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Low Carbon Networks Fund – Decision on the required structure and content of the Second Tier Close-Down Reports

An essential output of our £500m Low Carbon Networks (LCN) Fund is the learning that is being developed through the trialling of innovation projects by the Distribution Network Operators (DNOs). If the LCN Fund is to maximise benefits to customer, it is critical that all DNOs are able to replicate the methods trialled in the projects. As such, learning needs to be effectively disseminated. To help ensure that this is achieved, DNOs are required to produce a Close Down Report on completion of their LCN Fund projects.

This letter sets out our decision on the required structure and content of those Second Tier Close-Down Reports. As a number of LCN Fund projects will end before the end of the year, this decision allows DNOs to submit the Close-Down Reports in line with their Project Direction.

As required under the Governance Document, we have taken a decision on the structure and content of the Close-Down reports. The final Close-Down Report structure can be found in Annex 1 to this letter.

The decision is taken following two separate consultations on the structure and content of the second tier Close-Down reports. This letter explains those consultations and the responses we received to them and explains our next steps.

1. Consultation process and responses

Initial call for views

We published a letter in February 2013 seeking initial views on our proposed structure and content for the Second Tier Close-Down Reports. The proposed structure and content was based on the structure of First Tier projects but amended to reflect the larger scale of Second Tier projects.

We received responses from DNOs[1] and also sought the views of the LCN Fund Expert Panel. All the responses supported the proposed structure and content of the Close Down Reports, but a few also suggested a number of changes. To see all the consultation responses, please refer to our website.

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[1] The responses can be found here
http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=126&refer=Networks/ElecDist/lcnf

<u>Final consultation and our response</u>

Following the initial call for views, we amended the structure and content of the reports. We then consulted on the final draft in June 2013. The final consultation closed on 13 August 2013.

We received five responses to the consultation. These were from:
- National Grid Gas Distribution (NGGD);
- Western Power Distribution (WPD);
- Northern Powergrid;
- Electricity North West (ENWL); and
- UK Power Networks (UKPN).

All respondents were supportive of the proposed structure. Two respondents had no other comments, but three provided further detailed comments. We have highlighted key comments below as well as responses to these -

(a) Northern Powergrid queried whether the 'success criteria' in the report related to the Successful Delivery Reward Criteria (SDRC).

- We can confirm that this is the case. To add clarity, we have now renamed 'success criteria' to 'SDRC'.

(b) Northern Powergrid also requested clarification on whether 'as per full submission' meant as per the original project direction/full submission.

- We confirm this. However, in the event that there was a formal change request during the project, which we approved, then - 'as per full submission' would refer to the approved and amended project direction/full submission.

(c) ENWL stated that it is important to avoid repetition between the six monthly progress reports and the Close-Down Reports. It proposed that links to the former should be included in the Close-Down Reports.

- In the structure, we have added a specific request for the DNOs to add the links to the six monthly project progress reports in the section "Key Project learning documents". However, we would expect any references to the six monthly progress reports to be limited and relate to specific areas.

(d) ENWL recommended "limiting the purpose of the Close-Down report to providing the reader with the necessary information to implement the Method(s) proven in the project, including any capability that has been created by the project, based on the original (or an updated) business case." To this end, it proposed removing "Required modifications to the planned approach during the course of the Project".

- We have decided not to remove the section on "Required modifications to the planned approach during the course of the Project". Although we note ENWL's response, we believe that Close-Down Reports should also contain an overview of the Project's progress as necessary changes to the Project may provide valuable learning. Therefore, as important lessons may be drawn from the modifications, a summary of modifications should be included in the Close-Down Reports.

(e) ENWL also proposed renaming the "Lessons learnt on the Method" section to "Business Case Update" as it believes that the description of content associated with this section is more focused on providing an update on the business case.

- We have updated the "Lessons learnt for the Method" to "Updated Business Case and lessons learnt for the Method". This is to reflect the information requested in

this section of the Close-Down Report as it also specifically references the Business Case.

(f) ENWL proposed removing the "Significant variance in expected costs" as it suggested that it would be covered by the other sections.

- We will retain the "Significant variance in expected costs" section as we feel it important to distinguish between variances in the method and variances in cost.

(g) Additionally, ENWL proposed incorporating the following sections into the Executive Summary: "Project Title", "Project Background", "Scope and objectives" and "Success Criteria".

- We have updated the Executive Summary to include "Scope and objectives" and "Success Criteria". This is to improve the clarity of the structure of the reports and to decrease the risk of repetition.
- However, we have kept "Background" as a separate item. This would provide important context for the report and the reasons why the Project was conceptualised and funded.

(h) NGGD wanted clarity on whether the Network Innovation Allowance (NIA) would also use the same structure for Close-Down reports.

- The proposed structure in Annex 1 will not be used for the NIA.

Additionally, we have also clarified in the Close-Down Reports structure that the DNOs should confirm that the project learning has been submitted to the Transform model governance process. This is necessary to ensure the model assumptions are informed by the latest evidence. This has been added to the "Learning Dissemination" section.
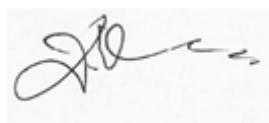
The Close-Down Report structure can be found in Annex 1 and full details on the changes following the final consultation can be found in Annex 2 of this letter. We have highlighted new sections and wording.

2. Next steps

We expect to update the LCN Fund Governance Document to reflect the decisions set out in this letter. Please note that we may update LCN Fund first Tier project Close-Down Report's structure. We expect to make these changes in early 2014. We also expect to adopt similar guidance as part of the Network Innovation Competitions Governance Documents.

Should you wish to discuss the contents of this letter, or the structure in Annex 1, please contact Giulia Buttini (giulia.buttini@ofgem.gov.uk or 020 7901 3938).

Kind regards,

Dora Guzeleva
Head of Networks Policy
For and on behalf of the Authority

Annex 1 - LCN Fund Close-Down Report Structure

This is the structure for Second Tier Close-Down Reports. The report should be no more than 50 pages. We encourage the use of appendices and links to other learning documents, but only to provide supplementary information. The report can include appendices and other learning documents, but they should reference them throughout.

Information required in Second Tier LCN Fund Project Close-Down Reports

Section	Description
Project Title	As per Full Submission
Project Background	As per Full Submission
Executive summary (no more than 5 pages)	The Distribution Network Operator (DNO) should provide a summary of the work undertaken. It should outline: - the scope and objectives of the Project; - the outcomes of the Project; - which objectives it met successfully, including Successful Delivery Reward Criteria (SDRC); - which objectives it did not meet successfully, including Successful Delivery Reward Criteria (SDRC); - the main learning generated by the Project; and - the main learning derived from the Method(s).
Details of the work carried out	The DNO should provide details of the Method(s) it trialled. It should also describe the methodology that it used.
The outcomes of the Project	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. Where quantitative data is available to describe these outcomes, it should be included in the report. 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.
Performance compared to the original Project aims, objectives and SDRC	The DNO should include details of whether, and how, the Project helped solve the distribution issue described in its Second Tier Full Submission. It should also provide 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 summarise any changes to its planned methodology. It should describe why the planned approach proved to be inappropriate and how the alternative approach improved the original methodology.
Significant variance in expected costs	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, it should provide details of why this was the case.
Updated Business Case and lessons learnt for the Method	The DNO should provide an updated business case for the Project's Method(s). The DNO should note any developments or events which affected the benefits gained from the Project. Where possible, the DNO should quantify the changes that the developments or events have made to the Project benefits 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. The DNO should give an estimate of the future value to customers of the approach trialled, to justify the LCN Fund expenditure.
Lessons learnt for future innovation Projects	The DNO should discuss whether it encountered any difficulties with the particular Project in order to build on the understanding of how to undertake innovation Projects effectively. To utilise learning from the Project, the DNO should clearly state how these difficulties and problems informed thinking going forward.
Project replication	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 and, where relevant, newly generated Intellectual Property can be accessed by other GB DNOs.

	The DNO should also include details of the anticipated business-as-usual costs of replicating the outcome of the Project.
Planned implementation	The DNO should include details on whether and how it plans to modify its Distribution System based on learning from the Project. 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. The DNO should break down the requirements into actions required by DNOs and actions required by non-DNO parties. The DNO should include recommendations on how the outcome of the Project could be exploited further. This may include recommendations of what form of trialling will be required to move the Method to the next TRL
Learning dissemination	Use of a Project's learning by other DNOs is crucial. The DNO should provide details of the information sharing mechanisms it has undertaken, and what the outcomes of these mechanisms were. The DNO should specifically state what the other DNOs required information on. We could be through a written consultation. The DNO should also explain how it has taken this feedback into account in developing the Close Down Report. If the DNO has not undertaken a written consultation, it should explain the other activities it has undertaken to deliver the same result. This could include workshops or dissemination events, where it has received feedback on what other DNOs would like information on in order to replicate the Project. Unless otherwise agreed by Ofgem, the DNO should confirm that the project learning has been submitted to the Transform model governance process. This is necessary to ensure the model

	assumptions are informed by the latest evidence.
Key Project learning documents	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. 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. The DNO should include links to all the six monthly Project Progress Reports.
Contact details	The DNO should state name and contact details (email address, telephone number, and postal address) of the best contact to provide access to the Project's learning.

Annex 2 - LCN Fund Close-Down Report Structure changes at final consultation

This is the structure for Second Tier Close-Down Reports. The report should be no more than 50 pages. We encourage the use of appendices and links to other learning documents, but only to provide supplementary information. The report can include appendices and other learning documents, but they should reference them throughout.

Information required in Second Tier LCN Fund Project Close-Down Reports

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)	The Distribution Network Operator (DNO) should provide a summary of the work undertaken. It should outline: • the scope and objectives of the Project; • the outcomes of the Project; • which objectives it met successfully, including Successful Delivery Reward Criteria (SDRC); • which objectives it did not meet successfully, including Successful Delivery Reward Criteria (SDRC); • the main learning generated by the Project; and • the main learning derived from the Method(s).
Details of the work carried out	The DNO should provide details of the Method(s) it trialled. It should also describe the methodology that it used.
The outcomes of the Project	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. Where quantitative data is available to describe these outcomes, it should be included in the report. 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.
Performance compared to the original Project aims, objectives and SDRC	The DNO should include details of whether, and how, the Project helped solve the distribution issue described

	in its Second Tier Full Submission. It should also provide 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 <mark>summarise</mark> any changes to its planned methodology. It should describe why the planned approach proved to be inappropriate and how the alternative approach improved the original methodology.
Significant variance in expected costs	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, it should provide details of why this was the case.
<mark>Updated Business Case and lessons learnt for the Method</mark>	The DNO should provide an updated business case for the Project's Method(s). The DNO should note any developments or events which affected the benefits gained from the Project. Where possible, the DNO should quantify the changes that the developments or events have made to the Project benefits 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. The DNO should give an estimate of the future value to customers of the approach trialled, to justify the LCN Fund expenditure.
Lessons learnt for future innovation Projects	The DNO should discuss whether it encountered any difficulties with the particular Project in order to build on the understanding of how to undertake innovation Projects effectively. To utilise learning from the Project, the DNO should clearly state how these difficulties and problems informed thinking going forward.
Project replication	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 ==and, where relevant, newly generated Intellectual Property== can be accessed by other GB DNOs. The DNO should also include details of the anticipated business-as-usual costs of replicating the outcome of the Project.
Planned implementation	The DNO should include details on whether and how it plans to modify its Distribution System based on learning from the Project. 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. The DNO should break down the requirements into actions required by DNOs and actions required by non-DNO parties. The DNO should include recommendations on how the outcome of the Project could be exploited further. This may include recommendations of what form of trialling will be required to move the Method to the next TRL
Learning dissemination	Use of a Project's learning by other DNOs is crucial. The DNO should provide details of the information sharing mechanisms it has undertaken, and what the outcomes of these mechanisms were. The DNO should specifically state what the other DNOs required information on. We could be through a written consultation. The DNO should also explain how it has taken this feedback into account in developing the Close Down Report. If the DNO has not undertaken a written consultation, it should explain the other activities it has undertaken to deliver the same result. This could include workshops or dissemination events, where it has received feedback on what other DNOs would like information on in order to replicate the Project.

	<mark>Unless otherwise agreed by Ofgem, the DNO should confirm that the project learning has been submitted to the Transform model governance process. This is necessary to ensure the model assumptions are informed by the latest evidence.</mark>
Key Project learning documents	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. 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. <mark>The DNO should include links to all the six monthly Project Progress Reports.</mark>
Contact details	The DNO should state name and contact details (email address, telephone number, and postal address) of the best contact to provide access to the Project's learning.