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18 December 2014

Dear Dora,

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

National Grid Gas Distribution (NGGD) welcomes Ofgem's publication of the proposed changes to the Network Innovation Competition and Network Innovation Allowance Governance, and thanks Ofgem for the opportunity to respond.

**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.**

NGGD do not have a strong view on this particular change. We understand it is a criterion in the selection process and therefore with or without change we intend to make the fullest submission possible.

**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 the resubmission process should only include additional material that has been previously discussed during the evaluation process and discussions with the expert panel. Our understanding is that the objective of the re submission process is solely to address points highlighted by the panel or to correct error, rather than an opportunity to include any other supplementary material.

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

Currently the NIC bid process structure means that the ISP is submitted in April and the full submission at the end of July. We would be in favour of a proposal to allow more time between initial submission and full submission by bringing the ISP deadline forward. However this would need at least one year of transition process.

The full submission documents are not easy to work with or format. The specific issue is that working within text boxes with a word document makes formatting of diagram, images and tables very difficult.

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

There are no issues we consider should be corrected.

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

NGGD have submitted one NIC bid to-date as the cost of developing a quality bid can be significant. A limit of £175k for NIC bid preparation costs may be a barrier for submitting multiple bids in addition to the funding arrangements where we have some concern.

For our current project, NIC funds have been placed in a current account, to ensure the required transparency of transactions, which will attract an interest of only 0.05%. This leaves a significant gap in funding as there is an assumption in the NIC governance document that the bank account used will attract an interest rate of 1.5% over Base Rate. This is expected to result in a shortfall of funds for the project, which will have to be met from NGGD resources, as NGGD has already committed to project funding of the full amount specified in the NIC award (£2,125,500).

**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.**

NGGD does have an innovation proposal that we believe will meet the IRM mechanism, however at this stage we are assessing whether it would be appropriate to submit either in May 2015 or at the second window in May 2018. We will update Ofgem on our views early in the New Year.

Yours Sincerely,

Tony Nixon  
Strategy and Innovation Manager  
Gas Distribution