

# Electricity Network Innovation Allowance Governance Document

## Governance Document v.3

**Publication date:** [2 April 2015](#)  
[June 2017](#)

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### Overview:

This document is version [23.0](#) of the Network Innovation Allowance Governance Document referred to under Special Condition 3H of the Electricity Transmission Licence (The Network Innovation Allowance) and Charge Restriction Condition 2H (The Network Innovation Allowance) of the [Electricity Distribution Licence](#). Each is known as the "NIA Licence Condition".

One of the key innovation proposals for the RIIO (Revenue = Incentives + Innovation + Outputs) model for price controls was the introduction of a Network Innovation Allowance (NIA) for gas and electricity. The purpose of the NIA is to encourage Network Licensees to innovate to address issues associated with the development of their networks.

This Governance Document sets out the regulation, governance and administration of the Electricity NIA. Network Licensees are required by the NIA Licence Condition to comply with this document as if it formed part of their licence.

We have attempted to make this document accessible and informative to parties other than the Network Licensees, especially those who may be looking to partner with Network Licensees to use the NIA to try out new technological or commercial arrangements.

**It is the responsibility of each Network Licensee to understand the provisions of this Governance Document and how those provisions apply to [them](#).**

## Context

Innovation is a key element of the new RIIO (Revenue = Incentives + Innovation + Outputs) model for price controls. The RIIO model ~~applied~~ applies to gas distribution companies (RIIO:GD1) ~~and to~~ electricity and gas transmission companies (RIIO:T1) from 1 April 2013 and to electricity distribution companies (RIIO:ED1) from 1 April 2015.

~~One of the key innovation proposals was the introduction of a NIA for all Network Licensees funded under the RIIO framework.~~ The purpose of the NIA is to provide a consistent level of funding to Network Licensees to allow them to carry out smaller innovative projects.

This document may be revised and reissued in accordance with Part E of Special Condition 3H of the Electricity Transmission Licence and Charge Restriction Condition 2H (The Network Innovation Allowance) of the Electricity Distribution Licence. Each is known as the "NIA Licence Condition". This document sets out the regulation, governance and administration of the electricity NIA. This document is issued by the Authority under Part D (the NIA Governance Document) of the NIA Licence ~~Conditions~~ Condition and in accordance with Part E (Procedure for ~~issuing and revising~~ issuing the NIA Governance Document) of the NIA Licence Condition.

This is version three of the NIA Governance Document. This version supersedes all previous versions. In certain areas, separate provision has been made in relation to specified categories of Projects. In all other cases, the Governance Document applies in the same manner to all Projects. It does not apply retrospectively and does not impose new, or alter the existing, rights and obligations of Network Licensees or of Ofgem as they existed prior to the coming into force of this Governance Document.

Network Licensees are required by the NIA Licence Condition to comply with this document as if it formed part of their licence. However, we have attempted to make this document accessible and informative to parties ~~beyond other than~~ the Network Licensees to whom this document applies, especially those who may be looking to partner with Network Licensees to use the NIA to try out new technological, operational or commercial arrangements.

This document is subordinate to the NIA Licence Condition. Consequently, this document will not change any definitions or obligations contained within the licence applicable to each of the Network Licensees and, in the event of any dispute, the NIA Licence Condition will take precedence. This document takes precedence over the Project Directions, where this document explicitly says that it takes precedence or where the context so requires.

## Associated documents

Electricity Act 1989

Special Condition 3H (The Network Innovation Allowance), The Electricity Transmission Licence



Electricity Network Innovation Allowance Governance Document

Charge Restriction Condition 2H (The Network Innovation Allowance), The Electricity Distribution Licence

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# 1. Introduction

## Chapter Summary

This chapter sets out the purpose and objectives of the Network Innovation Allowance.

1.1. Innovation is a key element of the RIIO (Revenue = Incentives + Innovation + Outputs) model for price controls. The RIIO framework provides strong incentives for Network Licensees to innovate as part of normal business. However, certain Research, Development, and Demonstration Projects are speculative in nature and yield uncertain commercial returns. In addition, where benefits are linked to the decarbonisation of the network, it may be difficult to commercialise the respective carbon and/or environmental benefits and shareholders may be unwilling to speculatively fund such Projects.

1.2. Over time, we expect the incentives within the RIIO framework to encourage Network Licensees to innovate as part of business as usual. In the meantime, we have also introduced a time-limited innovation stimulus package within the RIIO framework to provide additional funding to kick-start a cultural change where Network Licensees establish the ethos, internal structures and third party contacts that facilitate innovation as part of business as usual.

1.3. The innovation stimulus<sup>1</sup> consists of three measures:

- A Network Innovation Allowance (NIA) – to fund smaller innovation Projects that will deliver benefits to Customers as part of a RIIO-Network Licensee's price control settlement;
- A Network Innovation Competition (NIC) – an annual competition to fund selected flagship innovative ~~Projects~~ projects that would deliver low carbon and environmental benefits to Customers; and
- An Innovation Roll-out Mechanism (~~IRM~~) – to fund the roll-out of proven innovations which will contribute to the development in GB of a low carbon energy sector or broader environmental benefits.

1.4. The NIA and NIC are successors to the Low Carbon Networks (LCN) Fund. The NIA and NIC broadly replicate the structure of the LCN Fund<sup>2</sup> which consisted of a first tier funding mechanism and a second tier funding mechanism. The scope of the NIC is broader than the Second Tier Funding of the LCN Fund as it also includes Development as well as Demonstration Projects. In addition to the LCN Fund First Tier Funding, the NIA also builds upon elements of the Innovation Funding Incentive (~~IFI~~) that was in place under previous price controls.

<sup>1</sup> Further information on the high level policy of the innovation stimulus can be found [here](#) for the RIIO-T1 price control and [here](#) for the RIIO-ED1 price control.

<sup>2</sup> ~~More information on the LCN Fund is available [here](#).~~



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## The NIA

~~1.5.~~ The NIA provides limited funding to Network Licensees to use ~~for two purposes:~~

- ~~• To fund smaller Projects which meet the criteria set out in this Governance Document; and/or~~
- ~~• To fund the preparation of submissions to the NIC which meet the criteria set out in the NIC Governance Document.~~

~~1.8-1.5.~~ The amount of funding available to each Network Licensee under the NIA can be calculated using the formulae in the NIA Licence Condition. We introduced the NIA Licence Condition to enable the creation of the NIA.

~~1.9-1.6.~~ We expect Network Licensees to whom this document applies to collaborate with each other and ~~with~~ other parties in the energy supply chain (ie suppliers, independent network operators ~~and~~ generators ~~and other third parties~~) on Projects.

~~1.10-1.7.~~ A key feature of the NIA is the requirement that learning gained through Projects is disseminated in order that Customers gain satisfactory return on their funding through the broad roll-out of successful Projects and the network cost savings. Even where Projects are deemed unsuccessful, Network Licensees will gain valuable knowledge that could result in future network cost savings.

### Differences between the NIC and the NIA

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~~1.11-1.8.~~ The NIA is a set annual allowance that each Network Licensee will receive to fund small-scale innovative Projects as part of its price control settlement. The NIA will fund smaller scale Research, Development, and Demonstration Projects, and can cover all types of innovation, including commercial, technological and operational. Unlike the NIC, the NIA is not focussed solely on innovative Projects with potential low carbon and environmental benefits.

~~1.12-1.9.~~ Compared to the NIA, the NIC is focussed on funding larger scale, ~~and~~ more complex ~~and~~ innovative ~~Projects, and projects,~~ therefore, funding ~~will be~~ awarded through an annual competitive process. All types of innovation including commercial, operational and technical are eligible for NIC funding so long as the ~~Project~~ ~~project~~ has the potential to deliver low carbon and/or environmental benefits to Customers.

~~1.13-1.10.~~ The scope of Network Licensee involvement in the NIC is also broader than ~~in~~ the NIA. The NIA is only available to Network Licensees as part of their price control settlement, whereas ~~Non~~ ~~non~~-RIIO ~~Network Licensees~~ ~~network licensees~~ may lead bids for funding under the NIC.

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~~1.14-1.11.~~ The regulation, governance and administration for the NIC is set out in the NIC Governance Document.

## The NIA Governance Document

~~1.15-1.12.~~ This document is the NIA Governance Document and sets out the regulation, governance and administration of the NIA.

~~1.16-1.13.~~ In this document we use the terms ~~Ofgem~~ 'Ofgem' and 'the Authority' as well as the terms 'we', 'us' and 'our' Authority interchangeably. Ofgem is the Office of the Gas and Electricity Markets. The Authority is the Gas and Electricity Markets Authority and is the governing body of Ofgem, consisting of non-executive and executive members.

~~1.17-1.14.~~ Defined terms are capitalised throughout the text, with the definitions set out in chapter 8.

~~1.18-1.15.~~ In this document "Network Licensees/Licensee" means the holder of an Electricity Transmission Licence or ~~an~~ of an Electricity Distribution Licence regulated through the RIIO price control framework.

~~1.19.~~ Throughout this document we use the terms ~~Problem, Method, Project and Solution~~ and Dissemination. Defined as follows:

- ~~Problem:~~ means the issue that needs to be resolved;
- ~~Method:~~ means the proposed way of investigating or solving the Problem. This may be done by one or more of the following:
  - ~~Research~~ (technology readiness level (TRL) 2-3) which means activity undertaken to investigate the Problem based on observable facts;
  - ~~Development~~ (TRL 4-6) which means activity on generating and testing solutions to the Problem;
  - ~~Demonstration~~ (TRL 7-8) which means activity focussed on generating and testing solutions on the network that takes them to a stage where they can be transferred to business as usual;
- ~~Project:~~ means the Research, Development or Demonstration being proposed or undertaken;
- ~~Solution:~~ means the outcome if the Problem is solved;
- ~~Dissemination:~~ means the activity undertaken to share learning from a Project.

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<sup>3</sup> TRLs are used to assess the maturity of evolving technologies, graded on a scale of 1-9. Projects with a TRL of 1 or 9 will not be eligible for NIA funding

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## Compliance

~~1.20-1.16.~~ Network Licensees are required by the NIA Licence Condition to comply with this document as if it formed part of their licence.

~~1.21-1.17.~~ The NIA and this NIA Governance Document in no way ~~relievesrelieve~~ affected parties, including Network Licensees and Project Partners, from their responsibility to ensure ongoing compliance with legislation including competition, ~~data protection,~~ environment and ~~Customerconsumer~~ protection laws.

## Review

~~1.22-1.18.~~ Ofgem may from time to time, following consultation with Network Licensees and other interested parties, revise this NIA Governance Document in accordance with the NIA Licence Condition.

~~1.23.~~ ~~Ofgem will undertake a review of the NIA after it has been in operation for at least two years. It is possible that, following this review, we will make changes to aspects of the NIA operations and governance, and amend the Governance Document to facilitate these changes.~~

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## 2. Collaboration and Learning Portals

### Chapter Summary

This chapter sets out that Network Licensees should collaborate with a range of parties to develop and facilitate Projects funded through the NIA. We also require Network Licensees to work collaboratively to maintain a Collaboration and Learning Portal for this purpose at all times.

### Collaboration Portal

2.1 We expect Network Licensees to collaborate with each other and with Project Partners on many of the Projects supported by the NIA. Network Licensees are likely to have to work closely with other parties in the energy supply chain (~~from generators to suppliers~~) to explore what technological, operational or commercial arrangements best address changes in network use and what role they can play in facilitating low carbon and/or wider environmental benefits. Similarly, Network Licensees may benefit from the technologies used and lessons ~~learned~~learnt in other industries, including the telecoms and information technology sectors, and therefore partnerships with technology providers and others outside the energy industry will be valuable. Other parties such as local authorities and universities may be carrying out pilot studies and these could offer opportunities for Network Licensees to get a better understanding of the impact of these studies.

2.2 ~~For~~Since the ~~purposes of the LCN Fund~~ established as part of Distribution Price Control Review 5 (DPCR5), Distribution NIA and NIC Governance Documents were first published on 1 February 2013, Network ~~Operators (DNOs)~~Licenses have established an ~~area on the website of the Energy Networks Association (ENA)~~online Network Innovation Collaboration Portal<sup>5</sup> through which external parties can bring forward ideas to the ~~DNOs~~Network Licensees for ~~LCN Fund~~NIC projects / NIA Projects.<sup>6</sup>

2.3 The Network Licensee is required to comply with the requirements of this chapter unless the Authority has given its consent in writing for the Network Licensee not to comply.

### Requirements

2.4. Network Licensees must work collaboratively with each other to ~~develop~~develop ~~this~~maintain the Collaboration Portal ~~to incorporate the NIC and NIA, or~~or to develop

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<sup>4</sup><http://www.ofgem.gov.uk/Networks/ElecDist/lcnf/Documents1/LCN%20Fund%20Governance%20document%20v5.pdf>

<sup>5</sup> <http://www.nicollaborationportal.org/>

<sup>6</sup> <http://www.ena-eng.org/lcn/Home.aspx>

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## Electricity Network Innovation Allowance Governance Document

an equivalent portal (if more effective or cost-efficient than the existing ~~ENA~~ portal) for the NIC and NIA so that the following content continues to be available:

- Links to the Ofgem website, to direct potential collaborators to this NIA Governance Document;
- A function which enables potential Project Partners to record their name, contact details and a brief summary of their business, idea, proposal or service ~~is~~. This information should be available to all Network Licensees; and
- A contact point for each Network Licensee ~~for~~ to which potential Project Partners ~~to~~ can submit Project ideas.

2.5. Network Licensees must work collaboratively to ensure the Collaboration Portal is up to date at all times. In addition, Network Licensees should annually review this portal and make appropriate changes to improve its accessibility and content. We expect this review to be informed by stakeholder consultation on the quality of information provided and the usability of the Collaboration Portal.

### **Additional information**

2.6. The provision of the Collaboration Portal is not intended to provide any constraint on, or specify the mechanism through which the Network Licensee will select Project Partners. The ~~portal~~ Collaboration Portal should not be used as the sole basis upon which an award of a contract for services provided by a Project Partner should be based. It is for the Network Licensee to ensure that its actions, in this regard, comply with any applicable procurement rules.

### **Learning Portal**

2.7. Facilitating knowledge transfer is one of the key principles of the NIA. Ultimately, Customers are funding this work and we want the learning generated to be disseminated as effectively as possible to ensure that all Network Licensees, and therefore all Customers, are able to benefit from Projects.

2.8. Through the ~~DECC/Ofgem~~ Smart Grid Forum<sup>7</sup>, Network Licensees have established a website to share learning from innovative Projects. This Learning Portal<sup>8</sup> is an area on the Energy Networks Association (ENA) website through which external parties can access the learning generated as a result of innovative Projects.

### **Requirements**

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<sup>7</sup> The Smart Grid Forum was established by Ofgem and the Department for Energy and Climate Change (now known as the Department for Business, Energy & Industrial Strategy). The functions of DECC have since been merged with the functions of the (former) Department for Business, Innovation and Skills to form a new Department for Business, Energy and Industrial Strategy.  
<sup>8</sup> <http://www.smartnetworks.org/> <http://www.smartnetworks.org/>

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2.9. We require Network Licensees to work collaboratively to develop and maintain this website into a Learning Portal so that the following content is available, as a minimum:

- NIA Project Registration Information for all NIA Projects; and
- NIA Project Progress Information for each NIA Project by 31 July each ~~year~~ Relevant Year, including the final Project Progress Information which is reported by the Network Licensee following completion of the Project.

2.10. We require the Network Licensees to ensure that Project details published on the Learning Portal are up to date at all times.

#### **Additional information**

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2.11. The provision of a Learning Portal is not intended to provide any constraint on, or specify, the Dissemination mechanisms of the Network Licensee. The ~~portal~~ Learning Portal should not be used as the sole means of Disseminating learning.

2.12. The requirements of this chapter could be fulfilled by creating a single web address which encompasses the Collaboration Portal and the Learning Portal or separate addresses for each portal.

#### **Sharing Project data**

2.13. Network Licensees must make it clear in Project Progress Information how any network or consumption data (anonymised where necessary) gathered in the course of a Project can be requested by interested parties. From 30 September 2017, Network Licensees must have in place a publicly available data sharing policy setting out the terms on which data will be provided. Ofgem expects Network Licensees to share network and consumption data if the party requesting it can demonstrate it is in consumers' interests to do so (subject to anonymisation and/or redaction for reasons of commercial confidentiality or other sensitivity).

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~~9-DNOs do not need to publish Project Progress Information until 31 July 2016.~~

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## 3. Network Innovation Allowance Projects

### Chapter Summary

This chapter sets out the requirements for a Project to qualify as an Eligible NIA Project.

### Background

3-2-3.1. The policy intent of the NIA is to provide Network Licensees with funds to explore technologies or commercial and operating arrangements that will deliver benefits for Customers.

### Project portfolio

3-3-3.2. There will be no initial requirement for a Network Licensee's Project portfolio to contain a specific percentage split between different types of Method and Solutions. However, it is likely that maximum learning will be achieved for the industry if the Projects funded across all Network Licensees cover a broad range of Methods and Solutions. -If Ofgem ~~identify~~identifies strong bias towards one type of Method and Solution, ~~we~~it may decide to specify the balance between types of ~~projects~~Projects funded through the NIA following a review.

3-4-3.3. There is no minimum or maximum size for a NIA Project.<sup>10</sup> However, Network Licensees cannot recover any expenditure on a NIA Project which is incurred after 31 March 2021 in the case of electricity transmission licensees and after 31 March 2023 in the case of electricity distribution licensees.

3-5-3.4. We expect that Projects that have previously been funded under the Innovation Funding Incentive (IFI) or LCN Fund First Tier will be able to receive funding under the NIA. However, to ensure the same transparency and availability of learning, we will require all Projects that have been funded under the IFI or under the First Tier of the LCN Fund and are now being funded under the NIA to ~~conform~~comply with all aspects of this document from the date they are funded under the NIA.

### Specific requirementsRequirements

3-6-3.5. There are two sets of ~~criteria (specific requirements)~~Specific Requirements that a Project must meet ~~if it is~~in order to qualify as a NIA Project.

<sup>10</sup> Although NIA Funding is subject to the size of each licensee's NIA.

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**Specific requirements**~~Requirements~~ **set 1**

~~3-7-3.6.~~ 3.7.3.6. A NIA Project must have the potential to have a Direct Impact on a Network Licensee's network or the operations of the System Operator and involve the Research, Development, or Demonstration of at least one of the following:

- A specific piece of new (ie unproven in GB, or where a Method has been trialled outside GB the Network Licensee must justify repeating it as part of a Project) equipment (including control and communications systems and software);
- A specific novel arrangement or application of existing electricity transmission and/or electricity distribution equipment (including control and/or communications systems and/or software);
- A specific novel operational practice directly related to the operation of the GB Transmission System and/or the GB Distribution System; or
- A specific novel commercial arrangement.

**Specific requirements**~~Requirements~~ **set 2**

~~3-8-3.7.~~ 3.8.3.7. A NIA Project must also meet requirements (a), (b), (c) and ~~(ed)~~ described below.

**(a) Has the potential to develop learning that can be applied by ~~all~~ Relevant Network Licensees**

~~3-9-3.8.~~ 3.9.3.8. One of the purposes of the NIA is to allow learning to be shared amongst Network Licensees. The NIA Project must develop new learning that can be applied by Relevant Network Licensees. However, we recognise that a Network Licensee may wish to address challenges specific to its network.

~~3-10-3.9.~~ 3.10.3.9. The Network Licensee must be able to certify in its Project Eligibility Assessment (PEA) (the requirement for which is set out in paragraph 3.16 below):

- i) How the learning that will be generated could be used by Relevant Network Licensees; or
- ii) What specific challenge identified in the Network Licensee's innovation strategy is being addressed by the Project.

~~3-11-3.10.~~ 3.11.3.10. Where a Network Licensee wishes to deviate from the default ~~requirement~~requirements for Intellectual Property Rights (IPR) set out in chapter 7, it must:

- i) Demonstrate how the learning from the Project can be successfully disseminated to Network Licensees and other interested parties;

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- ii) Take into account any potential constraints or costs caused, or resulting from, the imposed IPR arrangements; and
- iii) Justify why the proposed IPR arrangements provide value for money for Customers.

**(b) Has the potential to deliver net financial benefits to network Customers.**

~~3.12.3.11.~~ There must be a clear expectation that the Method being used has the potential to deliver the Solution at a lower cost than the most efficient Method currently in use on the GB Transmission System/the ~~licensee's~~ Network Licensee's part of the GB Distribution System.

~~3.13.3.12.~~ To comply with this requirement, the Network Licensee must ~~be able to set out in their~~ PEA:

- i) An estimate of the saving if the Problem is solved;
- ii) A calculation of ~~the~~ expected financial benefits of a Development or Demonstration Project (not required for Research ~~as set out in paragraph 3.17 to 3.21 below~~); Projects);
- iii) An estimate of how replicable the Method is across GB in terms of the number of sites, the sort of site the Method could be applied to, or the percentage of the GB Transmission System/GB Distribution System, where it could be rolled-out; and
- iv) An outline of the costs of rolling out the Method across GB.

~~3.14.3.13.~~ To ensure a consistent approach in assessing the benefits of Projects, we require Network Licensees to work together to develop and maintain a common guide for converting different types of benefit into financial terms. Please see paragraphs ~~3.17~~20 to ~~3.21~~23 below for the requirements of this guide.

**(c) Is innovative (ie not business as usual) and has an unproven business case where the risks warrant a limited Research, Development or Demonstration Project to demonstrate its effectiveness**

~~3.14.~~ The NIA is specifically targeted at innovative Projects that a Network Licensee would not perform in its normal course of business because the specific commercial, technical, operational or regulatory risks associated with the Project are so large that shareholders would not speculatively fund them.

~~3.15.~~ The Network Licensee must demonstrate that the Project it would like to have funded is innovative, untested at the scale and circumstances in which the Network Licensee wishes it to be deployed and that new learning is expected to result from

the Project. This will prevent widespread deployment of proven technologies or practices using NIA Funding.

3.16. To demonstrate compliance with this criterion the Network Licensee will be expected to provide the following information in its PEA:

- i. Why the Project is innovative and has not been tried before;
- ii. Why the Network Licensee will not fund such a Project as part of its business as usual activities; and
- iii. Why the Project can only be undertaken with the support of the NIA, including reference to the specific risks (eg commercial, technical, operational or regulatory) associated with the Project.

**(d) Does not lead to unnecessary duplication**

~~3.14.3.17.~~ A NIA Project must not unnecessarily duplicate other IFI, LCN Fund, NIA ~~and/or~~ NIC ~~Projects~~ projects already ~~Registered~~ registered, being carried out, or completed by the Network Licensee or any other Network Licensee. To comply with this requirement, the Network Licensee must:

- Where applicable, justify why ~~they are~~ it is undertaking a Project similar to those being carried out by any other Network Licensee; and
- Demonstrate in its PEA that no unnecessary duplication will occur as a result of the Project.

~~3.15.3.18.~~ Unnecessary duplication is likely to occur if the new NIA Project is not expected to lead to new learning. Projects that address the same Problem, but use a different Method, will not be considered as unnecessarily duplicating other Projects. For the avoidance of doubt, Projects that are at different TRLs will not be considered as unnecessarily duplicating other Projects.

## Documentation Requirements

### **Project Eligibility Assessment (PEA)**

~~3.16.3.19.~~ Before Registration of a NIA Project, the Funding Licensee(s) must produce a PEA. In the PEA, Network Licensees must demonstrate that the Project meets the Specific Requirements set out in paragraphs 3.6 to ~~3.15.18~~ above and why the Funding Licensee is not implementing the Project as part of its normal business activity. This assessment should be signed by the senior person responsible for implementing NIA Projects and published on the Project Registration Page of the Learning Portal.

### **Project benefits guide**

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~~3-17-3.20.~~ To ensure a consistent approach in assessing the benefits of Projects we require Network Licensees to work together to develop and maintain a common guide for converting different types of benefit into financial terms. ~~We consider that the balanced scorecard approach that is currently part~~ Version one of the ~~IFI development process would be a useful starting point in developing this guide. The guide will be~~ has been approved by Ofgem ~~before being used by Network Licensees. Once approved,~~ <sup>11</sup> Network Licensees should keep this guide up-to-date and any proposed changes to it should be submitted to Ofgem for approval.

~~3-18-3.21.~~ The Network Licensee must be able to use a methodology set out in the guide to estimate the financial benefit if the Problem is solved. This estimate should be accompanied by a qualitative summary of the resources the Network Licensee currently uses to address the Problem.

~~3-19-3.22.~~ In the case of a Development or Demonstration Project, the Network Licensee must be able to use the guide to explain the financial benefit of the Project by:

- Estimating the costs of delivering the Solution (at the scale being tested within the Project) through the most efficient Method currently in use on the ElectricityGB Transmission System/GB Distribution System - the Base Case Cost; and
- Estimating the costs of replicating the Method, at the scale being tested in the Project, once it has been proven successful - the Method Cost.

~~3-20-3.23.~~ The difference between the Base Case Cost and the Method Cost for a Development or a Demonstration is the financial benefit of the Project. Where a Network Licensee is looking to test more than one Method, it should outline the financial benefit of each separate Method.

~~3-22.~~ ~~Until the guide is approved, the Network Licensee will only be able to start new Projects with a clear monetary benefit.~~

## Registration process requirements

~~3-22-3.24.~~ In order for a Project to be eligible for funding, it must be registered on the Learning Portal -referred to in chapter 2. The Funding Licensee must notify Ofgem by sending an email to [nia\\_project\\_registration@ofgem.gov.uk](mailto:nia_project_registration@ofgem.gov.uk) each time it registers a Project. For the avoidance of doubt, there should only be one Project Registration Page for each Project, even where there are multiple Funding Licensees and only one email is required to be sent to Ofgem. However, all Funding Licensees are responsible for ensuring they comply with this Governance Document.

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<sup>11</sup> <https://www.ofgem.gov.uk/publications-and-updates/our-decision-approve-licensees-network-innovation-allowance-project-benefits-guide>

~~3-23-3.25.~~ The Registration process does not generally involve Ofgem approving Projects. However, we have identified two circumstances where a Network Licensee must seek approval from Ofgem before Registration of a Project. These are where the Network Licensee is:

- i) Requesting an exemption from the default conditions for IPR set out in chapter 7; or
- ii) Intends to make payments to itself or to Related Undertakings as set out in chapter 4.

~~3-24-3.26.~~ Where the Network Licensee wishes to register a Project in one of the circumstances described in paragraph ~~3.2325~~, it should make a written submission to Ofgem before the Network Licensee registers the Project. Ofgem will review the submission and will only provide approval where it ~~judges~~considers that a satisfactory justification has been supplied. Ofgem will undertake this review and respond to the request within 20 Working Days of receipt of the submission. If, during the 20 Working Day evaluation period following the submission of the request, Ofgem considers that additional information will be needed to assess whether approval should be given then in these circumstances the Authority may extend the deadline for its decision by up to 20 Working Days, ~~or a part thereof~~, from the day when the further information was provided.

~~3-25-3.27.~~ Where a Network Licensee has explained in ~~their~~its PEA why it (or its Project Partners) will face commercial harm from disclosure of any of the information required in table 3.1 below and informed Ofgem when ~~registering~~ the Project then it is not required to publish this information. However, if the Authority later considers that information has been unreasonably withheld then NIA Expenditure up to the value of the Project may be declared ineligible.

~~3-26-3.28.~~ Where multiple Network Licensees wish to recover Allowable NIA Expenditure for the purposes of a collaborative Project then Funding Licensees must be named on the NIA Project Registration Page. Where there are multiple Funding Licensees, it should be made clear at the time of Registration what contribution each Funding Licensee will be making.

~~3-27-3.29.~~ If the Network Licensee is not seeking approval to register a Project for one of the reasons identified in paragraph ~~3.2325~~, the Project will be registered when the Network Licensee publishes information required for the Registration of NIA Projects on the Learning Portal.

~~3-28-3.30.~~ A Project can be registered at any time during the Relevant Year. Projects must start in the same Relevant Year in which they are registered, except where Registration has taken place within 20 Working Days of the end of the Relevant Year, in which case the Project may start in that Relevant Year or in the subsequent Relevant Year.

3-29-3.31. Projects must not be started until Registration has taken place and Ofgem has been notified. Where the Network Licensee has sought permission from Ofgem to register a Project, it cannot be started until the Network Licensee has received permission from Ofgem to register the Project.

3-30-3.32. A Network Licensee can still register a NIA Project even if it does not expect to incur any Allowable NIA Expenditure. In doing so, it will still be eligible to receive Allowable NIA Expenditure if the outturn costs and benefits are different from expectation.

3-31-3.33. The Funding Network Licensee(s) will provide the information required for Registration set out in Table 3.1 on the NIA Project Registration Page.

**Table 3.1: Information required for the Registration of NIA Projects**

Information required	Description
Project title	
Funding Licensee(s)	The Network Licensee(s) which register(s) the Project and recover(s) the Allowable NIA Expenditure from Customers.
<u>Eligibility</u>	<u>This section should explain why the Project meets the Specific Requirements.</u>
Problem(s)	This <u>section</u> should outline the Problem(s) which is being addressed by the Project.
Method(s)	This section should set out the Method(s) that will be used in order to solve or investigate the Problem. The type of Method should be identified where possible, eg technical or commercial.
Scope and Objectives	The scope and objectives of the Project should be clearly defined including the benefits (eg financial, environmental, etc) which <del>should</del> <u>would</u> directly accrue to the GB Transmission System/GB Distribution System.
Success criteria	Details of how the Funding Licensee will evaluate whether the Project has been successful.
Project Partners and external funding	Details of actual or potential Project Partners and External Funding support as appropriate.
Potential for new learning	Details of what the parties <del>expect</del> <u>expect</u> to learn and how the learning will be disseminated.
Scale of Project	The Funding Licensee should justify the scale of the Project – <u>including the scale of the investment relative to the potential benefits</u> . In particular, it should explain why there would be less potential for new learning if the Project were of a smaller scale.
Geographical area	Details of where the Project will take place. If the Project is <u>a collaboration Project</u> , the Funding Licensee area(s) in which the Project <del>takes</del> <u>will take</u> place should be identified.

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Information required	Description
Revenue allowed for in the RIIO- T1 settlement or RIIO-ED1 <del>settlement</del> <u>settlement</u>	An indication of the expenditure allowed for within the RIIO-T1 or RIIO-ED1 settlements <sup>12</sup> that is likely to be saved as a result of the Project.
Indicative total NIA Project Expenditure	An indication of the total Allowable NIA Expenditure that the Funding Licensee expects to reclaim for the whole of the Project.

### NIA Project change requirements

~~3.32-3.34.~~ 3.34. Once a NIA Project has been ~~Registered~~ registered, the Funding Licensee will not be able to change the following aspects of the Registered Project:

- i) Project title,
- ii) Problem,
- iii) Objectives,
- iv) Success criteria, and
- v) The IPR arrangements.

~~3.33-3.35.~~ 3.35. Further, although the Funding Licensee can reduce the level of payment that was registered to be made to a Related Undertaking, it cannot either increase the payment or make a payment to an additional Related Undertaking without receiving approval from Ofgem.

~~3.34-3.36.~~ 3.36. If the Funding Licensee can demonstrate that there will be a benefit to changing other aspects of the Project (not listed in paragraph ~~3.32-3.34~~ 3.34) based on learning once the Project has been started, it may do so. The Network Licensee must update the information on the Project Information Page (including an explanation of why the change has been made). The Network Licensee must inform Ofgem by email at [nia\\_project\\_registration@ofgem.gov.uk](mailto:nia_project_registration@ofgem.gov.uk). For the avoidance of doubt, this change could include prematurely terminating the Project.

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<sup>12</sup> This is the Expenditure included in the Licensees' Business Plan for RIIO-T1 or RIIO-ED1

## 4. Eligible NIA Expenditure

### Chapter Summary

This chapter defines what Eligible NIA ~~Project~~ Expenditure is and defines what will be considered Eligible Bid Preparation Costs.

4.1. ~~There are two categories of expenditure that can be recovered under the NIA. The first category is expenditure~~ Expenditure associated with undertaking NIA Projects ~~can be recovered under the NIA. This is set out described in paragraphs 4.3 to 4.105 below and is called Eligible NIA Expenditure. The second category is expenditure~~ In relation to ~~prepare submissions~~ NIC projects where funding was sought before 1 April 2018, expenditure associated with preparation of the submission for the NIC ~~can also be recovered under the NIA. This is set out described in paragraph~~ paragraphs 4.139 - 4.11 below and is called Eligible Bid Preparation Costs.

4.2. The amount available for Allowable NIA Expenditure can be calculated using the [parameters set out in the NIA Licence Condition](#).

### Eligible NIA Expenditure requirements

4.3. Eligible NIA ~~Project~~ Expenditure is expenditure on a Project that is related to the implementation of the Network Licensee's Project subject to the restrictions set out in this Governance Document.

### NIA Expenditure relating to equipment

4.4. If the [NIA](#) expenditure relates to equipment (including control and/or communications systems and/or software) then:

- It must be incurred in relation to the research, development or procurement, installation or operation or maintenance or decommissioning of equipment which will have a Direct Impact on the Network Licensee's network;
- It must not be related to the procurement, installation, operation and decommissioning of any device on any Customers' premises that measures the consumption of energy and provides such measurement data to an Energy Supplier. ~~Where data is gathered, the Network Licensee must comply with the Data Protection requirements section of this Governance Document;~~ and
- ~~Equipment that is funded through the NIA for the purpose of reducing or shifting the electrical demand of commercial or domestic Customers~~ it will be deemed to be connected to and form part of the Network Licensee's network if it is being used to test the impact of electricity demand ~~reduction or demand shift~~ of commercial or domestic Customers on the Network Licensee's network.

### Payments to ~~Network Users~~ network users

4.5. If the expenditure involves payments to a Related Undertaking to remunerate a Network User for the actions it takes as part of the NIA Project then:

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## Electricity Network Innovation Allowance Governance Document

- All payments that are proposed to be made to any Related Undertaking must be declared before Project Registration and will require approval from Ofgem before the Project can be registered;
- The Network Licensee must simultaneously offer the same terms to similar Network Users on the part of the network that is within the Project boundary, and must have used reasonable endeavours to identify similar ~~Network Users~~ network users; and
- The payment cannot be made directly to the Network Licensee or to affiliated Network Licensees undertaking the NIA Project, except to cover the marginal operating costs of running existing Network Licensee owned generation or storage plants that are solely necessary for the purposes of the Project. Such marginal operating costs must be declared at the time of Project Registration and will require approval from Ofgem before the Project can be registered.

### Customer protection requirements

~~4.6. — Where the Project involves any interaction with a Relevant Customer or a Relevant Customer's premises, or any Direct Impact on or engagement with Relevant Customers (eg through charging or contractual arrangements or supply interruptions), the Network Licensee must comply with the conditions set out in this Customer protection section, paragraphs 4.6 to 4.10 of this section.~~

#### Requirements

~~4.8. — The Network Licensee must submit to the Authority, at least two months prior to initiating any form of engagement with a Relevant Customer, a Customer Engagement Plan of how it, or any of its Project Partners, will engage with, or impact upon, Relevant Customers as part of the Project. The Network Licensee and its Project Partners cannot initiate any form of engagement with a Relevant Customer until the plan has been approved by the Authority, and the Network Licensee must comply with the approved plan at all times. The plan must include:~~

~~4.6. — A communications strategy which sets out inter alia: The Network Licensee, its contractors and its Project Partners must:~~

- ~~• Any proposed interaction with a Relevant Customer or premises of a Relevant Customer or proposed interruption to the supply of any Customer for the purposes of the Project, and how the Customer will be notified in advance;~~
- ~~• Ongoing communications with the Relevant Customers involved in the Project;~~
- ~~• Arrangements for responding to queries or complaints relating to the Project from Relevant Customers;~~
- Information on the Priority Services Register Customers who will be involved in the Project and how they will be appropriately treated (including providing information to any person acting on behalf of a Priority Services Register

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## Electricity Network Innovation Allowance Governance Document

~~Customer in accordance with condition 26 of the Electricity Supply Licence, where applicable);~~

- ~~• Details of any safety information that may be relevant to the Project; and~~

~~• Details of how any consents that may be required as part of the Project will be obtained.~~

~~4.9. The Network Licensee must publish the plan by making it readily available on its own website and provide a link on the Learning Portal.~~

~~27.0. The Network Licensee (or its contractors) and its Project Partners must also:~~

- Not visit a premises of any Customer for sales or marketing activities in connection with, in the context of or otherwise under the guise of the Project; and
- Have regard to the implementation of the smart meter roll-out in the geographical area relevant to the Project to ensure that the Project does not impede the implementation of the roll-out in any way.

### **Data protection Requirements**

~~4.9. Where the Project involves the collection of any personal data (as defined in the Data Protection Act 1998) the Funding Licensee must submit a strategy for dealing with this personal data to Ofgem at least two months prior to collecting or using the data. The Funding Licensee or its Project Partners cannot collect or use any personal data until the strategy has been approved by the Authority. The strategy must set out the following:~~

- ~~• What personal data will be collected for the purposes of the Project;~~
- ~~• How this personal data will be used;~~
- ~~• How consent for use of the personal data will be obtained;~~
- ~~• What information will be provided to the Customer prior to consent being sought;~~
- ~~• If Priority Services Register Customers are included in the Project, how their personal data will be obtained;~~
- ~~• Who owns the personal data;~~
- ~~• How long the personal data will be retained; and~~
- ~~• How this personal data will be managed (which should be based on a “privacy by design” approach, as advocated by the Information Commissioner’s Office<sup>13</sup>).~~

<sup>13</sup> See [http://www.ico.gov.uk/news/current\\_topics/privacy\\_by\\_design\\_conference.aspx](http://www.ico.gov.uk/news/current_topics/privacy_by_design_conference.aspx)

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## Unrecoverable NIA ~~Project~~ Expenditure

~~4.11.4.7.~~ Unrecoverable NIA ~~Project~~ Expenditure cannot be recovered from Allowable NIA ~~Project~~ Expenditure. Unrecoverable NIA Expenditure is any NIA Project Expenditure arising from a failure to conform to technical requirements or arising from an increase in payments associated with a reduction in standards of performance.

### Technical requirements and standards of performance

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~~4.12.4.8.~~ Meeting the criteria for NIA Projects does not exempt the Network Licensee from complying with its licence obligations to conform to all technical requirements or standards of performance or any other legislation. If the Network Licensee wishes to seek derogation from technical requirements or incentive schemes, it must do so through the relevant existing mechanisms. Without a derogation, any increase in payments resulting from a reduction in performance that occurs through undertaking a NIA Project is deemed Unrecoverable NIA ~~Project~~ Expenditure.

## Eligible NIC Bid Preparation Costs

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~~4.9.~~ As set out Paragraphs 4.10 to 4.11 only apply to NIC projects which passed the NIC Initial Screening Process (ISP) in or before 2017/18. For Network Licensees, any Bid Preparation Costs for a Project which passed the ISP in or before Relevant Year 2017/2018 must be recovered by the Network Licensee during that Relevant Year.

~~4.10.~~ Up until Relevant Year 2017/2018, the NIA Licence Condition, permits the Network Licensee ~~can~~ to use up to a maximum of £175,000 or 5 per cent of the NIC funding requested under the NIC Licence Condition, whichever ~~is~~ was smaller, from its NIA to cover efficiently incurred expenditure it ~~incurs~~ incurred submitting bids to the NIC.

~~4.13.4.11.~~ Where submissions ~~which~~ have passed the NIC Initial Screening Process (ISP) ~~ISP~~ or efficiently incurred costs associated with implementing and maintaining the Learning Portal and the Collaboration Portal, these can be funded as Bid Preparation Costs. The Network Licensee must be able to demonstrate that it has used the amount claimed under Eligible Bid Preparation Costs for the purposes listed above. Where the Network Licensee is part of an Electricity Transmission Group or Electricity Distribution Group, the sum of such costs recoverable by all of the Network Licensees in that group cannot be more than £175,000 or 5 per cent of the NIC ~~funding~~ Funding requested, whichever is the smaller amount.

## External NIA funding

~~4.14.4.12.~~ If the Network Licensee receives funding from a Project Partner or ~~from an~~ External Funder that covers Eligible NIA Project Expenditure then ~~they~~ it

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cannot use theirs NIA to fund the activities paid for by a Project Partner or by the External Funder.

### Revenue allowed for within the RIIO-T1 or RIIO-ED1 settlements

4.15.4.13. Direct Benefits are any benefits of the Project accruing to the Network Licensee during the Project implementation, and comprise expenditure included in the Network ~~Licensees~~Licensee's Business Plan for the RIIO-T1 or RIIO-ED1 period that will be saved through undertaking the Project.

4.16.4.14. Where the Network Licensee receives a Direct ~~Benefit~~Benefits because of undertaking the Project, the amount saved should be used to cover the expenditure incurred on the NIA Project and so must be deducted from the Eligible NIA Expenditure.

### Eligible NIA Internal Expenditure

4.17.4.15. The proportion of NIA expenditure the Network Licensee can spend on its own internal resources is set out in the NIA Licence Condition. This means that only that proportion of NIA expenditure can be spent internally, eg on salaries. The remaining NIA expenditure must be external. Efficiently incurred costs associated with implementing and maintaining the Learning Portal and the Collaboration Portal can be recovered as Eligible NIA Internal Expenditure.

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## 5. Annual regulatory reporting for NIA Projects

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5.1 The Network Licensee must report the required details for its NIA Expenditure as set out in Standard Licence Condition B15 (Regulatory Instructions and Guidance) ~~in~~of the Electricity Transmission Licence and ~~in~~Standard Licence Condition 46 (Regulatory Instructions and Guidance) ~~in~~of the Electricity Distribution Licence.

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## 6. Knowledge transfer

### Chapter Summary

Facilitating knowledge transfer is one of the key aims of the RIIO Innovation Stimulus. Learning should be shared among all Network Licensees. This chapter sets out the knowledge transfer requirements of the NIA.

6.1. There are four requirements relating to knowledge transfer set out in this document: the Project Progress Information, an annual summary of NIA activity, an annual conference described in this chapter and the treatment of IPR (which is comprehensively set out in chapter 7). The Network Licensee should also seek other mechanisms to ensure effective Dissemination of learning.

### Learning Portal deadline

6.2. The Network Licensee must publish the required Project Progress Information on the Learning Portal by 31 July each year ~~thereafter. Electricity distribution licensees do not need to publish this information in 2015 but should ensure this information is published by 31 July 2016 and each year thereafter.~~ If a NIA Project is halted, the Project Progress Information must be published by 31 July following the halting of the Project. This is separate to the requirement to publish an annual summary of NIA activity under paragraph 6.7.

### Required Project Progress Information

6.3. The Network Licensee must publish the Project Progress Information for each NIA Project that has developed new learning in the preceding Relevant Year on the Learning Portal. This publication should provide sufficient information for third parties to understand what has been learnt from the Project and should be sufficient to allow other Network Licensees to replicate the Project and minimise the likelihood that other Network Licensees will unnecessarily duplicate the Project using their NIA in future. If the NIA Project generates IPR that Ofgem has agreed at Registration ~~and does~~ not need to be shared, the Project Progress Information must provide sufficient information for other Network Licensees to determine whether the IPR would be of value.

6.4. Where the Network Licensee has explained in its PEA and informed Ofgem at Registration why it (or its Project Partners) will face commercial harm from disclosure of any of the information required in Table 6.1 then it is not required to publish this information in the Project Progress ~~Report or the Project closedown report.~~ Information. If the Authority later considers information has been unreasonably withheld then NIA Expenditure up to the value of the Project may be declared ineligible.

6.5. The Project Progress Information should include the following sections in the order that they appear below.

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**Table 6.1: Required Project Progress Information.**

Section	Description
Project Title	As <a href="#">perfat</a> Registration
Scope and objectives	As <a href="#">perfat</a> Registration
Success criteria	As <a href="#">perfat</a> Registration
Performance compared to the original Project aims, objectives and success criteria	Details of how the Project is investigating/solving the issue described in the NIA Project Registration Pro-forma. Details of how the Project is performing/performed relative to its aims, objectives and success criteria.
Required modifications to the planned approach during the course of the Project	The Network Licensee should state any changes to its planned methodology and describe why the planned approach proved to be inappropriate.
Lessons learnt for future Projects	Recommendations on how the learning from the Project could be exploited further. This may include recommendations <a href="#">e.g.</a> what form of trialling will be required to move the Method to the next TRL. The Network Licensee should also state if the Project discovered significant problems with the trialled Methods. The Network Licensee should comment on the likelihood that the Method will be deployed on a large scale in future. The Network Licensee should discuss the effectiveness of any Research, Development or Demonstration undertaken.
<del>The following sections are only required for those Projects which have been completed since 1 April 2013 for Transmission Licensees, or 1 April 2015 in the case of DNOs, or since the previous Project Progress Information was published.</del>	
The outcomes of the Project	Comprehensive details of the Project's outcomes are to be reported. Where quantitative data is available to describe these outcomes it should be included in the report. Wherever possible, the performance improvement attributable to the Project should be described. If the TRL of the Method has changed as a result of the <del>Trial</del> Project this should be reported. The Network Licensee should highlight any opportunities for future Projects to develop learning further.
<a href="#">Data access details</a>	<a href="#">A description of how any network or consumption data (anonymised where necessary) gathered in the course of a Project can be requested by interested parties. This requirement may be met by including a link to</a>

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Section	Description
	<a href="#">the publicly available data sharing policy which is required by virtue of paragraph 2.13.</a>
<a href="#">Foreground IPR</a>	<a href="#">A description of any foreground IPR that have been developed by the project and how this will be owned.</a>
<b>The following section is only required once the Project has been completed .</b>	
Planned implementation	Details on whether and how the Network Licensee plans to modify its operations based on learning from the Project. If the Method is not ready to be used or implemented, the Network Licensee should explain what needs to happen before the Method can be implemented. The Network Licensee can break down the requirements into actions required by Network Licensees and actions required by non-Network Licensee parties. If the Network Licensee intends to submit a notice under Special Condition 6E (The Innovation Roll-out Mechanism) or <a href="#">under Charge Restriction Condition 3D (The Innovation Roll-out Mechanism)</a> this should be noted here.
Other comments	

**Compliance**

6.6. In the event that Ofgem considers that the Project Progress Information does not ~~conform~~[comply](#) with the requirements of this Governance Document, it ~~may~~[will](#) explain why and ask the Network Licensee to resubmit the Project Progress Information. If Ofgem considers that the resubmitted Project Progress Information still does not comply with this Governance Document, Ofgem may reduce the Network Licensee’s ~~Network Revenue~~[network revenue](#) by an amount up to the level of funding allowed for the Project ~~concerned~~[using the mechanism set out in the NIA Licence Condition](#).

**Annual summary of NIA activity requirements**

6.7. The Network Licensee must produce an annual summary of its NIA activity. [Network Licensees may wish to combine this requirement with the annual reporting requirements under the NIC Governance Document.](#)<sup>14</sup> This summary should:

- Summarise the progress of the Network Licensee’s NIA activities in the Relevant Year;

<sup>14</sup> Licensees may need to bring forward annual reports on NIC projects to align the reporting dates with the NIA annual summary.

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- Summarise how the NIA activities link to the Network Licensee’s innovation strategy; ~~and~~
- Highlight areas of significant new learning-; ~~and~~
- Be signed by the senior person responsible for implementing NIA Projects.

6.8. We expect this document to be brief and to refer to the detailed information on the Learning Portal where further detail on Projects can be found. The Network Licensee should publish this summary on its website and add a link to the document on the Learning Portal by 31 July each year. ~~This summary should be signed by the senior person responsible for implementing NIA Projects. Electricity distribution licensees do not need to publish this document in 2015 but should ensure it is published by 31 July 2016 and every year thereafter.~~

### Annual conference requirements

6.9. The Network Licensee must ~~work~~ collectively with other Network Licensees that are ~~subject~~required to comply with this Governance Document ~~to~~ organise an annual conference. The annual conference will be held every Relevant Year for Network Licensees, Project Partners and for interested third parties. Expenditure incurred in organising this annual conference can form part of Internal NIA Expenditure. ~~the expenditure the licensee is permitted to spend on its own internal resources under the NIA Licence Condition.~~ The Network Licensee must (subject to any confidentiality or IPR arrangements approved before Registration) highlight the key learning that has been developed by the Network Licensee since the previous annual conference.

6.10. This conference may form part of the same event as any NIC or LCN Fund conferences and the Network Licensee may charge attendees a nominal sum for attending the conference. The Network Licensee’s income from charges is not to exceed the efficient cost to the Network Licensee of organising the conference.

6.11. The NIA conference may be a single event for gas and electricity or multiple events-~~we.~~ We expect Network Licensees ~~to work together~~ to agree the format of the annual conference.

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## 7. Intellectual Property Rights (IPR)

### Chapter Summary

To facilitate knowledge transfer we have created a default treatment for IPR. This chapter sets out these default arrangements.

### Introduction

7.1. We recognise that the Projects financed by the NIA may create IPR either for the Funding Licensee or for any Project Partners (whether for one, both or jointly), and that these rights could restrict the Dissemination of knowledge and also provide value through future revenues.

7.2. The Network Licensee is required to enter into contractual arrangements with Project Partners which reflect the arrangements described in this chapter of the Governance Document. -The purpose of these arrangements is to:

- Ensure the Dissemination of knowledge generated by each NIA Project; and
- Protect Customers against paying excessively for products or approaches (for which they have contributed to the cost of development by providing NIA funding).

7.3. Given the light touch nature of these arrangements, we expect the vast majority of NIA ~~projects~~ Projects to be able to ~~meet~~ comply with the requirements of this condition. However, in the circumstance that a potential Project Partner is not prepared to enter into contractual arrangements on this basis, we are willing to consider alternative arrangements on a case by case basis. -In any event, all alternative arrangements must comply with the criteria set out in paragraph 3.10 of chapter 3.

### ~~Ensuring knowledge~~ Knowledge Dissemination

7.4. Network Licensees must ensure that their IPR arrangements allow for the Dissemination of knowledge in respect of a Project. This knowledge ~~may be~~ includes the knowledge necessary to reproduce or simulate the outcome of a Project. It ~~may~~ also ~~be~~ includes the knowledge necessary to avoid a negative outcome. Where the deployment of IPR materially reduces the cost, difficulty or time associated with reproducing the outcome of a Project, this would also constitute an IPR which is material to the Dissemination of knowledge.

7.5. Relevant Foreground IPR is Foreground IPR that other Network Licensees will need to utilise in order to implement the Method(s) being Developed or Demonstrated in the Project. ~~This must be identified in~~ In the Project Registration Information, Network Licensees must describe their expectation of the Relevant

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~~Foreground IPR which will be generated in the Project. In the Project Progress Information, Network Licensees must also identify the Foreground IPR~~ in sufficient detail to enable others to identify whether they need to use ~~that IPR. For clarification #it.~~ It is not expected that the confidential details of IPR would be disclosed in ~~the Project Progress Report Information,~~ only sufficient information to enable others to identify whether the IPR is of use to them. Where Background IPR is required to use the Relevant Foreground IPR, this must also be clearly stated.

7.6. Foreground IPR within Commercial Products is not deemed Relevant Foreground IPR. However, these must be made available for purchase by Network Licensees after the Project and in line with paragraphs 7.8 to 7.10 below.

7.7. All other Network Licensees will have the automatic right to use Relevant Foreground IPR for use within their network system royalty free. ~~The Network Licensee will ensure that arrangements are in place to allow such access.~~

## Ensuring value

7.8. Each Participant in the Project, ~~whether a Network Licensee or a Project Partner~~ shall retain all rights in and to its Background IPR.

7.9. Each Participant shall own all Foreground IPR that it independently creates as part of the Project. Where Foreground IPR is created jointly, it may be owned in shares that are in proportion to the funding, ~~effort~~ and work done in its creation. However, in circumstances where:

- The Network Licensee owns all the Foreground IPR generated by the Project; and
- The Network Licensee complies with ~~the remainder paragraph 7.7~~ of this chapter,

~~then~~ we will consider the Project to conform with the default IPR arrangements.

7.10. The Network Licensee is required to consider and enter into contractual arrangements that have the potential to provide best long term value to all Customers during, and following the completion of, the Project. This could be, for example, taking into account the level of funding provided by other Project Partners, the IPR terms agreed between the Network Licensee and ~~ProjectsProject~~ Partners as well as future pricing commitments (eg firm pricing for post Project products, discount arrangements etc) offered by Project Partners.

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## 8. Definitions

### Allowable NIA Expenditure

Allowable NIA Expenditure is the total expenditure that can be recovered from the NIA. It includes Eligible [NIA Expenditure and, in relation to NIC Projects granted funding in 2017 only, Eligible Bid Preparation Costs and Eligible NIA Expenditure.](#)

### Authority

[The Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000.](#)

### Background IPR

All the intellectual property owned or licensed to a Participant at the start of a Project.

### Base Case ~~Costs~~Cost

The lowest cost method of delivering the Solution (on the scale outlined as part of the Project) which has been proven on the GB Transmission System/GB Distribution System.

### Collaboration Portal

An online portal to inform collaborators about the NIA that complies with the requirements set out in Chapter 2 of this document.

### Commercial Product

Products which have Background IPR identified prior to the commencement of the Project.

### Customer

Any person supplied or requiring to be supplied with electricity at any premises in the System Operator's area but shall not include any authorised electricity operator in his capacity as such.

### ~~Customer Engagement Plan~~

~~The plan that the Network Licensee must submit to Ofgem setting out how it or any of its Project Partners, will engage with, or impact upon, Relevant Customers as part of the Project.~~

### Development (TRL 4-6)

Activity focussed on generating and testing solutions to the Problem.

### Demonstration (TRL 7-8)



## Electricity Network Innovation Allowance Governance Document

Activity focussed on generating and testing solutions on the network and take it to a stage where they can be transferred to business as usual.

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Direct Benefits

Direct Benefits are the benefits of a Project accruing to the Network Licensee during the Project implementation and ~~comprises~~comprise any expenditure included within the Network Licensee’s Business Plan for RIIO-T1 or RIIO-ED1 that will be saved as a result of undertaking the Project.

Direct Impact

Where the deployment or use of the Method (will in the case of Research) lead to a directly related measurable change or (in the case of a Development or Demonstration) cause a directly related measurable change in the operation of the ~~distribution/transmission system~~GB Distribution System/GB Transmission System in a controllable way. Where the Method involves measures that aim to reduce or shift the electrical demand of commercial or domestic Customers, it is deemed to be controllable.

Dissemination

Means the activity undertaken to share learning from a Project.

Electricity Distribution Group

A group of electricity distributors in which the Network Licensee and every other Network Licensee within the group are affiliates of each other.

~~Gas Transmission Group~~

~~A group of transmission operators in which the Network Licensee and every other Network Licensee within the group are affiliates of each other.~~

Eligible NIA Project

A Project that satisfies the criteria set out in chapter 3 and the requirements set out in chapter 4 of this Governance Document.

Eligible NIA Expenditure

The amount of expenditure spent or accrued by the Network Licensee in respect of Eligible NIA Projects (and, in relation to NIC Projects where funding was granted before 1 April 2018 only Eligible NIC Bid Preparation Costs) and forms part of Allowable NIA Expenditure as set out in Part B of the NIA Licence Condition.

Eligible NIA Internal Expenditure

The proportion of NIA Expenditure the Network Licensee can spend on their own internal resources.

Eligible NIC Bid Preparation Costs

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## Electricity Network Innovation Allowance Governance Document

~~The~~For the purposes of NIC Funding which is granted to a Network Licensee in 2017 only, the amount of expenditure spent or accrued by the Network Licensee when preparing submissions for the Network Innovation Competition that appear to the Authority to have been spent in such a way that satisfies the requirements of the NIA Licence Condition and Governance Document and as are necessary to enable the projects to be funded under the provisions of this condition.

### Energy Supplier

The holder of a gas or electricity supply licence.

#### Energy Networks Association (ENA)

ENA is the industry body funded by UK and Irish gas and electricity transmission and distribution and gas transporter licence holders.

#### External Funder

An entity (that is not a Network Licensee) that provides funding for the Project without requiring a return on their investment.

#### Foreground IPR

#### ~~Foreground IPR~~

All intellectual property created by or on behalf of the Participants, ~~their sub-~~Network Licensees to whom they licence intellectual property, agents, and sub-contractors, as part of, or pursuant to the Project, including all that subsisting in the outputs of the Project.

### Funding Licensee

The Network Licensee that registers a NIA Project and uses their NIA to fund a Project.

#### Gas Transmission Group

A group of transmission operators in which the Network Licensee and every other Network Licensee within the group are affiliates of each other.

### GB Distribution System

The system consisting (wholly or mainly) of electric lines owned or operated by licensed distributors that are used for the distribution of electricity from grid supply points or generation sets or other entry points to the points of delivery to Customers or authorised electricity operators or any ~~Transmission Licensee~~ transmission licensee in its capacity as operator of that licensee's ~~Transmission System~~ transmission system or the GB Transmission System, and includes any remote transmission assets (owned by a Transmission Licensee within England and Wales) that are operated by that authorised distributor and any electrical plant, electricity meters, and metering equipment owned

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or operated by it in connection with the distribution of electricity, but does not include any part of the GB Transmission System.

### GB Transmission System

The system consisting (wholly or mainly) of high voltage electric lines owned or operated by transmission licensees within Great Britain and used for the transmission of electricity from one generating station to a sub-station or to another generating station or between sub-stations or to or from any interconnector. This includes any electrical plant or meters owned or operated by any transmission licensee within Great Britain in connection with the transmission of electricity.

### Initial Screening Process (ISP)

All proposed electricity NIC Projects must pass the ISP before they are eligible to be developed into full submissions and considered by the Authority for funding. The purpose of the ISP is to reduce the risk of Network Licensees spending time and money developing "ineligible" projects by providing an early indication of which projects are eligible for funding.

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### Learning Portal

An online portal for sharing learning from NIA Projects that complies with the requirements set out in chapter 2 of this document.

### Licensee Partner

A Network Licensee which is participating in a NIA Project and which is not the Funding Licensee.

### Method

The proposed way of investigating or solving the Problem. This may be done by either:

- Research: which means activity undertaken to investigate the Problem based on observable facts;
- Development: which means activity focussed on generating and testing solutions to the Problem; or
- Demonstration: which means activity focussed on demonstrating and testing technologies/practices on the network which address the Problem and take them to a stage where they can be transferred into business as usual.

### Method Costs/Cost

The costs of replicating the Method, at the scale being tested in the Project, once it has been proven successful.

### Micro-Business

A micro business is defined as a company which meets one of the following criteria –

- consumes less than ~~200293~~ 200,000 kWh of gas a year;
- consumes less than ~~55100~~ 55,000 kWh of electricity a year; or
- has fewer than ten employees (or their full-time equivalent) and an annual turnover or annual balance sheet total not exceeding £2m.

### Network Innovation Allowance (NIA)

An amount of Licensee's allowed revenue provided to fund investment in innovation under the NIA established pursuant to the NIA Licence Condition.

### Network Licensee

The holder of a Gas Transporter, Electricity Transmission or Electricity Distribution Licence who is regulated through the RIIO price control framework

### Network Licensee Group

A group of Transmission Owners, System Operators or Distribution Network Operators in which the Network Licensee and every other Network Licensee within the group are affiliates of each other, have the same ~~Ultimate Controller~~ ultimate controller and the licences are of the same type, ie distribution or transmission.

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## Electricity Network Innovation Allowance Governance Document

### NIA Expenditure

Expenditure from the Network [Licensees](#) Licensees' NIA.

### NIA Licence Condition

Special Condition 3H (The Network Innovation Allowance) for [TOs](#) Electricity [Transmission Licensees](#) or Charge Restriction Condition 2H (The Network Innovation Allowance) for [DNOs](#) Electricity [Distribution Licensees](#).

### NIA Project Registration Information

The information which Funding Licensees must publish on the [Awareness of Learning Portal](#) in order to use funding under the NIA.

### NIC Licence Condition

The NIC Licence Condition is the licence condition which sets out the requirements a Network Licensee must adhere to for the purposes of the NIC. In relation to the GB system operator and transmission owners this is Special Licence Condition 3I. In relation to offshore transmission owners this is Amended Standard Condition E12- J11. In relation to DNOs this is Charge Restriction Condition 5A. In relation to IDNOs this is XXX.

### Participant

A party who is involved in a Project. A Participant will be one of the following: Network Licensee, Licensee Partner, Project Partner, External Funder, Project Supplier or Project Supporter.

### Priority Service [Register Customers](#)

Domestic customers at premises connected to the distribution system who fall within the description set out in Standard Condition 10 of the Electricity Distribution Licence.

### Problem

The issue that needs to be resolved.

### Project

The Research, Development or Demonstration being proposed or undertaken.

### Project Eligibility Assessment (PEA)

Documentation prepared by the Network Licensee prior to initiation of a NIA Project, demonstrating that the Project and funding comply with all criteria and conditions set out in this document.

### Project Progress Information

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A summary of Project progress which complies with the requirements set out in chapter 6 of this document.

**Project Partner**

A non-Network Licensee Participant that makes a contractual commitment to contribute equity to the Project (e.g. in the form of funding, personnel, equipment etc.) the return on which is related to the success of the Project.

**Project Registration Page**

The page on the shared portal where the NIA Project Registration Information is published.

**Project Supplier**

A party that makes a contractual commitment to supply a product or service to the Project according to standard commercial terms that are not related to the success of the Project.

**Project Supporter**

A party that makes no contractual or binding commitment to the Network Licensee or any other Project Participant in relation to the Project but who intends to endorse and provide support to the Project and agrees to be publicly named as a supporter of the Project.

**Registration**

Registration is the process by which a NIA Project is registered with Ofgem, before the Project can start.

**Related Undertaking**

In relation to the licensee, means any undertaking in which the licensee has a participating interest within the meaning of section 421A of the Financial Services and Markets Act 2000.

**Relevant Customer**

A domestic or Micro-Business Customer.

**Relevant Foreground IPR**

Any Foreground IPR that is required in order to undertake the Project.

**Relevant Network Licensee**

Is a Network Licensee that holds a licence of the same type as the Network Licensee which has generated new learning as a result of a Project.

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## Electricity Network Innovation Allowance Governance Document

### Relevant Year

A period of twelve months commencing on 1 April ~~at the first such Relevant Year (t=1) commencing 1 April 2013 for electricity transmission licensees and on 1 April 2015 for electricity distribution licensees.~~

### Research (TRL 2-3)

Is activity undertaken to investigate the problem based on observable facts.

### RIIO (Revenue = Incentives + Innovation + Outputs)

Ofgem's framework, stemming from the conclusions of the RPI-X@20 project, implemented in price controls. It builds on the success of the previous RPI-X regime, but better meets the investment and innovation challenge by placing much more emphasis on incentives to drive the innovation needed to deliver a sustainable energy network at value for money to existing and future Customers.

### Solution

The outcome if the Problem is solved.

### Specific Requirements

The criteria a Project must meet to qualify as a NIA Project.

### System Operator

The holder for the time being of a transmission licence in relation to which licence the Authority or the Secretary of State, where appropriate, has issued a Section C (system operator standard conditions) Direction and where Section C remains in effect (whether or not subject to any terms included in a Section C (system operator standard conditions) Direction or to any subsequent variation of its terms to which the licensee may be subject).

### Technology Readiness Levels/Level (TRL)

~~Technology readiness level is a~~ measure used to assess the maturity of evolving technologies. It is graded on a scale from 1 to 9, where, for the purposes of the NIGNIA:

- TRL 1: Pure research that is theoretical or experimental work undertaken to acquire new scientific or technical knowledge for its own sake rather than directed towards an application
- TRL 2-3: Applied research driven by a desire to broaden scientific and technical knowledge for application on the network, related to an identified problem. It typically includes investigating the underlying foundation of phenomena and observable fact
- TRL 4-6: Development activities with a more commercial application including technology validation and or demonstration in a working environment
- TRL 7-8: Full scale demonstration in a working environment to test and improve technologies so they are ready for commercial deployment

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## Electricity Network Innovation Allowance Governance Document

- TRL 9: Application of technology in its final form, ie the technology has been proven.

### Transmission Owner

The holder for the time being of a transmission licence in relation to which licence the Authority has issued a Section D (transmission owner standard conditions) Direction and where Section D remains in effect (whether or not subject to any terms included in a Section D (transmission owner standard conditions) Direction or to any subsequent variation of its terms to which the Network Licensee may be subject).

### Unrecoverable NIA ~~Project~~ Expenditure

Expenditure on a NIA Project the Authority has determined does not satisfy the requirements of the NIA Governance Document.

### Working Day

Any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday within the meaning of the Banking and Financial Dealings Act 1971.

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## Glossary

### A

#### Authority

The Gas and Electricity Markets Authority is the governing body for Ofgem, consisting of non-executive and executive members

### E

#### Energy Networks Association (ENA)

ENA is the industry body funded by UK gas and electricity transmission and distribution and gas transporter licence holders. It lobbies on common issues in the operating environment, both at domestic and European levels, and provides technical services for the benefit of members.

### R

#### RIO (Revenue – Incentives + Innovation + Outputs)

Ofgem's relevant framework, stemming from the conclusions of the RPI-X@20 project, to be implemented in forthcoming price controls. It builds on the success of the previous RPI-X regime, but better meets the investment and innovation challenge by placing much more emphasis on incentives to drive the innovation needed to deliver a sustainable energy network at value for money to existing and future Customers.

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