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Date: 29 January 2013

Dear James,

**Decision to allow SP Transmission to register a Network Innovation Allowance
Project named: Electrical Power Research Institute Programme Engagement**

On 9 July 2013 you requested permission to register a Network Innovation Allowance (NIA) Project – “Electrical Power Research Institute Programme Engagement” (the Project). The NIA has a default set of Intellectual Property Rights (IPR) arrangements.

You sought permission to register the project because you did not consider that it would conform to the default IPR arrangements set out in the NIA Governance Document¹ (the Governance Document).

The Default IPR Arrangements

When establishing the NIA we recognised that the projects financed by the NIA may create IPR either for some or all of the parties involved in projects. These rights could restrict the dissemination of knowledge and also provide value through future revenues. We included default IPR arrangements in the Governance Document. The purpose of these arrangements are to:

- Ensure the dissemination of knowledge generated by each NIA project; and
- Protect customers against paying excessively for products or approaches (for which they have contributed to the cost of development by providing NIA funding).

Request to deviate from the default IPR arrangements.

Paragraph 3.10 of the Governance Document requires you to seek permission to register a project where you wish to deviate from the default IPR arrangements. On 9 July you requested permission to register a project in accordance with paragraph 3.10. Since July we have asked a number of questions (in relation to this project) and, in addition, this process was subsequently put on hold by SP Transmission as a result of a change in personnel and other concerns taking priority over this project.

We have considered the request, further information that has been requested and the issues that have been raised by the request. The reasons for our decision are set out below. We have included a summary of the funding and IPR arrangements for the project below.

¹ <https://www.ofgem.gov.uk/publications-and-updates/electricity-network-innovation-allowance-governance-document>

Project Summary

The EPRI Grid Operations research programme is addressing Transmission Owner (TO) needs by improving real-time tools for assessing system stability, reactive power support, and voltage stability margins. It is also enhancing the capability of TOs to manage the grid through extreme events and to restore the transmission system in the event of an outage.			
Start Date	01/2013	End Date	12/2015
Innovation Funding Incentive Funding	n/a		
Proposed NIA Expenditure	£239,540		
Third Party Funding	£1,660,460		
Intellectual Property Rights (IPR)	<ul style="list-style-type: none">• Background IPR is retained by the parties who bring it.• Foreground IPR (consisting of test results and installation procedures) is owned by EPRI. However, members of the programme including, SP Transmission Ltd will be able to make use of any learning (all TOs are able to obtain membership) and learning will be shared with the other Transmission licensees.		
Discounts	n/a		

EPRI conducts research, development and demonstration (RD&D) relating to the generation, delivery and use of electricity. It is an independent, not for profit organisation. Each year, EPRI meets with representatives of its members. These discussions inform the research portfolio EPRI follows. The portfolio is made up of a number of research programmes. Network operators from Britain and others from around the world can subscribe to research programmes of interest to themselves.

SP Transmission and National Grid Electricity Transmission (this letter only relates to SP Transmission) along with other international organisations are members of the Grid Operations research programme. This membership gives these licensees a license to all IPR and learning developed by the programme. However, they will not own the IPR that is developed.

Reasons for our decision

Section 3, Paragraph 3.10 (i) of the Governance Document: Demonstrate how the learning from the Project can be successfully disseminated to network operators and other interested parties.

Following your request to deviate from the default arrangements we have asked a number of questions. In the response to these questions you have noted that you will be able to share some learning with SHE Transmission despite SHE Transmission not being a member of this EPRI research programme. You also noted that SHE Transmission would be able to access the Executive Summary of EPRI reports and that the full version of EPRI reports would be available to SHE Transmission, at a reduced rate. Finally, you also noted that SHE Transmission would be invited to the EPRI GB conference where learning is also shared.

The arrangements that SP Transmission propose do not comply with the requirements of Section 7 of the Governance Document. However, we note that some learning will be available to other licensees at no cost while IPR will be available to SHE Transmission at a reduced cost. Based on the information that has been provided we consider that a significant proportion of learning can be successfully disseminated.

Section 3, Paragraph 3.10 (ii) of the Governance Document: Take into account any potential constraints or costs caused, or resulting from, the imposed IPR arrangements.

In considering this request we were concerned that the IPR arrangements may prevent other licensees from gaining from the learning developed by the project. However, we also note the

significant proportion of third party funding that will be used alongside that funding which is provided by SP Transmission through the NIA. SP Transmission is only providing 14% of the project budget, 90% of this will be through the NIA while 10% will come directly from SP Transmission.

Section 3, Paragraph 3.10 (iii) of the Governance Document: Justify why the proposed IPR arrangements provide value for money for Customers.

SP Transmission has explained that EPRI is a membership organisation that uses funds from a number of sources to carry out research of common interest to funders. We note that the majority of the funding for this project comes from third party organisations and that SP Transmission will have access to and the ability to use all IPR generated by the project (not just the learning and IPR it funds). This means that the learning SP Transmission and other transmission licensees receive will be valuable relative to the cost of obtaining it. As noted above, SP Transmission will only contribute 14% of the Project Budget. We consider that, on balance, this arrangement provides adequate value for money for customers. This is particularly given the different parties pooling funding for this project.

Based on the information that has been provided we note that SHE Transmission will be able to access learning from the project through conferences and reports. We also recognise that SHE Transmission will be able to purchase the full EPRI reports at a reduced rate. On the basis of this information we consider that the proposed IPR arrangements delivers value for money for consumers.

Decision

The majority of the expenditure on the Project comes from third party sources around the world. We recognise that:

- SP Transmission will benefit from significant external investment, by contributing a small proportion of the full project budget while being able to access the full output; and
- SP Transmission and EPRI will be able to share some learning from this project with SHE Transmission.

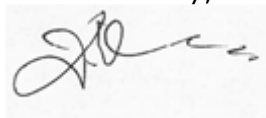
We have decided to allow this project to be registered due to the significant level of external funding, other than that provided by SP Transmission through the NIA, and the access to the learning that other transmission licensees will receive

We therefore approve the request to register the Project in accordance with the Governance Document.

If you have any questions on this letter, please contact Neil Copeland on 020 7901 7193 or by email at Neil.Copeland@ofgem.gov.uk.

This letter sets out the reasons for our decision and serves as notice pursuant to section 49A of the Electricity Act.

Yours sincerely,



Dora Guzeleva

Head of Networks Policy: Local Grids

Signed on behalf of the Authority and authorised for that purpose