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### **Consultation on version 3.0 of the Network Innovation Allowance Governance Documents**

This letter explains our approach to consulting on the proposed version 3.0 of the gas and electricity Network Innovation Allowance (NIA) governance documents (the “governance documents”). We are consulting on changes proposed to the governance documents and our proposal to issue a new version 3.0 pursuant to the “NIA Licence Conditions”.<sup>1,2,3,4,5</sup> The governance documents contain the regulation, governance and administration of the NIAs.

We reviewed the governance arrangements of the NIA and the Network Innovation Competition (NIC) during 2016. We published a consultation<sup>6</sup> on proposed changes in December 2016 and made our decision in March 2017.<sup>7</sup> Additional information on our policy decisions is given in the decision document.

The draft NIA governance documents published alongside this letter show how we intend to implement our policy decision (subject to responses to this consultation). The proposed changes also reflect feedback we received when we consulted on the proposed changes to the governance documents in December 2016 and again in April 2017.

This letter constitutes our consultation under the NIA licence conditions on our proposal to issue version 3.0 of the NIA governance documents. Subject to responses received to this consultation, we plan to issue each of the governance documents, incorporating the representations we receive in response to this consultation.

**Please send any representations to [networks.innovation@ofgem.gov.uk](mailto:networks.innovation@ofgem.gov.uk) on or before 28 June 2017. We will consider representations or objections and subject to consultation responses intend to publish the revised governance documents on or before 14 July 2017.**

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<sup>1</sup> Electricity Transmission Licence – Special Condition 3I

<sup>2</sup> Electricity Distribution Licence – Charge Restriction Condition 5A

<sup>3</sup> Gas Transporters Licence – National Grid Gas Transmission (NGGT) Special Condition 2E

<sup>4</sup> Gas Transporters Licence – Distribution Network Operators (DNs) – Special Condition 1I

<sup>5</sup> Gas Transporters Licence – IGTs – Special Condition

<sup>6</sup> <https://www.ofgem.gov.uk/publications-and-updates/network-innovation-review-our-consultation-proposals>

<sup>7</sup> <https://www.ofgem.gov.uk/publications-and-updates/network-innovation-review-our-policy-decision>

## ***Proposed changes to the gas and electricity NIA governance documents***

### *Project Eligibility*

We propose to make changes that would require the licensees to explain how the projects meet the eligibility criteria. At present, the licensees only have to state that the project is eligible. In addition, licensees would be required to explain why the proposed project is innovative and why it would not proceed without NIA funding. There is also a proposed new requirement that a senior member of the licensee's staff confirms the project's eligibility before a project is registered under the NIA. These changes would improve the visibility of projects considered eligible for funding under NIA.

### *Bid preparation costs*

The proposal is that network companies would not be able to recover bid preparation costs in relation to projects which pass the ISP in or after the year beginning 1 April 2018. The proposed changes to the governance documents would remove the ability of RIIO network companies to recover bid preparation costs through the NIA.<sup>8</sup> Given the significant benefit the network companies are getting from implementing innovation projects we think it is appropriate that the companies fund the development of submissions to the NIC.

### *Ongoing NIC and NIA reporting*

We proposed to make changes to the reporting requirements for the annual summary of NIA activity. This would allow network companies to merge the NIA annual summary with the annual NIC progress reports so that companies could publish a single document summarising all of their innovation activity each year. If implemented, this change should reduce the burden on network companies and make learning more accessible for interested parties.

### *Customer Engagement and Data Protection Plans*

We propose to remove the requirement for network companies to have customer engagement and data protection plans approved by us. In relation to customer engagement plans, we do not consider that we are best placed to add value by approving these, however we note there are incentives within the price controls for companies to engage effectively with customers and we would expect companies to plan carefully any interaction they have with customers through their internal governance procedures. In relation to data protection plans, the Data Protection Act 1998 places obligations on any organisation gathering and holding personal data and we do not consider it is necessary for Ofgem to approve the measures taken by network companies to ensure compliance with the Act.

### *Sharing of trial data*

Innovation projects involve the gathering of large amounts of data which could deliver value beyond the scope of the original trial. Therefore, we expect the companies to make this data available.

We propose to introduce requirements for network companies to have systems in place to be able to share data that is collected through customer funded projects. As set out in the draft governance documents, companies would be required to have in place by 30 September 2017 a publicly available data sharing policy setting out the terms on which data would be provided and a link to this must be included in the submission to the NIC as

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<sup>8</sup> We are also making changes to the NIC Governance Documents and licence to remove the ability of Non-RIIO network companies to recover bid preparation costs.

well as in project reports. This would help give consumers maximum value for their investment.

#### *Interpretation of default intellectual property arrangements*

We have not included the plain English guide to the intellectual property arrangements in this draft version of the governance documents. As noted in our policy decision we will develop this over the summer and it will be included in a future iteration of the governance document.

It will include a non-exhaustive description of the types of legal arrangements that could be used to manage intellectual property within the 'default requirements'. We will also provide a non-exhaustive description of the types of arrangements that we have either approved or would likely be willing to approve as non-default. This is to provide further clarity on the requirement for all innovation project learning to be shared with GB network companies.

#### **Next steps**

Please send any representations or objections to this consultation to [networks.innovation@ofgem.gov.uk](mailto:networks.innovation@ofgem.gov.uk) on or before 28 June 2017. We will consider representations on our proposed changes to the governance documents ahead of publishing the governance documents on or before 14 July 2017.

Yours sincerely,

**Geoffrey Randall,  
Associate Partner, RIIO Networks  
For and on behalf of the Authority**