



Guidance on submission of innovation strategies for ED1

This is providing some additional guidance to DNOs on the submission and assessment of the innovation strategy that must be submitted alongside each business plan submissions for RIIO-ED1.

As with the business plan commentary, to avoid duplication only one innovation strategy is required per DNO group. A DNO should highlight differences within its strategy relating to different regions or specific licence areas.

In our March 2013 strategy decision¹ document, we set out that a DNO's Network Innovation Allowance (NIA) will be set based on the quality and content of the DNOs innovation strategy. We set out that the value of a companies' NIA will not be influenced by whether a DNO is fast-tracked or not. We also set out the following minimum requirements we expect to see within a DNO's innovation strategy:

- the high-level problem(s) and/or challenge(s) which the sector/company expects to face over the period, and the justification for initiating projects to address these
- the process or methodology by which the company will decide the focus for innovation during RIIO-ED1
- demonstration that the problems/challenges have been identified/prioritised and justified in consultation with stakeholders
- discussion of the relative priorities, risks, benefits, value for money and potential customer impacts
- the consequences of innovation(s) not occurring
- deliverables and potential deliverables from the research or development or trials, such as defined learning on an issue, revised codes, new charging methodologies etc.
- evidence of how DPCR5 innovation funding (ie IFI & LCN Fund) has been used effectively and resulted in improved outcomes for consumers
- a description of its approaches to ensuring the efficient roll-out of successful innovation into business as usual (including innovation developed by other DNOs)
- a description of its processes for reviewing and updating their innovation strategies within the price control period

Approach and timetable for assessment

We will complete an initial assessment of each of the DNOs innovation strategies prior to our fast-track determination proposals. At this time we will outline our assessment and proposed NIA for each DNO. Following the fast track consultation we will consider stakeholder responses to our proposals and then publish an indicative NIA assessment alongside the fast track determination.

All DNOs have the option to resubmit their strategy at the business plan resubmission stage for non-fast track companies. If a DNO chooses not to resubmit its strategy the indicative NIA published at the fast-track determination stage will stand².

¹ <http://www.ofgem.gov.uk/Networks/ElecDist/PriceCtrls/riio-ed1/consultations/Documents1/RIIOED1DecOutputsIncentives.pdf>

² If a DNO resubmits its strategy, we will assess the new strategy only, therefore this could result in its NIA being revised up, down or staying the same from the indication given at the fast track determination stage.



We will assess the revised innovation strategies alongside the business plan resubmissions for non fast track companies. We will publish a new indicative NIA at non-fast track proposed determination stage based on the resubmissions. Again, we will consider stakeholder responses to the proposed NIA. We will publish the final NIA decision at non-fast track determination. The key timings and our approach are set out in the table below:

	Key milestones	Indicative dates
	<ul style="list-style-type: none"> DNOs submit business plans including innovation strategy 	1 July 2013
Fast track process	<ul style="list-style-type: none"> Ofgem consults on proposed fast track determination. This will include the proposed NIA for each DNO based on our initial assessment of each innovation strategy 	October 2013
	<ul style="list-style-type: none"> Ofgem considers stakeholder responses to fast track determination proposals and proposed NIA 	Dec-Jan 2013
	<ul style="list-style-type: none"> Ofgem publish decision on fast track determination and the indicative (but not final) NIA for all DNOs. All DNOs given the option to resubmit innovation strategies in March 	Feb 2014
Non-Fast track process	<ul style="list-style-type: none"> Business plan resubmission and DNOs may resubmit innovation strategies if they choose to or accept indicative NIA given at the fast track stage. 	March 2014
	<ul style="list-style-type: none"> Ofgem consult on proposed NIA for resubmitted innovation strategies alongside ED1 non-fast track proposed determination 	July 2014
	<ul style="list-style-type: none"> Ofgem considers stakeholder responses to proposed NIA for resubmitted strategies 	September 2014
	<ul style="list-style-type: none"> Decision on NIA for all DNOs at ED1 final determination. 	November 2014