

DNOs, GDNs, TOs and other
interested parties

Direct Dial: 0141 354 5416

Email: Steven.McMahon@ofgem.gov.uk

Date: 26 October 2020

Dear Stakeholders,

Consultation on amendments to Gas Network Innovation Competition (NIC) Governance Document version 3.0

The Gas NIC began in April 2013 and will run until 31st March 2021. We last consulted on the Gas NIC Governance document version 3.0 in 2017. This consultation sets out, and seeks views on, our proposed changes to this document. We¹ propose that the revised Gas NIC Governance document will take effect from the end of October 2020 in time for the publication of our decisions in respect of the final gas NIC bids by 30th November 2020.²

Background

The NIC is intended to reward flagship innovation projects that could deliver low carbon and environmental benefits to network customers. The Gas NIC is open to gas transmission and distribution Network Licensees over the course of RIIO-1.

In the Gas NIC Governance document, we committed to making £20 million available each year through the Gas NIC until March 2021.³ We have so far awarded £91m of the available £160 million available through the Gas NIC, with the final year of the NIC awards yet to be decided upon. By comparison, we have so far awarded £204 million of the available £560 million through the Electricity NIC, and the Electricity NIC will continue until March 2023 for the electricity distribution only.

¹ 'Ofgem', 'the Authority' and 'we' are used interchangeably in this document.

² Paragraph 5.63, Gas NIC Governance.

³ Paragraph 1.6, Gas NIC Governance.

Proposed changes

We are seeking stakeholder views on changes we are proposing to make to the NIC Gas Governance document version 3.0⁴. These changes are set out in Annex 1 below.

Reasons for the proposed changes

Over the course of RIIO-1, funding made available to the Gas NIC over the course of RIIO-1 has been lower than the electricity sector, and the cost of network innovation has so far predominantly fallen to electricity network consumers.

We are currently assessing the final year of bids for the NIC Gas competition, and have received gas bids with a total funding request exceeding the £20 million annual funding limit. We consider that the £20 million annual cap could pose an artificial constraint if we were to decide that both projects were to be in line the requirements set out in the Gas NIC Governance document.

We therefore propose to allow an increase to the annual funding available through the Gas NIC in the event that we accept that funding in excess of £20m is justified in line with the requirements of the Gas NIC Governance document. We consider the proposed increase in NIC funding to be fair to gas network consumers given that a smaller allowance has been permitted to gas funding over the course of RIIO-1 when compared to the electricity networks, and because NIC projects are awarded funding on the basis of their potential to deliver significant network customer benefits.

We propose that the changes set out here will only take effect in the event that our 2020 NIC funding decisions were to award all bids to the Full Submission process in line with the requirements and criteria of the Gas NIC Governance document.

This proposal does not provide an indication of the outcome of our assessment of the 2020 Gas NIC submissions. We have not yet made a decision in respect of the 2020 submissions, and our assessment of the bids against the criteria set out the Gas NIC Governance document is ongoing. This proposal serves the administrative purpose of permitting all possible outcomes of the assessment.

⁴ <https://www.ofgem.gov.uk/publications-and-updates/version-30-network-innovation-competition-governance-documents>

The changes proposed have no effect upon any ongoing NIC projects which have already received a NIC reward and are subject to the Gas NIC Governance document.

We propose that the revised Gas NIC Governance document would take effect from 30 November 2020. This document constitutes notice as required by Paragraph 1I.21 of Special Condition 1I (The Network Innovation Competition) and Paragraph 2F.23 of Special Condition 2F (The Network Innovation Competition).

Consultation Responses

Responses should be sent to networks.innovation@ofgem.gov.uk by 12pm on 23 November 2020. Unless clearly marked as confidential, responses will be published on our website. We will review consultation responses and issue the revised the Gas NIC Governance document if this is required in line with our NIC decisions.

If you have any queries about this letter please contact Laura Hutton (laura.hutton@ofgem.gov.uk).

Yours faithfully,



Steven McMahon,
Deputy Director, Electricity Distribution and Cross Sector Policy
For and on behalf of the Authority

Appendix 1: Draft changes to Gas NIC Governance document version 3.0

Draft changes would be required to Gas NIC Governance paragraphs 1.6. and 5.18. We have copied the relevant sections below:

The Gas NIC

1.5. The Gas NIC is open to Network Licensees who wish to bid for funding for innovative Projects which could deliver carbon or environmental benefits for gas customers and that would not be funded by the Network Licensee without additional funding being made available.

1.6. The Gas NIC began in April 2013 and will run annually until March 2021. We committed to making £20m³ available each year until March 2021 as part of the RII0-T1 and RII0-GD1 price controls. [In October 2020, we consulted on amending this Governance document. For the reasons set out in our consultation, the permitted annual cap for Formula Year 2020/2021 is £28m.](#) These amounts will be raised from transmission customers. To bid for funding, all transmission and distribution network licensees compete against one another in a single gas competition.

1.7. We expect Network Licensees to collaborate with each other and with Non-Network Licensees on Projects. Network Licensees can collaborate with each other and Non-Network Licensees on Gas NIC projects as Project Partners. Project Partners are able to contribute External Funding to a Project but are eligible to lead bids for funding only through a Network Licensee.

1.8. All gas customers fund Gas NIC Projects. Therefore, a key feature of the NIC is the requirement that learning gained through Projects is disseminated in order that customers gain a significant return on their funding through the broad roll-out of successful Projects and the subsequent delivery of network savings and/or carbon and environmental benefits. Even where Projects are deemed unsuccessful, Network Licensees will gain valuable knowledge that could result in future network savings.

Funding request

5.18. In the annual call for Projects, the maximum amount of Gas NIC Funding that a Network Licensee can request as part of a Full Submission is £20m. Ofgem has no obligation to make Gas NIC Funding awards totalling this amount in any year, and the difference between the maximum amount and the amount awarded will not be carried over for the remaining years of the scheme. [In October 2020, Ofgem consulted on an increase to the annual cap for Relevant Year 2020/2021. For further information, please see paragraph 1.6 of this document.](#)

Appendix 2: Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

3. With whom we will be sharing your personal data

(Include here all organisations outside Ofgem who will be given all or some of the data. There is no need to include organisations that will only receive anonymised data. If different organisations see different set of data then make this clear. Be as specific as possible.)

4. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for ***(be as clear as possible but allow room for changes to programmes or policy. It is acceptable to give a relative time e.g. 'six months after the project is closed')***

5. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

6. Your personal data will not be sent overseas (Note that this cannot be claimed if using Survey Monkey for the consultation as their servers are in the US. In that case use “the Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in term of data protection will not be compromised by this”.

7. Your personal data will not be used for any automated decision making.

8. Your personal data will be stored in a secure government IT system. (If using a third party system such as Survey Monkey to gather the data, you will need to state clearly at which point the data will be moved from there to our internal systems.)

9. More information For more information on how Ofgem processes your data, click on the link to our “[Ofgem privacy promise](#)”.