

RIIO Network Licensees

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### **Network Innovation Allowance (NIA) – registration process and the level of information provided when registering projects**

Licensees have begun to register NIA projects. We have reviewed the registration information that has been provided for a selection of these projects and have a number of concerns. I am therefore writing to remind you of the requirements of the registration process set out in the NIA Governance Document.

The registration process allows you to register and implement projects with arms length involvement from Ofgem. However, you must comply with the requirements of the relevant NIA Governance Document (available on our website<sup>1</sup>).

#### **Background**

The NIA governance framework requires self-certification of project eligibility. We will not usually have a role in the registration process. While developing the governance framework for the NIA we made it clear through written consultation and through the Innovation Working Group<sup>2</sup> that the NIA governance arrangements were intended to be relatively 'light touch' from a regulatory perspective with the onus on industry to ensure it complied. It is for you to ensure projects comply with all aspects of the governance framework before they are registered. If licensees fail to meet this requirement we can take action. This means that expenditure may be ineligible and could be clawed back or we could decide to take enforcement action against a licensee for breach of their licence.

We would ordinarily only have a role in granting permission in the registration process in two circumstances:

- i. where you intend to make payments to a related undertaking; and,
- ii. where you do not intend to conform to the default intellectual property (IP) arrangements.

In these circumstances you will need to seek our permission to register the project. It is for you to satisfy yourself as to whether permission is required. Where you consider that you require permission you should follow the process set out in the NIA Governance Document.

#### **Points of Concern**

Following our review of a number of projects' registration information we have identified some concerns. These are summarised below.

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<sup>1</sup> <http://www.ofgem.gov.uk/NETWORKS/NIC/Pages/nic.aspx>

<sup>2</sup> <http://www.ofgem.gov.uk/Networks/nic/iwg/Pages/iwg.aspx>

### *Expectation of Ofgem review of Projects at point of registration*

Licensees have informed us that they have registered projects as required by the NIA Governance Document. Some licensees have also sought feedback on the eligibility of their projects. Others have noted that if they do not receive feedback within five working days then they will assume the Authority does not have an issue with the project.

We only have a role in the registration process in the circumstances described above. Lack of feedback should not be interpreted as approval of a NIA project. It is the licensees' responsibility to make this assessment based on the requirements of the Governance document.

We do not intend to review and provide feedback on projects as they are registered. We do, however, reserve the right to audit any or all NIA projects. Should we consider that expenditure has not been made in accordance with the NIA Governance Document, we will consider what action to take at that time.

### *Quality of information provided at project registration*

We have some concerns about the level of information provided by licensees when registering projects. The Project Registration Information and the Project Eligibility Assessment (PEA) should be complete as required by the Governance Document.

You must provide all information required by the Governance Document. For example, where you are required to provide a quantitative estimate of the benefits of a project this should be provided not just a qualitative summary. The information provided should be of sufficient detail to allow somebody, not involved in the project, to clearly understand what the project is doing and what learning will be delivered. The PEA should clearly demonstrate why the project is eligible for funding using the NIA.

### *Quality of information provided when permission is being sought to register a project*

We have received a number of requests from licensees seeking permission to register projects that do not conform to the default IP arrangements. If you seek permission to register a project in such circumstances, you should provide sufficient information so that we can understand why permission is required. It is not enough, for example, to note that the IP arrangements being entered into do not comply with the Governance Document. You should include a clear and concise summary of why permission is required in either of the circumstances where permission is required to register a project.

Where the information provided is insufficient for us to make a decision we will need to seek further information and this could result in delay. This may have the effect of slowing the implementation of NIA projects. It is important that you provide us with sufficient information at the outset so as to reduce the risk of delay to your projects.

If you would like to discuss any of the issues raised in this letter, please contact Neil Copeland ([neil.copeland@ofgem.gov.uk](mailto:neil.copeland@ofgem.gov.uk) or 020 7901 7193).

Yours sincerely,



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