



Making a positive difference  
for energy consumers

To all network companies and  
their representatives

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Date: 19 January 2018

Dear Colleague,

### **Notice of our intention to open first assessment window for the Low Carbon Network Fund- Second Tier Reward**

This letter provides notice of our intention to open the first assessment window for the Low Carbon Network Fund (LCNF) - Second Tier Reward (STR). This is in accordance with paragraph 3.4 of the LCNF Governance Document<sup>1</sup>.

Distribution Network Operators (DNOs) should note that this reward is about the demonstration of **exceptional** benefits for customers. DNOs will need to demonstrate what has been, or may be, delivered is beyond what is reasonably expected. The STR is not to reward companies for successfully delivering their Second Tier projects in line with the governance requirements.

#### **Eligibility**

Second Tier Projects funded under the LCNF, which have published a Close-Down Report before 30<sup>th</sup> June 2016, are eligible to submit a Second Tier Reward Report for this assessment window.

#### **Background**

In December 2014, we<sup>2</sup> published our decision on the implementation of the Discretionary Funding Mechanism under the Low Carbon Networks Fund (LCNF)<sup>3</sup>. These decisions provide context and should be read in conjunction with this letter and the LCNF Governance Document. The key decisions related to the Second Tier Reward (STR) are as follows:

- There will be two assessments for the STR, one in 2018 and another two years after the final Second Tier project has closed down. This letter provides notice for the first assessment.
- The money available for the STR is a total of £61m. This money will be shared equally between the two assessments. Funds will not roll over between assessments.
- Projects may only be put forward to one assessment window.

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<sup>1</sup> [Low Carbon Networks Fund Governance Document v.7](#)

<sup>2</sup> The terms Ofgem, the Authority, "we", "us" and "our", are used interchangeably in this document. The Authority is the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

<sup>3</sup> [Decision on implementing the Discretionary Funding Mechanism under the Low Carbon Networks Fund](#)

- An Expert Panel will conduct the STR assessment and make a recommendation to the Authority. The Authority will make the final decision on the rewards.

## Process

This letter starts the formal process for the first assessment window of STR under the LCNF.

DNOs should submit their STR applications by email to [lcnfund@ofgem.gov.uk](mailto:lcnfund@ofgem.gov.uk). The deadline for the applications is 17:00 on the 20 April 2018. Any application submitted after this time will not be assessed.

If the application contains confidential material, separate public and confidential versions should be submitted.

Appendix A provides an indicative timetable for the assessment. The exact dates for Stage-2 are subject to change, to best accommodate the availability of the Expert Panel.

We may issue further guidance on the application process to applicants at least two months in advance of the assessment.

## Next Steps

If you have any queries, please contact [Dinker.Bhardwaj@ofgem.gov.uk](mailto:Dinker.Bhardwaj@ofgem.gov.uk)

Yours faithfully,



Grant McEachran  
Head of RIIO-Electricity Distribution

## Appendix A: Indicative Timetable

Dates	Description
12 February 2018	Deadline for DNO to register their intent to submit. Each DNO should email <a href="mailto:lcfund@ofgem.gov.uk">lcfund@ofgem.gov.uk</a> to confirm whether they will make a submission to the STR.
<b>Stage 1- Ofgem initial assessment</b>	
20 April 2018 @ 17:00	Deadline for the submission of Second Tier Reward Reports
Ofgem assessment period (23 April 2018-25 June 2018)	Key stages over this period: <ul style="list-style-type: none"> <li>initial review by Ofgem (high level Q&amp;A process)</li> <li>time given for potential resubmission by DNOs</li> </ul> Ofgem will confirm the specific timelines for this period of work at least one month before the submission deadline.
<b>Stage 2- Expert Panel assessment window</b>	
Ofgem will confirm the specific timelines of this period of work at least one month before the submission deadline.	
2-13 July 2018	Initial evaluation by the Expert Panel
16-20 July 2018	<ul style="list-style-type: none"> <li>DNO and Expert Panel Bilateral</li> <li>Evaluation continues</li> </ul>
30 July 2018	Expert Panel Report (Second Tier Reward Recommendation Report)
<b>Stage 3- Ofgem final review and decision</b>	
10 September 2018	Ofgem expect to publish decision