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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. This letter should be treated as a consolidated response on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. Our response is not confidential and can be published via the Ofgem website.

Our answers to the consultation questions are set out in the appendix to this letter and we hope that you will find our comments helpful. If any part of our response requires further explanation or clarification, please do not hesitate to contact me.

Yours sincerely



Keith Hutton  
Head of Regulation  
UK Power Networks

Copy Martin Wilcox, Head of Future Networks, UK Power Networks  
Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks

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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.**

Please see set out below our comments on the proposed amendments to the NIC Governance Document:

- Paragraph 1: *“How the idea that is being tested through the project was selected. This should explain the process, criteria and basis of the decision taken to choose the project. The licensee should explain how this fits into its innovation strategy and why other ideas were discounted.*

We do not have any concerns with the addition of this paragraph.

- Paragraph 2: *“The detail of the process, criteria and basis of the decision that the licensee took to select project partners and participants (where these have been identified and finalised) and why the decision(s) taken represents good value for money.”*

Although we are comfortable with providing details of how project partners and participants have been selected, we do not agree that a project should be rejected at ISP stage if Ofgem considers that the information provided is not adequate. We believe that at ISP stage it is too early to judge value for money for project partners and participants.

If the project meets the eligibility criteria, DNOs should be given the opportunity to explain their choice of partners and participant, and why it represents good value for money at a face to face meeting.

- Paragraph 3: *The process and criteria that will be used to select project partners and service providers that have not yet been identified or finalised and how this will ensure value for money.*

We do not have any concerns with the addition of this paragraph.

**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.**

UK Power Networks believes that existing controls are sufficient (please see extracts from sections 5.38 and 5.39 of the NIC governance document below)

- 5.38: “Any resubmission should not substantially change the underlying Problem, Method or Solution of the Project”.
- 5.39: “The amendments or clarifications to the original Full Submission, resulting from requests for clarification, questions raised by the Expert Panel or points raised by Ofgem's consultants, must be clearly identified in an addendum. This revised copy will be published on Ofgem's website following the end of the Full Submission process.”

DNOs will usually continue developing the project during the bidding process to ensure project readiness and keep project partners engaged, which may result in new information becoming

available. We believe that DNOs should have the flexibility to add additional relevant information. This will also ensure that Ofgem has as complete a picture as possible to make its decision.

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

From our experience of the LCNF Tier 2 process, we consider that both the timescales and the submission materials are appropriate.

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

Please see the email sent by Paul Measday on 08/08/14 which listed a number of proposed changes to the documents.

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

We understand that this question is only relevant to the 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 understand that this question is only relevant to gas transporters and electricity transmission operators. We would however like to inform Ofgem that UK Power Networks currently intends to make use of the IRM when it becomes available to DNOs.