**Notes on completion of the Full Submission documents**

**Before completing the Full Submission Pro-forma, please refer to the Low Carbon Networks Fund (LCN Fund) Governance Document.**

**Please use the default font (Verdana size 10) when completing the Pro-forma. The order of the sections should not be altered. It is up to the DNO to decide how much information to include under each section, but each section should not surpass the stated number of maximum pages. If the DNO does not use the full amount of pages, then it should delete the blank pages. Each section should start on a new page. The DNO must clearly identify which subsection it is answering and must leave spaces between the answers for each subsection.**

**The DNO can include images and tables where appropriate, but must not change the format of the document. This includes altering the page margins, changing section titles and/or the positioning, numbering and size of text boxes. We will ask the DNO to resubmit the Pro-forma if the format of the document has been altered.**

**The fully completed Pro-forma (without appendices) should not exceed 54 pages in total. The total submission of the Pro-forma and appendices (but excluding the Full Submission Spreadsheet) should not exceed 100 pages. We will publish the information contained within the Full Submission as described in the Governance Document.**

**Section 1: Project Summary**

**Project Code/ Version no.**

The DNO must enter a code for the Project in the box provided in the top right hand corner of the first page of the Pro-forma. This should be the acronym of the DNO group (ENW, NPG, SP, SSE, WPD or UKPN) followed by T2 (denoting a Second Tier Project) followed by a two digit number to denote the number of the submission. This numbering should follow on from previous years. For example if a DNO group has previously submitted two Projects, the last two digits of a Project submitted this year should be 03. A DNO must also use the same box to enter the version number of the Pro-forma. We have produced an identical box at the top right hand corner of each subsequent page, these will be automatically filled in once the DNO has filled in the first box on the front page.

* 1. **Project title**
	2. **The Funding DNO** (the Licensee that will receive funding for the Project)
	3. **Project Summary**

The DNO should provide a summary of the Project, including information on:

* The Problem(s) it is exploring;
* The Method(s) that it will use to solve the Problem(s); and
* The Solution(s) it is looking to reach by applying the Method(s).

These terms are defined in the Governance Document.

* 1. **Funding**

**1.4.1 Second Tier Funding Request**

This is the amount being requested from the LCN Fund (the Second Tier Funding Request) and should match the amount in **cell I85** of the ‘Second Tier Funding Request’ tab of the Full Submission spreadsheet.

**1.4.2 DNO Compulsory Contribution**

This is 10 per cent of the Initial Net Funding Required. It is the minimum contribution the Funding DNO must make to the Total Project Cost and should match the amount in **cell I66** of the ‘Second Tier Funding Request’ tab of the Full Submission spreadsheet.

**1.4.3 DNO Extra Contribution**

This is the amount that will be provided by the DNO over and above the 10 per cent compulsory contribution specified in the Governance Document. This should match the amount in **cell I37** of the ‘Second Tier Funding Request’ tab of the Full Submission spreadsheet.

**1.4.4 External Funding**

This is the amount that will be provided by External Funders and should match the total amount in **cell I25** of the ‘Second Tier Funding Request’ tab of the Full Submission spreadsheet. For cross industry ventures, this should not include any funding requested from other Innovation Competitions.

**1.4.5 Total Project cost**

This is the amount the DNO expects to spend on the whole Project. It should match the number in **cell I13** in the Second Tier Funding request tab of the Full Submission spreadsheet.

The LCN Fund spreadsheet calculates the Second Tier Funding Request in three steps.

Step one: **Initial Net Funding required**

= Total Project Cost - DNO extra contribution - External funding

Step two: **Outstanding Funding Required**

= Initial Net Funding Required - DNO compulsory contribution – Direct benefits

Step three: **Second Tier Funding Request**

= Outstanding Funding Required – interest

Note - The DNO needs to work out the exact amount of extra contribution it wishes to make before it can calculate its compulsory contribution.

The DNO compulsory contribution is 10 per cent of the Initial Net funding Required. The DNO needs to know the amount of its extra contribution to work out the Initial Net Funding Required.

* 1. **Cross industry – funding requested from other competitions**

If the bid is part of a cross industry venture, the DNO should include details of the other funding requested in this section. Specifically, the DNO must state how much has been requested from the Network Innovation Competition(s). It should include the Project Code number of the other bid, and under which competition it is being submitted. Further information can be added under Project Description, as per this guidance, on an ad-hoc basis in the other Pro-forma sections, or in the appendices.

If your Project forms part of a wider cross industry venture[[1]](#footnote-1)[1] you must state whether the Project proposed in the Full Submission is capable of proceeding in the absence of funding for the interlinked Project.  This is to understand your position in the case that your Project is successfully awarded funding, but the other interlinked Project is not. **Double click on the relevant box and under “default value” select “checked”.**

If you state in your Full Submission that you **would not** proceed in the absence of funding for the other Project then, in the case that the interlinked Project is not funded, your Project will not be considered for funding (ie the two Projects would both need to be successful in their respective competitions).

If you state in your Full Submission that you **would** proceed in the absence of funding for the other Project then, in the case that the interlinked Project is not funded, your Project could still be awarded Funding irrespective of the outcome of the other competition.

Please note that under the second case, the DNO may still choose to withdraw from the funding application prior to its acceptance of the Project Direction.

* 1. **List of Project Partners, External Funders and Project Supporters**

The Network Licensee should list the Project Partners, External Funders and Project Supporters that are involved in the Project. If relevant, the Network Licensee should also list the value of the contribution each is providing to the Project.

* 1. **Project start and completion date**
	2. **Project manager contact details**

**Section 2: Project Description**

This section must not exceed 10 pages.

* 1. **Aims and objectives**

The DNO must describe their Project in a manner that enables someone with limited experience of distribution networks to understand it. The DNO should break down the Project into:

* The Problem(s) which needs to be resolved in order to facilitate the low carbon future;
* The Method(s) being trialled to solve the Problem;
* The Trial(s) being undertaken to test that the Method(s) works; and
* The Solution(s) which will be enabled by solving the Problem.

If the Project forms part of a cross industry venture, the DNO should include details of how this bid fits into the wider cross industry venture as a whole. The DNO must also describe the overall high-level aims of the cross industry venture.

* 1. **Technical description of Project**

The DNO must provide a technical overview of the Method being deployed and outline why it is innovative. The DNO can choose to supplement the information it provides in the appendices.

**2.3** **Description of design of trials**

The DNO must provide details on how the Trials will be designed to ensure that they are statistically sound and sufficiently robust to capture learning from Projects. For example, if the extrapolation of an outcome demonstrated in the Project is required to solve the Problem, the DNO must clearly show that the approach it is taking to undertake such an extrapolation is statistically and technically sound, reliable and verifiable. The DNO can supplement these details with further information in the appendices.

* 1. **Changes since Initial Screening Process (ISP)**

The DNO must outline any changes it has made since its Screening Submission, particularly where they relate to:

* the scale of the Project, funding required, other partners or External Collaborators involved in the Project;
* the Project being part of a cross industry venture; and
* the IPR arrangements proposed for the Project.

**Section 3: Project business case**

This section must not exceed 6 pages.

The DNO must present a clear business case justifying the merits of undertaking the Project and must set how the Project links to changes it wants to make to its business in the next 5-10 years. The DNO is free to construct this case as it wishes. It can be supplemented with further details in the appendices.

If the Project relates to a cross industry venture, the DNO should briefly state what the merits are of undertaking the cross industry venture as a whole and, where relevant, also present the merits of its specific bid. This can be supplemented with further details in the appendices.

**Section 4: Evaluation Criteria**

This section must not exceed 10 pages.

The DNO must identify how their Project performs against each of the evaluation criteria set out in the Governance Document. Other sections of the Pro-forma will cover those criteria or aspects of criteria not mentioned in Section 4.

(a) Accelerates the development of a low carbon energy sector & has the potential to deliver net financial benefits to future and/or existing Customers

The DNO must demonstrate how the Solution(s) associated with the Project makes a contribution to the UK Government’s current strategy for reducing greenhouse gas emissions as set out in the document entitled "The Carbon Plan", as published by the Department of Energy and Climate Change (DECC). This may be amended from time to time or may be replaced by the Government. Where the Project involves multiple Solutions, the contribution of each Solution should be detailed separately. The greater the expected contributions, the higher the ranking of the Project against this criterion. This assessment will take into account the level of funding being requested.

To reduce carbon in the energy sector, the Carbon Plan considers that electricity use may increase. A Solution may involve facilitating the use of electricity instead of an alternative energy source. The DNO can outline the potential carbon benefits across the total energy sector that the roll out of the Method could reasonably be expected to deliver.

There must also be a clear expectation and evidence that the Method(s) being trialled has the potential to deliver the Solution(s) at a lower cost than the most efficient method currently in use on the GB Distribution System[[2]](#footnote-2).

In outlining the expected contribution of the Project, the DNO must provide a description of the following:

* The aspect(s) of the Carbon Plan which the Solution(s) facilitate;
* The contribution the roll out of the Method(s) across GB can play in facilitating this aspect(s) of the Carbon Plan (including where network reinforcement acts as a barrier to facilitating aspects of the Carbon Plan);
* How the roll out of the Method(s) across GB will deliver the Solution(s) more quickly than the most efficient method currently in operation on the GB Distribution System; and
* The financial benefit of each Method being trialled in the Project.

The DNO must detail the financial benefit (also detailed in the “Net benefits” tab in the spreadsheet) by estimating the costs of delivering the Solution(s) (at the scale being tested within the Project) through the most efficient method currently in use on the GB Distribution Systems - the Base Case Costs. DNOs must compare the Base Case Costs to the costs of replicating the Method, once it has been proven successful, at the scale being tested in the Project - the Method Costs. The difference between the Base Case Cost and the Method Costs is the financial benefit of the Project. Where a DNO is looking to test more than one Method it should outline the financial benefit of each separate Method.

The DNO must also outline the network capacity released by each separate Method(s) being trialled in the Project. The DNO must outline how much quicker the Method(s) being trialled releases this capacity compared to the most efficient method currently in operation on the GB Distribution System.

The DNO should summarise these financial and capacity released benefits in the project benefit summary tables in Appendix 1 of the submission. We explain how to complete these tables below.

The DNO must set out the potential for replication of the Method(s) across GB in terms of the number of sites, or the percentage of the GB Distribution System where the Method could be rolled out. The DNO must use these to calculate the capacity the Method(s) will release across GB and how quickly this capacity could be released compared to the most efficient method currently in operation on the GB Distribution System.

The quicker the capacity can be released, the greater the size of that capacity (based on a GB roll out) and the greater the financial benefit of the Project, the higher the Project will be ranked against this criterion, taking into account the level of funding requested. Consideration will also be given to a qualitative account of carbon benefits which are not captured in this analysis and any cost benefit analysis provided as part of the Full Submission.

(b) Provides value for money to distribution Customers

The LCN Fund is focussed on the role that DNOs can play as GB moves towards a low carbon economy. The DNO must set out the size of benefits and resulting learning from the Project that can be attributed to or are applicable to the Distribution System versus elsewhere, taking into account the level of funding requested.

The DNO must also set out where it has or plans to undertake open competitive procurement processes for services or items required for the Project. The DNO must also outline other steps it has taken to ensure that the Second Tier Funding Request represents the best value for money to Distribution Customers. Where a DNO has not undertaken a competitive procurement process for services or items, it should explain why not and how they are ensuring best value for money in the provision of these services or items.

The better the value for money of the components required to deliver the Project, the higher the Project will be ranked against this criterion.

The DNO must demonstrate that the Project requesting funding is innovative and significant new learning will be developed. The DNO should include:

* Justification the Project is innovative and evidence it has not been tried before;
* Justification that the Project can only be undertaken with the support of the LCN Fund, including reference to the specific risks (eg commercial, technical, operational or regulatory) associated with the Project.

The DNO must also provide the number of person days and day rates of labour for itself and each Project Partner.

**(c) Generates knowledge that can be shared amongst all DNOs**

The DNO must outline the level of incremental learning expected to be provided by the Project and the applicability of the new learning to the other DNOs. The DNO should note that the dissemination aspects of criteria (c) should be covered in Section 5.

**(d) Involvement of other partners and external funding**

The DNO must outline the Project Partners and External Funders it has attracted to the Project and outline why they are appropriate to the Project. The DNO must outline how secure the funding is. Any evidence can be provided in the appendices. The DNO can also outline the reasonable endeavours it has deployed to attract External Funding. The DNO can also use this section to highlight any extra contribution it has made to the Project. The DNO must also outline the systems or processes it has used to identify potential Project Partners including:

* + How the DNO has made interested parties aware of the LCN Fund and the collaboration portal;
	+ How the DNO has actively sought out ideas for Projects; and
	+ The processes the DNO goes through to decide which of the available ideas it takes forward as Second Tier Projects.

Where a Project Partner is involved in identifying other Project Partners, we would expect the DNO to outline the steps it has taken to ensure that the Project Partner has put in place systems or processes as set out above.

The DNO must list the external funding that each Project Partner is providing, what element of the Project it is funding and whether the funding is a financial or in-kind contribution.

**(e) Relevance and timing**

The DNO must outline how the Project aims to address those developments associated with a move to a low carbon economy which are more likely to happen. For the avoidance of doubt, this does not mean we will necessary favour the Method that is most likely to be successful, as we recognise that there will be benefits associated with a variety of Methods. The DNO should also outline how, if the Method proves successful, it would use it as part of its future business planning and how it would impact on its business plan submissions in future price controls.

**Section 5: Knowledge dissemination**

This section must not exceed 5 pages.

**This is a continuation of criterion (c). The DNO should put a cross in the box on page 29 of the Pro-forma if it does not intend to conform to the default Intellectual Property Rights (IPR) arrangements. Double click on the box, and under “default value” select “checked”.**

* 1. **Learning dissemination**

The DNO must outline its plans for learning dissemination, both to other DNOs and to other interested parties.

* 1. **IPR**

**Only required if a DNO does not intend to conform to the default IPR arrangements.**

If a DNO wishes to deviate from the default requirement for IPR, it must demonstrate how the learning from the Project can be meaningfully disseminated to Electricity Distributors and other interested parties. This must take into account any potential constraints or costs caused, or resulting from, the proposed IPR arrangements. The DNO must justify why any non-default IPR arrangements provide value for money for consumers.

**Section 6: Project Readiness**

This section must not exceed 8 pages.

**NOTE: A DNO should include a detailed Project plan, risk register, risk management and mitigation plans, and contingency plans as part of the appendices.**

The DNO must complete the boxes at the top of page 34 of the Pro-forma to detail the level of protection it requires against cost over-runs and unrealised Direct Benefits. The default level of protection is 5 per cent of the Second Tier Funding Request for cost overruns and 50 per cent of any shortfall in Direct Benefits. Where a DNO wishes to apply for a level of protection beyond this default level then it must provide justification.

A DNO must provide the following in the Pro-forma:

* Evidence of why the Project can start in a timely manner;
* Evidence of how the costs and benefits have been estimated (this can be supplemented in the appendices);
* Evidence of the measures a DNO will employ to minimise the possibility of cost overruns or shortfalls in Direct Benefits;
* A verification of all information included in the proposal (the processes a DNO has in place to ensure the accuracy of information can be detailed in the appendices);
* How the Project plan would still deliver learning in the event that the take up of low carbon technologies and renewable energy in the Trial area is lower than anticipated in the Full Submission; and
* The processes in place to identify circumstances where the most appropriate course of action will be to suspend the Project, pending permission from Ofgem that it can be halted.

If the Project is part of a cross industry venture, the DNO should link, where appropriate, the information above to the overall cross industry venture.

**Section 7: Regulatory issues**

This section must not exceed 3 pages.

The DNO must cross the box at the top of page 42 of the Pro-forma if it might require a derogation, licence consent, licence exemption or a change to the current regulatory arrangements in order to implement the Project.

If a DNO may require a derogation, licence consent, licence exemption or changes to the regulatory arrangements, either as a requirement of the Project, or as contingency in the event that the Project is not successful, then it must provide details of the derogation, licence consent, licence exemption or change to the regulatory arrangements it may require. This must be of sufficient detail to enable Ofgem to judge whether the request can be granted.

**Section 8: Customer Impact**

This section must not exceed 4 pages.

The DNO must outline any interaction or engagement with a Customer or Customer's premises as part of the Project, or any direct impact the Project may have on Customers (eg through charging or contractual arrangements or supply interruptions).

If Project implementation requires planned interruptions, the DNO must detail the expected number and duration of any interruptions or power quality issues to Customers' supply that will be required and the reason for these interruptions. It should also indicate if there is any risk of the Project causing unplanned interruptions, the potential number and duration, and the potential cause of these interruptions.

The DNO must set out the steps it has undertaken to investigate alternative ways to implement the Project which could reduce or avoid the need for Customer interruptions. A DNO must set out the alternatives it has investigated and provide a summary of why these alternatives were rejected.

Where a DNO wishes to request protection from any incentive penalties associated with the planned interruptions it has identified, it must include the value of the penalties in its Second Tier Funding Request.

If a Project involves significant interruptions to Customers’ supply, then we would expect further details to be provided in the appendices.

**Section 9: Successful Delivery Reward Criteria**

This section must not exceed 5 pages*.*

The DNO must set out its proposed Successful Delivery Reward Criteria (SDRC). The DNO should mention up to 8 separate criteria, each under a subsection labelled 9.1 to 9.8.

SDRC are important to all Projects. We expect as a minimum that the SDRC are genuine actions linked to outputs of the Project with a realistic and challenging deadline. The DNO must set out the criterion and then **clearly state the evidence it proposes Ofgem should use to assess performance against the criterion**. The criteria must be linked to meeting the outputs of the Project identified in the full submission and **linked to the Project plan**. For example, they could include meeting identified Project milestones or achieving the proposals it puts forward for generation of new knowledge to be shared amongst network operators. The criteria must be SMART – specific, measureable, achievable, relevant and time-bound.

**Section 10: List of Appendices**

The DNO must provide a list of the appendices which it has submitted alongside the Pro-forma. This must list the name of each appendix and give a short summary of its contents.

**Appendices**

The fully completed Pro-forma (without appendices) should not exceed 54 pages in total. The total length of the submission including the Pro-forma and appendices (but excluding the Full Submission Spreadsheet) should not exceed 100 pages.

The DNO is free to include any further supplementary information it wishes in the appendices. The relevant sections of the Pro-forma should clearly signpost where in the appendices the reader should turn to.

**Appendix 1: Benefits Tables**

The DNO must complete two summary tables of the benefits the DNO expects the project to deliver; one for the anticipated financial benefits and one for the anticipated carbon benefits (eg capacity released). The information contained in these tables should be consistent with the information captured in the Net Benefit tab of the Full Submission Spreadsheet. The tables should be included as the first appendix of the submission.

The tables require the DNO to indicate the anticipated benefits of each Method being trialled at three time points - 2020, 2030 and 2050.

* The **financial benefits** table should include the estimated net financial benefit of the project. The financial benefits should be stated in £million. The DNO should calculate the benefits using the method set out in section 3 paragraph 3.58 of the LCN Fund governance document. Benefits should be stated in today’s money, with no assumptions about inflation. Carbon benefits should not be monetised in this table – carbon benefits should be captured separately in the carbon benefits table.
* The **capacity released** table should summarise the capacity the DNO expects the project to release and should be stated in kVA.
	+ If the project benefits cannot be expressed as kVA, the DNO may state the benefits in kWh (ie energy savings). The DNO must explain why kWh is more appropriate for the project.
	+ If the project is expected to release capacity and also deliver project benefits which cannot be expressed in kVA, the DNO should provide a separate table for each type of benefit. In other words, one table stating benefits in kVA and the other table stating benefits in kWh. The DNO must demonstrate that the benefits stated are separate and not double-counted.
* The DNO may also include in appendix one an assessment of the project’s **overall** **carbon impact.** The DNO should state these benefits in CO2 equivalent. The DNO should present the carbon benefits in a way that is consistent with the format of the financial and capacity released summary tables. (ie the DNO should separate benefits for each method, calculate the benefits to 2020, 2030 and 2050, and reference underlying assumptions explained in the Pro-forma).

Each table should summarise the benefits that the DNO describes and explains in the Pro-forma. The DNO should use the ‘Cross-references’ column to indicate where the calculations and assumptions underlying the benefits are explained in detail. The DNO should include page references.

The DNO should use the ‘Notes’ column to indicate the circumstances where the benefits may be greater or less than those indicated – this should include higher and lower limits. The DNO should use this section to reference other relevant information contained elsewhere in the submission.

These tables provide a common format for the DNOs to clearly present project benefits in way that is easily accessible for the Expert Panel. The DNO **should not** amend the row and column headings. However, the DNO may add/ remove rows to reflect the number of Methods being trialled.

We recognise that innovation projects, by their nature, are different from one another. We note that this can make it difficult to present the benefits they deliver in a completely consistent way. The DNO should complete the summary tables as fully as possible in a way that sensibly captures the benefits of its project. The Pro-forma should be used to explain and provide further detail about the benefits captured in the tables.

We are not specifying what assumptions the DNO should use. The DNO should clearly explain and justify the assumptions it uses to estimate the benefits of a project. We will assess the robustness of these assumptions during the Full Submission evaluation process.

The summary tables **do not** change or replace the requirements set out in the LCN Fund Governance Document. The nature of our and the Expert Panel’s assessment of the Full Submission will not change.

**Other Appendix requirements**

Below are the additional minimum requirements we would expect to see in the appendices:

* Maps and network diagrams to help explain the technical detail of the Project.
* A detailed Project plan, risk register, contingency plan and organogram.
* Further detail on Project Partners including what they add to the Project, how much they are contributing financially to the Project, the status of any contractual relationship, the role of the Project Partner in the Project and how their funding relates to the benefits from the Project.
* Further detail on the estimates a DNO has used to calculate the Base Case costs. This should include a brief description of the Base Case method and an explanation of why that is the most efficient method in use on the GB Distribution System of delivering the Solution (at the scale being tested in the trial). A DNO can expand on the description of costs detailed in the Full Submission Spreadsheet or provided in Section 4 of the Pro-forma and provide a qualitative account of how the Method Costs differ from the Project costs and why.
* Where a Project will involve changes to any part of the distribution charging methodologies (connection or use of system), a DNO must include the following information:
* A short summary justification of why it considers the new charging arrangement being trialled will better achieve the relevant objectives set out in SLC 13, 13A, and 13B (as applicable).
* How Customers will be recruited for the new charging arrangements, including whether the recruitment will be voluntary and whether Customers will “opt in” or “opt out”.

The circumstances, if any, under which Customers participating in the new charging arrangements could experience higher distribution charges.

**Full Submission Spreadsheet**

The DNO must ensure that the completed Full Submission spreadsheet is in a printer friendly format and does not need to be re-sized in order to be read when printed.

**Front Sheet**

A DNO must enter its name and the date on which the Full Submission Spreadsheet was submitted. The tab also describes the colour coding of cells that is used throughout the Full Submission spreadsheet.

**Second Tier Funding Request**

This tab summarises the Project costs by linking through to other cells in the workbook. The only entry cell is D85 where a DNO must insert the current Bank of England Base rate. Cells C89 to J89 contain the RPI forecast which a DNO must use to forecast costs in future years.

The macro button will calculate the Second Tier Funding Request.

**Direct Benefits**

A DNO must provide a description of Direct Benefits in column B and enter the value of that benefit in columns C-D (depending upon the year in which the Direct Benefit is anticipated to be realised). No Direct Benefits can be claimed outside of the DPRC5 period. Rows can be added where there are multiple sources of direct benefit.

**Project Cost Summary**

There is a table for each year up to 2019-20. All tables in this tab should link through to the ‘Second Tier Funding Request’ tab. A DNO must add a new row for each additional project partner in each year and ensure these cells link to the tabs for 2014-15 to 2019-20.There are no input cells in this tab.

**2014/15 – 2019/20**

There is a tab for each regulatory year from 2014-15 through to 2019-20. DNOs must use these to capture the costs in each year of their Project.

In each year tab a DNO must add an additional row for each line item of expenditure. The DNO should ensure that the “description”, “task” and “workstream” columns are identical for all regulatory years and the Whole Project tabs even if there is no expenditure in those areas in a given regulatory year. This will ensure the Whole Project tab sums correctly.

All expenditures should be included so that the Total Cost in column Q is equal to the Total Project Cost in that year. It must describe the line item in column B explain the task it is related to in column C and the workstream it relates to in column D. These line items should be the same (and in the same order) in each year tab and in the ‘Whole Project’ tab.

DNOs must then outline the cost of this line item in columns G-P according to the categories of expenditure which the line items falls into. We have set out some guidance on cost categories towards the end of this document. DNOs must allocate each line item of expenditure to one of columns G-P.

Columns R-X outline the different sources through which Project expenditure can be financed. For each line item DNOs must outline the percentage of expenditure which each of these sources will finance.

The total cost of each line item (columns G-P) must be multiplied by the percentage of expenditure from each source (columns R-X) to complete columns Z-CL. We include these links for the rows shown. Where new rows are added, DNOs must ensure that the formulae are copied down.

A DNO must replace the ‘Project Partner 1’, ‘Project Partner 2’ and ‘Project Partner 3’ with the names of their Project Partners or External Funders. A DNO may need to add new columns if it has more than three Project Partners or External Funders who are providing funding. These additional Project Partners or External Funders must also be named and a DNO must add a new row for each additional Project Partner or External Funders in the summary table and the tables for each year within the ‘Project Cost Summary’ tab.

A DNO must ensure that once it has completed these tabs for each line item of expenditure, the Total row is linked through to the relevant year table in the ‘Project Cost Summary’ tab. The Total row in each year tab is set to sum all the cells above it.

**Whole Project**

A DNO should ensure that the Total Cost columns (G-P) in the Whole Project tab are the sum of the yearly costs of each line item. A DNO will also need to calculate the funding sources in columns R to W using the data in the yearly tabs and the Total Cost in columns G-P.

A DNO must complete this tab in the same way as the ‘2014-15’ to ‘2019-20’ tabs. This tab should include each line item of expenditure for the Project. This tab also contains two extra columns hidden in the ‘2014-15’ to ‘2019-20’ tabs. These are in columns E and F. In column E a DNO must enter the unit cost of any item described as ‘Equipment’; the number of person days of any costs described as ‘Labour’; the payment per user\* of any costs described as ‘Payments to users’; and the expected length of any contract required and contractor days for costs described as ‘Contractor’.

In column F DNOs must provide a brief description of the role of that line item in the Project. This could take the form of the function of a piece of equipment, the staff type of labour costs; or the tasks or role to be performed by Contractors.

There is a check in columns CN-CW to ensure that the total amount allocated to each funding source is equal to the total cost of each line item. A DNO must copy the formula in columns CN-CW to ensure that such a check is undertaken for each line where they have entered data.

\* There should be an individual line item for each type of payment to users.

**Project Direction costs**

A DNO must complete this tab to produce a list under each cost category of the line items and the total costs which would be funded by the LCN Fund, the DNO Compulsory Contribution, any DNO Extra Contribution and any Direct Benefits. This tab forms the basis of the Project Budget that will be included in the Project Direction in the event that the Project is awarded funding. This list must be linked directly to the relevant cells of the ‘Whole Project’ sheet – the cost data will be in columns CA-CF of this sheet (under Outstanding Funding Required) whilst the line item description will be in column D. DNOs will need to insert rows to add line items under each cost category.

If awarded funding a DNO will be required to report where the costs identified in this tab have changed by 5 per cent or more. When drafting the Project Direction, Ofgem will take into account any lower level costs contained in this tab and may decide to merge them into one line item against which DNOs will report.

**Net Benefits**

The ‘Net Benefits’ tab has six tables (a) to (f). These reflect the requirements of Evaluation Criterion a).

Costs

Evaluation Criterion a) requires DNOs to detail the financial benefit by estimating the Costs of delivering the Solution(s) (at the scale being tested within the Project) through the most efficient method currently in use on the GB Distribution Systems - the Base Case Costs. DNOs must compare the Base Case Costs to the costs of replicating the Method, once it has been proven successful, at the scale being tested in the Project - the Method Costs. The difference between the Base Case Cost and the Method Costs is the financial benefit of the Project.

A DNO must complete table (a) to provide a clear breakdown of the Base Case Costs. For instance if it is a reinforcement scheme, DNOs must include each item of capital and operational expenditure in column B and in column C provide a description of what that expenditure was for e.g. a transformer. DNOs will need to add rows for each method in order to detail each item of expenditure. We would expect DNOs to provide a description and justification of the Base Case Costs in the Pro-forma (Section 4(b)) and in the Appendices if necessary.

A DNO must complete table (b) to provide a clear breakdown of the Method Costs. This is not the costs of the Trial but the costs of replicating the Method on the same scale as business as usual. A DNO will need to add rows to the Project Method Cost table to detail each item of capital and operational expenditure. We would expect a DNO to outline a qualitative case of how the Project Method Costs differed from the Project costs in the Pro-forma (section 4(b)) and in the appendices if necessary.

Network Capacity

Evaluation Criterion a) also requires DNOs to outline the network capacity released by each separate Method(s) being trialled in the Project.

A DNO must complete table (c) to set out the capacity made available on the distribution system by the Method in kilowatts. This should represent the additional headroom released on the distribution system following implementation of the Method.

Method Time

Evaluation Criterion a) requires DNOs to outline how much quicker the Method(s) being trialled releases this capacity compared to the most efficient method currently in operation on the GB Distribution System.

A DNO must complete table (d) to set out the time it would take in months to deliver the capacity set out in table (c) under the Base Case. A DNO must also complete table (e) to set out the time it would take in months to replicate the Method on the same scale as part of a roll out.

Roll out

Evaluation Criterion a) requires DNOs set out the potential for replication of the Method(s) across GB in terms of the number of sites, or the percentage of the GB Distribution System where the Method could be rolled out.

A DNO must complete table (f) to set out the estimated number of sites, or percentage of the GB Distribution System, where the Method could be rolled out over the years to 2040.

A DNO must complete tables (a) to (f) for each Method it is trialling. Where necessary a DNO should create new tables for each Method it is trialling.

**Cost Categories**

The following guidelines should be followed when considering the category under which Project costs should be described. A DNO must not include any costs which have been funded as part the Electricity Distribution Price Control Review (DPCR) 5.

**Labour**

The costs of DNO staff working on the Project.

**Equipment**

The equipment, materials and consumables that will be purchased for the sole purpose of carrying out the Project.

**Contractor**

The costs of any non DNO staff who are employed to work on the Project.

**IT/Communications**

The purchase, development, installation and maintenance of computer and telecommunications systems and applications for the purposes of the Project. Includes:

* IT/Telecoms Network or Services Provision
* IT/Telecoms Network or Services Maintenance
* Telecoms Voice and Data Network Usage
* Telecoms Telecontrol Network
* IT Servers Support Services
* IT Environmental Control Systems
* IT Clients Support/services
* Telecoms Management
* IT Management
* IT Applications maintenance and running costs
* IT New Application software and upgrade costs

**IPR Costs**

Costs of assessing, evaluating and licensing intellectual property which is anticipated to be produced as part of the Project.

**Travel & Expenses**

Any travel & expenses costs which are not business as usual. For instance if the Project was in a remote location and required extensive travel for contractors or DNO staff. It would also cover any long distance (overseas) trips planned as part of the Project or required for contractors or staff to undertake work in the Project.

**Payments to users**

Any monetary payment or discount which is provided to a Customer or user of the Distribution System in return for a predetermined action which the DNO has requested.

**Contingency**

Costs which a DNO has included in the Project budget to cater for any cost over-runs.

**Decommissioning**

Costs of removing or decommissioning any part of the Project eg equipment or IT infrastructure

**Other**

Project costs which do not fit with any of the categories above.

1. [1] A cross industry venture consists of two or more Projects which are interlinked with one Project requesting funding from the Gas NIC and the other(s) from the Electricity NIC or LCN Fund. [↑](#footnote-ref-1)
2. In assessing the most efficient method currently in use on the GB Distribution System, DNOs should look at the Minimum Cost Scheme under which they would deliver the Solution (at the scale being tested within the Project). We also expect that they take into account lower cost methods which other DNOs have deployed successfully on their network which could deliver the Solution (at the scale being tested in the Project). [↑](#footnote-ref-2)