



# **SP Energy Networks**

October 2017

## **Third Party Innovation Challenge**

Network Innovation Competition (NIC) & Network Innovation Allowance (NIA)

## Introduction

SP Energy Network formally invites third parties to submit innovative proposals which fulfil the criteria of the 2018 Network Innovation Competition (NIC) or the Network Innovation Allowance (NIA). Successful proposals should:

- 1) Support the transmission network of the future;
- 2) Facilitate our aspiration to become a Distribution System Operator (DSO).

For NIC proposals, the third party should as far as possible prepare an initial proposal (ISP – Initial Screening Process) by the 5<sup>th</sup> January 2018 to allow SP Energy Networks to review. Following evaluation, successful proposals shall subsequently be adapted to full submissions (FSP) and submitted to Ofgem in April 2018 to secure funding. We are particularly interested in identifying potential partners who are willing to develop the full proposal together along with SP Energy Networks

Similarly, proposals for smaller projects (<£2.5m) with a lower Technology Readiness Level (TRL) will be considered for the Network Innovation Allowance (NIA). Once evaluated, successful proposals will be progressed internally and presented to SP Energy Networks Innovation Steering Board for approval and funding. Successful NIA projects may be progressed into future NIC proposals in the future.

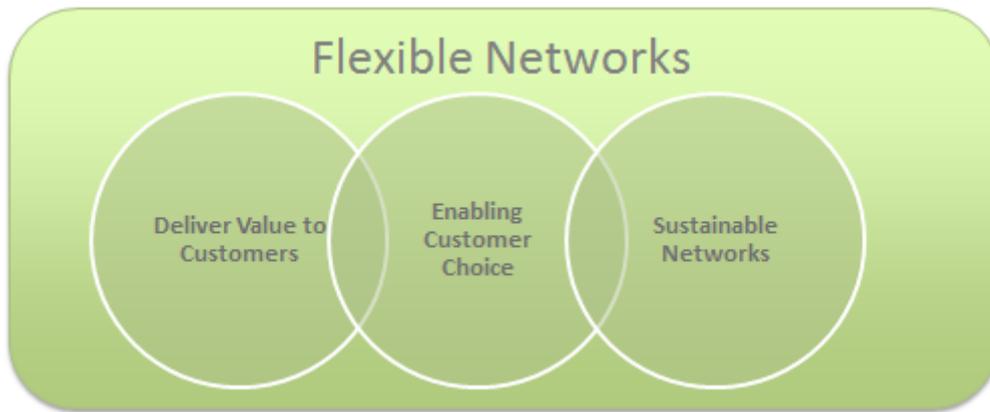
It is important to note that proposal should be innovative and not repeat projects that have been awarded funding previously within the UK. Third parties should review the [ENA portal](#) to ensure their proposals is unique and has not been awarded funding previously. This document provides guidance to potential applicants on the application process and the areas in which we are looking to progress innovative projects.

## Our Focus

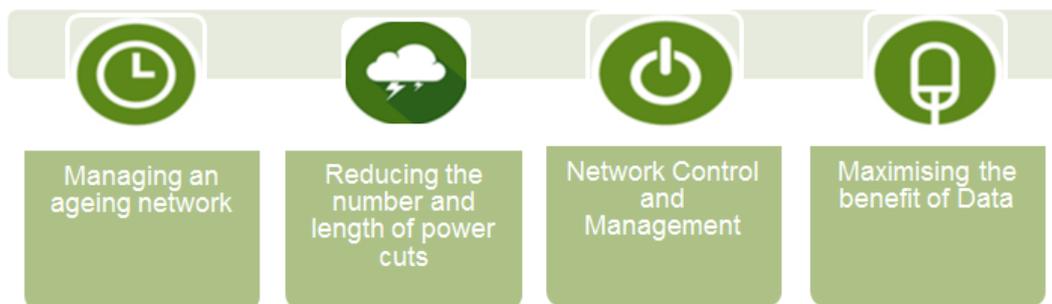
SP Energy Networks are interested in innovative proposal for projects that will improve the way in which the Transmission and/or Distribution networks are planned, maintained and operated. The aim of our innovation strategy is to enable a future flexible network which delivered value and choice for our customers whilst facilitating the growth of a low carbon economy in a cost effective manner. This is reflected in our ambitions to become a Distribution System Operator (DSO) as described below. We are interested in any innovation which will enable this transition.

**A Distribution System Operator (DSO)** securely operates and develops an active distribution system comprising networks, demand, generation and other flexible distributed energy resources (DER). As a neutral facilitator of an open and accessible market it will enable competitive access to markets and the optimal use of DER on distribution networks to deliver security, sustainability and affordability in the support of whole system optimisation. A DSO enables customers to be both producers and consumers; enabling customer access to networks and markets, customer choice and great customer service

The three core areas we will prioritise when evaluating any innovative proposals are shown in the diagram below:



**Deliver value to customers** – We must ensure that our innovation activity is focussed on the areas which customers value most, but also areas that our customers are willing to invest today to allow the longer term benefits of innovation to be realised. These areas include:



**Enabling Customer Choice** - We aim, through our innovation programme to take an active role in developing new approaches to managing capacity and flows within the network, developing new technologies, commercial arrangements and working practices to meet changing customers' requirements, whilst facilitating the uptake of Low Carbon Technologies (LCTs).



**Sustainable Networks** – The fight against climate change and in favour of sustainable development is one of our most steadfast commitments. Consequently, we are interested in innovative ideas which can reduce the environmental impact of our network and our associated activities as illustrated below:



## Network Innovation Competition (NIC) Requirements

The NIC is an annual opportunity for electricity network companies to compete for funding for the development and demonstration of new technologies, operating and commercial arrangements deliver value to money for UK electricity consumers. We are looking for project partners who can deliver the proposals and subsequent projects in partnership with SP Energy Networks. **We encourage all applicants to review previous successful NIC proposals and the NIC Governance document available on the Ofgem website.**

Up to £70m per year is available to fund large scale innovative projects which can demonstrate a strong business case. As set out in Ofgem’s Electricity NIC Governance Document, a NIC project must involve the development or demonstration of at least one of the following:

- A specific piece of new (i.e. unproven in GB) equipment (including control and/or communications systems and/or software);
- A specific novel arrangement or application of existing electricity transmission and/or distribution equipment (including control and communications systems software);
- A specific novel operational practice directly related to the operation of the electricity Transmission System/Distribution System; or
- A specific novel commercial arrangement.

Furthermore, it must be demonstrated that any proposals meets all the following criteria:

- Accelerates the development of a low carbon energy sector and/or delivers environmental benefits while having the potential to deliver net financial benefits to existing and/or future network customers;
- Delivers value for money for electricity customers;
- Creates knowledge that can be shared across energy networks in Great Britain (GB) or create opportunities for roll-out across a significant proportion of GB networks; and
- Is innovative (i.e. not business as usual) and has an unproven business case where the innovation risk warrants a limited Development or Demonstration Project to demonstrate its effectiveness.

## Network Innovation Allowance (NIA) Requirements

The network Innovation Allowance (NIA) provides an allowance of 0.5% of annual revenue per Licence to spend on innovation projects. All spend must be in compliance with NIA Governance as set out by Ofgem.

Projects must involve the Research, Development, or Demonstration of at least one of the following:

- A specific piece of new equipment
- A specific novel arrangement or application of existing equipment
- A specific novel operational practice directly related to the operation of the network
- A specific novel commercial arrangement

Any proposal must also meet all of the following requirements:

- Has the potential to develop learning that can be applied by all Relevant Network Licensees
- Has the potential to deliver net financial benefits to electricity Customers
- Does not lead to unnecessary duplication

Please review the Energy Networks Association portal: [Smarter Networks Portal](#) to ensure your proposal is innovative and has not been replicated previously.

## Timeline

NIC Proposals	Date
SPEN NIC invitation to third parties	17th October 2017
Submission of third party proposal to SPEN	5 <sup>th</sup> January 2018
Face to face meetings to discuss proposals	Jan - Feb 2018 (dates to be advised)
Notification of decision to third parties	23 <sup>rd</sup> February 2018
Submission of initial proposals (ISP) to Ofgem	Early April 2018
Ofgem decision to progress ISP	Late April 2018
Submission of full proposals (FSP) to Ofgem	Early August 2018
Ofgem evaluation period of FSPs	August – October 2018
Bilateral interviews with Ofgem	September 2018 and October 2018
Ofgem notification of funding award	Late November 2018

NIA Proposals	Date
SPEN NIC invitation to third parties	13th October 2017
Submission of third party proposal to SPEN	5 <sup>th</sup> January 2018
SPEN initial assessment of proposals	January 2018
Notification to unsuccessful proposals	2 <sup>nd</sup> February 2018
Face-to-face meetings with third parties	February 2018
Final decision to present proposals to SPEN innovation steering board	2 <sup>nd</sup> March 2018
SPEN notification of funding award	Early April 2018

## Supporting Documentation

### NIC Documentation

- [Blank Initial Screening Process \(ISP\) for expressing interest](#)
- [Ofgem's NIC submission documentation](#)
- [Ofgem's Electricity Network Innovation Competition Governance Document](#)

### NIA Documentation

- [Blank NIA Project Registration template](#)
- [Network Innovation Allowance Governance Documentation](#)

## Expressing Your Interest

To express an interest, you will need to ensure that your submission sufficiently meets the submission requirements above for either NIC or NIA funding.

Please fill out the relevant proposal template and email your submission to the following addresses by 5th January 2018 with the title 2018 SPEN NIC Proposal or 2018 SPEN NIA Proposal.

- [adonoghue@spenergynetworks.co.uk](mailto:adonoghue@spenergynetworks.co.uk)
- [SPInnovation@spenergynetworks.com](mailto:SPInnovation@spenergynetworks.com)