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Decision on 2017 Low Carbon Networks Fund and Network Innovation Competition Successful Delivery Reward applications

Final decision

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Overview:

In May 2017 we received applications from network licensees for a Successful Delivery Reward for four completed Low Carbon Networks (LCN) Fund and two gas Network Innovation Competition (NIC) projects. Having considered the applications, we have decided to award a total of £5.3m across the six companies. Four companies received 100% of the award applied for and two companies received 87.5% of the amount applied for.

This document sets out our assessment of each project's Successful Delivery Reward application and the consequential award.

Context

Network companies need to innovate to address the challenges they face. We recognised this when developing the fifth electricity distribution price control (DPCR5) and introduced the Low Carbon Networks (LCN) Fund. Subsequently, in the RIIO price control we have introduced two innovation mechanisms: the Network Innovation Allowance (NIA) and the Network Innovation Competition (NIC).

The schemes fund the companies to conduct research and run network-related trials of technologies that will facilitate the transition to a low carbon economy, where these offer cost savings and/or wider environmental benefits for customers. The funding provided to companies under the schemes is paid for by consumers through their bills.

Certain LCN Fund and NIC projects are eligible to apply for a Successful Delivery Reward.

Associated documents

Low Carbon Networks Fund Governance Document v.7

Network Innovation Competition Governance Documents v.3

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Executive Summary

Our framework for regulating network companies contains mechanisms to stimulate innovation. The Low Carbon Networks (LCN) Fund financed innovation projects, during the fifth electricity distribution price control (DPCR5) either through an allowance or a competition. Licensees were awarded funds for projects that will help networks meet the challenges posed by the low carbon transition or delivered other environmental benefits. In the RIIO price control framework, the LCN Fund has now been replaced by the Network Innovation Competition (NIC) and Network Innovation Allowance (NIA) which have the same aim.

The Successful Delivery Reward is a financial reward on completion of certain LCN Fund or NIC projects to network companies that deliver projects efficiently. Network companies make a compulsory contribution of 10% of the total project funding approved at the start of the project. This is the maximum value of the SDR for each project. Companies can apply to receive this once their project is complete if they can demonstrate how they have met certain criteria.

There is an annual window for completed LCN Fund and NIC projects to apply for their SDR. In 2017, four completed LCN Fund and two completed gas NIC projects applied for the SDR. We used their applications, along with other evidence received in the course of projects, to assess whether each project had been well managed and met its Successful Delivery Reward Criteria (SDRC).

Our decisions on the reward for each project is presented in Table 1 below.

Table 1: Allocation of the Successful Delivery Reward for each project

Innovation project	Funding mechanism	Network Company	Licensee Compulsory contribution (£'000)	Total Awarded SDR (£'000)
Customer Load Active System Services (CLASS)	LCN Fund	ENWL	50	50
Flexible Urban Networks – Low Voltage	LCN Fund	UKPN	887	776
New Thames Valley Vision (NTVV)	LCN Fund	SSEPD	2,701	2,363
Smarter Network Storage (SNS)	LCN Fund	UKPN	1,667	1,667
Opening up the Gas Market (OGM)/ Oban	NIC	SGN	221	221
BioSNG Demonstration Plant	NIC	Cadent	212	212

1. Introduction

1.1. Network companies need to innovate to address the challenges they face and facilitate the transition to a low carbon economy. As a result, we developed the Low Carbon Networks (LCN) Fund for the electricity distribution companies under the last price control, DPCR5, which ran until 31 March 2015. Part of the LCN Fund was in the form of an annual competition where companies competed for funding for innovation projects (known as the "Second Tier"). We then also developed two annual innovation competitions as part of the current RIIO price control. These are known as the "Network Innovation Competition" (NIC). There is one competition for electricity and one for gas.

1.2. Before licensees were awarded funding to implement project, licensees submitted proposals. These were reviewed by both ourselves and an independent Expert Panel. The Expert Panel recommended which projects should be awarded funding. Each network company was required to make a compulsory contribution of 10% of the funding requested. As part of their submissions licensees proposed Successful Delivery Reward Criteria (SDRC). These were refined as part of the assessment and finalised within the Project Direction issued for each project awarded funding. If a company wishes to change part of the SDRC once the project had been approved they are required to come to us for approval. Following the conclusion of a project licensees implementing Second Tier projects and certain NIC project are eligible to apply for a Successful Delivery Reward (SDR) where they could receive some or all of their ten per cent contribution back.

1.3. All Second Tier LCN Fund projects and NIC projects awarded funding on or before 2016 are eligible to apply to Ofgem for a SDR once the project has been completed. Before submitting their application, the projects' close down report must be peer reviewed.

1.4. There is an annual window for completed LCNF Fund and NIC projects to apply for their SDR. In 2017, four completed LCN Fund and two completed gas NIC projects applied for the SDR. The total amount of funding applied for was £5.7 million.

Assessment process

1.5. The process for assessing the SDR applications is set out in the LCN Fund and NIC Governance Documents. Licensees are required by the respective licence conditions to comply with the document as though they formed part of the licence. Throughout this document we simply refer to the Governance Document as both the NIC and LCN Fund are consistent in their requirements for the SDR.

1.6. The Governance Document sets out the three elements we consider as part of assessment of SDR applications, these are summarised here:

- whether the project specific SDRC, contained in their project direction, had been met to a quality that we expected and whether they were delivered on time;
- the final project cost to understand if the SDRC were met cost-effectively; and
- the management of the project, in particular how risk and uncertainty were controlled and how significant changes to the project were managed.

1.7. We place greater weighting on the first element (50%) because it is directly related to evaluating how the SDRC were met.

1.8. The remaining weighting is split evenly between cost effectiveness (25%) and project management (25%), which includes how risk, uncertainty and change are managed.

1.9. We assess projects on a case by case basis. We use:

- evidence submitted in the applications;
- responses from the companies to our supplementary questions; and
- evidence gathered by us during the life of the project.

1.10. We adopt a standard assessment process to ensure the projects are treated consistently and fairly.

1.11. Most of the projects submitted underwent changes in their scope, methodology and expected outputs. This is expected due to the nature of innovation projects. In order to incorporate these changes into the project directions, the licensees submitted change requests to us for approval. When we were assessing whether to approve these change requests, we considered whether there had been a material change in circumstances and whether the changes were in customers' interest. We were not evaluating the licensee's management of change and approving the request does not influence our decision on the level of the award under the SDR. Instead, this was part of our assessment of whether licensees had effectively managed risk and change, we reduced the amount of the reward where we thought the licensee had not made full use of risk management tools. We also reduced the amount of the reward where we considered documents submitted to us as part of a change request were not of the required standard.

1.12. We expect lessons from running these projects to be applied to current and future innovation projects.

Structure of this document

1.13. The remainder of this document explains our assessment of each project's SDR application. Each chapter looks at a single project and provides our decision on each of the three elements - even where we have not reduced the reward for a licensee.

2. Customer Load Active System Services (CLASS)

Project Summary

2.1. Electricity Northwest Limited (ENWL) was awarded funding to implement the CLASS project. The project sought to trial the application of innovative voltage management technologies. These would provide demand response to reduce peak network demand, and a new mechanism for frequency and voltage control to the National Electricity Transmission System Operator (NETSO).

2.2. In November 2015 we approved an extension to the original project scope, to determine the direct benefit to GB customers of a network led provision of CLASS services to the NETSO.[1]

2.3. ENWL submitted an SDR application in 2016 for the original project scope. and was awarded £760,000 (the maximum potential reward).[2] The current SDR application therefore only relates to the project extension. The maximum potential SDR reward for the project extension is £49,784.

Did the project meet its SDRC?

2.4. We consider the evidence submitted by ENWL in its SDR application for the extension to the CLASS project demonstrates that the SDRC were delivered to an acceptable quality and on time. We therefore consider the project met its SDRC.

Were the SDRC cost-effectively delivered?

2.5. ENWL did not overspend against any budget line. Overall ENWL managed to deliver the project extension £157,000 below the budget set out in the project direction. No reallocation of budget between line items was necessary. The unspent budget will be returned to consumers.

[1] Low Carbon Networks (LCN) Fund – amendments to Electricity North West Limited's Customer Load Active System Services project, 12 November 2015; https://www.ofgem.gov.uk/sites/default/files/docs/2015/11/enwl_class_change_decision_letter_-_nov15_legally_reviewed_0.pdf

[2] Decision on 2016 Low Carbon Networks Fund Successful Delivery Reward applications, 29 July 2016; https://www.ofgem.gov.uk/system/files/docs/2016/07/decision_on_2016_low_carbon_network_fund_successful_delivery_reward_applications.pdf

How well was CLASS managed?

2.6. Unlike most other innovation projects, the CLASS extension was not required to submit a six monthly report. This was because the project extension only lasted six months in total (from November 2015 to May 2016).

2.7. Instead, ENWL was required to submit a stand-alone addendum to its original Closedown Report at the end of the project. ENWL therefore could not pre-emptively identify risks and mitigation measures as part of any progress report. Instead, ENWL internally recorded and addressed risks, issues and mitigations measures. We consider that in this case, based on the unique nature of the CLASS extension, this approach to risk management was proportionate and appropriate. We also note that ENWL did not submit a change proposal in relation to the project extension and that the project was delivered on time and on budget.

Our decision

2.8. **We have decided to award the project the full SDR available: £49,784.**

2.9. This reflects the fact that ENWL has delivered the CLASS extension to a satisfactory standard, on time and under budget. How this has been calculated is set out below:

	Available / £'000s	**Awarded / £'000s**
SDRC Delivery	25	25
Cost effectiveness	12	12
Project management	12	12
Total	**50**	**50**

3. Flexible Urban Networks – Low Voltage

Project Summary

3.1. UK Power Networks (UKPN) was awarded funding to implement the Flexible Urban Networks – Low Voltage (FUN-LV) project. This trial explored the use of power electronics on the low voltage network. This was in order to help accommodate the connection of low carbon technologies, distributed generation in urban areas and to enable the deferment of network reinforcement.

Did the project meet its SDRC?

3.2. We consider the evidence submitted by UKPN for each of its SDRC requirements to be sufficient, and that these were delivered to an acceptable quality and on time.

3.3. We agreed a change request for SDRC 9.4[3]. This extended the submission deadline for this criterion. We judged the timeliness of when this SDRC was delivered against the updated project direction.

Were the SDRC cost-effectively delivered?

3.4. UPKN overspent on five line items, the explanation for this overspend was well-justified. UKPN underspent on nine line items and significantly underspent on 4 of those (over 40%). The combination of the overspend and underspend has resulted in the overall project being 1.5% under budget.

3.5. UKPN identified some efficiencies during the project, including the use of virtual site tours. This meant interested parties could 'see' the trial site without UKPN having to facilitate site visits.

3.6. Taking all aspects of UKPN's budget management into account, we consider its approach was cost effective and delivered value for money to customers. Unspent funds will be returned to customers.

How well was FUN-LV managed?

3.7. UKPN submitted two change requests during the course of the project, both of which we approved.

3.8. The most substantive of these issues was related to manufacturing issues from a supplier. In addition, low voltage monitoring equipment, from another

[3] https://www.ofgem.gov.uk/sites/default/files/docs/2015/08/fun-lv_change_approval_050815.pdf

supplier failed testing. These supplier issues meant UKPN requested a change to the project direction to extend the delivery date for SDRC 9.4 in order to address these issues.

3.9. We consider that some of these delays could have been anticipated, but accept that much of the delay could not have been foreseen.

3.10. UKPN had stated it first became aware of the problem on 27 March 2015. The change request was submitted on 28 May 2015, one month before the SDRC deadline (30 June). The deadline had elapsed by the time Ofgem approved the change request. We believe UKPN could have submitted a change request earlier meaning that the change management process was completed before the original deadline.

3.11. We also asked UKPN to provide additional information that was not in its original change request. This was so that we could clearly identify how UKPN had tried to mitigate the issues that arose as well as a full description of what all the problems were. This meant the process of approving the change request took longer than it should have done.

3.12. We consider UKPN's approach to risk management in this project was satisfactory. The risks listed in the six-monthly reports appear to have been regularly updated and reflected the project direction. The risk section included mitigation measures, and updates as to how the risk was being managed.

Our decision

3.13. We have decided to award UKPN £776,000 of an available £887,000.

3.14. This reflects the fact that UKPN demonstrated that the FUN-LV SDRC were delivered to an acceptable standard and on time and that the project was managed cost effectively. However, we do not consider that UKPN should be awarded the full amount as requested in its SDR application. This is because of some weaknesses in project management namely in relation to the approach to the change request referred to above.

3.15. How this has been calculated is set out below:

	Available / £'000	**Awarded / £'000**
SDRC Delivery	443	443
Cost effectiveness	222	222
Project management	222	111
Total	**887**	**776**

4. New Thames Valley Vision (NTVV)

Project Summary

4.1. SSE Power Distribution (SSEPD) received funding to run the NTVV project. It ran for five years and investigated the impact of installing a number of low carbon technologies (LCTs) such as Energy Storage and Management Units and Thermal Storage devices on the low voltage network. Through trialling these technologies, the project developed models to enable network operators to predict the impacts of the future deployment of these technologies.

Did the project meet its SDRC?

4.2. We consider the SDRC evidence submitted by SSEPD throughout the project and included within the SDR application was of an acceptable quality and was submitted within the deadlines set.

Were the SDRC cost-effectively delivered?

4.3. SSEPD delivered the project under budget and as a result will return the project's underspend of £208,000 to network customers. It overspent on a number of items. However, it provided satisfactory explanations for these overspends within the SDR application. Overall, we consider SSEPD's approach to be cost-effective.

How well was NTVV managed?

4.4. SSEPD submitted three change requests and we approved all of these. Two related to the Energy Storage and Management Units (ESMUs) trialled as part of the project. The first was required as a preceding SSEPD Innovation Fund Incentive (IFI) project, completed after the project started, found the proposed technical specification needed to be updated. The new specification was not market ready as a single unit so it was necessary for SSEPD to order bespoke units for the purposes of the trial. The second change request was required because the manufacturing process for these custom devices was more complex than it expected causing a delay to the ESMU roll-out. We believe both of these change requests could have been avoided with better planning and scoping.

4.5. The final change request was required as SSEPD found there were not as many small-scale cold thermal storage devices connected to the network in the trial area as it expected. To ensure the project could still investigate whether this technology could be used to reduce peak network demand, SSEPD changed the methodology for this part of the project meaning it bought and installed three large thermal storage units. To mitigate our concerns that this would have a negative impact on the quality of the knowledge generated by the project we required SSEPD to consult with other network licensees to ensure the learning would still be of use to them.

4.6. We consider SSEPD managed the risks to a satisfactory standard and provided updates within a monthly project risk meeting in addition to the six monthly project progress reports.

Our decision

4.7. We have decided to award SSEPD £2.3m of the £2.7m available.

4.8. SSEPD delivered the project in a cost effective manner and all of NTVV's SDRCs on time and to a satisfactory quality. We did not award the full amount as we believe the EMSU change requests outlined above could have been handled better.

4.9. How this has been calculated is set out below:

	Available / £'000	**Awarded / £'000**
SDRC Delivery	1350	1350
Cost effectiveness	675	675
Project management	675	337
Total	**2701**	**2363**

5. Smarter Network Storage (SNS)

Project Summary

5.1. UK Power Networks (UKPN) was awarded funding to implement the SNS project. This trial involved installing a large battery (6MW/10MWh) on a constrained area of the distribution network. The project investigated the financial benefits of storage for deferring or avoiding network reinforcement and selling flexibility services.

5.2. As described below, we consider that the SDRC were delivered to an acceptable quality. However, we note that this should not be interpreted as an endorsement of UKPN's assessment of the regulatory and legal arrangements for storage. We consider that the extent to which DNOs are legally permitted to own and operate storage remains an issue and one which we explored in the '*A Smart, Flexible Energy System: A call for evidence*'.[4] UKPN's assessment of the operational arrangements required to achieve compliance remain subject to discussion.

Did the project meet its SDRC?

5.3. We consider the evidence submitted by UKPN in its SDR application for SNS demonstrates that all the SDRC were delivered to an acceptable quality and on time. Throughout the project, UKPN published evidence demonstrating delivery of its SDRCs.

5.4. In total, UKPN delivered SNS £1,511,000 under budget. This underspend will be returned to customers. Whilst some of the line items were significantly over budget, other line items were significantly below budget, which meant that the project underspent overall. UKPN has provided reasonable justification for overspend on all material line items and have explained how any additional costs were incurred efficiently.

How well was SNS managed?

5.5. We consider that overall UKPN has managed the project well. UKPN submitted one change request in relation to the project. In June 2013 UKPN requested an amendment to the project to replace Durham University with Newcastle University as a project partner, because the lead researcher moved roles. Since the change request was not significant and UKPN provided us with all of the necessary information upfront, we were able to approve the change request very quickly.

[4] 'A Smart, Flexible Energy System: A call for evidence', November 2016; https://www.ofgem.gov.uk/system/files/docs/2016/12/smart_flexible_energy_system_a_call_for_evidence.pdf

5.6. We consider that the project risk and uncertainty were generally managed satisfactorily. UKPN updated the risk and issues log between six monthly reports and generally flagged risks to us promptly as they became issues.

5.7. We think that UKPN should have given more consideration to the mitigating actions for the risk called "unfavourable changes in legislation or market arrangements that restricts on the usage and reduces the identified benefits". Although UKPN correctly identified this as a risk at the early stages of the project, we think that an appropriate mitigating action should have included consideration of how to transition SNS to a different operational model, from that originally envisaged by UKPN.

5.8. We are currently in discussion with UKPN about the long term plans for the battery that was installed in Leighton Buzzard as part of the project. The arrangements for the long term ownership and operation of the battery are not formally part of the SNS project. We have therefore not considered this as part of SNS's SDR application.

Our decision

5.9. We have decided to award UKPN the full £1.7m available.

5.10. We consider that UKPN demonstrated the SDRCs were delivered on time and were of an acceptable quality. We are satisfied that the project was delivered cost-effectively and we note that a significant amount of money is being returned to consumers. We consider that the SNS project was managed to an acceptable standard.

5.11. How the reward has been calculated is set out below:

	Available / £'000	**Awarded / £'000**
SDRC Delivery	833	833
Cost effectiveness	417	417
Project management	417	417
Total	1667	1667

6. Opening up the Gas Market (OGM)/ Oban

Project Summary

6.1. Scotia Gas Networks (SGN) was awarded funding to implement the OGM project. The purpose of the trial was to establish whether gas which is not currently grid compliant can be distributed and utilised safely and efficiently in Great Britain.

6.2. SGN undertook the project on an isolated network in Oban, a Statutory Independent Undertaking (SIU)[5]. There were three stages to the project: initial survey, testing and finally a 12 month trial.

Did the project meet its SDRC?

6.3. From the evidence provided by SGN in its SDR application all the SDRCs were delivered on time and to an acceptable quality with the exception of SDRC six which was delivered late.

6.4. SDRC six required SGN to install a gas chromatograph. SGN stated that the reason for the delay in its installation was due to its resources having to be diverted to manage the impact of the announcement from National Grid that the Avonmouth Liquefaction Terminal would be closing ahead of the scheduled closure date which affected all four of SGN's SIUs. SGN noted that the delay had no impact on the overall project plan.

Were the SDRC cost-effectively delivered?

6.5. The original budget for OGM was £2.12m and SGN managed to deliver it for £1.65m so £0.47m under budget. As set out in below SGN submitted a request to transfer funds between budget categories. While the overall budget did not change, the original cost categories were changed as part of a change request which we approved on 10 November 2014.

6.6. SGN overspent by £5,000 on contractor fees but underspent on all the other budget categories. The unspent budget will be returned to customers.

[5] SIUs are remote towns, which are not connected to the main gas grid.

How well was OGM managed?

6.7. SGN submitted three change requests, these were as follows:

- Transfer of funds between budget categories: As set out above following discussions with potential shippers SGN determined the cost of the LNG shipping contract would exceed 110% of the original budget application.
- To change the SDRC delivery date to allow time for Ofgem to approve changes in the budget. SGN sought permission to fund the cost of the LNG shipping contract until the trial was completed.
- Change of HSE exemption clause in project direction.

6.8. Although the change requests were appropriate under the circumstances and we duly approved them, we required additional information that SGN had not included within its original change request.

6.9. The project direction provided funding for the first stage of the project only, until HSE exemption to the GS(M)R was granted. Following engagement with HSE SGN was advised that HSE exemption would be granted in the second stage as it required evidence that would be gathered by testing at this point in the project. Therefore, SGN sought a change request to enable it to access funding for the first three phases of the second stage before the HSE exemption was granted. The approval time for the change request delayed the project by six months and the submission dates for the consequential SDRC reports were amended as part of this change.

Our decision

6.10. We have decided to award the full amount available of £221,000.

6.11. We consider that SGN has delivered OGM to a good standard within agreed timescales and under budget. Whilst we recognise there were issues in how SGN managed changes to the project these were not sufficient to result in us lowering the SDR.

6.12. How the reward has been calculated is set out below:

	Available / £'000	**Awarded / £'000**
SDRC Delivery	110	110
Cost effectiveness	55	55
Project management	55	55
Total	**221**	**221**

7. BioSNG Demonstration Plant

Project Summary

7.1. National Grid Gas Distribution (now Cadent, and referred to as such in this document) was awarded funding to support the BioSNG project. The project trialled BioSNG technology which converts household waste into a grid compliant gas through the combination of gasification and catalytic conversion. Producing BioSNG would greatly expand the supply of renewable gas over and above existing solutions such as anaerobic digestion. The project aim was to demonstrate the technical and commercial feasibility of BioSNG production.

Did the project meet its SDRC?

7.2. There were nine SDRC all of which were delivered.

7.3. Two SRDC relating to plant construction and commissioning were achieved later than set out in the SRDC requirements in the project direction. This was as a result of undertaking value engineering work to ensure the project kept within the budget. This did not impact the date for the completion of the project and costs were broadly in line with the budget.

Were the SDRC cost-effectively delivered?

7.4. The project had a total budget of £4.2m of which £2.1m was from the gas NIC. Three line items were over budget by between four and eleven per cent however, the project as a whole was only slightly over budget by £1500 which is less than 0.04% of the total budget.

How well was Pilot BioSNG managed?

7.5. There were no formal change requests. One issue arose related to the late delivery of the Construction and Installation & Commissioning SDRC. Following the initial design phase the project was going to be over budget. Cadent therefore undertook a value engineering exercise. This resulted in the project being brought back on budget without compromising the overall project delivery milestones.

7.6. The project team produced detailed regular monitoring reports and provided opportunities for the progress of the project to be observed.

Our decision

7.7. We have decided to award the full amount available of £212,000.

7.8. We consider that Cadent has demonstrated that the Pilot BioSNG SRDC were delivered to an acceptable standard and where individual criterion were delivered late there were sound engineering reasons behind this. The overall project was delivered on time.

7.9. How the reward has been calculated is set out below:

	Available / £k	**Awarded / £k**
SDRC Delivery	106	106
Cost effectiveness	53	53
Project management	53	53
Total	212	212

8. Next Steps

8.1. We will implement our decisions on this reward by allowing the three DNOs to recover their respective SDRs through the 2017 LCN Fund funding direction[6,7,] in accordance with the LCN Fund Governance Document. Separately we will require National Grid Gas plc to recover the total SDR amount for the GDNs and transfer the appropriate amounts. The funding directions will also take into account any funding to be returned to customers, including project underspends and revenue from royalties generated by LCN Fund and NIC projects.

8.2. We will issue the funding directions in time for the DNOs to prepare their indicative use of system tariffs at the end of December 2017. This will allow DNOs to recover any awarded SDR in the 2018/19 regulatory year.

8.3. There is a potential further award available to the LCN Fund Second Tier project under the Discretionary Funding Mechanism. This reward, in contrast to the SDR, is designed to provide an additional incentive for DNOs to engage in the objectives underpinning the LCN Fund. There will be two assessments for this reward, the first of which will be run in 2018.

8.4. As part of the Innovation Reviews we considered the future of the SDR. Projects awarded funding through the NIC in 2017 and thereafter will not be eligible for an SDR. Licensees will, however, continue to make a ten percent contribution to the cost of NIC projects.

8.5. This document constitutes notice of our reasons for our decision in accordance with section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986.

8.6. If you have any queries, please contact: networks.innovation@ofgem.gov.uk.

[6] The LCN Fund Funding Direction set out how much each Distribution Services Provider (DSP) can recover from customers through Use of System Charges and the net amounts to be transferred between DSPs to cover the costs of eligible funding under the LCN Discretionary Fund. The Funding Directions will take account of any funding to be returned to customers, including revenue from royalties generated by LCN Fund projects.

[7] The NIC Funding Direction sets out how much the system operators can recover from customers through Use of System Charges and the net amounts to be transferred to licensees to cover the costs of NIC projects and any Successful Delivery Reward. The Funding Directions will take account of any funding to be returned to customers, including revenue from royalties generated by NIC projects.