

Arun Pontin
Distribution Policy
SG&G: Distribution
Ofgem
9 Millbank
London
SW1P 3GE

Avonbank
Feeder Rd
Bristol
BS2 0TB

Direct Line
Mobile

Our Ref

Your Ref

Extension

Date

19th March 2014

Dear Dora

Consultation on: Implementing the Discretionary Funding Mechanism under the Low Carbon Networks Fund.

Thank you for the opportunity to contribute to the above consultation.

Please find below WPD's response to the questions raised in your letter dated 31st January 2014:

Question 1: Should we introduce an annual window for Successful Delivery Reward applications? What do you consider are the advantages and disadvantages of this approach?

Question 2: Do you have any views regarding the proposed timing of an assessment window for the Successful Delivery Reward?

The idea of a set window for submission of the Successful Delivery Reward (SDR) needs careful consideration, as current Tier 2 projects will be completing at different times of year. We believe the critical period in relation to SDR submission is between the submission of the Closedown report and the application for the SDR. LCNF governance states that the SDR submission cannot be applied for until the Closedown report has been approved by Ofgem. The Closedown report is submitted within 3 months of the project end.

If a January window is approved, a project ending in November will have its Closedown report submitted in February, and then have to wait until the following January before submitting the SDR application, some 14 months after the project ended. By this time, Project teams, consortiums and partners would have moved on to other projects. The project financials would have been reported and closed down, so re engaging key players would have to be funded from elsewhere.

In addition to this the projects outputs may well have developed and be integrated into BAU with the relevant learning and dissemination also moving on from the Closedown report.

January to March is also a very busy time for DNO's that are working on new ISP proposals for new Tier 2/NIA projects.

We believe there is no real advantage to having a single specified window for SDR applications, but maybe 2 in a year at 6 monthly intervals could work.

Our preferred option would be to have a clear defined timeline from project end through Closedown and onto SDR application that is determined by the Project timeline itself. The table below sets out such a timeline.

Month	1	2	3	4	5	6	7	8	9
End of project									
Closedown report (CD)									
Ofgem Approval (CD)									
SDRC Submission									
Ofgem Approval (SDRC)									

Question 3: Are the three principles of timeliness, quality of outcomes and cost effectiveness appropriate for assessing project performance and delivery of SDRCs?

Question 4: What sort of specific evidence should be submitted to us in order to allow us to assess against SDRCs?

We believe the above 3 principles of Timeliness, quality of outcomes and cost effectiveness are suitable for assessing performance.

The evidence should be as specified in the original published pro-forma; this was assessed at the bid stage, by the expert panel as being suitable criteria for the SDR and should be assessed (by them) for compliance.

Any additional evidence or benefits not considered at the bid stage should also be included, along with any changes submitted and approved through the change request procedure.

Potentially, evidence reporting could be a very large and time consuming piece of work, but all evidence should be readily available through project progress reports, SDR reports and closedown reports. We suggest that a cap of 20 pages with appendices and references to previously submitted reports would be sufficient, to include:

Timeliness – In line with the original project Plan, taking into account any approved Change requests

Quality – Feedback from industry peers on dissemination events, submitted SDR reports and any approved change requests.

Cost effectiveness – Financial reporting and bank statements reported on throughout the project incorporating any approved change requests.

Question 5: Do you agree that we should assess management of change when assessing Successful Delivery Reward submissions? What do you consider are the advantages and disadvantages of this approach?

Question 6: Do you have any views on the most effective way to assess the way that change has been managed during the life of a project

As these projects are Innovation and Research and Development projects, change along the way is, to some extent, inevitable, and is often a benefit to the project, rather than detrimental. Excluding or penalising a project from recovering the 10% funding, because of a change request may result in ultimately successful projects, with timely and cost effective benefits receiving no or reduced rewards in recognition.

With this in mind, change needs to be assessed in detail on a project specific basis, but this should be done when the change request is submitted and not during the SDR submission. The change requests and subsequent Ofgem approval/rejection letters should be included in the SDR application as appendices or referenced to an original report.

Question 7: Do you have any other views on the assessment of the Successful Delivery Reward submissions?

WPD believe that the SDR application would be best assessed by the original expert panel, as this panel were instrumental in recommending the project and the associated SDRC's, for approval, at project conception, so they would be best placed to assess whether the project has delivered. This could also relieve the assessment burden on Ofgem.

If there are any aspects of this letter that you would like to discuss further then please contact Mark Dale at mdale@westernpower.co.uk or on (0117 933 2236).

Yours sincerely



Alison Sleightholm
Regulation and Government Affairs Manager
Western Power Distribution