

## Notes on completion of the Successful Delivery Reward Application

Before completing the Successful Delivery Reward (SDR) application, please refer to the Low Carbon Networks Fund (LCN Fund) Governance Document or relevant Network Innovation Competition (NIC) Governance Document.<sup>1</sup>

The main body of the SDR application is limited to 24 pages and 24 pages for the appendices, with a minimum permitted font size of ten. The network companies can include images and tables where appropriate. It is suggested that the following number of pages are allocated to each section:

- executive summary (to include justification of proposed proportion of SDR) – one page
- evidence of timeliness and quality for Successful Delivery Reward Criteria (SDRCs) – eight pages
- evidence of cost effectiveness for SDRCs - six pages, and
- project management - six pages.

Where possible, evidence should be linked or referenced to specific paragraphs in the six monthly progress reports, SDRC reports, and project close down reports, publically available information or any other submission to Ofgem. If evidence is required that cannot be referenced or succinctly included in the application, this evidence should be added as an appendix to the application. The appendices should not exceed an additional 20 pages. The evidence will form an auditable trail that will be sampled and verified by Ofgem during the assessment window.<sup>2</sup>

The application will be made public (published on the Ofgem website). If there is confidential material, relevant to the application set out in the application, separate public and confidential versions should be submitted.

The annual assessment window for the SDR begins on the 1 May and will end on 31 July each year.

Ofgem will notify the network company if we consider the application has insufficient evidence. The company may choose to resubmit its application. If a resubmission is made, Ofgem maintains the right to extend the decision process.

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<sup>1</sup> All capitalised terms not otherwise defined in this document have the meaning given to them in the LCNF Governance Document or in the relevant NIC Governance Document, as appropriate.  
Low Carbon Networks (LCN) Fund Governance Document - <https://www.ofgem.gov.uk/electricity/distribution-networks/network-innovation/low-carbon-networks-fund>  
Electricity Network Innovation Competition Governance Document - <https://www.ofgem.gov.uk/publications-and-updates/electricity-network-innovation-competition-governance-document>  
Gas Network Innovation Competition Governance Document - <https://www.ofgem.gov.uk/publications-and-updates/gas-network-innovation-competition-governance-document>

<sup>2</sup> The terms Ofgem and the Authority. "we", "us" and "our" are used interchangeably in this document. The Authority is the Gas and Electricity Markets Authority. Ofgem is the Office of the Authority.

Electricity Distribution Network operators should submit their LCN Fund SDR applications by email to [lcnfund@ofgem.gov.uk](mailto:lcnfund@ofgem.gov.uk) and projects funded through the Network Innovation Competition should submit their application by email to [networks.innovation@ofgem.gov.uk](mailto:networks.innovation@ofgem.gov.uk). The deadline for the applications is 5pm on the 1 May. Any application submitted after this time will not be assessed.

If the data size of the application is above 28 MB, please contact Ofgem prior to submission to find an alternative means of file transfer.

## Section 1: Evidence for Successful Delivery Reward Criteria

In accordance with our decisions in August 2014<sup>3</sup>, following consultation on implementing the Discretionary Funding Mechanism under the LCN Fund, the SDRCs will be assessed against timeliness and quality of delivery. The cost effectiveness of delivering the SDRC outputs will also be evaluated.

### Timeliness and Quality

Assessment of the SDRCs will include an evaluation of whether the project was delivered in a timely manner. It will therefore be necessary for the network companies to provide sufficient evidence demonstrating that the SDRC deadlines were met. References to six monthly progress reports or other documents can be used to demonstrate timely delivery. The specific location of the relevant reference should be provided. If an SDRC was delivered after the deadline it is advisable that a justification for the delay is provided.

If the requirements for meeting the SDRC have been changed through an approved changed proposal the new deliverables should be cited and a reference provided for the relevant change proposal. The application needs to demonstrate that the project has met its changed SDRC requirements if a change has been approved by us.

The SDRC must be delivered to sufficient quality. The types of evidence for quality may include:

- peer-reviewed, published journal articles or reports
- independent verification of delivery
- third party endorsement
- feedback from stakeholders and consumer engagement
- feedback on consultation
- feedback from learning dissemination events
- user uptake of and/or user feedback on products and services.

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<sup>3</sup> Decision on implementing the Discretionary Funding Mechanism under the Low Carbon Networks Fund (21 August 2014) - <https://www.ofgem.gov.uk/publications-and-updates/decision-implementing-discretionary-funding-mechanism-under-low-carbon-networks-fund>

This is not an exhaustive list and any further supporting evidence for the quality of the SDRCs will be considered.

### Cost Effectiveness

To demonstrate the cost effectiveness for the SDRCs, the actual project expenditure should be presented against each line in the project budget and any variances in excess of 5 per cent should be explained. For projects predating 2012 the project budget should be taken from the Project Direction and for projects post-2012 the project budget should be taken from Whole Project Total Cost part of the submission.

Any reallocation of the budget between categories needs to be explained and justified. If further funding was procured by the project internally or through partners it must be clear what the purpose of additional funding was.

Details of the use of the contingency budget should be provided along with the processes for determining if and when contingency funds were required, how much was to be used and the value provided by its use.

If there were commitments to return consumers' funding it is advisable to explain to what extent these commitments have or will be met.

Network companies should provide evidence that SDRCs have been delivered in a cost effective manner that gives the consumers value for their investment.

- For each line in the project budget greater than 5 per cent of the total project budget, the processes, including competition where appropriate, that were implemented should be described.
- Where possible, efficiencies that were employed in delivering the SDRCs and/or in delivering outputs that have produced further savings for consumers should be described.

In order to provide evidence of cost effectiveness we suggest that companies describe their procurement processes or how competitive prices were obtained.

The table below gives an indication of some of the detail required for demonstrating the cost effectiveness against the project budget:

Budget Category	Budget Line Item	Proposed Budget	Actual Cost	Reasons for variance > 5%	Process for deriving an efficient cost
	1.				
	2.				
<b>Total Budget Cost</b>					

## Section 2: Evidence of Project Management

To demonstrate that projects have been well managed, evidence of the management of uncertainty and change is required as stated in our decisions in August 2014.<sup>4</sup> It will be important provide evidence of the following:

- Best practice principles, processes and practices for project management were employed.
- Processes for change, uncertainty and risk management, including a focus on positive risks and project opportunities, were implemented and communicated during the project lifetime.

The application should reference the specific sections on risk management in the six-monthly project progress reports and the management of risk should be evidenced by the following:

- pre-emptive identification of risks and uncertainties during the project lifetime
- implementation and communication of any mitigation measures
- consideration of opportunities as part of the risk identification process, and
- whether or not the project was adversely affected by any issues and the circumstances of the issue.

It will be important for the network company to demonstrate its management, if applicable, of change proposals. The application should explain all changes to the project method, solution or delivery plan and whether a change proposal was requested. The application should reference the change proposal and demonstrate the following regarding change proposals:

- the timely identification of change proposals
- the reason any change proposals were modified or rejected
- the identification of all practicable measures implemented to rectify the issue that required a change proposal
- the provision of sufficient justification for the proposal, and
- the overall management of the change proposal.

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<sup>4</sup> Decision on implementing the Discretionary Funding Mechanism under the Low Carbon Networks Fund (21 August 2014) - <https://www.ofgem.gov.uk/publications-and-updates/decision-implementing-discretionary-funding-mechanism-under-low-carbon-networks-fund>