



Tom Mackenzie
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Date:
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Dear Tom

Proposed modification of Part C of "the Network Innovation Competition" licence condition – 'The Funding Return Mechanism'

We are supportive of Ofgem's proposal to allow money to be returned to customers and other project parties by adding a new category of Returned Project Revenues in the Network Innovation Competition (NIC) Funding Return Mechanism. However, we do believe that for consumers to truly benefit from this proposal, an incentive mechanism should be implemented in order to incentive companies to outperform. This is due to the fact that NIC funding currently does not flow through the TOTEX incentive mechanism akin to other price control incentives.

In principle, we are in agreement with Ofgem, however, we would suggest that a mechanism is introduced which would replicate the effects of the TOTEX incentive mechanism to ensure that this works in practice. Whilst SPEN will always use its best endeavours to deliver value for the consumer, it is important that companies are appropriately incentivised to outperform.

As the transmission customer effectively funds the NIC, we believe that any underspends should be shared using the appropriate TOTEX incentive strength rate. In practice, we appreciate that there are different ways this could be achieved. As a result, we believe it would be useful for Ofgem to informally consult on any viable proposals amongst TOs and DNOs before issuing the Notice of proposed licence changes.

Please do not hesitate to contact me should you have any queries in relation to our comments.

Yours sincerely,

A handwritten signature in cursive script that reads "S. Rogan".

Stephanie Rogan
Licence Development Consultant
SP Energy Networks (SPEN)