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15<sup>th</sup> January, 2015.

Neil Copeland  
Ofgem  
107 West Regent Street,  
Glasgow G2 2BA

**Reviewing the benefits of the Low Carbon Networks Fund and the governance of the Network Innovation Competition and the Network Innovation Allowance**

I am writing to you on behalf of Kelvatek Ltd in response to the Review of the NIC and NIA governance arrangements. This response is non-confidential and can be published via the Ofgem website.

At Kelvatek we are very supportive of the NIA and NIC stimulus, which has ensured continued growth of the innovation culture within the DNOs. As a UK based SME, this has allowed us to bring our focus back to the UK energy industry. Through partnerships developed under the NIA, and the IFI before it, Kelvatek has delivered to market many products and services that are now integrated within UK DNOs as part of business as usual activities, including BIDOYNG, WEEZAP, SELF Fault Location Algorithms, and Sapient Fault Management services.

The NIA has successfully developed technology to benefit the consumer, and more importantly has been instrumental in creating a culture of research and development within DNOs. This has encouraged DNOs to create R&D partnerships with SMEs. A relationship with a DNO at an early stage of a development project to help steer it and to facilitate integration into business as usual after delivery helps mitigate a lot of the risk. In addition, the NIA funding available via the DNOs reduces the financial and cash flow risks faced during a development program, which can be reclaimed for consumers once the product is commercialised.

SMEs who innovate first benefit from 'first movers advantage' in the market, and provided they are successful in delivering value, they can benefit from sustainable product revenues which protect the business and allow further innovation. NIA projects that duplicate previous work will reduce confidence in the first movers advantage, weakening project appeal when compared with opportunities in other markets. Minimising duplication work carried out in NIA is essential to protect the appeal. Without this protection, SMEs will choose to innovate for other markets.

Independently developed competition that builds upon successful projects is welcomed, and helps to drive down costs to consumers, and ensures companies are keen to continue to innovate, leading to better products and services. NIA funding is not appropriate for this type of development.

Overall we are impressed with the NIA and NIC process and its governance, and appreciate the valuable partnerships we have been able to establish under it. We believe that these partnerships are a key part of our mutual success as we continue to bring new innovations to today's operational practices.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Peter Cunningham', written in a cursive style.

Peter Cunningham,  
Managing Director.