

Network companies and  
other interested parties



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Date: 21 December 2016

Dear Colleagues

### **The Network Innovation Review: proposed legal drafting consultation**

Consultation on proposed drafting changes to the Network Innovation Competition (NIC) and Network Innovation Allowance (NIA) governance documents, the NIA licence condition and the new Industry Innovation Strategy licence condition

#### *Background*

On 1 December 2016, we published our Innovation Review consultation document.<sup>1</sup> The purpose of the consultation is to set out our proposed policy changes to the running of the NIC and NIA, to ensure value for money for consumers while delivering culture change within the network companies we regulate. The consultation closes on 6 February 2017 and we welcome stakeholders' views.

In this letter, we are separately seeking views on whether the draft documents (published alongside this letter) effectively implement our policy proposals set out in the Innovation Review consultation document referred to above. This is not the last opportunity that stakeholders will have to comment on the changes required to implement our Innovation Review but we want to start the development process now to ensure that changes can be implemented as soon as possible. If stakeholders have concerns with the underlying policy, we ask them to respond to our Innovation Review consultation (noted above) rather than this consultation.

#### *Drafting changes to implement our Innovation Review policy proposals*

Alongside this letter we have published the proposed amendments (we have provided clean track-change versions) to the legal drafting that are intended to give effect to the policy proposals described in the Innovation Review consultation document. We have not updated all paragraph references in the governance documents. We will do this before issuing our final consultation to implement the changes (see 'Next Steps' below). This consultation uses the electricity networks as examples. However, we would intend to implement our changes in all networks sectors.

The documents for stakeholder comment are:<sup>2</sup>

- The Network Innovation Allowance Governance Document
- The Network Innovation Competition Governance Document
- The Network Innovation Allowance licence condition

<sup>1</sup> <https://www.ofgem.gov.uk/publications-and-updates/network-innovation-review-our-consultation-proposals>

<sup>2</sup> The examples provided apply to electricity distribution; however the same changes would be made to all other relevant licences if we decide to implement our proposals.

- Proposed new licence condition – the Industry Innovation Strategy

We welcome views from stakeholders on these licence and governance proposals. Responses must be received by 6 February 2017<sup>3</sup>. Please send your response to [networks.innovation@ofgem.gov.uk](mailto:networks.innovation@ofgem.gov.uk) or post it to:

Neil Copeland  
Ofgem  
Third Floor Cornerstone  
Glasgow  
G2 2BA

Unless clearly marked confidential, all responses will be published by placing them on our website at [ww.ofgem.gov.uk](http://ww.ofgem.gov.uk). Ofgem shall respect any request for confidentiality, subject to any obligations to disclose information.

#### *Next steps*

We will publish our policy decision on the Innovation Review in the spring of 2017. After this we will consider whether it is necessary to consult on a further iteration of the proposed legal drafting or whether we will proceed to issue the legal consultations required to implement these changes. We will detail the next steps as part of our policy decision on the Innovation Review.

We will hold an Innovation Working Group on 11 January 2017 at which the proposed policy proposals and changes to legal text set out in this consultation can be discussed. If you would like to attend please tell us by sending an email to [networks.innovation@ofgem.gov.uk](mailto:networks.innovation@ofgem.gov.uk).

If you have any queries regarding the content of this letter or the Innovation Review in general, please contact Neil Copeland ([neil.copeland@ofgem.gov.uk](mailto:neil.copeland@ofgem.gov.uk)).

Yours faithfully,

Geoff Randall  
**Head of RIIO Electricity Transmission**

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<sup>3</sup> Please direct comments on policy issues to the Innovation Review consultation – see footnote 1 above. Comments on drafting issues are welcomed as part of this consultation.