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Dear Neil

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

I am writing to you on behalf of Northern Powergrid Holdings Company and its wholly owned electricity distribution licensees Northern Powergrid (Northeast) Limited and Northern Powergrid (Yorkshire) plc. This letter provides our response to Ofgem's recent further consultation regarding the proposed changes to the Network Innovation Competition and Network Innovation Allowance Governance Documents.

We have reviewed Ofgem's proposals in some detail. On questions 2 through to 4 we agree with Ofgem's proposed approach whilst on questions 5 and 6, we have no view to express.

For question 1, whilst we agree in principle that the proposed changes on idea and partner selection as part of the NIC are an entirely legitimate concern for Ofgem as a part of the assessment of projects, we do not feel this is best done at the ISP stage and should, if thought necessary, be considered as part of the full bid appraisal.

Our comments on each of the consultation questions are set out below:

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?

The ISP submission was envisaged as a screening process to ensure that the key eligibility criteria for, at the time, LCNF, and later, NIC projects were met. The proposed changes to ISP appear to be moving away from this and imposing a increasing requirement to justify that is more appropriately addressed later in the selection process.

There are several further points that need to be considered:

It must be recognised that some partners are self-selecting. They bring the idea for an innovative project to a licensee. Where their participation in the actual project is then going to be subject to a value for money selection process they may feel that the risk/reward balance for their initial involvement and bringing forward their ideas is unattractive.

Where a partner's contribution to the project is at the request of the licensee and involves generic skills it is entirely right to review selection processes to ensure cost effectiveness. However this seems to us to be an issue for the full project review and not for ISP.

The process of developing an innovative idea and the design of the implementation and delivery process can be quite an emergent process. Explaining such non-linear processes is often quite difficult and certainly more so when only a small amount of text is available to do so as is the case at ISP

How projects support and deliver licensees published innovation strategies should be explained. This is important in showing that proposed projects are fully aligned to stakeholder's needs. Again this should probably be included as a part of the project bidding process rather than at ISP.

2. Do you agree that this provision [correction process] 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?

We agree that any changes that are being made at a relatively late stage in the process should be restricted to those that are addressing specific issues raised as a part of the assessment process, either through the consultants' reports or Expert Panel discussions.

However it would be useful to understand why late additional changes are being made and whether the process needs to be amended to meet some real need, ensuring that the fullest possible understanding of a proposal can be achieved.

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

Since the inception of the LCNF second tier competition it appears that the degree of detail required for full submission has increased substantially. Any increase in the time available between ISP and full submission is likely to be helpful to licensees in ensuring that project plans can be produced to the required level of granularity.

4. Are there any typographical, formatting or consistency issues associated with the NIC or NIA governance Documents that you consider should be corrected.

None, so far as we are currently aware.

Question 5 and 6 appear aimed at current RIIO licensees are not relevant to Northern Powergrid, as an electricity distribution network operator, and we have no comment to make on these.

I hope you find these comments useful. If you have any questions arising from this response please do not hesitate to contact me.

Yours sincerely



Chris Goodhand
Innovation Manager