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19th December 2014

WWU response to Ofgem consultation on proposed changes to Network Innovation Competition and Network Innovation Allowance Governance Documents

Dear Neil,

Thank you for the opportunity to respond to this consultation. Innovation is critical to future business success and we are very supportive of the Innovation focus within the RIIO framework. We think it is timely to review the innovation governance documents now we are half way through the second year of RIIO.

You will be aware that WWU submitted the first cross sector project to the NIC panel, which was ultimately declined, and that experience has helped inform our response.

NIC submissions are a significant commitment for any organization and given the mixed outcomes for gas networks to date, you will be aware that the CEOs of the gas networks in collaboration with the Energy Innovation Centre have started work to collectively identify key industry issues which may lead to the identification of future NIC projects. David Gray is engaged in this work, as are senior representatives from DECC. We look forward to sharing the development of this work with you over the coming months.

In relation to the specific questions raised in this consultation, we have limited our responses to those questions where we have a contribution to make.

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A) Evidence of a competitive process when selecting partners

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 use a variety of communication methods to encourage external and internal innovative thinking into the sector. Ofgem will also be aware we utilise the Energy Innovation Centre to reach the widest possible audience.

We support the requirement to explain our processes for selecting ideas and partners but there are a variety of scenarios that result in innovative ideas and partner engagement. Therefore the processes will vary dependent on the particular circumstance and we would not want to be bound by a “one size fits all” requirement. Our goal is to optimize innovation investment and partnerships that will benefit consumers.

B) Clarification of the re-submission process following the second bilaterals

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

Following relevant feedback from the expert panel, we agree changes to submissions should reflect that feedback.

C) Deadline and Submission Materials

Question 3. Do you have any comments regarding the timeframe of the the NIC process or the submission materials

We think that the general structure of documentation required is proportionate and appropriate.

The timescales are lengthy and may deter some submissions where smaller external companies require shorter term certainty of funding. There have been a few projects brought to WWU by partners that might have made good NIC project submissions but they chose not to use this route due to the lengthy timescales of the NIC process.

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Question 6. Please indicate whether or not you plan to make use of the Innovation Rollout Mechanism and if so how many applications you intend to make.

We are currently considering whether to make use of the IRM.

Yours sincerely



Steve Edwards
Head of Regulation
Wales & West Utilities

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