



Making a positive difference
for energy consumers

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Dear Paul,

Innovation Funding (IFI) Incentive projects transitioning to Network Innovation Allowance

In July and August this year you sought permission to register a number of projects because you did not consider that they 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 is 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 7 July you requested permission to register projects in accordance with paragraph 3.10.

We have considered the request, further information that has been requested and provided following the request, and the issues that have been raised. The reasons for our decision are set out below.

National Grid Gas Distribution (NGGD) request

In July and August last year NGGD requested permission to register projects because it considered these projects would not conform to the default IPR arrangements.

We note that for the projects listed in appendix one of this letter the following applies:

- NGGD would retain ownership of any Foreground IPR generated by projects; and

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

- Project partners or suppliers have signed agreements confirming NGGD may comply with all aspects of the Governance Document relating to IPR.

NGGD sought permission to register these projects because they would not comply with one aspect of the default IPR requirements. Paragraph 7.9 of the Governance Document says:

Each Participant shall own all Foreground IPR that it independently creates as part of the Project. Where Foreground IPR is created jointly, it shall be owned in shares that are in proportion to the effort and work done in its creation.

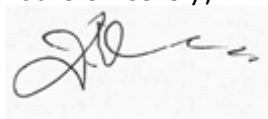
Because NGGD own all the IPR generated by the projects they would not comply with this requirement. However, NGGD will comply with all other requirements of the document. Paragraph 7.9 was included in the Governance Document to ensure that customers would see a return on their investment when licensees participate in collaborative projects. In the case of the projects listed in appendix one NGGD will retain ownership of all the IPR and therefore the value has been retained by the licensee and customers' interests are protected in accordance with paragraph 7.2.

Where licensees own all Foreground IPR associated with a project they should be able to comply with all other requirements of Section 7 of the Governance Document. NGGD has undertaken to comply with all other requirements of the Governance Document. Therefore we consider that NGGD did not require permission to register these projects.

We intend to amend the Governance Document in due course, to make it clear that where the licensee will own all Foreground IPR generated by a Project and will comply with all other requirements of the Governance Document it will not need to seek permission to register projects. We will consult on any changes or clarifications at that time. In the meantime, we will not require licensees whose projects do not conform to paragraph 7.9 of the Governance Document because they own all of the Foreground IPR to seek permission to register the project where it complies with all other requirements of the Governance Document.

If you have any questions in relation to this letter please contact Neil Copeland at neil.copeland@ofgem.gov.uk or on 0207 901 7193.

Yours sincerely,



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

Appendix One

NGGD:

- Development of DANINT FWAVC software for New Gas Chromatograph - NIA_NGGD0007
- Optimise Own Energy Use - NIA_NGGD0001
- Asset Health Modelling - NIA_NGGD0003
- Development of Packaged Solution for Bio Methane Injection- NIA_NGGD0002
- Venting Controllers- NIA_NGGD0005
- MEG Improvement - NIA_NGGD0004