

# ERP 2017

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## Background

The ERP is approaching the end of its current consortium period (December 2016) and it is therefore time to consider what should follow. A series of one to one discussions has shown that 75% of the current members would like to continue with something similar, 17% have some reservations but will review it more closely when the details emerge and 8% are likely to leave. On the whole this is a very positive endorsement whilst allowing for some natural refreshing of membership.

Careful note has been taken of the aspects of ERP important to members as well as listening to areas for improvement. Furthermore it has to be recognised that the energy innovation landscape has changed significantly since ERP's inception.

There have been discussions on whether going forward ERP's Analysis Team should be hosted by another organisation, and in particular by the Energy System's Catapult. In any case the hosting would be "light touch" and based on administrative, rather than executive functionality, so no control would be exercised by the host over the programme of ERP. Talking to members the opinions on this are mixed so this document is written to be independent of the hosting arrangements.

## Purpose of ERP

The ERP provides leadership to guide public and private sector activities in energy research and innovation, reflective of the UK's broad energy portfolio, covering:

- Research and Development – targeting of UK priority technology areas;
- Innovation – developing partnership models to stimulate and deliver innovation;
- Policy – providing the factual basis to inform decision making;
- Delivery – promoting the role of social science in understanding consumer preferences for the deployment of new technologies and innovations.

## Important Considerations from ERP Stakeholders

Interviews have been held with all of ERP's stakeholders to identify important aspects of ERP which are as follows.

### Plenary

- The format and attendance at Plenary meetings is very good and should remain more or less unchanged.
- The seniority of attendees needs to remain at a high level, industrial members value CSA level involvement, public members want to see industry "movers and shakers" around the table.

- Its current size is close to its maximum so there's little room for expansion, some members would wish to see a smaller number that could more easily debate matters at a plenary.

### Membership

- It is important that ERP continues to have a broad range of membership – large and small private sector members, research funders, governments, regulators and NGOs

### Distinctiveness

- ERP should continue with its own distinct brand and should not become “lost” within a larger organisation
- Members are happy to pay for ERP Analysis Team (ERP-AT) as long as they own and direct its research programme
- It should continue to provide independent comment on energy innovation. Its output needs to be sharper and less subject to compromise.

### Location

- Imperial's central campus is an ideal location for ERP-AT, much is gained from being amongst other energy groups<sup>1</sup>, leading academics<sup>2</sup> and making use of facilities such as library and meeting rooms
- Imperial provide all the HR, IT, legal and accounting support required.
- Imperial have given a preliminary indication that ERP-AT could stay on their central site, but it would cost £40k p.a. – a change from having had free hosting in the past – but still good value. This is dependent on them remaining Imperial employees.

### Finance

The fee structure and levels for members will have to change.

- Small private members want a lower affordable rate at the bottom end
- No inflation has been applied to fees for the last nine years. Consequently ERP is currently running at a 25% deficit even before the extra £40k needed for locational hosting.
- The current formula for private members fees (based on turnover of part of the group most closely associated with the UK) is difficult to administer and not transparent if these aren't published

The combination of these means there needs to be more levels for private members with a lower starting point and higher top end. It is proposed that fees will be based on global turnover which is always published and more representative of the size of the organisation. Income will be rebalanced by a combination of having more paying members and the application of some of the inflation neglected over the past nine years. For most members fees will be lower in real terms than when ERP was launched in 2007. A suggested scheme is attached in the appendix.

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<sup>1</sup> UKERC, Centre for Environmental Policy, Sustainable Gas Institute, Energy Futures Lab, Grantham Institute

<sup>2</sup> Profs Nilay Shah, Richard Green, Jim Skea, Goran Strbac & others in their teams

## Contract

Three years fits with most members' ability to commit. However new members should be able to join part way through, without the need for all parties to re-sign the agreement.

## Proposal

Taking account of the considerations above the proposal is as follows:

- Members will be invited to sign a three year consortium agreement for calendar years 2017-19.
- Fees will be charged according to the appendix
- ERP will hold quarterly plenaries following the current pattern and format, each membership organisation will be invited to send one representative to each plenary.
- ERP will convene other plenaries and workshops to provide detailed feedback on ETI and ERP projects, these will be open to others from the membership organisations.
- Imperial will host the Analysis Team who will carry out research as directed by the ERP membership
- Projects will be overseen by a steering group comprising representatives from the membership
- High level conclusions and recommendations will be shared with the Plenary
- More detailed results and analysis will be shared with specialist plenaries and workshops
- All analysis will result in a publication, no IP that requires protection will be generated

## Proposed Fees

Similar to current CA but one extra band, but public sector merged with one band to simplify. Global turnover is used to band all private sector organisations. The lowest band is 33% less in monetary terms than previous agreement, making it more affordable, the upper band, which is new, is 33% more than the previous top band. Public sector rate is 26% more than previous 9 years, bringing it roughly back to where it started in real terms.

With no changes in personnel A-Team costs (with additional rent to Imperial) are estimated to be £500-£550k over the next period. Mapping the current membership onto this new structure would yield £530k. Although some churn is to be expected maintaining a similar balance in members would make the ERP's current activities sustainable.

	<b>Global Turnover range (£M)</b>	<b>Annual Fee (£k)</b>
Private band 1	0-100	3
Private band 2	100-1,000	6
Private band 3	1,000-10,000	12
Private band 4	10,000-100,000	24
Private band 5	100,000+	48
Public sector = B4	-	24