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for energy consumers

Company Secretary  
UK Power Networks (EPN)  
Newington House  
237 Southwark Bridge Road  
London  
SE1 6NP

Direct Dial: 020 7901 7159  
Email: andy.burgess@ofgem.gov.uk

Date: 04 July 2013

Dear Company Secretary

### **Low Carbon Networks Fund – amendments to UK Power Networks (EPN) Smarter Network Storage Project**

This letter contains our agreement to amend the Condition Precedent and Successful Delivery Criteria for UK Power Networks (EPN) (“UKPN”)’s Smarter Network Storage project (“the Project”).

#### **Background**

On 21 December 2012, we issued a Project Direction<sup>1</sup> to UKPN.<sup>2</sup> The Project Direction set out the terms to be followed in relation to the Project as a condition of it being funded under the Second Tier and Discretionary Funding Mechanism.<sup>3</sup>

On 3 June 2013 UKPN requested an amendment to the Project Direction to replace Durham University with Newcastle University as the Project Partner<sup>4</sup> responsible for the development of algorithms for the Smart Optimisation and Control System and leading the coordination of data and learning capture during the operational phase of the project.

#### **Change of Project Partner**

UKPN has informed us that the lead researcher for the project at Durham University is transferring from Durham University to Newcastle University (alongside a substantial proportion of other researchers who have already moved to Newcastle University). UKPN state that the main research capability on the electricity distribution level is therefore now at, or will shortly be at, Newcastle University. As a consequence, UKPN is seeking to replace Durham University with Newcastle University as the Project Partner.

We have received confirmation that the scope of the work undertaken will be unaffected by the change in Project Partner and that there is no impact on the project in terms of learning, budget or timescales. We have also been provided with a letter from Newcastle University outlining its commitment to delivering the project.

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<sup>1</sup> <http://www.ofgem.gov.uk/Networks/ElecDist/lcnf/stlcnf/year3/smarter-network-storage/Documents1/SNS%20Project%20Direction.pdf>

<sup>2</sup> This was pursuant to the LCN (Low Carbon Networks) Fund Governance Document issued pursuant to Part E of Charge Restriction Condition 13 (“CRC13”) of the Electricity Distribution Licence.

<sup>3</sup> Second Tier and Discretionary Funding Mechanism has the meaning given in CRC 13.3(b).

<sup>4</sup> A Project Partner is a non-DNO party that is involved with the Project and makes a contractual commitment to contribute equity to the Project (eg in the form of funding, personnel, equipment etc) the return on which is related to the success of the DNO Project.

Based on the evidence provided, we consider it appropriate to approve the replacement of Durham University with Newcastle University as Project Partner. To safeguard project funds until UKPN has formalised their relationship with Newcastle University, UKPN is not able to access funds from the Project Bank Account until it has signed a contract with Newcastle University.

The Schedule to this Direction contains the amendments to the Schedule to the Project Direction.

### **Decision**

In accordance with Section 13 of the Project Direction, and in particular Section 13 (i), the Authority hereby amends the Schedule to the Project Direction in the manner set out in the Schedule to this Direction.

This constitutes notice of reasons for the Authority's decision pursuant to section 49A of the Act.

A handwritten signature in blue ink that reads "Andy Burgess".

**Andy Burgess**  
**Associate Partner, Transmission and Distribution Policy**  
**For and on behalf of the Authority**

## Schedule to Direction

### 1. Amend existing section 3 (Condition Precedent)

Amend existing section 3 of the Schedule to the Project Direction in the following manner:

#### 3. Condition Precedent

The Funding DNO will not access any funds from the Project Bank Account until it has signed contracts with the Project Partners named in Table 1.

**Table 1 Condition Precedent**

AMT-SYBEX
<del>Durham University Newcastle University</del>
IC Consultants Ltd
KiWiPower
National Grid
Pöyry Management Consulting
Smartest Energy
Swanbarton

### 2. Amend existing section 11 (Successful Delivery Reward Criteria)

Amend existing section 11 of the Schedule to the Project Direction in the following manner:

#### 11. SUCCESSFUL DELIVERY REWARD CRITERIA

The Project will be judged by the Authority for the purposes of the Second Tier Successful Delivery Reward against the Successful Delivery Reward Criteria set out in Table 2<sup>5</sup> below (that comply with paragraphs 3.27 of Section Two of the LCN Fund Governance Document).

**Table 2. Successful Delivery Reward Criteria**

Successful Delivery Reward criterion	Evidence
<p><b>Confirmation of the Smart Optimisation &amp; Control System design</b></p> <p>Successful completion and sign off of the overall design of the Smart Optimisation &amp; Control System by 30<sup>th</sup> December 2013. The functional design will be developed with operational partners and <del>Durham University Newcastle University</del>, and incorporate the description of business processes to be implemented across participants to facilitate the SNS Solution.</p>	<ul style="list-style-type: none"> <li>Regular meetings held between UK Power Networks, operational partners, <del>Durham University Newcastle University</del> and AMT SYBEX to further develop the full requirements and design, with minutes and notes captured</li> <li>The final design will be signed off by UK Power Networks, including approval by UK Power networks IT Design Authority Board</li> <li>A report describing the final design, optimisation and forecasting algorithms and business processes required will be produced and shared through the project website</li> </ul>
<p><b>Successful demonstrations of storage value streams</b></p> <p>The end to end learning from the planning to the operational performance in performing a range of services with the storage facility</p>	<ul style="list-style-type: none"> <li>The detailed trial plans for each storage service, including key requirements and processes required, will be captured through meetings with UK Power Networks and operational partners and shared through the project website</li> </ul>

<sup>5</sup> These are the Successful Delivery Reward Criteria set out in the Funding DNOs Full Submission

<p>will captured and shared by 30<sup>th</sup> March 2016.</p> <p>Both technical data, relating to the impact of the use of the storage on the distribution network, and commercial data, relating to the way in which the service was provided and any economic return for the service will be identified and shared.</p>	<ul style="list-style-type: none"> <li>• The operational data relating to the impact on the distribution network will be collected and stored by <del>Durham</del> <b>University Newcastle University</b>. Any financial performance data will be captured and reported by UK Power Networks</li> <li>• A report assessing the capabilities of the storage device in providing the range of services will be produced and shared through the project website, incorporating an assessment of the relative value of services provided</li> </ul>
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