned implementation	<p>Details on whether and how the DNO plans to modify its Distribution System based on learning from the Project.</p> <p>If the Method is not ready to be implemented, the DNO should explain what needs to happen before the Method can be implemented. The DNO can break down the requirements into actions required by DNOs and actions required by non-DNO parties.</p>