



Making a positive difference
for energy consumers

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Dear Alex

Low Carbon Networks Fund – amendments to Southern Electric Power Distribution’s SAVE project

This letter contains our¹ decision to approve requested amendments to certain sections of the Project Direction² dated 19 December 2013 and the Full Submission³ for Southern Electric Power Distribution’s (SEPD’s) Solent Achieving Value from Efficiency (SAVE) project (the project). The amendments are set out in the amended Full Submission and Project Direction in the schedule to this letter.

Background

On 19 December 2013, we issued a Project Direction to you.⁴ The Project Direction contains the terms to be followed in relation to the project as a condition of it being funded under the Second Tier and Discretionary Funding Mechanism.⁵

On 26 February 2015 you asked us to make changes to the Project Direction (the change request).⁶ We asked for further clarification in relation to the change request and you sent this to us on 27 March 2015. The amendments relate to two areas:

- 1) changing the design of the trial iterations; and
- 2) changing the household monitoring equipment.

The rest of this letter contains our analysis of the two areas of proposed change and our approval decision.

¹ The terms ‘the Authority’, ‘Ofgem’, ‘we’ and ‘us’ are used interchangeably in this letter. The Authority is the Gas and Electricity Markets Authority. Ofgem is the Office of Gas and Electricity Markets Authority.

² All capitalised terms not otherwise defined in this letter have the meaning given to them in the Project Direction.

³ SAVE Full Submission can be found at: <https://www.ofgem.gov.uk/ofgem-publications/84803/lcnsubmissionfromsepd-solentachievingvaluefromefficiency.pdf>

⁴ This was pursuant to the LCN Fund Governance Document issued pursuant to Part E of Charge Restriction Condition 13 (Low Carbon Networks Fund) (CRC13) of the Electricity Distribution Licence setting out the terms to be followed in relation to the project as a condition of it being funded under the Second Tier and Discretionary Funding Mechanism. The Project Direction can be found at: <https://www.ofgem.gov.uk/ofgem-publications/85400/saveprojectdirection.pdf>

⁵ Second Tier and Discretionary Funding Mechanism has the meaning given in CRC 13.3(b).

⁶ SEPD’s change request and associated documents are published alongside this letter and can be found at: <https://authors.ofgem.gov.uk/electricity/distribution-networks/network-innovation/low-carbon-networks-fund/second-tier-projects/sse>

Change 1: changing the design of the trial iterations

The original Full Submission planned for two active trial periods totalling 12 months with trials active through the summer months when distribution networks are less constrained. This change request updates the plan to include three active trial periods totalling 12 months.

You propose an updated trial iteration because it would:

- allow for more focused learning and review periods by including two review periods providing the opportunity to improve methods from an original one review period;
- give a greater focus on the higher seasonal demands over the winter months while still recording sustained effects over the summer months; and
- benefit the project with no increase to project budget.

You provided evidence to support this, including a letter from consultants DNV GL. This letter acknowledged that the change proposed offers many advantages, ensuring the stated learning outcome from the Full Submission while adhering to project deadlines.

Based on the evidence provided, and further discussions with you, we are satisfied that a change to the design of the trial iterations is unlikely to fundamentally alter the project's learning. We consider this to be a sensible change in light of the SDRC 1 report⁷ which reviewed learning from energy efficiency projects. The change offers additional benefits at no extra cost.

Schedule One below sets out the changes to the Full Submission to reflect the changes to the design of the trial iterations.

Change 2: SDRC 6 – changing the household monitoring equipment

The change request is to use Aeon labs clip-ammeters instead of NorthQ optical sensors as described in the Full Submission for monitoring household energy usage.

You propose alternative equipment because it would be:

- easier to install;
- easily redeployed thanks to its clamp design; and
- beneficial to the project with no increase to project budget.

You provided evidence to suggest this, including a letter from Wireless Maingate Ltd, your technology partner. This letter stated that the new monitoring equipment was easier to use and better suited to the project.

Based on the evidence provided and the discussions with you, we are satisfied that this change will not limit the project benefits. We consider that this change will offer a more efficient solution, with increased benefits at no additional cost. The improvement in efficiency of installation and ability to reuse devices may also produce cost savings. We note that the new type of sensor may be reused in subsequent projects of a similar nature. We look forward to monitoring the progress of this through the sixth month reports.

Schedule One below sets out the changes to the Full Submission and to SDRC 6 to reflect the different monitoring equipment.

⁷ SDRC 1 report Lessons learnt on Energy Efficiency & Behavioural Change can be found at: [http://www.smarternetworks.org/Files/Solent_Achieving_Value_from_Efficiency_\(SAVE\)_150225121853.pdf](http://www.smarternetworks.org/Files/Solent_Achieving_Value_from_Efficiency_(SAVE)_150225121853.pdf)

Decision

We consider that with the proposed amendments contained in your change request, the project will still deliver the benefits outlined in the original Full Submission and that these amendments are in the interests of customers.

Our assessment in this letter does not in any way fetter our discretion with respect to any future decision on the Second Tier Successful Delivery Reward, should you make a submission after the completion of the project. The Second Tier Successful Delivery Reward is intended to incentivise the Distribution Network Operators to manage their projects well. When change requests are assessed, consideration is given to whether there has been a material change in circumstances and whether any proposed changes are in the interests of customers. By approving this change request, we are not making an evaluation of your management of change.

In accordance with Section 13 of the Project Direction, we hereby amend the Schedule to the Project Direction in the manner set out in Schedule One to this letter.

This letter constitutes notice of reasons for our decision pursuant to section 49A of the Electricity Act 1989.

If you would like to discuss any of the issues raised in this letter, please contact Rory McCarthy at Rory.McCarthy@ofgem.gov.uk or 020 3263 9684.

Yours sincerely



Andy Burgess,
Associate Partner, Transmission and Distribution Policy
For and on behalf of the Authority

Schedule One

Amendments to the Schedule to the Full Submission and Project Direction

Amendments to the Full Submission

In relation to the trial periods

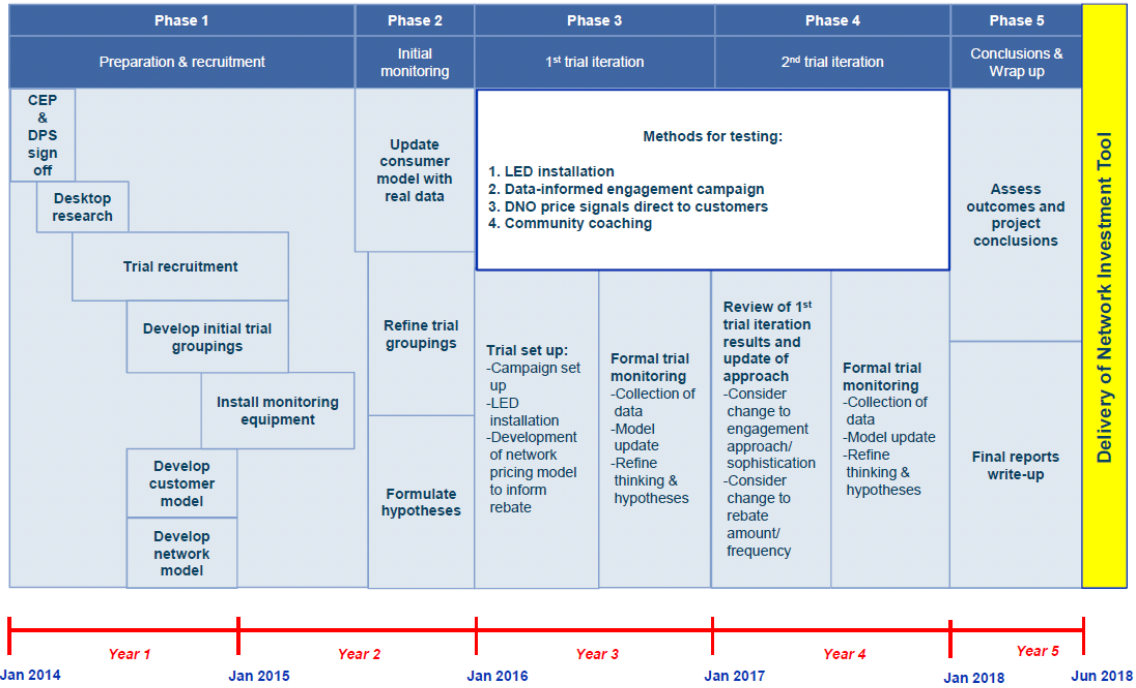
Amend page 10 of the Full submission in the following manner:

“Phase 3 – First trial iteration, will last for ~~one year~~ **9 months** (January 2016-~~December~~ **October** 2016). ~~Both trial iteration phases are split into two six-month periods.~~ The first period (~~January-March~~ **2016**) will give time to install technology, start tariffs and begin engagement campaigns; whilst the second period will allow a full six-month period of monitoring participant responses to the different methods deployed against the original, ~~pre-trial~~ **July-December** monitoring period. During this time, data will be collected, the customer response model will be updated and hypotheses will be refined.

Phase 4 – Second trial iteration period, ~~has a very~~ similar format to Phase 3 (this time running from ~~January 2017~~**October 2016**-December 2017). ~~However, in this case,~~ the first six-month period (~~October 2016-March 2017~~) will ~~allow the refined methods to be trialled following~~ **be used to** review of the outcomes and learning ~~provided~~ from the first trial iteration. ~~in order to update the approach for each method.~~ This will either be to improve delivery (e.g. how to target participants that did not engage in the first iteration), or to simply do things differently or more cheaply (~~e.g. to offer a lower rebate, or engage with participants on a more sophisticated basis through analysis of their appliance usage~~). The second period (~~March-October 2017~~) will allow analysis of the trials’ effects and further refinement of the methods while data is collected on the sustained impact. The final period (~~October 2017-December 2017~~) will allow the final refined methods to be trialled following review of the outcomes and learning provided through periods one and two.”

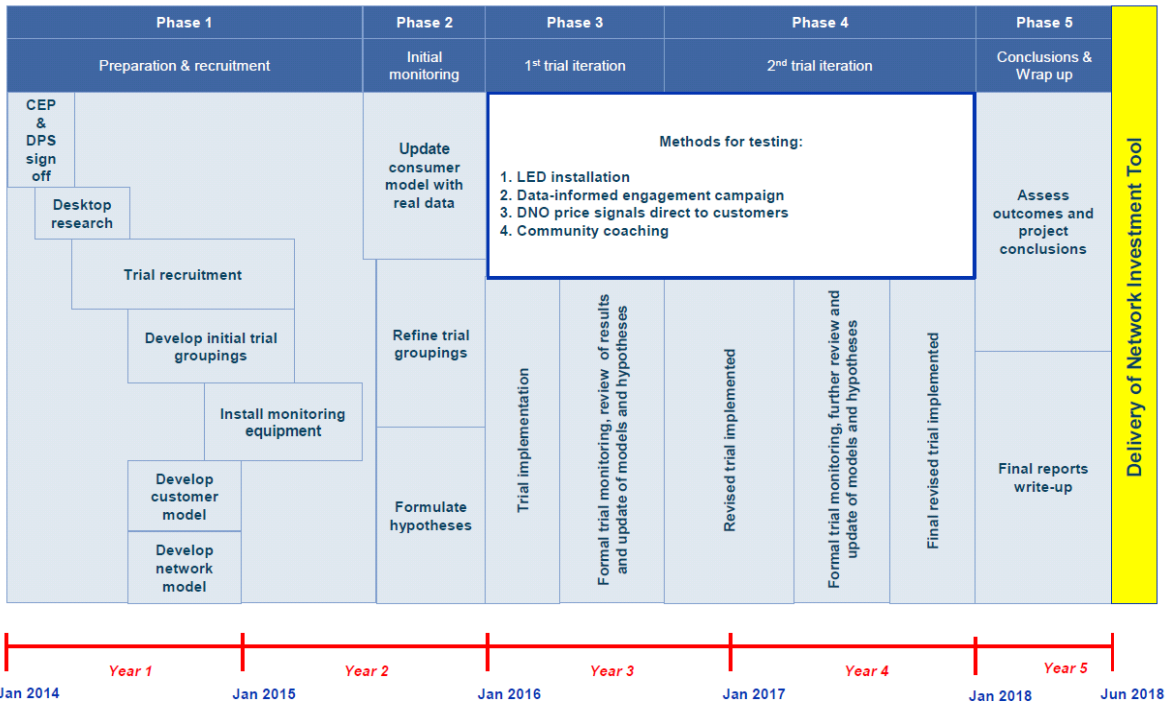
Currently Appendix K Project phasing diagram of the Full Submission reads:

Appendix K Project phasing diagram



This change request proposes that Appendix K be updated to reflect the change as follows:

Appendix K Project phasing diagram



In relation to the household monitoring equipment

Amend Appendix L, Maingate Proposal of the Full Submission in the following manner:

- "~~Power Reader Aeon Clamp~~ – This is an ~~optical sensor~~clip-ammeter capable of reading consumption ~~from both mechanical and solid state across all meters types~~. ~~Power readers will also be installed in every home.~~"

Amendments to the Project Direction

Amend section 11 of the Schedule to the Project Direction in the following manner:

6. Install 80% of optie-clamp sensors	6. Successfully install 80% of the optie clamp sensors within the properties of customers successfully recruited to trials, ensuring ability to retrieve data from these devices. Present findings in report June 2015.
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