



Making a positive difference  
for energy consumers

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Date: 27 April 2018

Dear Darren,

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

Thank you for submitting "Project Vision"<sup>1</sup> ("the Project") to the ISP for the Electricity NIC.

The purpose of this letter is to advise Scottish Power Electricity Networks (SPEN) of our assessment that the Project does not meet the ISP eligibility requirements<sup>2</sup>. Accordingly, we have decided not to allow the Project to pass the ISP. This is based on the initial screening submission pro-forma and the answers to our follow-up supplementary questions.

While we do not consider the Project is appropriate for NIC, we would encourage SPEN to look at alternative sources of funding to implement the proposed life cycle assessment tool, it deem it to be in the interest.

This letter constitutes notice of the reasons of 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, RIIIO Networks**

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<sup>1</sup> <https://www.ofgem.gov.uk/publications-and-updates/electricity-nic-initial-screening-submission-2018-project-vision-spen>

<sup>2</sup> 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 would aim to develop a streamlined and efficient mechanism (life cycle assessment (LCA) tool) for the energy industry to help companies understand the environmental impact of their value chains and inform mitigation actions.

While we think the Project has the potential to inform more sustainable practices by network operators, we do not think it is compliant with ISP criteria (b) – ‘Delivers value for money for electricity customers’ and (d) – ‘Is innovative (i.e. not business as usual) and has an unproven business case’. In addition, it is our view that as it has been described within the submission the Project includes certain activities which do not fall under Technology Readiness Levels 4 to 8, but rather fall into Levels 1 to 3 (research activities)<sup>3</sup>. Research activities within Technology Readiness Levels 1-3 are ineligible for NIC funding.

To be eligible for NIC funding, applicants should demonstrate the potential Direct Impact of projects on a Network Licensee’s electricity network or on the operations of the GB System Operator<sup>4</sup>. It is our view that the Direct Impact of the Project has not been demonstrated.<sup>5</sup>

The Project intends to reduce the embedded carbon and environmental impact of the capital investments of distribution network operators, transmission owners, and gas transporters. By understanding the environmental impact of its actions network operators should be able to reduce their impact, however this does not equate to a measurable and controllable change in the operation of the system. In addition, network companies should already be taking into account the life cycle costs of their assets as part of their business plans.

Under criterion (d), applicants should demonstrate that a project has 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 risks associated with the Project.<sup>6</sup>

There are international standards setting out how LCAs should be undertaken. It is not clear that applying these standard methodologies to network assets carries sufficient risk to warrant NIC funding.

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<sup>3</sup> Section 1.18 of the Electricity NIC Governance Document.

<sup>4</sup> 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.*

<sup>5</sup> Section 4.9 of the Electricity NIC Governance Document.

<sup>6</sup> Sections 4.18-4.20 of the Electricity NIC Governance Document.