

Dora Guzeleva  
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Ofgem  
9 Millbank  
London  
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19 December 2014

Dear Dora,

### **Consultation on Proposed Changes to the NIC and NIA Governance Documents**

Thank you for the opportunity to comment on the above consultation.

As you aware NGN is the only GDN to have bid in each of the first two years of the NIC with varying outcomes. This experience has given us an insight and perspective on the challenges associated with submitting two very different types of project under the current NIC bid process.

It is our view that the process for NIC submissions does not allow networks to provide a full comprehensive overview particularly for more complex projects. The process involves provision of a written submission with no supporting 'voice over' then two expert panel sessions. This process appears to work effectively where the submission or proposed project is relatively straight forward. For example, a new 'widget' is going to be tested which can be justified with a forecast cost benefit analysis and associated carbon savings. A 46 page document (with only parts 2 and 3 on the project description) and two sessions of maximum of one hour with the expert panel we consider is too limiting particularly for more complex bids. For more complex projects that are trying to address significant issues, trying to explain these in a 'cold' and limited document is both difficult and ironically very un-innovative.

For these types of project (and probably for all project submissions) the network should be able to deliver the document in a dynamic pitch format that could include taking a full morning or afternoon. The timescales allotted for the evaluation of each bid should be flexible dependent on the complexity of the issues and degree of understanding the expert panel have on the issues being addressed.

Having the right level of expertise within the panel is critical and have contrasting experiences between our Year 1 and Year 2 bids in this regard. We experienced this year difficulties with the expert panel not being familiar with some aspects of the operation of gas network at the distribution level resulting in a disproportionate amount of time being taken with explaining this at the expense of evaluation of the bid itself. This is probably best addressed through ensuring the composition of the panel includes such expertise or if this is not possible through giving the expert panel a more flexible timescale such that additional time can be taken to fully understand the relevant issue or bringing additional

independent expertise onto the panel. Given the scale of potential NIC projects and efforts bidders put into their submissions we believe the additional costs this would entail are fully justifiable.

NGN believe the expert panel would benefit from having the technical expert as part of the expert panel core team and see no benefit to the technical experts being a separate function. If there is still a requirement for separate technical experts the selection process should ensure they have suitable onshore experience at the distribution level and attend all the expert panel sessions.

As we have raised in all previous consultations on the gas NIC the criteria linked specifically to carbon savings is too restrictive. Bids should not be discounted if they cannot demonstrate carbon savings but have significant value for money savings for customers. Bids may not be coming forward because networks do not believe they can justify carbon savings but there are significant benefits to customers. This should be broadened to include wider environmental and customer benefits as the current criteria we believe is stifling significant innovation projects and reducing the number of bids under the gas NIC. It is also clear from our experience that the panel also have difficulties with this definition.

Our responses to the specific questions in the consultation can be found in the attached appendix. If you wish to discuss any aspect of our response please do not hesitate to give me a ring.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S. Parker', written in a cursive style.

**Stephen Parker**  
**Regulation Director**

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## Appendix

***Question 1: Do you agree that this criterion should be clarified to make it clear that licensees must explain their processes for selecting ideas and partners? Please explain your answer.***

Yes.

***Question 2: Do you agree that this provision should be amended to clarify that licensees should only make changes to their submissions to correct errors and incorporate changes as a result of discussions with the Expert Panel? Please explain your answer.***

Yes.

***Question 3: Do you have any comments regarding the time frame of the NIC process or the submission materials?***

The opportunity to present potential Bids earlier in the process and prior to ISP Stage and engage with Ofgem directly on whether it is likely to address the NIC Criteria would assist in the process of developing bids. The current format and timescales mean that by ISP stage the bids have to be almost fully developed with all partners on board etc before submission. The timescale between ISP and full submission is so short that the full bid is required very early in the process. We would support extending this time frame.

***Question 4: Are there any typographical, formatting or consistency issues associated with the NIC or NIA Governance Documents that you consider should be corrected?***

None that we have identified.

***Question 5: Do you have any concerns regarding any aspects of the Gas NIC? Please explain your answer.***

Our covering letter sets out a number of points of concern with the current process based on our experience during the first two years gas NIC.

***Question 6: Please indicate whether or not you plan to make use of the IRM and if so how many applications you intend to make.***

We do not intend to submit an application under the IRM in the May 2015 application window. We are not in a position to predict whether we will submit an application in the May 2018 window.