

Innovation Working Group

Minutes from the Innovation Working Group meeting 6 February 2013	From Date and time of Meeting Location	Giulia Buttini 10:00 – 15:15 Ofgem	6 February 2013
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1. Present

Gareth Shields	SSE
Roger Hey	WPD
Chris Goodhand	NPG
Yselka Farmer	BEAMA
Chris Hole	TTP
Keith Bell ¹	University of Strathclyde
Christian Inglis	TSB
Anthony Bivens	ENA
Simon Sutton	EPRI
Matthew Palmer	TTP
Simon Brooke	ENWL
Martin Wilcox	UKPN
David Oram ¹	NG
Brian Shewan	SSE
Darren Jones	ENWL
Angus McIntosh (am)	SGN
Martin Hill	SP Energy Networks
Denise Massey (pm)	EIC
Jenny Cooper	NG
Dora Guzeleva	Ofgem
Sam Williams	Ofgem
Giulia Buttini	Ofgem
Nicola Meheran	Ofgem
Neil Copeland (am)	Ofgem
Arun Pontin	Ofgem

2. Introduction and Welcome

2.1. Dora Guzeleva (DG) welcomed the attendees and thanked members of the group for their attendance.

2.2. DG then explained that the purpose of the meeting was to:

- Provide an update on the RIIO price controls;
- Discuss the Low Carbon Network (LCN) Fund;
- Discuss the Innovation Competitions; and
- Provide an opportunity to discuss previous competitions.

2.3. These notes aim to capture the key points of discussion. They do not indicate or imply Ofgem's agreement to points made by attendees. They should be read in conjunction to the slide pack published alongside this document.

¹ Present via teleconference.

3. Update

Innovation Stimulus

3.1. Nicola Meheran (NM) summarised slides four to five of the slide pack² providing an update on the progress of the three price controls (RIIO: T1, GD1 and ED1)³. The Network Innovation Competition (NIC) and Network Innovation Allowance (NIA) governance documents have been finalised and published⁴. She noted that good progress has been made on the Gas Act and it is likely that a Gas NIC will be held this year

3.1.1. A timeline with approximate dates for milestones can be found in the slide pack.

Action 1: Ofgem to finalise plan for competitions and notify network companies of key dates	Ofgem – By March
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Low Carbon Networks (LCN) Fund

3.2. NM briefly gave an overview of the 3rd LCN Fund competition held in 2012, noting that there will be a statutory consultation on version 6 of the Governance Document in March 2013. She stated that DNOs will have a chance to comment on this beforehand. NM explained that the changes will remove barriers to demand reduction projects along with more generic housekeeping changes.

3.3. NM also highlighted that a letter has also been posted on the website asking for initial views on the structure and content of LCN Fund close-down reports. The deadline for comments is 29 March 2013.

3.4. Roger Hey (RH) asked about funding for cross sector projects. Clarification was provided that funding requested from each competition should be commensurate with the benefits provided to that sector. Different parties need to agree their own approach and funding requests prior to bid submission.

Action 2: Licensees to send examples of cross sector projects to Ofgem, highlighting potential issues where appropriate, and the likely total number of bids	Licensees – By 15 Feb
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4. Competitive process LCN Fund and NIC

4.1. Arun Pontin (AP) explained the competitive process for all three competitions will run in parallel. He also provided an overview of the stages for the competitions; discussing slides seven to 14.

4.2. The Initial Screening Process (ISP) deadline was announced: 19 April 2013.

Action 3: Announce ISP deadline on website	Ofgem – By 8 Feb
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² <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=359&refer=Networks/nic/iwg>

³ RIIO (Revenue = Incentives + Innovation + Outputs) Transmission, Gas Distribution and Electricity Distribution.

⁴ <http://www.ofgem.gov.uk/Networks/nic/Pages/nic.aspx>

4.3. A number of participants expressed their views on the ISP proforma. Two of the main issues which were mentioned were the fact that licensees cannot cut and paste from word into the PDF document when filling it in, and that the writing does not scroll over from one section to the other on the following page.

4.4. Neil Copeland (NC) noted that Ofgem is currently looking to make some minor amendments to the proformas, and those two issues have been noted. Ofgem requested the companies send through any further comments with further updates made over the coming weeks.

<p>Action 4: Licensees to send Ofgem list of issues with ISP and full submission proformas and full submission spreadsheet</p>	<p>Licensees – By 22 Feb</p>
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4.5. AP stated that the Full Submission deadline is likely to be around the first or second week of August 2013 and that Ofgem is currently reviewing the proposed timings.

4.6. Some DNOs questioned the need for eight hard copies of the full submission will need to be sent to Ofgem following the electronic submission deadline. Dora Guzeleva (DG) explained that this is to speed up the process of sending the submissions to the Expert Panel, and NC also explained that printing at Ofgem will be time consuming given three parallel competitions. DG clarified that this will be the process for this year, with the aim of reviewing it after the competition to assess its success.

<p>Action 5: Clarify when the 8 hardcopies for competitions need to be in by and where to send them to</p>	<p>Ofgem – By 22 Feb</p>
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4.7. Discussions moved onto the subject of the Expert Panel set up and recruitment for this year’s competitions. NM explained that as we will have three panels, Ofgem is reviewing the appropriate composition.

4.8. Ofgem confirmed it will announce in advance who the Expert Panel members for each competition will be. NM also mentioned that for biographies of the LCN Fund panel are on Ofgem’s website.

4.9. Keith Bell (KB) asked about the Expert Panel’s expertise requirements. He also asked if the panel could benefit from further technical expertise. Sam Williams (SW) replied that technical consultants are employed especially to provide the panel with technical and analytical support. SW also commented that the panel are able to seek additional support if required.

4.10. Martin Wilcox (MW) and Christian Inglis (CI) praised the variety in skills of the Expert Panel and specifically mentioned that there is a need for a broad set of skills and a balance between technical and business expertise.

4.11. Martin Hill (MH) stated that previous round table meetings with the Expert Panel following the competition had been useful. He asked if a similar meeting might be in the future.

<p>Action 6: Ofgem to look into potentially organising roundtable with Expert Panel and network companies ahead of 2014 competition</p>	<p>Ofgem</p>
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4.12. MW then mentioned that it was not clear last year which questions consultants and Expert Panel members had access to. DG answered that the questions from the Expert

Panel are sent to licensees in advance and that the Expert Panel has access to all the questions and answers asked during the evaluation process (including those from the consultants). Ofgem agreed to indicate the source of the questions clearly in the coming competitions.

Action 7: Ofgem to look into indicating the source of the questions more clearly	Ofgem
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4.13. Regarding the discussion on project partners, DG summarised that Ofgem was worried that there was not enough variety in the choice of partners as the same names are being seen over and over again. Although, she mentioned that if licensees are able to show that the recruitment is transparent, competitive and fair then who the partners are is less concerning.

4.14. KB replied by stating that the network consultancy and supplier sector is not that big and that although there are valid partners outside the UK, using them would not help grow the UK sector. It was observed that using SMEs is sometimes problematic as they are not able to guarantee the same level of backing and funding as some other bigger companies which are able to provide strong collateral to the projects.

4.15. DG continued by saying that licensees need appropriate expertise and there needs to be proof of having "shopped around" for the most cost effective and the most expert partners.

4.16. DG then commented on the learning derived from the competitions and the projects, highlighting that even if the project's aim is not accomplished, the learning from this should ensure that the project has not failed. CI mentioned that a knowledge portal is key to the dissemination of learning. He also explained that events and conferences could benefit from having an exhibition stand section for interested parties to showcase their ideas.

Action 8: Licensees to look into organising meeting to discuss how best to capture learning from customer engagement and data protection plans	Licensees
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4.17. The group noted that this year's LCN Fund conference will be held in Brighton. It was also noted that the Expert Panel would be invited to the conference.

5. Network Innovation Allowance (NIA)

5.1. NC then summarised slides 15-18 on the registration of NIA projects.

5.2. A number of attendees mentioned issues populating the registration proformas. The group discussed allowing extra time to populate proformas for IFI projects.

Action 9: Consider allowing extra time for NIA registration and notify companies	Ofgem – By 22 Feb
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5.3. The group agreed that there should be a central online page where everyone can download information on the projects. NC mentioned that until the portal is up and running, licensees can upload information onto their own website, with a link to the Ofgem website.

5.4. A discussion on Intellectual Property (IP) followed. Attendees highlighted that some IFI projects would not meet the NIA IP arrangements. Ofgem indicated that licensees can apply for consent to use alternative IP arrangements.

Action 10: Licensees to send Ofgem details of when IPR arrangements don't match. Licensees to indicate what problems may arise and what stage are the projects at.	Licensees – By 22 Feb
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5.5. NC summarised the issues highlighted by licensees, including quantifying non-financial benefit. The group discussed approaches to this and agreed this would be considered by licensees in the project benefits guide.

Action 11: Licensees develop project benefits practice guidance as set out in governance document	Licensees – October 2013 (or sooner)
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6. RIIO-ED1

6.1. NM discussed slides 19 to 23 on the ED1 consultation, including the innovation strategy minimum requirements and the next steps.

6.2. MW asked about how Ofgem evaluates innovation strategies and asked for feedback on those submitted by the Transmission and Gas Distribution companies. NM and DG explained that if the submission meets the minimum requirements it will receive 0.5% of base revenue. The strategy must exceed these high level requirements to receive up to 1% base revenue.

6.3. NM continued by saying that the innovation strategy is meant to represent a long term strategy and should be reviewed periodically.

6.4. A number of attendees commented that the strategies for Transmission and Gas Distribution were too long. DG responded that she wanted the strategies to be functional documents.

7. LCN Fund

7.1. SW summarised slides 25 and 26 on the LCN Fund, including lessons learnt from last year's competition and the changes to the LCN Fund Governance Document.⁵

7.2. SW said that Ofgem have published a letter asking for initial views on the structure and content of LCN Fund close-down reports. The deadline for comments is 29 March 2013.

7.3. SW asked for feedback on last year's competition and any areas of improvements (such as the process, the experience of the resubmissions and the documentation). The DNOs responded that there was now significant experience of the process and it was running smoothly.

7.4. SW confirmed that there will be a statutory consultation on version 6 of the Governance Document in March 2013. DNOs will have a chance to comment on this beforehand.

7.5. A number of participants asked whether there would be a pre screening before the ISP. SW said that there is no pre-screening but licensees are welcome to approach Ofgem on a bilateral basis to discuss any issues.

7.6. There was consensus on the fact that having a roundtable with the Expert Panel ahead of the next competition would be beneficial.

⁵ Version 5 of the LCN Fund Governance Document can be found here:
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=122&refer=Networks/ElecDist/lcnf>