

Sent by email:

graeme.barton@ofgem.gov.uk

03 August 2022

Dear Graeme,

Consultation on an updated SIF Governance Document

Thank you for the opportunity to respond to the consultation on proposed updates to Ofgem's Strategic Innovation Fund (SIF) Governance Document. As we highlighted previously, the Governance Document is key to understanding the overall process and the required information for each stage of the SIF and so it is important to carefully consider any changes and the intended outcomes.

SSEN is the trading name of Scottish Hydro Electric Transmission plc (SSEN Transmission), Scottish Hydro Electric Power Distribution plc (SHEPD), and Southern Electric Power Distribution plc (SEPD). This response is submitted on behalf of those licensees.

We have identified the following key areas that would benefit from further consideration. These points are elaborated on in the attached Annex which responds to the consultation questions.

- We agree with the intention of streamlining the SIF scheme but expect the full benefits of doing so will come after completion of at least Round 1 and allowing the Governance Document to accommodate improvements and how the scheme has evolved during the first full term of its implementation.
- Proposed changes to the application and Impact Assessment requirements should consider the level of information that is available at the time of request.
- Governance Document drafting should focus on the delivery of the SIF outcomes and objectives and avoid being overly prescriptive allowing the process to be responsive to specific circumstances and adapt as the overall SIF process matures.

We look forward to continuing to work with Ofgem so that the SIF can operate effectively and ultimately provide good value for consumers and would welcome discussing any points in this response further.

Yours sincerely

Josh Henderson
Regulation

Annex: SSEN response - Consultation on SIF Governance Document

1. Do you agree with the proposed amendments to the SIF Governance Document?

Overall, we agree with the proposed amendments and efforts to streamline the governance arrangements. However, we have also noted where the intended aims of the review have not been fully realised as intended.

We are conscious that we are yet to have completed a full round of SIF applications prior to the Governance Document being subject to review. Since these changes have been identified as being necessary only partly through the first round, this should be used to indicate that the Governance Document should be written at a sufficiently high level so to accommodate any further evolution of the entire process. Otherwise, there could be the need to continuously make amendments partly through each round which would add further work to an already intensive scheme in terms of completing application documents and providing supporting evidence and information.

Where Ofgem could best achieve streamlining the SIF scheme is in better defining the CBA and Impact Assessment. In adding more to the expectation of what should be included, these should consider each project phase in terms of being realistic about the type of assessments that are possible with the information available at each project stage for them to be undertaken.

Updates to the 'Innovation justification' and 'Impact' definitions should also remain suitable for each stage of the SIF process. The proposed updated 'Innovation justification' would bring forward requirements developing a business case when no funding is available to do so as it otherwise would during the Discovery phase itself. The same implication would be incurred with updating the 'Impact' supporting evidence requirement with it being updated from a benefits to a business case required, which has different implication for the type of details expected and cannot be expected to be available at the earlier stages of the process. The same question category has 'logic model template' included in the expected supporting evidence but seemingly without any detail or definition of what this entails.

Ofgem has set out the case for revising the governance for projects already in flight and we agree in there being value in harmonising the governance across Rounds 1 and 2 of SIF rather than having parallel governance depending on when a project commenced or whether it was undertaken for a different sector (i.e. Transmission vs Distribution). Still, a note of caution should be made here about changing the governance mid-flight, regarding issues such Intellectual Property Rights, which may result in the need to potentially review existing collaboration agreements. If any issues were to arise from this, then projects should have an available route for raising the matter with Ofgem and UKRI.

Changes to the word count requirements provide the opportunity to fully elaborate on project details to the level the licensee may want but this could also be counter to the streamlining of the submission process that has noted as the desired outcome. The outcome of this change will be reliant on the assessors also adhering to this effort and avoiding them revising the prescribed word count upwards.

The updated governance also appeals for collaboration between Funding Parties and Innovate UK as appropriate which, as the drafting proposes, leaves uncertainty over the expected or actual level of interaction required. As with the word count expectations noted above, it will require assessors being committed to streamlining the assessment process.

A similar approach should be taken for the proposals (as noted in paragraph 6.17) about providing an updated Impact Assessment (IA) following completion of the Beta stage. This needs to consider that providing a worthwhile and updated version will require detail and the associated resource to provide it. We think it will be worthwhile making it clearer on what circumstances would need to be met for a request for an updated IA to be necessary.

Table 4 of the Governance Document defines a new requirement for a statement on impacts and benefits as part of the Discovery Stage. This includes the potential for Innovate UK to provide guidance after the project period has

commenced. This is impractical because of the relatively short two month period the project phase runs for and the short period it then allows additional guidance to be adopted. Instead, any need to provide this detail in a specific format would need to be established before this period starts.

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?

Agree.

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?

Overall, there's good reason to harmonise the Governance Document for Round 1 and 2, especially when considering the expected involvement of Distribution licensees. As noted above, there is still some risk that specific issues arise over collaboration arrangements and so there should still be an avenue to flag and address these with UKRI as and when they arise.

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

We agree with DNOs participating in Round 2.

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?

We support the plans to find consistency in the requirements for different licensees and so we don't see any other particular requirement for DNOs participating in Round 2.

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 think that the changes are worthwhile in separating out the default rules while also giving the ability to consider alternative arrangements on a case-by-case basis also.

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 do not immediately see the need for this type of guidance document which would not feasibly cover every scenario. Instead, the focus should remain on the Governance Document being robust to inform participants involvement in SIF. However, if plans proceed to create a further guidance document, we encourage this to be informed by UKRI and drawing on their experience across the innovation field to best assist SIF stakeholders and third parties.