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Graeme Barton,
Senior Policy Manager,
Head of Price Control Operations – Small and Medium Sized Projects
Ofgem, 10 South Colonnade
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3rd August 2022

Dear Graeme,

SIF Governance Document

Thank you for the opportunity to respond to your call for input on the SIF Governance Document. SGN is a gas distribution network that transports gas to 5.9 million customers in its two licence areas: Southern and Scotland. Accordingly, SGN has a particular interest in developing and delivering strategically important innovation projects which provide net benefits to energy customers.

We believe that clear communication is fundamental to achieving our business objectives and is of particular significance as we continue working to reduce our environmental impact and decarbonise the UK's gas network. We continually seek to collaborate and share knowledge and learning with the wider utilities industry to help us achieve our common goals. With this in mind, we welcome DNO participation in round 2 of the SIF as outlined in the consultation.

We understand the impetus behind the 'Giant Leap Together' (GLT), and we give fulsome agreement to the requirement for the dissemination of information for publicly funded projects in accordance with current licence conditions and to ensure value for customers.

We value the direct connection between the Authority and SGN, particularly in relation to licence conditions and the appropriate level of funding. This is particularly important in the development of our business plans where we engage extensively with our stakeholders and customers regarding the objectives of innovation and the outcomes our customers would like us to achieve. We are concerned that changes proposed in the SIF guidance will alter the working dynamic between SGN, Innovate UK, and Ofgem by reducing Ofgem's oversight of the innovation process and designating Innovate UK as an intermediary in the communication process. Our view is that Ofgem should maintain clear responsibility for effectiveness of innovation and appropriate fund structures, and this should be clearly aligned with customer and stakeholder feedback as collected through the network business planning process.

We have responded to each of the questions below. If there are any further questions, please do let me know.

Best regards,

David Handley
Head of Regulation, SGN



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).

While we broadly agree with the proposed amendments to the SIF guidance, we have made a number of observations in the change spreadsheet and note some areas that we disagree with.

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?

Whilst we have no objection in supporting visibility of projects that in earlier stages may have had UKRI/IUK funding, we are concerned that this may add a significant reporting burden onto projects particularly where there are multiple project partners involved who may / may not have similar funding requests in the past.

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?

It is our contention that retrospective evaluation of projects materially alters the terms under which projects commenced and operate. This is particularly true for the changes to the accounts and provision of information which could be very substantial if in a general corporate account.

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

We welcome DNO participation in round 2 of the SIF process.

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?

No immediate comment.

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?

In the innovation process, we value third party innovators as key stakeholders and valuable contributors. With this in mind, we agree that the proposed drafting amendments on IPR within the SIF Governance Document make clear the default IPR rules for the benefit of these third party innovators.

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?

As outlined above, we value third party innovators as key stakeholders and contributors in the innovation process. Furthermore, believe our commitment to clear communication is fundamental to achieving our net zero objectives. We, therefore, agree that there is a need for an illustrative guidance document to support the third party innovators to understand the default SIF IPR.