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Your letter of  
Our reference  
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### Customer-led Network Revolution – Successful Delivery Reward (SDR) Application

Dear Nisha,

I am writing in response to Ofgem letter “*Consultation on the Successful Delivery Reward Applications for Low Carbon Network Projects*” dated 8<sup>th</sup> May 2015, specifically in support of Northern Powergrid application for their Customer-led Network Revolution Project.

Ofgem recognise the important role that collaboration plays in the successful delivery and learning for large scale innovation projects involving engagement and participation of customers and stakeholders throughout the energy supply chain:

*“Collaboration between Network Licensees and other parties in the energy supply chain is a central objective of the Network Innovation Competitions (NIC) .....”* (Ofgem, 14<sup>th</sup> October 2014)

The Low Carbon Networks Fund, introduced in 2010, and its successor the Network Innovation stimulus embedded under RIIO have been an undoubted success in preparing the UK networks for a low carbon future whilst delivering value for money for consumers. The UK is rightly seen as a leader in smart, low carbon networks – Ofgem should be commended for its foresight and leadership in reaching this enviable position. It is important for UK competitiveness that this level is maintained and that innovation is recognised and rewarded to become systemic not only within the network businesses but for industry and the wider supply chain. The transition of learning from innovation projects to business as usual policy and practice under RIIO-ED1 is an important measure of the success of the programme – it also validates that investment, in time and resources, was worthwhile

Siemens is a global leader in the energy sector and has a long history of working with electricity network operators providing a comprehensive range of products, services and turnkey solutions across transmission and distribution voltages; Siemens has supported innovation projects for the network licensees in the UK and participated in a partner role in each year of the programme to date, with five of the six DNOs. The prominence of the Low Carbon Networks Fund and opportunity to participate within large scale, thought-leading projects has ensured that the UK is a market that Siemens is prepared to invest in – this has enabled priority access to key resources from global product management (critical within innovation projects) along with commitment, support and visibility from Siemens’ executive management which benefits the UK electricity networks in their innovation projects.

Siemens AG has around 343,000 employees globally, operating in almost every country around the world – Siemens has participated within many Smart grid projects in each continent – the UK market structure, in contrast to vertically integrated utilities in many countries, presents a different set of challenges, with the opportunity to test

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technology at scale and develop new business models that can be trialled within second tier LCN projects, this is attractive to Siemens.

Siemens role within the Customer-led Network Revolution Project was to provide the overall hierarchical control concept, as part of the largest Active Network Management deployment, to date, in Europe. Siemens was selected through a comprehensive competitive procurement process. The ambitious nature of the project, involved co-ordination and optimisation of Enhanced Network Devices (ENDs) such as Electrical Energy Storage, Enhanced Voltage Control, Demand Side Response and Real-time Thermal Ratings across a range of network types – many of these technologies had never been deployed on a UK network or used as part of a wider unified system.

Siemens UK participation and successful delivery within the Customer-led Network Revolution project, received recognition within Siemens global innovation awards – winning first place within the category ‘Best Customer Project’ in 2014 – this is the first time that Siemens UK has received such global acknowledgement at divisional level and demonstrates the significance of the project on a world stage.

- Siemens will lead a global webinar on Active Network Management, later in 2015 with the case study being Customer-led Network Revolution – demonstrating the value and importance of this project and leadership of Northern Powergrid.

Below are comments in connection to the specific consultation questions:

**Question 1:** Do you consider that the SDRCs have been delivered to a quality expected from the Full Submission, in a timely and cost effective manner?

Northern Powergrid’s Customer-led Network Revolution and UKPN’s Low Carbon London remain the only projects of this ‘type’ to be funded under the tier 2 LCN programme; both submissions were awarded funding in year 1. The ambition of these projects was a ‘world-first’ and projected a future view of how networks could operate in a low carbon future through to 2050 – such vision is bold and demonstrates leadership – this marks these projects out as unique. To successfully delivery against the SDRC’s has been an extraordinary achievement by Northern Powergrid and Siemens is delighted to have been able to contribute, alongside the project partners in this success.

We recognise that external factors led to some delays that were ultimately approved by Ofgem through the change request process. The ambition and scale of these projects means that this degree of change could sensibly be expected and should not be considered as a failure. We note that Northern Powergrid did then deliver to the timescales approved in the change request (with some minor exceptions that are explained).

**Question 2:** Do you consider the project has been well-managed and has implemented best available principles, processes and practices for managing change and risk?

The Customer-led Network Revolution Project had clear Learning Objectives and work packages, which were evident in how the project structure, delivery and governance was set-up at the outset; whilst it is critical to have such a structure according to classical project management guidelines – the nature of such projects requires a greater agility and effective approach to change management.

One important aspect to highlight is the culture, behaviour and commitment of working together as a *single team* – this is critical to a successful outcome, since any project will experience highs and lows throughout the delivery lifecycle. How the *team* performs and pulls together at times of adversity is the clearest indicator of success.

Siemens experience of participation within a diverse range of LCN projects, has shown that whilst having classical project management processes and systems in place is important, real success comes through the *softer* elements of respect, clear responsibilities, passion and a commitment/drive to succeed. Northern Powergrid instilled these virtues during the delivery of the project behaving with respect and integrity.

**Question 3:** Do you consider that the change proposal process was managed well by the network company?

Northern Powergrid worked closely with all the key project stakeholders and considered options around any change proposal process – whilst Northern Powergrid were responsible for reporting and managing the interface with Ofgem, they would engage the project partners and key suppliers in the decision process.

Project partners and suppliers also have to manage their own change process in a project where new or unexpected requirements can evolve through the journey – a number of these involved Siemens making significant additional investment, without impacting the project budget, typically these covered interfacing with new technologies that have never been deployed in a hierarchical control concept. This investment by Siemens provides internal value that can be leveraged across global markets, but provides increased benefit for UK customers and the project outcomes.

– Northern Powergrid dealt effectively with change management throughout the project, to deliver outcomes and learning of significant value to the wider industry.

In conclusion, Siemens welcome the opportunity to engage within future network innovation projects – and to contribute to the success of world leading projects such as Customer-led Network Revolution. Siemens supports fully Northern Powergrid application for a Successful Delivery Reward.

We trust and hope that Ofgem continue to see the value in such investments.

If you have any questions, or clarifications relating to the points raised, please do not hesitate to contact me directly.

Yours sincerely



Colin Henry  
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Siemens plc, Energy Management – Energy Automation