

Low Carbon Network Fund  
Project Partners, Consumer  
groups, sustainable development  
groups, smart grid research and  
development companies, and  
other interested parties

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Date: 16 May 2016

Dear stakeholder,

### **Consultation on the Successful Delivery Reward Applications for Low Carbon Networks Fund projects**

This letter is to notify you of, and seek your views on, the Successful Delivery Reward (SDR) applications from electricity distribution network operators (DNOs) for their completed Low Carbon Networks Fund (LCNF) innovation projects.

The SDR is an annual award that is available for LCNF projects that have been completed. It is awarded to projects that have been well managed and complied with the requirements of the project direction<sup>1</sup>. The maximum value of the SDR for a project is the level of the network company's compulsory contribution – this is 10 per cent of the LCNF funding the licensee received.

We would like stakeholder views on the questions set out in this consultation by 6 June. Responses will help inform our decision later this year, on the level of the SDR (if any) that each DNO should receive.

### **The applications**

By our 1 May 2016 deadline, we received 7 applications, worth up to £4.9m to be considered for this year's SDR. The table below provides a high-level summary. The applications are published on our website.

<b>LCNF project name</b>	<b>Licensee</b>	<b>Potential SDR</b>
Lincolnshire Low Carbon Hub	Western Power Distribution	£0.3m
Sola Bristol	Western Power Distribution	£0.3m
Flexible Approaches for Low Carbon Optimised Networks (FALCON)	Western Power Distribution	£1.5m
Flexible Networks	SP Energy Networks	£0.6m <sup>2</sup>
Innovation Squared: managing unconstrained EV connections (I <sup>2</sup> EV)	Scottish and Southern Energy Power Distribution	£0.5m
Customer Load Active System Services (CLASS)	Electricity North West Limited	£0.7m <sup>3</sup>
Capacity to Customers (C2C)	Electricity North West Limited	£1.0m

<sup>1</sup> The project direction is a document issued by Ofgem to a network company funded under the LCNF. It includes information on the key project deliverables and timings for these, the project budget. It also provides some information on how the project should be managed by the company.

<sup>2</sup> We recognise that SP Energy Networks have requested £0.5m which is the maximum potential reward.

<sup>3</sup> We requested ENWL to extent their project. They will be eligible to apply for the remainder of the successful delivery reward for this project next year.

## Our assessment process

The assessment process and criteria for determining the SDR is published on our website<sup>4</sup> and has been incorporated into the LCNF Governance Document.<sup>5</sup> A summary of our assessment process and key criteria is given below.

We will assess:

- whether the project has been well managed and that its Successful Delivery Reward Criteria (SDRC)<sup>6</sup> have been delivered to a sufficient quality, cost and time. DNOs should provide evidence of this.
- projects on their management of uncertainty and change. DNOs should provide evidence of how they did this.

An SDR application must provide sufficient evidence to enable us to assess whether the project has been well managed. We have published guidance notes to aid companies applying for the reward.<sup>7</sup>

A summary of the timeline and key steps is given below.

- Applications are due by 1 May for every year the SDR runs.
- Applications will be made public and consulted upon.
- If the SDR application lacks sufficient evidence for us to make an assessment we will make a request for additional evidence.
- We expect to make a decision by 31 July following.
- We may extend this deadline if requesting further evidence for the assessment delays the process.

A key part of the process is to seek stakeholders' views on the applications, which will be considered as part of our assessment to determine any SDR. We would welcome views from any interested party on the questions set out below.

## Consultation questions

The two consultation questions below are general to all the projects; therefore in your response please ensure that you indicate the project(s) to which your responses relate.

It is important to note that the SDR is to award projects that have satisfactorily met their deliverables and were well-managed by the network companies. As part of the SDR, we do not directly consider whether projects have delivered beyond expectations - this is the purpose of the Second Tier Reward scheduled for 2018, further information is available in the LCN Fund Governance Document.

→ **Question 1:** Do you consider that the project has been delivered to the required standard, in a timely and cost effective manner?

**When answering Question 1, you may wish to consider the following points:**

- Is there sufficient evidence in the SDR application?
- Were the SDRCs delivered in a timely manner and to a sufficient quality to allow others to use what was learned?
- Were the project costs for meeting the SDRC managed to ensure delivery within the project budget?

<sup>4</sup> <https://www.ofgem.gov.uk/publications-and-updates/decision-implementing-discretionary-funding-mechanism-under-low-carbon-networks-fund>

<sup>5</sup> Section 2, chapter 4, paragraph 4.5 to 4.8 of Low Carbon Networks Fund Governance Document v.7, found at - <https://www.ofgem.gov.uk/ofgem-publications/94379/lcnfgovdocv7-finalclean-pdf>

<sup>6</sup> SDRCs are key milestones that each project should deliver at specific points over its lifetime (eg produce a report or conduct a test on a piece of kit). SDRCs are set out in the project direction.

<sup>7</sup> Guidance Notes on Successful Delivery Reward Application can be found at - <https://www.ofgem.gov.uk/publications-and-updates/guidance-notes-successful-delivery-reward-application>

→ **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?

**When answering Question 2, you may wish to consider the following points:**

- How third parties were engaged with the project?
- Were project risks and uncertainties pre-emptively identified and managed in a timely fashion by the network company?
- If the project was adversely affected by change or uncertainty, do you consider this to have been due to circumstances outside of the company's control?

### **Responding to this consultation and next steps**

This letter contains two questions for consultation. Please share your views on those questions you feel you can answer.

Responses to this consultation should be received by 6 June and should be sent, preferably by email, to [LCNFund@ofgem.gov.uk](mailto:LCNFund@ofgem.gov.uk) or in writing to:

Neil Copeland  
Electricity Transmission RIIO,  
Ofgem,  
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Unless marked confidential, all responses will be published on our website at [www.ofgem.gov.uk](http://www.ofgem.gov.uk). Respondents may request that their response is kept confidential. We shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

Respondents who wish to have their responses remain confidential should clearly mark the document to that effect and include the reasons for confidentiality. Respondents are asked to put any confidential material in the appendices to their responses and if possible include a non-confidential summary of their response.

Having considered the responses to this consultation, we intend to publish our decision on the SDR applications by 31 July 2016.

If you have any queries regarding this letter, please contact Neil Copeland at [neil.copeland@ofgem.gov.uk](mailto:neil.copeland@ofgem.gov.uk) or on 0207 901 7193.

Yours sincerely,

**Kersti Berge**  
**Partner, RIIO Networks**