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03 August 2022

Dear Graeme

Response from Electricity North West to Ofgem's Update to the RIIO-2 Strategic Innovation Fund (SIF) governance document

Thank you for the opportunity to respond to your request for views on Ofgem's update to RIIO-2 strategic innovation fund (SIF) governance document. This document sets out the SIF approach that will provide funding to networks licensees in RIIO-2 to allow them to carry out ambitious, innovative projects with the potential to accelerate the transition to Net Zero while delivering net benefits to energy customers.

We are pleased to see that the proposed RIIO-2 SIF governance document is in line with the discussions that took place at the Ofgem workshops earlier this year. We are therefore broadly comfortable with the approach proposed and have a few comments to make which are detailed in the attached spreadsheet. We have also provided our response to the 7 consultation questions as an appendix to this letter.

Yours sincerely

Victoria Turnham

Victoria Turnham
Head of Innovation



Electricity North West Response to SIF Consultation Questions

1. *Do you agree with the proposed amendments to the SIF Governance Document? (We are happy for respondees to comment on individual changes within the spreadsheet published alongside this consultation if they wish to)*

We have reviewed the proposed amendments and have provided our response to the individual changes on the spreadsheet. There are a few areas we would like to highlight from our response:

There were references to completing "Impact and Evaluation Metrics" and "SIF programme logic model" at various stages of the application process. We have not seen these templates and as such it is difficult to comment on the timing and implications of this task. We would welcome early sight of these documents to enable our understanding of the information required and resource needed to complete them.

For the application process we note there will be no requirement for a separate costs spreadsheet as the costs are entered directly into the portal. We assume that a costs template will be provided to enable us to gather the correct information before commencing the upload.

Reviewing the changes to the application questions and the need to reduce duplication we suggest amending the questions to "Problem", "Method", "Solution", "Innovation Justification" (including review of previous projects), "Benefits", "Delivery Plan & Risks" (including roles and responsibilities of Project team), "Costs" and "Route to market/BAU". Adopting these question categories could result in a more defined and logical approach and reduce any confusion on the information required.

We are not opposed to making changes to the Innovation conference but this approach appears to be moving further away from dissemination focus which is the main driver for the event and may even replicate existing conferences such as Utility Week. Conferences of the scale proposed will require the skills of an experienced conference organiser to ensure all the requirements are fulfilled which will add cost. As the conference was focused on dissemination the costs were covered by innovation funds; this expanded scope will mean that networks will need to find alternative ways to cover the extra costs which is something we haven't budgeted for.

2. *Do you agree or disagree with proposed requirement for applicants to outline what other UK government funding (aside from the SIF) a proposed Project, or aspects of Project, has received in the last 36 months when submitting an Application? Do you also agree or disagree with the period of 36 months for this proposed requirement?*

We agree with the requirements to outline details of previously funded related projects and in our submissions for the NIC we include a table of detailing forerunner / previous projects and explain how our project is not overlapping / duplicating but builds on relevant learning. We would propose using a similar method for SIF applications and using it to form part of the innovation justification.

We are unsure about the timescale of 36 months as we do not believe that it is a time issue but a learning one. Some projects will have learning that will endure for a long time and others can be built on or replicated via an alternative method within a short timescale. Limiting the scope to 36 months may not capture earlier projects which have provided solutions that are still the most beneficial alternative.

3. *Do you agree that the amended SIF Governance Document should come into force in August 2022, and should apply to all in-flight and future SIF Projects?*

We agree that the amended governance document should come into force in August 2022 and apply to all in-flight and future SIF projects.

4. *Do you agree or disagree (giving reasons) with DNO participation in round 2 of the SIF?*

We agree with DNO participation in round 2 of the SIF.

5. *Are there any specific considerations relating to the proposed participation of DNOs in round 2 of the SIF which need to be taken into account in the SIF Governance Document?*

The DNOs do not currently have anything in the ED1 licence conditions relating to SIF and in April 2022 an email from Jon Sharvill proposed two options for the way forward.

In our response to Jon Sharvill's we supported option 2 – DNOs participate in SIF round 2 without licence mod, our response was as follows:

"We have reviewed your proposal below and option 2 is preferred by Electricity North West.

We would like to see an open letter stating Ofgem's policy position using wording such as the following – "We consider the risk of proceeding with applications in the absence of an ED1 SIF licence condition to be very low, and do not foresee any circumstance where we would seek to rely on the licence in terms of any enforcement action. On the balance of the risk proceeding with Option 2 versus the resource requirement and benefit of Option 1, we consider Option 2 to be the most logical and will be satisfied proceeding with an informal agreement with the DNOs to adhere to the SIF Governance Document."

The publication of an open letter, of which we would appreciate seeing the text in advance, achieves transparency and encourages parties to get in touch with DNO's on SIF. It is also a clear statement of Ofgem's policy and confirms the arrangements for all parties on following SIF governance."

A response was received confirming that Ofgem were happy to draft and publish a letter in line with the above. Therefore, we would expect to receive such a letter to coincide with the issue of the updated SIF governance document.

6. *Do you agree that the proposed drafting amendments on IPR within the SIF Governance Document make it easier to understand the default IPR rules?*

We have provided feedback on the individual changes in the accompanying spreadsheet which are broadly editorial. There are a couple of areas remaining which lack clarity:

- i. Requesting that alternative arrangements only need to be set out in a Project Application gives a misleading impression that no approval is required, whereas it appears Ofgem can still reject the "alternative arrangements", in which case it would be more accurate to say "any approved alternative arrangements".
 - ii. This chapter uses both "licensee" both from a network viewpoint and an IPR viewpoint and also uses "network licensees". This will create confusion and common terminology needs to be agreed and used. It may help third parties if we referred to "network companies" and kept the "licensee" term for IPR licences.
7. *Do you agree there is a need for an illustrative guidance document which seeks to help third party innovators understand the default SIF IPR?*

We support a collective and consistent approach being developed via the ENA for third party IPR guidance. This would support all third parties being appraised on IPR in a consistent manner and reduce the burden in project mobilisation.