



Making a positive difference
for energy consumers

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Dear Dan,

Decision on "21st Century Technical Standards Project" submission to the Initial Screening Process of the 2014 Gas Network Innovation Competition

This letter is to notify you of our decision on the 21st Century Technical Standards project (TS21) submitted to the Initial Screening Process (ISP) for the Gas Network Innovation Competition (NIC). The project submission has failed to meet the Eligibility Requirements detailed in sections 4.7 to 4.19 of the Gas NIC Governance Document (Gas NIC GD). Although we understand that this project could provide benefits to the gas industry, we are not convinced that the NIC is the correct mechanism for funding such a project. Our reasons for our decision are set out below.

Background – The ISP Eligibility Requirements

Within the current price control framework we introduced the NIC which is an annual competition to fund selected flagship innovative Projects that could deliver low carbon and/or environmental benefits to customers. All proposed Gas NIC Projects must pass the ISP before they are eligible to be developed into Full Submissions to be evaluated by the Expert Panel and considered by the Authority for funding.

We received your project submission, TS21, as part of this year's competition for the Gas NIC. The submission stated that the project would fund a targeted programme of research, trialling and demonstration of the potential development of existing and new gas technical standards.

A potential project must meet certain requirements which are set out in the Gas NIC GD. In order to succeed at the ISP, a project must meet the specific requirements (paragraph 4.8 of the Gas NIC GD) and the ISP criteria (paragraphs 4.9-4.19 of the Gas NIC GD) under the Eligibility Requirements. These state that a NIC project must "*have the potential to have a direct impact on a Network Licensee's network or the operations of the GB system operator and involve the Development or Demonstration of at least one of the four specific requirements:*

- *a specific piece of new (i.e. unproven in GB) equipment (including control and communications systems and/or software);*
- *a specific novel arrangement or application of existing gas transmission and/or distribution equipment (including control and communications systems software);*
- *a specific novel operational practice directly related to the operation of the gas transportation system; or*
- *a specific novel commercial arrangement."*

In addition to meeting one or more of the requirements set out above, in order to pass ISP, a Network Licensee must also “demonstrate that the Project meets all of the following four ISP criteria:

- *accelerates the development of a low carbon energy sector and/or delivers environmental benefits while having the potential to deliver net financial benefits to existing and/or future network customers;*
- *delivers value for money for gas customers;*
- *creates knowledge that can be shared across energy networks in Great Britain (GB) or create opportunities for roll-out across a significant proportion of GB networks; and*
- *is innovative (i.e. not business as usual) and has an unproven business case where the innovation risk warrants a limited Development or Demonstration Project to demonstrate its effectiveness.”*

The proposed project

The TS21 project submission stated that the project would incorporate a wide ranging review of the current suite of technical standards and use a range of methods to identify, evaluate, demonstrate, and/or develop new standards. The submission suggested that if successful, the project would deliver a self-sufficient framework for the development of gas technical standards that are more suited to the future low carbon economy.

Our assessment

Following the project’s submission we raised questions seeking additional clarification as it was unclear how the project met both parts of the Eligibility Requirements. The answers to these additional questions were also considered in our assessment.

Despite the request for additional clarification we have not been satisfied that your proposal meets the Eligibility Requirements. As mentioned above, a “*NIC Project must have the potential to have a Direct Impact on a Network Licensee’s network or the operation of the GB System Operator*”. To have a Direct Impact “*the deployment of the Method would need to cause a measurable change in the operation of the transportation system in a controllable way”*. The Method in this project would be the establishment of an organisation to review technical standards. This Method could therefore not be deployed to have a measurable change in the operation of the transportation system in a controllable way.

The project is seeking funding to undertake a broad review rather than a specific development or demonstration project and does not meet any of the specific requirements. The ISP submission, and subsequent information you provided, said that the project would meet the following three specific requirements; our reasons for disagreeing are below:

- *a specific piece of new (i.e. unproven in GB) equipment (including control and communications systems and/or software)*
 - The submission stated that (where possible) the project would look to actively create opportunities for the use of new products and equipment previously unproven in UK. We understand that changes to the standards may lead to consequential changes to equipment and product specification, but we do not consider that the project itself meets this requirement because it is not developing or demonstrating a specific piece of new equipment but rather is seeking to identify where improvements can be made to existing and new gas technical standards.
- *a specific novel operational practice directly related to the operation of the gas transportation system*
 - The submission suggests that by modifying and updating each technical standard there will be opportunities to fundamentally change aspects of how the UK manages the gas system. We do not think that the process of modifying or updating the standards is a specific novel operational practice.

- *a specific novel commercial arrangement*
 - Although the project aims to prove that the technical standards should be managed, upgraded and disseminated from one centrally located neutral body, we do not think that the set-up of this sort of body is a novel arrangement and we therefore do not consider that the project meets this specific requirement.

While the activities in the project might have consequential impacts on the network, these are not defined, and the broad nature of the technical review described means that you have not demonstrated the project would meet any of the specific requirements. The Gas NIC GD requires a much tighter focus on what will be demonstrated or developed through the project in order to meet these specific requirements and you have not shown this in your ISP submission.

We understand that the aim of this project is sensible and that by updating the technical standards there is the potential to address issues that you have identified may be hindering the gas industry. We are committed to understanding the problems associated with reviewing these standards and to discussing alternatives with you that could empower you to address these issues.

We have decided that the 21st Century Technical Standards project does not meet the Eligibility Requirements of the Gas NIC GD and therefore does not pass the ISP stage of the competition.

This letter constitutes Notice of the reason of our decision to not allow 21st Century Technical Standards project to pass ISP and proceed to the Full Submission Process pursuant to section 38A of the Gas Act 1986.

Yours sincerely,



Dora Guzeleva
Head of networks policy, local grids
For and on behalf of the Authority