



Making a positive difference
for energy consumers

Company Secretary
National Grid Electricity Transmission
National Grid House
Technology Park
Gallows Hill
Warwick
CV34 6DA

Direct Dial: 020 7901 2782
Email: Judith.Ross@ofgem.gov.uk

Date: 18 December 2015

Dear Company Secretary

Electricity Network Innovation Competition (NIC) - Funding Direction

We¹ issue a direction (the Funding Direction²) every year, pursuant to the provisions of Section B: Implementation Requirements, Chapter 7 (Funding Direction) of the Electricity NIC Governance Document, and pursuant to the licence conditions set out in Table 1.

Table 1 – licence conditions

Licensee	Licence Condition
National Grid Electricity Transmission plc	Special Condition 3I
Scottish Hydro Electric Transmission Limited	Special Condition 3I
Scottish Power Transmission Limited	Special Condition 3I
Electricity North West Limited	Charge Restriction Condition 5A
SP Manweb plc	Charge Restriction Condition 5A

National Grid Electricity Transmission plc (NGET) can recover the funding for NIC projects funded in the 2015 competition and the money to be returned to licensees following Successful Delivery Reward reviews. No NIC projects were eligible for a Successful Delivery Reward this year.

This Funding Direction sets out the amount of authorised NIC Funding NGET can recover from customers through its Transmission Network Charges to enable NGET to fund Eligible NIC Projects and the net amounts to be transferred between NGET and other electricity Network Licensees in any Relevant Year.

On 31 July 2015, electricity Network Licensees submitted seven projects to us to consider for funding through the Electricity NIC.³ We selected five of these projects for funding.⁴ These projects are listed in Table 2.

¹ The terms “the Authority”, “we” and “us” are used interchangeably in this document. The Authority is the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

² Defined terms not otherwise defined in this document have the meaning given to them in Appendix 1 of the [Electricity NIC Governance Document](#).

³ Information on these projects is available [here](#).

⁴ This year’s decision document is available [here](#).

Table 2 – projects awarded funding

Project	Network Licensee	Funding awarded (£)
Offgrid Substation Environment for the Acceleration of Innovative Technologies	National Grid Electricity Transmission plc	12,015,120.30
New Suite of Transmission Structures	Scottish Hydro Electric Transmission plc	6,638,880.67
Future Intelligent Transmission Network Substation	SP Transmission plc	8,335,609.20
Celsius	Electricity North West Limited	4,743,833.51
ANGLE-DC	SP Manweb plc	13,121,436.21

As the potential learning from these projects would provide benefits to all Network Licensees, they are funded by all customers through Transmission Network Charges. We implement this by amending the Maximum Revenue in accordance with the provisions of Special Condition 3A of the NGET licence for the Relevant Year 2016/17, and setting the amount that NGET needs to transfer to the Network Licensees.

In accordance with Special Conditions 3I and 3A of the NGET Electricity Transmission Licence and in accordance with the Electricity NIC Governance Document, this Funding Direction:

- (a) sets the value of the NICF term for NGET (being the amount, if any, to be recovered by NGET in order to provide for its own and other electricity Network Licensees' NIC Funding for that Relevant Year);
- (b) sets out the net amounts that are to be transferred between NGET and electricity Network Licensees in order to ensure that each such licensee receives an amount (if any) equal to the proportion of the NIC Funding for that Relevant Year that is attributable to its Eligible NIC Projects (adjusted to take into account the amount of any Funding Return);
- (c) sets out the manner in which and the timescale over which the net amounts referred to in paragraph (b) and (c) are to be transferred.

The Schedule to this Funding Direction includes the above information for the Relevant Year 2016/17. In accordance with paragraph 3I.16 of Special Conditions 3I and Amended Standard Condition E12-J11 of the Electricity Transmission Licence, 5A.11-5A.12 of the Electricity Distribution Licence and the Electricity NIC Governance Document, the Authority hereby requires NGET and all Network Licensees to comply with the conditions in the Schedule to this Funding Direction.

This Funding Direction constitutes notice pursuant to section 49A (Reasons for decisions) of the Electricity Act 1989.

Yours faithfully,



Judith Ross
Head of Networks Regulation Policy
For and on behalf of the Authority

Schedule to Funding Direction

1. The value that the NGET can recover from customers to cover NIC and Discretionary Funding in each year

Table 1 contains the amount that NGET must recover in Relevant Year commencing 1 April 2016. The amount that NGET must recover is based on the total Approved Amounts⁵ for Relevant Year 2016/17 plus information on other monies being returned. The amount that NGET must recover, less any Funding Return, constitutes the value for the NICF term.

2. The net amounts that must be transferred between Network Licensees

Table 2 contains the net amounts that must be transferred by NGET to electricity Network Licensees in the Relevant Year commencing 1 April 2016. For the avoidance of doubt no adjustments for inflation should be made to these numbers.

3. The manner in which and the timescale over which the net amounts will be transferred

The transfers must be made on an equal monthly basis, for the entirety of the Relevant Year commencing 1 April 2016 such that the total amount transferred over the Relevant Year commencing 1 April 2016 equals the net amount set out in Table 2.

The Network Licensee that will be receiving funding from NGET must provide its bank account details to NGET by 1 March 2016. NGET will make transfers to the specified bank accounts on the day of the month agreed by NGET.

Table 1

Network Licensee	NICF Term
National Grid Electricity Transmission Plc	£44,854,879.89

Table 2

Network Licensee	Amount to be transferred by NGET
National Grid Electricity Transmission Plc	£12,015,120.30
Scottish Hydro Electricity Transmission	£6,638,880.67
Scottish Power Transmission	£8,335,609.20
Electricity North West Limited	£4,743,833.51
SP Manweb plc	£13,121,436.21

⁵ The term Approved Amount has the meaning given in Appendix 1 to the Electricity NIC Governance Document.