Making a positive difference
for energy consumers

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Dear Frank,

Decision on the "CONNECTION" submission to the Initial Screening Process (ISP) of the 2018 Electricity Network Innovation Competition (NIC)

Thank you for submitting "CONNECTION"[1] ("the Project") to the ISP for the Electricity NIC.

The purpose of this letter is to advise Scottish and Southern Electricity Networks (SSEN) of our assessment that the Project does not meet the ISP eligibility requirements[2]. Accordingly, we have decided not to allow the Project to pass the ISP.

While we do not consider the Project is appropriate for NIC, we would encourage SSEN to look at alternative sources of funding to implement the proposed analytical engine.

This letter constitutes notice of the reasons for our decision not to allow the Project to pass ISP, and proceed to the Full Submission Process pursuant to Section 49A of the Electricity Act 1989.

We have provided feedback on your submission at Annex A, which we trust that you will consider for future submissions to the NIC. We would also be happy to discuss the content of this letter with you.

Yours sincerely,

SIGNED on 27 April 2018

Steven McMahon
Associate Partner, RIIO Networks

[1] https://www.ofgem.gov.uk/publications-and-updates/electricity-nic-initial-screening-submission-2018-connection-ssen
[2] The eligibility requirements are set out in sections 4.8-4.20 of the Electricity NIC Governance Document. https://www.ofgem.gov.uk/publications-and-updates/version-30-network-innovation-competition-governance-documents

Summary of ISP Assessment

If implemented, the Project's aim would be to create a 'one-stop-shop' that would help increase visibility of flexible options for customers and also help signpost competitive connections options by developing a smart, analytical platform to improve network connection processes and customer experiences using new data sets, such as smart metering data, secondary substation monitoring and LiDAR.

To be eligible for NIC funding, the method being trialled in the project must have a Direct Impact[3]. The description of the proposed project provided within the submission is a step removed from the Distribution System[4]. Its immediate impact would be on the processes SSEN use to generate connection offers rather than on the Distribution System itself. It is our view that SSEN has not demonstrated that this Project will have a Direct Impact on the Distribution System.[5]

While we recognise the proposed Project has the potential to deliver 'smarter' management of connection requests and information, we do not think it fulfils ISP criterion (d) – 'Is innovative (i.e. not business as usual) and has an unproven business case'[6]. Under criterion (d), applicants for NIC funding should demonstrate that projects have not been tried before, cannot be funded as part of the Network Licensee's business as usual activities, and can only be undertaken with the support of the NIC due to specific associated risks.

It is not clear that the risks identified in the submission, associated with undertaking the Project would warrant NIC funding. A lack of cooperation between LNOs in making the proposed changes to the current connection management processes are not considered a risk that would warrant NIC funding.

SSEN also states that the Project requires increased stakeholder cooperation between LNOs and other parties, which would require NIC funding. In Ofgem's view, the activities proposed in the Project could be undertaken as a business as usual activity. Further, references to how proposed projects contribute to the development of DSO roles are not, in isolation, enough to justify innovation funding. Licensees therefore need to justify proposed projects on their individual merits with reference to the specific criteria of the NIC, or Network Innovation Allowance (NIA).

We consider that improvements could be made to the current network access and connection quotations processes, so that DNOs are considering alternative more efficient connections solutions, as well as considering how network companies can issue connections quotations and understand the network conditions more quickly than they currently do. We welcome SSEN considering how it could deliver improvements in these areas and we encourage SSEN to progress further work in these areas. We would encourage SSEN to consider what other funding arrangements would be most appropriate for this work.

[3] The Electricity NIC Governance Document defines Direct Impact as: *Where the deployment of the Method will cause a measurable change in the operation of the Transmission System or in the operation of the Distribution System in a controllable way.*

[4] The Electricity NIC Governance Document and Electricity Distribution licence defined Distribution System as: *the system consisting (wholly or mainly) of electric lines owned or operated by an Authorised distributor that is 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 in its capacity as operator of that licensee's 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 or operated by it in connection with the distribution of electricity, but does not include any part of the GB Transmission System.*

[5] Section 4.9 of the Electricity NIC Governance Document.

[6] Sections 4.18-4.20 of the Electricity NIC Governance Document.

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