

Neil Copeland
Ofgem - Glasgow
107 West Regent Street
3rd Floor
Cornerstone
Glasgow
G2 2BA

Electricity North West
304 Bridgewater Place, Birchwood Park
Warrington, Cheshire WA3 6XG

Telephone: +44(0) 843 311 4800
Fax: +44(0) 843 311 5119
Email: enquiries@enwl.co.uk
Web: www.enwl.co.uk

Direct line: +44 8433 113710
Email: sarah.walls@enwl.co.uk

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Dear Neil

Proposed changes to the Network Innovation Competition and Network Innovation Allowance Governance Documents

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

Overall, we feel that the governance documents for the Network Innovation Competition and Network Innovation Allowance are, as Ofgem suggest, performing efficiently and are fit for purpose to continue with the excellent progress made on stimulating innovation within the industry.

The small number of changes Ofgem is considering and seeking views on through this consultation will be useful points of clarity as we transition to the NIC and NIA model in RIIO-ED1 and will ensure the governance continues to be robust.

Please find our responses to the consultation in Appendix 1.

If you have any questions regarding our response, please do not hesitate to contact me or a member of the team.

Yours sincerely



Sarah Walls
Head of Economic Regulation

Appendix 1 Detailed responses to questions raised in consultation

Please find below our responses to the specific questions raised in the consultation.

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.

We acknowledge that further clarity on the expected detail required under the evaluation criteria is always beneficial, particularly as this requirement is covered twice in the ISP pro-forma. It is included on page 5 under “delivers value for money for distribution customers” and again on page 8 “project partners and external resourcing/funding”.

In the LCN Fund Second Tier competition for 2014/15 we received a question seeking further information on the processes and procedures for selecting innovation project concepts and Project Partners. We submitted a much more comprehensive justification detailing the processes/ procedures in place within Electricity North West and we understand we were able to satisfy the criteria with this additional detail. Therefore, to allow applicants to provide sufficient detail to meet this criterion we suggest further space is required to submit a fulsome justification.

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.

We agree that it would be beneficial to provide additional clarity on the scope of the appropriate changes from the original Full Submission to the revised Full Submission and associated materials. Having been involved in working through the governance arrangements and seeing those develop over the life of LCN Fund, DNOs have gained experience with the allowable changes for the resubmission whilst other LNO organisations have not.

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

Whilst understanding the views of some who would prefer to see more time between ISP and Full Submission, we believe the current arrangements, whilst undoubtedly challenging in terms of timescales, are adequate. This provides for an appropriate balance between undertaking diligent preparations for the ISP stage and developing the more detailed proposal for the Full Submission materials.

In our response to question one, we suggest that more space in the ISP will allow us to better respond to the criterion for explaining how partners and ideas are selected. We understand however, that the evaluation of NIC bids needs to be time bound and therefore do not propose amending the length of the Full Submission pro-formas. The option of including a number of non-obligatory appendices allows for further detail pertinent to the project being described.

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

We have submitted comments on the NIC and NIA governance documents in August of this year. Our feedback on proposed corrections included ensuring correct references for each licence type, updated footnote references, small typographical corrections and tense consistency, corrections for inclusion of RIIO-ED1, inclusion of GB in the definition of “Distribution System” and consistency of use and capitalisation of defined terms across both NIC and NIA governance documents.

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

No comments on this question.

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.

It is our intention to make use of the IRM when appropriate and it is likely that we will submit applications during the two application windows in 2017/18 and 2019/10. Whilst the licence provides a broad framework for the IRM, guidance notes containing further detail would be welcomed to provide clarity on the application process and evaluation criteria for approving an application. This would assist with understanding how many applications we would consider making.