

Network licensees, customers,
generators, suppliers and other
interested parties

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Guidance for Network Innovation Competition (NIC) Close Down Reports and the NIC Successful Delivery Reward (SDR) process

The gas and electricity NIC Governance Documents¹ set out the regulation, governance and administration of the NICs. This includes guidance for the network companies on how to develop Close Down Reports and the SDR process. The NIC governance documents require each NIC project to produce a Close Down Report to set out the learning from the project. The SDR is intended to reward good project management while implementing NIC projects.

We are publishing this letter because we have become aware of a number of issues with the current NIC governance documents. When the Low Carbon Networks (LCN) Fund governance document was updated the NIC governance documents were not updated to be consistent, or other errors were made. In brief this means:

1. The link to the guidance on the content of Close Down Reports, within the NIC governance documents, takes parties to a consultation not the decision on what should be included.
2. The NIC Governance Documents do not include a requirement for peer review of Close Down Reports which we introduced for LCN Fund projects.
3. The NIC Governance Documents do not reflect the updated process for the submission and assessment of SDR applications.

We intend to address these issues when we consult on changes to the NIC Governance Documents as part of our Innovation Review. We expect to publish this consultation in late April. In the mean time we wanted to advise stakeholders of these issues and how we intend to address them. We have engaged with the licensees most immediately affected them and asked them to follow the arrangements described below in this letter. Subject to consultation, the arrangements described below in this letter will be incorporated in the next version of the NIC Governance Documents.

¹ <https://www.ofgem.gov.uk/publications-and-updates/version-2-1-network-innovation-competition-governance-documents>

Close Down Report

Guidance on how to complete reports

The NIC Governance Documents provide some guidance for network companies when drafting project Close Down Reports. However, the link (to the guidance) provided in the Governance Document is incorrect and takes readers to the consultation on the guidance rather than to the final decision.

We plan to consult on proposed changes to the Governance Documents that would address this issue by incorporating an updated link to the final guidance within the next version of the NIC Governance Documents. In the meantime, we have included our proposed changes in appendix one of this letter – licensees with projects closing before this change is made to the NIC Governance Documents should refer to this.

Close Down Report peer review

The NIC Governance Documents currently preclude network companies from applying for a SDR until their Close Down Report has been approved by the Authority.

However, under the LCN Fund governance, rather than being approved by Ofgem, we require network companies to ask another licensee to peer review the Close Down Report and set out a process for this.

Subject to consultation responses, our current view is that that this process would work better than those arrangements currently in the NIC Governance Documents, ie Ofgem reviewing Close Down Reports. The network companies are the primary audience for these documents, therefore a peer review may be a better indicator of whether they are of a good standard and of use to network companies. Subject to consultation responses, we are minded to amend the NIC Governance Documents to align them with the approach used for the LCN Fund. In the meantime, network companies may wish to arrange for another licensee to review Close Down Reports before they are finalised.

Any peer review should ensure: that the Close Down Report is clear and understandable and provides sufficient information to enable a licensee, not closely involved in the project, to effectively consider whether to implement the project's learning in to business as usual activities.

We ask licensees with projects ending before the next iteration of the NIC Governance Documents have been consulted on to refer to paragraphs 2.44 to 2.47 of the LCN Fund Governance Document² and in a letter we published before amending that governance document.³

SDR Process

We have become aware that the NIC Governance Documents do not reflect the decision⁴ we made in 2014 regarding the implementation of the LCN Fund SDR. In this decision we said we intended to use this process for any SDR applications we receive for NIC projects.

Currently paragraph 8.45 the NIC Governance Documents allows network licensees to make an SDR application at any time and says the Authority will make a decision within a month, but provides very little further guidance on the process. This process does not reflect our decision referred to above. Subject to consultation responses on the

² <https://www.ofgem.gov.uk/publications-and-updates/version-seven-low-carbon-networks-fund-icnf-governance-document>

³ https://www.ofgem.gov.uk/sites/default/files/docs/2014/04/close_down_report_letter_final_0.pdf

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

amendments to be proposed, we are minded to incorporate our decision regarding the implementation of the LCN Fund SDR into the NIC Governance Documents and include a clear application deadline of 1 May each year which should be followed for NIC projects.

In the meantime, we ask licensees to use the published SDR guidance when making a submission.

Next steps

If you have any concerns regarding the proposed approach for NIC SDR applications before we consult on the proposed amendments to the Governance Document, then please contact us as soon as possible.

The Innovation Review decision has been made today. We intend to publish a consultation as required by the licence on the new NIC Governance Documents in late April. As part of this consultation we will include the issues discussed in this letter so that any changes are also incorporated into the next version of the NIC Governance Documents.

In addition, please can you let us know if you intend to make an SDR application under either the NIC or LCN Fund this year.

If you have any questions regarding the contents of this letter please contact neil.copeland@ofgem.gov.uk.

Yours sincerely,



Geoffrey Randall
Associate Partner, RIIO Gas Networks

Appendix One – Information required in NIC Closedown Reports

Information required in NIC Close-Down Reports	Description
Project Title	As per Full Submission
Project Background	As per Full Submission
Executive summary (no more than 5 pages)	<p>The Network Licensee should provide a summary of the work undertaken. It should outline:</p> <ul style="list-style-type: none"> • the Project background; • the scope of the Project; • the outcomes of the Project; • which objectives it met successfully, including Successful Delivery Reward Criteria (SDRC)/Project Deliverables; • which objectives it did not meet successfully, including Successful Delivery Reward Criteria (SDRC)/Project Deliverables; • the main learning generated by the Project; and • the main learning derived from the Method(s).
Details of the work carried out	<p>The Network Licensee should provide details of the Method(s) it trialled.</p> <p>It should also describe the methodology that it used.</p>
The outcomes of the Project	<p>The Network Licensee should provide enough detail on the Project's outcomes so that other Licensees are able to understand how the Method(s) could be applied on their networks.</p> <p>Where quantitative data is available to describe these outcomes, it should be included in the report.</p> <p>The Network Licensee should discuss the improvement in network performance attributable to the Method(s). If the TRL of the Method(s) has changed as a result of the Trial, this should be reported.</p>
Performance compared to the original Project aims, objectives and SDRC/Project Deliverables	<p>The Network Licensee should include details of whether, and how, the Project helped solve the issue described in its Full Submission.</p> <p>It should also provide details of how the Project performed relative to its aims, objectives and success criteria.</p>
Required modifications to the planned approach during the course of the Project	<p>The Network Licensee should summarise any changes to its planned methodology. It should describe why the planned approach proved to be inappropriate and how the alternative approach improved the original methodology.</p>
Significant variance in expected costs	<p>The Network Licensee should describe if any parts of the Project ended up costing more or less than expected (+/- 10 per cent). In relevant cases, the Network Licensee can link the cost changes to the section on required modifications to the planned approach.</p> <p>If costs were different to what the Network Licensee expected, it should provide details of why this was the case.</p>
Updated Business Case and lessons learnt for the Method	<p>The Network Licensee should provide an updated business case for the Project's Method(s).</p> <p>The Network Licensee should note any developments or events which affected the benefits gained from the Project. Where possible, the Network Licensee should quantify the changes that the developments or events have made to the Project benefits compared to those outlined in the Full Submission. The Network Licensee should also state if the Project discovered significant problems with the approach and technique being trialled.</p> <p>The Network Licensee should give an estimate of the future value to customers of the approach trialled.</p>

Lessons learnt for future innovation Projects	<p>The Network Licensee should discuss whether it encountered any difficulties with the particular Project in order to build on the understanding of how to undertake innovation Projects effectively.</p> <p>To utilise learning from the Project, the Network Licensee should clearly state how these difficulties and problems informed thinking going forward.</p>
Project replication	<p>The Network Licensee should provide a list of all physical components and knowledge required to replicate the outcomes of this Project, also showing how the required and, where relevant, newly generated Intellectual Property can be accessed by other GB Network Licensees.</p> <p>The Network Licensee should also include details of the anticipated business-as-usual costs of replicating the outcome of the Project.</p>
Planned implementation	<p>The Network Licensee should include details on whether and how it plans to modify its network based on learning from the Project.</p> <p>If the Method is not ready to be implemented, the Network Licensee should explain what needs to happen, including any necessary further work, before the Method(s) can be implemented. The Network Licensee should comment on the likelihood that the Method(s) will be deployed on a large scale in future.</p> <p>The Network Licensee should break down the requirements into actions required by Network Licensees and actions required by non-Network Licensee parties.</p> <p>The Network Licensee should include recommendations on how the outcome of the Project could be exploited further. This may include recommendations of what form of trialling will be required to move the Method to the next TRL.</p>
Learning dissemination	<p>Use of a Project's learning by other Network Licensees is crucial. The Network Licensee should provide details of the information sharing mechanisms it has undertaken, and what the outcomes of these mechanisms were. The Network Licensee should specifically state what the other Network Licensees required information on. The Network Licensee should also explain how it has taken this feedback into account in developing the Close Down Report.</p> <p>If the Network Licensee has not undertaken a written consultation, it should explain the other activities it has undertaken to deliver the same result. This could include workshops or dissemination events, where it has received feedback on what other Network Licensees would like information on in order to replicate the Project.</p>
Key Project learning documents	<p>The Network Licensee should include the details (title and publication date), and web-links of the main documents on Project learning that it has published prior to the publication of the Close-Down Report. The Network Licensee should also provide enough information on the content of each document so that other parties can judge whether or not the document will be of use to them.</p> <p>The Network Licensee should include links to all Project Progress Reports.</p>
Data access details	<p>The Network Licensee should include a description of how any network or consumption data gathered in the course of the Project can be requested by interested parties, including a copy of the data sharing policy which is required by virtue of paragraph 2.16 of the NIC Governance Document.</p>
Contact details	<p>The Network Licensee should state name and contact details (email address, telephone number, and postal address) of the best contact to provide access to the Project's learning.</p>

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