

Paul Jarman  
Professor of Electrical Power Equipment  
and Networks  
The University of Manchester  
Ferranti Building  
Sackville Street  
Manchester M13 9PL  
[paul.jarman@manchester.ac.uk](mailto:paul.jarman@manchester.ac.uk)

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Dear Graeme,

### **Comments on Draft RIIO-2 NIA Governance Document**

Thank you for the opportunity to comment on the draft RIIO-2 NIA Governance Document, and also for the opportunity to put forward views on the development of the NIA funding mechanism at the consultation meetings held in advance of its publication. My perspective is from many years of using the NIA funding mechanism to carry out research at academic institutions, first as a technical manager at a utility and latterly as an academic.

The NIA funding mechanism is very important to the academic community working on many aspects of power systems and has resulted in both direct benefits in terms of savings to consumers and indirect benefits in support of training and supply of well-trained individuals working in and shaping the industry.

In summary, the continuation of the NIA funding mechanism is welcomed and these comments are aimed at helping to continue the very productive relationship that academia has with the network companies, in no small part enabled by the NIA funding mechanism.

### **Scope and duration of projects**

As you will be aware from my contributions in the past, there are two areas in the governance that I thought to be of particular importance to the academic community.

- 1) The technical scope of the allowable projects has been significantly narrowed to 'focus on the energy system transition and/or addressing consumer vulnerability'
- 2) The ability of Network Companies to start projects that will span the RIIO-2 to RIIO-3 transition.

On 1) I think the wording in 3.6 and 3.7 is balanced and provides for an appropriate level of lateral thought in the projects likely to be proposed whilst giving the overall direction. However the use of the word 'focus' in first paragraph of the context section could be interpreted as implying a rather narrower scope. I would suggest 'focus on the energy system transition' could be replaced with 'enable an efficient energy system transition' or 'drive towards net zero'.

In the fourth paragraph of the context section the word 'trial' implies quite a narrow scope for collaboration. I appreciate this wording is essentially unchanged from the 2017 document, but it is now more prominent and as I understood the intention was to focus the NIA more on the lower TRL projects rather than trials of established techniques, I think it could be rephrased. I would suggest '... as well as parties who may wish to collaborate with these in researching, developing and trialing new technological, operational or commercial arrangements.' This would also be more in line with section 1.4.

On 2), section 3.2 provides for registration of projects up to 31 March 2026. Presumably this implies that projects can continue beyond the end of the RIIO-2 period. This is a very welcome development and taken with the initiation of a full period funding arrangement, provides great flexibility that will be very much in the consumer's interest as it will enable efficient use of the supply chain. However section 1.6 states that access to RIIO-2 NIA funds ends on 31 March 2026, it is therefore not clear if this is the end date for commitment or actual spending of RIIO2 NIA funds. Provision for a transitional arrangement as in 1.7 would be welcome for both ET in 2026 and ED in 2023.

## Specific comments

Section 1.5: It would be good to see encouragement of collaboration between Distribution network operators and Gas and Electricity Transmission particularly as there are potential barriers to efficient energy system transition in the transmission/distribution split at 132kV.

Section 1.6: please see comments above

Section 1.7: Although the transitional arrangement is welcome, its value would have been significantly greater if it could have been announced and planned for earlier in the regulatory cycle.

Section 1.8: Similarly a transitional arrangement for ED-1 to ED-2 would be welcome. The inclusion of this paragraph tends to indicate that there will be two governance documents in use between 31/3/2021 and 31/3/2023, is this in fact the intention?

Section 1.10: It is possibly ambiguous whether this paragraph applies to individual projects or as in the 2017 document, more generally. If it applies to particular projects as implied by the final sentence then it could lead to undue caution on the part of the network companies in starting NIA projects. It would be helpful if there were a timeline for this, Ofgem can see project proposals in the portal before they start and I believe any concerns Ofgem have should be raised early in the project so that corrective action can be taken.

Section 2: In general the section is welcome and certainly sets out the intention for openness and collaboration. However there does not seem to be a mechanism for actually rewarding collaborative projects as such. A possibility might be that projects which are formed between a single network company and a single commercial supplier should be subject to Ofgem approval.

The global change from 'Network licensees' to 'Gas transporter or electricity transmission licensee' has effectively left out the Distribution network companies from the collaboration. I assume this was not intended and the section should explicitly include them as expected potential partners for GT and ET project collaboration and operation of the ENA portal. It would also be helpful to indicate either in this section or in the definitions whether the ESO is included in the term 'ET licensee', presumably it is because the ESO licence is referenced on page 5. There are projects that could potentially interest ETO and ESO that would be most efficiently funded jointly, I believe this should be explicitly allowed.

Section 2.14: The commitment to open data is very welcome, it might further be helpful if there was industry wide guidance on data triage that could be used to reduce the concerns of individual companies and their legal teams and advisers about release of data. Reasons for withholding data should be published by the licensee. Apologies that I have not yet considered the 17th February open letter and associated documents on this subject.

Section 2.16: A commitment to data policies is welcome, however it is not clear what happens if the individual policy prevents project data from being published. I believe there should also be a requirement that the policy complies with 2.14.

Section 3.1: I would expect that the requirement for a balanced portfolio (which should be encouraged) will effectively limit the maximum size of an NIA project. For the avoidance of doubt perhaps section 3.1 could be explicitly subject to the requirements of section 3.4.

Section 3.6: As stated earlier, I support the wording of this requirement and believe it strikes a good balance. Although not a consensus position, I believe that including a broad definition of 'Electricity system transition' in the document might be helpful, recognising that this is not a document intended for reference outside the industry this is not a critical issue. I include what I would consider to be a reasonable definition at the end of this document.

Section 3.16 to 3.18: The rewording of this section is generally clear and helpful. However the use of the term 'to Ofgem's satisfaction' is somewhat ambiguous in terms of at what point in the project that satisfaction must be obtained and how it will be communicated. Some clarification of this would be helpful.

Section 3.31 & 3.38: It would be helpful to include an explicit provision for licensees to join, leave or change their contribution to a collaborative project according to the intermediate outcomes of the project or their commercial circumstances. This would of course be subject to the commercial terms for the project in question, but I believe it would be helpful if a project can be re-registered if the partners change. Section 3.38 and much of the document is written as if only one funding licensee is expected. I appreciate that this situation is inherited from the existing document and has not to my knowledge caused issues, but as collaboration is to be encouraged perhaps this could be clarified.

Section 3.36 Table 3.1; It would be helpful to include the planned data access details in the project registration. The project progress report would then only need to update on any changes and provide the actual access route to the data.

Table 3.1: The 'revenue allowed' and 'indicative total NIA expenditure' should perhaps be broken down by licensee in the case of multiple licensees on the project.

Section 4.3: Although this section is largely inherited from the existing document, it is not particularly clear (especially the fourth bullet) in relation to equipment bought under the project to carry out research. In the particular case of equipment bought by an NIA funded project that might have utility after the project completion, but is not part of the network (for example a measuring or testing device) there could (should?) be an expectation that it is available to all licensees after the project completion at a rate reflective of maintenance and storage costs rather than the capital cost if ownership is retained by the licensee or passed to a third party such as a University.

Section 4.4: Again this section is inherited from the previous document, but in principle it perhaps has a wider than intended scope since most if not all organisations are 'network users' under the definition.

Section 4.8: Presumably the 'membership of external bodies' refers to membership by the licensee rather than the membership of a project partner such as a University. If the project requires a membership by a partner whose work is funded by the NIA then presumably such a membership could form part of the recoverable external expenditure. It would be helpful to make this clear.

Section 5.12 The bullets could include the open data policy in accordance with section 2.14 and compliance with data best practice guidance.

Section 7: It is noted that this section is unchanged except for 7.12 and 7.13 and so it is not anticipated that there will be any particular difficulties for Universities. However as 7.9 is not completely clear (because of the way it is written) about whether a shared foreground IPR agreement is a default condition for the purpose of 3.27, and because 7.13 is introduced, then a statement that a standard UKRI agreement sharing foreground IPR with an academic institution would not cause default status to be lost, would be welcome.

Best Regards

A handwritten signature in black ink that reads "Paul Jarman". The signature is written in a cursive, slightly slanted style.

Paul Jarman

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## Definition

### **Energy system transition (EST)**

is the change from:

-energy production and use based on centralised sources using mainly fossil fuels coupled to transmission and distribution systems designed to supply price insensitive consumption

To:

-the geographically and temporally flexible production and consumption of energy which is environmentally and socially sustainable.

Environmental sustainability incorporates the requirement for zero net emissions of CO<sub>2</sub>, but is more widely interpreted as operating without depleting natural resources or harming the environment.

Social sustainability incorporates the requirement for universal access to reliable and affordable energy.

The key enabling trends are Decarbonisation, Decentralisation and Digitalisation, incorporating for example, demand response, intermittent generation, storage, interconnection and consumer choice.

A project with the potential to facilitate the EST is one that develops knowledge, techniques, materials or equipment that will, if successful, enable, enhance or sustain the energy system transition. This includes studies relating to understanding the progress of the EST, its effect on equipment and networks and/or provide background for policy making, regulation and network management in that context.