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Date 27th January 2016

Dear Neil

Reviewing the benefits of the Low Carbon Networks Fund and the governance of the Network Innovation Competition and the Network Innovation Allowance

National Grid Gas Transmission (NGGT) owns and operates the gas transmission system in Great Britain. We welcome Ofgem's consultation on the governance of the NIC and NIA.

NGGT's response to the specific consultation questions is set out below.

Question 1: Should we change the NIC and NIA criteria? If so how and why?

NGGT is of the view that the NIA and NIC criteria are well suited to the selection of innovation projects that the business considers for innovation funding. We specifically appreciate the broad spectrum of criteria that allows projects to demonstrate a balance of financial, carbon and cost benefit. The certainty around the governance and criteria for both the NIA and NIC has allowed NGGT to develop a mature innovation portfolio over the past three years and we look to continue to build upon this over the remaining RIIO T1 period.

Question 2: Should we give more of an indication of where we consider innovation is required or is that inappropriate?

NGGT is open to views on innovative opportunities and innovation needs from all stakeholders, including Ofgem, SMEs, academia and other industry partners. We look to ensure innovative thinking is a key part of the business culture and are always open to considering opportunities highlighted by stakeholders and suppliers that will deliver value to consumers.

At the current time we don't see that further guidance from Ofgem on specific subject matter is required. The changes and challenges faced by our network dynamically influence our innovation priorities and National Grid Gas Transmission publishes an overview of strategic innovation priorities in our annual NIA summary report. As part of our NIC bid develop we reach out to a range of potential partners each year with key themes to encourage ideas across a range of topic areas.

Question 3: Should the focus of the NIC and NIA be broader and cover the broader energy system?

We consider the current focus allows any relevant network to implement technology which will impact upon their network in the most effective way. If a project was to be of significant benefit to another network, we would look to work collaboratively with that network.

Question 4: Can we improve the process for deciding on which projects to approve and if so how?

NGGT feel the overall structure for the NIC with initial screening, the full submission and expert panel interviews works well. The NIC expert panel interviews give the opportunity for rigorous challenge and debate around key issues and NGGT appreciates the diversity of expertise of members of the expert panel and acknowledges the valuable contribution of the panel in evaluating proposals. It is important for the expertise and experience of the panel to be well balanced across innovation, risk, network knowledge and business experience.

Question 5: How can we improve participation in the NIC?

NGGT is of the view that third parties developing and delivering NIC projects without the participation of a relevant network company would not improve the overall level of customer benefit delivered by the NIC. The compulsory funding contribution from the lead network licensee is an effective way to ensure that projects are focused on issues of relevance to the networks and the implementation of innovations demonstrated through the NIC into the network companies' practices, is essential for realising potential benefits. This would likely be significantly hampered if the relevant networks have not been involved.

Our portfolio of projects includes a broad range of partners. To raise awareness and understanding of our network challenges, we publish information about them annually in our NIA Summary Report, and through reach out for NIC ideas. We have good engagement from partners and we are open to proposals from all quarters for innovation projects that are relevant to the challenges we face including: the ENA Smarter Networks Portal, our own innovation website, the LCNI conference, via our innovation .box - box.innovationtransmission@nationalgrid.com – or direct contact with individuals within NGGT.

Question 6: Please comment on your experiences if you have worked with licensees when implementing NIC and NIA projects or when transferring innovation into business as usual.

NGGT collaborates with other licensees on a number of NIA and NIC projects, and liaises with the other licensees through groups such as the Gas Futures Group, as well through direct bilateral contact.

NGGT participates fully in the Gas Innovation Governance Group, which over the past twelve months has held knowledge transfer workshops at each of the licensed gas networks premises. The group also publishes a quarterly newsletter giving updates on NIA/ NIC activity to internal and external stakeholders.

We recommend that during the review of the NIC governance, consideration is given to appropriate ways of managing financial transparency of NIC projects in way that allows a suitable amount of flexibility for the lead network licensee as projects evolve. For example: the requirement whereby written consent from Ofgem is required if costs between different categories (Labour, Contractors etc) change by more than 10% whether or not this has an impact on overall budget: this increases the regulatory burden on NIC project participants with no discernible benefit for consumers.

Question 7: Are there any other issues we and the independent evaluator should consider as part of the review?

No response proposed

Question 8: To what extent do you consider that the LCN Fund has succeeded?

No response proposed

Question 9: To what extent do we need to continue incentivising innovation by DNOs?

No response proposed

Overall we believe innovation funding mechanisms under RIIO are working well for NGGT and we look forward to continuing to work with our stakeholders and customers to deliver significant innovation benefits. We hope that the information provided is useful for you. Please do not hesitate to contact me to discuss any elements of this response.

Yours Sincerely



Tamsin Kashap

