

Condition XX. The Industry Innovation Strategy

[Elements of draft in square brackets to be confirmed following consultation]

Introduction

XX.1. The purpose of this condition is to set out the obligation on the licensee to work with other parties to develop an Industry Innovation Strategy. This requirement is intended to ensure that industry takes a joined up approach to innovation, which results in a coordinated focus on priority areas offering significant potential benefit, shared learning and minimising unnecessary duplication.

Part A: Requirement for an Industry Innovation Strategy

XX.2. The licensee must develop and maintain an Industry Innovation Strategy in cooperation with Relevant Network Licensees.

XX.3. The Industry Innovation Strategy must be published by 31 October 2017 and every second year thereafter or such date as the Authority may direct.

Part B: Industry Innovation Strategy

XX.4. The Industry Innovation Strategy must:

- (a) set out the procedures for updating it (which must include the requirement to consult with Interested Parties in accordance with Part C below);
- (b) be kept up to date in accordance with the procedures referred to in paragraph 4(a) *[or if directed by the Authority]*;
- (c) be readily accessible to the public from the licensee's Website.

XX.5. The Industry Innovation Strategy must include:

- (a) a description of the challenges which the Relevant Network Licensees expect the *[electricity/gas network/Energy System]* to face over the period to which the Industry Innovation Strategy relates, *[eg the remainder of the price control period]*;
- (b) a description of the innovative actions Relevant Network Licensees will take in order to address the challenges referred to in paragraph 5(a) of this condition, with particular regard to how future Innovation Projects which Relevant Network Licensees will seek to initiate over the period of the strategy will help to address those challenges;
- (c) a description of how Relevant Network Licensees will coordinate Innovation Projects to minimise unnecessary duplication;
- (d) a description of how Relevant Network Licensees will share the learning that they have gained through Innovation Projects; and
- (e) *[incorporate any guidance directed by the Authority.]*

Part C: Consultation

XX.6. The licensee must consult Interested Parties prior to publication, or revision, of the Industry Innovation Strategy in cooperation with Relevant Network Licensees and must reflect the outcome of the consultation in the Industry Innovation Strategy.

Part D: Interpretation

XX.7. For the purposes of this condition [some terms below are defined elsewhere in the licence and we will consider how best to reflect on these in future drafts]:

Industry Innovation Strategy

means a document published by Relevant Network Licensees that complies with the requirements of this condition [*and any direction given by the Authority*].

Innovation Project

means a project funded by the Network Innovation Competition or the Network Innovation Allowance as established by Charge Restriction Conditions 2H and 5A of the Electricity Distribution Licence; Special Conditions 3H and 3I of the Electricity Transmission Licence; and amended Standard Conditions E12 – J11 of the Offshore Electricity Transmission Licence.

Interested Parties

interested parties include, but are not limited to, the Engineering and Physical Sciences Research Council, the Department of Business, Energy and Industrial Strategy, Innovate UK and their successor bodies.

Relevant Network Licensee

means the holder of a Transmission Licence, Electricity Distribution Licence or a Gas Transporters licence which is subject to the RIIO model.