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Distribution network operators
and other interested parties.

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Low Carbon Networks (LCN) Fund: content and structure of Second Tier close down reports

This letter seeks views on the required content and structure of close down reports that will detail the learning delivered by second tier LCN Fund projects. We have updated the proposed structure following stakeholder feedback to our initial call for views in February. We intend to issue our decision in autumn 2013. We also intend to use the same close down report requirements for Network Innovation Competition (NIC) projects.

Please send any comments you have on this letter to lcfund@ofgem.gov.uk by **17:00 on 13 August**.

Background

The LCN Fund¹ provides up to £500 million to encourage Distribution Network Operators (DNO) to trial innovative 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 first tier of the LCN Fund provides funding for small scale innovative projects. The second tier of the LCN Fund 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.

Second tier close down reports

It is crucial that all DNOs are able to replicate the methods trialled in the projects so that the benefits of the LCN Fund are provided or made available to customers and consumers across Great Britain. Learning generated through projects is the key output of the LCN Fund. To maximise this learning, we require DNOs to submit a close down report for each second tier project. Close down reports will be one of the key tools in disseminating LCN Fund learning and in ensuring that successful methods are replicated. Close down reports must be structured in a way which allows all parties to replicate and understand fully the implementation and outcomes of the project.

We are issuing this consultation to gain views on the proposed content and structure of second tier close down reports. We encourage all participants in LCN Fund and future NIC Projects and other interested parties to respond to this consultation so that these reports are as clear and as useful as possible on behalf of all customers and consumers.

¹ More information on the LCN Fund is available on the Ofgem website
<http://www.ofgem.gov.uk/Networks/ElecDist/lcnf/Pages/lcnf.aspx>

Summary of responses from our initial call for views

We published a letter in February 2013 seeking initial views on our proposed structure for second tier close down reports. This was based on the structure of first tier projects but amended to reflect the larger scale of second tier projects. We received three responses from DNOs² and subsequently sought input from the LCN Fund Expert Panel. All the responses largely supported the proposed structure and content of the close down reports, but also suggested a number of changes.

SP Energy Networks stressed that the role of the reports is to summarise “the project’s successes, learning and challenges”. UK Power Networks suggested adding a “Key Project learning documents” section with links to documents containing further details on the project. It also recommended requiring DNOs to detail the anticipated business-as-usual costs of replicating the project’s outcomes. An Expert Panel member recommended differentiating between learning from the Method being trialled and learning on delivery of innovation projects.

SP Energy Networks supported the proposed requirement of consulting with other DNOs in advance of the report’s publication, but with a possible amendment to project timescales. UK Power Networks suggested it should be optional, whilst Northern Powergrid was concerned that formally consulting would complicate the process and should not be a requirement.

The majority of responses, including from the Expert Panel members, recommended limiting the size of the reports and making the use of appendices explicit.

We consider that a number of the proposals in these responses could improve the clarity of the reports and ensure a user friendly report for all those wishing to learn about the project. Based on these responses, we have made a number of changes to the proposed structure.

Changes since February

We have made the following changes to the structure -

- We propose to set a maximum length of 50 pages for the stand-alone report. We will encourage the use of appendices and supplementary information, also to be referenced in the new “Key Project learning documents” section.
- We have provided more detail on the requirements for the “Executive Summary”, “Required modifications to the planned approach during the course of the Project”, “Project replication” and “Planned implementation” sections.
- We have divided the requirements on learning in to two sections. One would require the DNO to report on learning relevant to replicating the method, the other on general learning relevant to undertaking network innovation projects.
- Having reviewed the feedback received, we decided that we will not explicitly require each DNO to consult with all DNOs on the close down reports. This is to encourage DNOs to interact throughout the project rather than only at the final stage. Nonetheless, we propose to require evidence and information on how DNOs have ensured that the reports cover other DNOs’ needs. This would include the learning dissemination activities undertaken, what the outcomes of these activities were and how they have influenced the content of the report.
- We also propose to add the contact details for the best contact for providing access to the project’s learning.

The close down report structure and full details on the changes can be found in Annex 1 of this letter. We have highlighted new sections and wording in red.

² The responses can be found here

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=126&refer=Networks/ElecDist/lcnf>

Consultation

Close down reports are a key source from which stakeholders can extract learning from the projects. We therefore encourage you to submit your views on the structure and content of second tier close down reports outlined in Annex 1. Please send all views to lcfund@ofgem.gov.uk by **17:00 on 13 August**.

Next steps

We will publish a decision on the structure and content of second tier close down reports in autumn 2013. This will give DNOs enough time to submit their close down reports. If you would like to discuss any of the issues raised in this letter, please contact Giulia Buttini (giulia.buttini@ofgem.gov.uk or 020 7901 3938).

Yours faithfully,



Andy Burgess

Associate Partner, Transmission and Distribution Policy

Annex 1 – LCN Fund close down report structure

This is the proposed structure of Second Tier close down reports, as will be required by the Low Carbon Networks Fund Governance Document.

The report should be no more than 50 pages in length. We encourage the use of appendices and links to other learning documents, but only to provide supplementary information. The report should be a stand-alone document and if it includes appendices and other learning documents it should reference them throughout.

Section	Description
Project Title	As per Full Submission
Project Background	As per Full Submission
Scope and objectives	As per Full Submission
Success criteria	As per Full Submission
Executive summary (no more than 5 pages)	<p>The Distribution Network Operator (DNO) should provide a summary of the work undertaken. It should outline:</p> <ul style="list-style-type: none"> • the outcomes of the Project; • which objectives it met successfully; • which objectives it did not meet successfully; • the main learning generated by the Project; and • the main learning derived from trialling the Method(s).
Details of the work carried out	<p>The DNO should provide details of the Method(s) it trialled.</p> <p>It should also describe the trialling methodology that it used.</p>
The outcomes of the Project	<p>The DNO should provide enough detail on the Project's outcomes so that other DNOs are able to understand how the Method(s) could be applied on their networks.</p> <p>Where quantitative data is available to describe these outcomes, it should be included in the report.</p> <p>The DNO should discuss the improvement in network performance attributable to the Method(s). If the TRL of the Method(s) has changed as a result of the Trial, this should be reported.</p>
Performance compared to the original Project aims, objectives and success criteria	<p>The DNO should include details of whether, and how, the Project helped solve the distribution issue described in its Second Tier Full Submission.</p> <p>It should also provide details of how the Project performed relative to its aims, objectives and success criteria.</p>
Required modifications to the planned approach during the course of the Project	<p>The DNO should state any changes to its planned methodology. It should describe why the planned approach proved to be inappropriate and how the alternative approach improved the planned approach.</p>

<p>Significant variance in expected costs and benefits</p>	<p>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.</p> <p>If costs were different to what the DNO expected, it should provide details of why this was the case.</p>
<p>Lessons learnt on the Method</p>	<p>The DNO should provide an updated business case for the Project's Method(s).</p> <p>The DNO should note any developments or events which affected the benefits gained from the Project. Where possible, the DNO should quantify the changes to the Project benefits from the developments or events compared to those outlined in the Full Submission. The DNO should also state if the Project discovered significant problems with the approach and technique being trialled.</p> <p>The DNO should give an estimate of the future value to customers of the approach trialled, to help justify the LCN Fund expenditure.</p>
<p>Lessons learnt for future innovation Projects</p>	<p>The DNO should discuss whether it encountered any difficulties with the particular Project in order to aid the understanding of how to undertake innovation Projects effectively.</p> <p>The DNO should clearly state how these difficulties and problems informed thinking.</p>
<p>Project replication</p>	<p>The DNO should provide a list of all physical components and knowledge required to replicate the outcomes of this Project, also showing how the required Intellectual Property can be accessed by other GB DNOs.</p> <p>The DNO should also include details of the anticipated business-as-usual costs of replicating the outcome of the Project.</p>
<p>Planned implementation</p>	<p>The DNO should include details on whether and how it 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, including any necessary further work, before the Method(s) can be implemented. The DNO should comment on the likelihood that the Method(s) will be deployed on a large scale in future.</p>

	<p>The DNO can break down the requirements into actions required by DNOs and actions required by non-DNO parties.</p> <p>The DNO should include 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 Technology Readiness Level.</p>
Learning dissemination	<p>Use of a Project's learning by other DNOs is critical for the delivery of customer benefits. The DNO should provide details of information sharing activities it has undertaken and what the outcomes of these engagements were.</p> <p>It should also explain how it has gathered feedback from other DNOs on the areas of the Project and Methods that they would like to have information on. The DNO should specifically state what the other DNOs wanted information on. This can be done through a written consultation. If the DNO has not undertaken a written consultation, it should explain the other information gathering and sharing activities it has undertaken to deliver the same result.</p> <p>The DNO should also explain how it has taken the feedback into account in developing the Close Down Report.</p>
Key Project learning documents	<p>The DNO should include the details (title and publication date) and web-links of the main documents on Project learning that it has published prior to the publication of the Close Down Report.</p> <p>The DNO should also provide enough information on the content of each document so that other parties can judge whether or not the document will be of use to them.</p>
Contact details	<p>The DNO should state the name and contact details (email address, telephone number, and postal address) of the best contact to provide access to the Project's learning.</p>