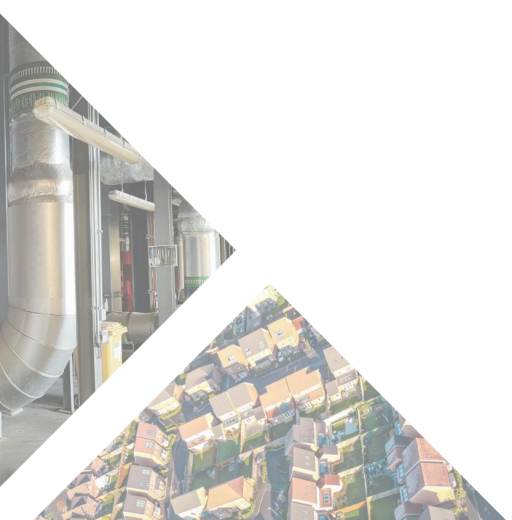# HEAT NETWORK EFFICIENCY SCHEME

Welcome and Agenda

Samantha Shea

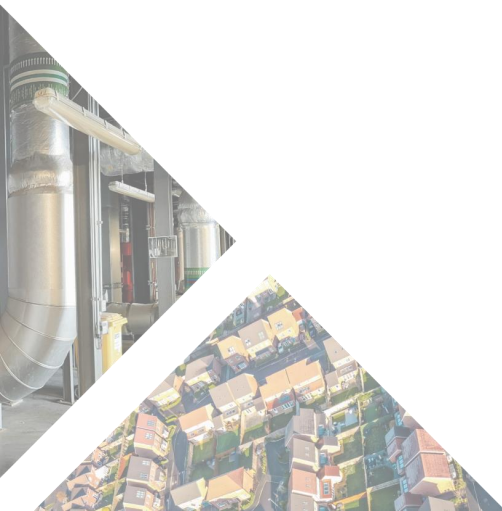# Welcome

Please mute microphones to limit disruption

**If you are not speaking, please turn off webcams to improve video quality**

? **Please ask questions using the Q&A functionality**

Department for Business, Energy & Industrial Strategy

Gemserv

RAMBØLL

Turner & Townsend

HEAT NETWORK EFFICIENCY SCHEME

Agenda

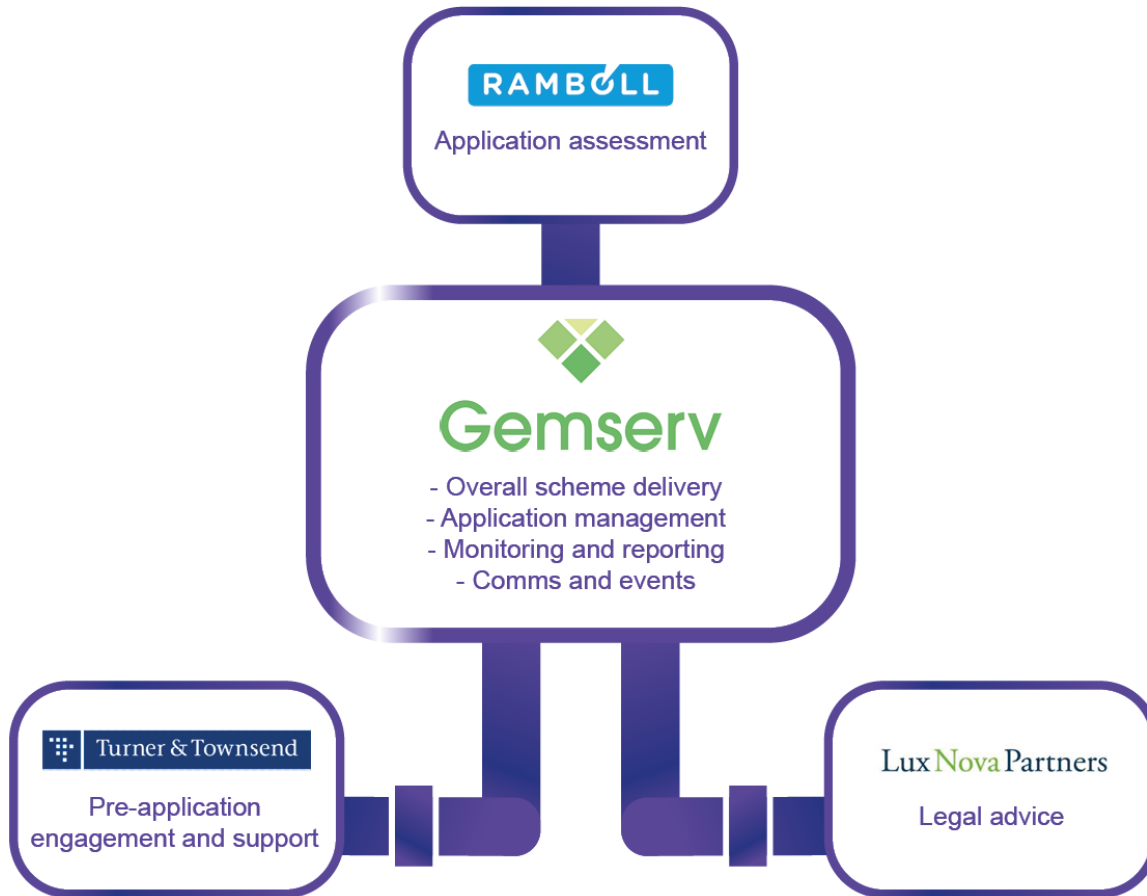| Session	Speaker
Introduction to HNES	Louise Singleton
Application Process	Sam Hales
Assessment Process	Louise Singleton
Support available for applicants	Samantha Shea
Q&A	Samantha Shea
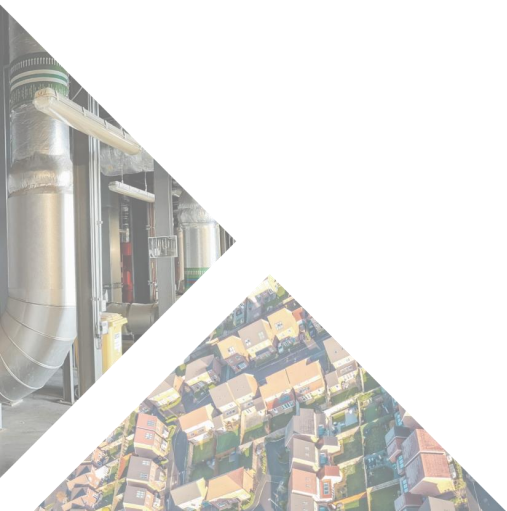
Introduction to HNES

Louise Singleton

HNES Programme Manager
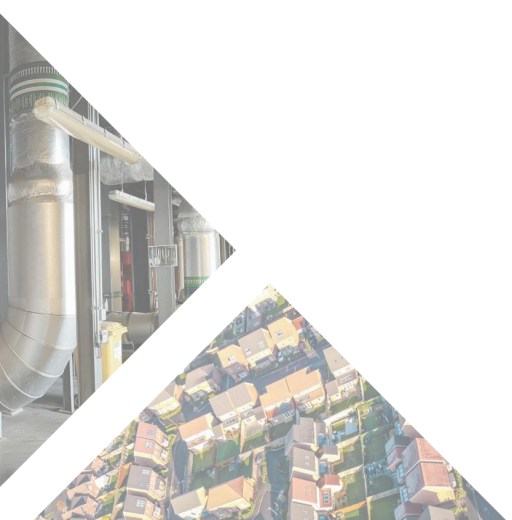
HNES Delivery Partner

- Gemserv and Ramboll have already successfully delivered the HNES Demonstrator together, supporting 110 projects to claim £5M+ in grant funding

- Turner & Townsend and Lux Nova have joined the Delivery Partner team for the Main scheme

Aims and Objectives of HNES

1. Reduce carbon emissions by making heat networks more efficient

2. Reduce customer detriment to improve consumer confidence

3. Help prepare the heat network market for sector regulation and technical standards

HEAT NETWORK
EFFICIENCY SCHEME

How much funding is available?

Capital Grants	Revenue Grants
Part funding **(up to but not including 50%)** available for the delivery (installation) of eligible intervention / improvement measures.	Full funding available for procurement or mobilisation of external third-party support to carry out Optimisation Studies. These studies will assess heat network projects to identify causes of sub-optimal performance and recommend costed intervention or improvement measures.
Up to £30m across FY23/24 and FY24/25	Up to £2m across FY23/24 and FY24/25

Projects can apply for funding across both financial years, but must spend all funding within each allocated financial year

HEAT NETWORK
EFFICIENCY SCHEME

Who can apply?

Operators of existing district heating networks or communal heating systems

Public sector, private sector or third sector organisations

Legal entities, with authority to sign-off investment decisions for the heat network they are responsible for

Heat networks situated in England or Wales

HEAT NETWORK EFFICIENCY SCHEME

Funding round closing dates

Round	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Round 2			★ Friday 19th May 2023												
Round 3					★ Friday 7th July 2023										
Round 4						★ Friday 25th August 2023									
Round 5								★ Friday 13th October 2023							
Round 6												★ Friday 2nd February 2024			
Round 7												Friday 22nd March 2024 ★			
Round 8													Friday 10th May 2024 ★		

HNES Eligibility Criteria

Capital grants

Eligible costs

- Category 1: Energy centre / plant room

- Category 2: Primary / secondary distribution network

- Category 3: Tertiary network

- Category 4: Metering

Image: Heat networks CP1: 2020

Ineligible costs

- Any capital costs already **incurred prior** to an HNES award having been made

- Any capital costs **unrelated** to heat network infrastructure, e.g., improvements to building fabric

- Any costs relating to **engagement activities** (e.g., stakeholder management)

- Energy centre / plant room – costs for **replacement** of the primary heat generation source

- Tertiary systems – costs for **buying or replacing heat emitters** (e.g., radiators) within buildings or dwellings

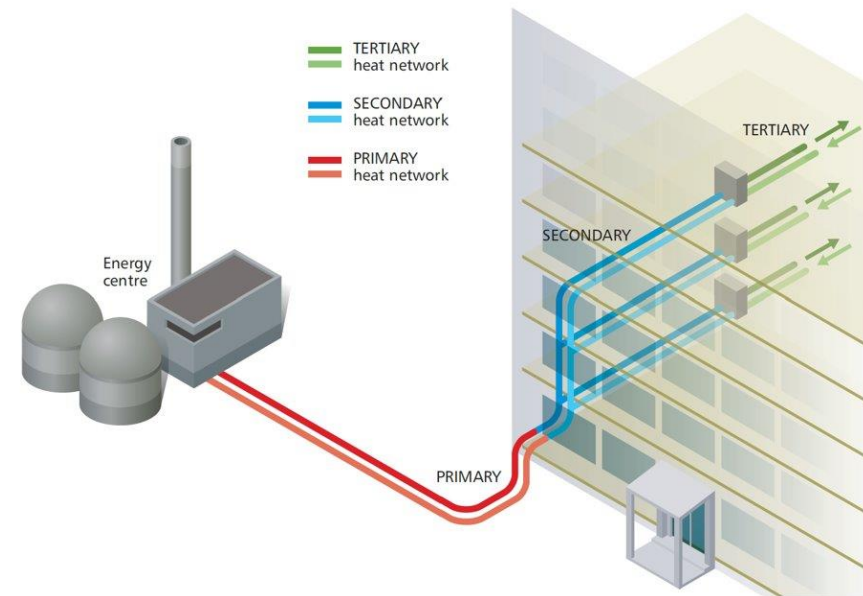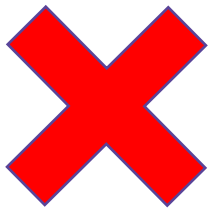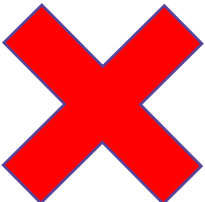- Metering – costs for metering that is required under the **HNMBR**

HEAT NETWORK
EFFICIENCY SCHEME

Revenue grants

Eligible costs – Optimisation Studies delivered according to the outline specification provided by HNES, including:

- Baselining of network performance and KPIs

- Data capture/analysis and site visit(s)

- Investigation of, and reporting on, network performance

- Development of a range of intervention measure packages for addressing areas of sub-optimal operation, including calculated impacts on KPIs

- Cost and cost-effectiveness assessment of intervention measure packages

- Recommendations reporting

- Completion of an Optimisation Study Outputs Annex

Ineligible costs

- Work **already commissioned** or incurred before the application

- Internal applicant staffing or secondment staff or charged agencies within applicant organisations, including for **project management** of the third party support / Optimisation Studies

- **Construction, operation and maintenance** of a heat network

HEAT NETWORK
EFFICIENCY SCHEME

Monitoring and Reporting requirements

- A condition of grant funding is regularly submitting Monitoring and Reporting (M&R) returns

- M&R returns are essential to track whether grant funding will be spent and also to ensure the Aims of HNES are being met

Revenue M&R Returns

• Required from grant award until sign off of Optimisation Study
• Monthly returns covering:
    • Project progress updates
    • Risks and issues
    • Budget drawdown
• Final return to include:
    • Optimisation Study Outputs Annex

Capital M&R Returns

• Required from grant award until 24 months after commissioning date
• Monthly returns covering:
    • Project progress updates
    • Risks and issues
    • Budget drawdown
• Quarterly returns covering:
    • Progress against benefits and KPIs for each of the previous 3 months

HEAT NETWORK
EFFICIENCY SCHEME

Any Questions

Application Process

Sam Hales

Applicant Support and Relationship Management Lead

Sam Hales

Applicant Support and Relationship Management Lead

Department for Business, Energy & Industrial Strategy

Gemserv

RAMBOLL

Turner & Townsend

HEAT NETWORK EFFICIENCY SCHEME

HNES application form

- Excel format
- Different forms have been developed for capital and revenue projects

Six tabs to be completed:

A – Applicant info

B – Project info

C – Project narrative

D – Baseline / Targets

E – Funding and procurement

F – Confirmations

Application Status

Worksheet	Status
A - Applicant info	INCOMPLETE
B - Project info	INCOMPLETE
C - Project narrative	INCOMPLETE
D - Baseline	INCOMPLETE
E - Funding and procurement	INCOMPLETE
F - Confirmations	INCOMPLETE
Workbook complete?	INCOMPLETE

END OF WORKSHEET

You can check the completion status of your application in the 'Application Status' tab

HEAT NETWORK EFFICIENCY SCHEME

Application form tabs overview

A – Applicant Info
- Applicant organisation information and parent company if relevant
- Contacts relating to application

B – Project Info
- Description of the network including address
- Network characteristics including proportion of dwellings that fall under the HNES definition of 'customers in need'
- Regulatory i.e. HeatTrust registration, HNMBR etc

C – Project Narrative
- Overview of project and funding request
- Overview of network data availability, quality and metering
- Overview of the rationale for the funding application to HNES in relation to Objectives 1 (reducing carbon emissions by making networks more efficient) & 2 (reducing customer detriment)
- Approach to dissemination information i.e. communication methods and means
- Sub-optimal outcomes experienced

HEAT NETWORK
EFFICIENCY SCHEME

Application form tabs overview

D – Baseline and Target
- Network Imported Fuel
- Network Energy Generation
- Heat Demands and Losses
- Economic Indicators
- Network Outages / Service Interruptions

E – Funding and Procurement
- Total application budget and funding request
- For capital application forms this is broken down into the different network areas works being applied for
- Procurement i.e. description, procurement milestones

F – Confirmations
- Supporting Evidence
- Applicant's Declaration

HEAT NETWORK
EFFICIENCY SCHEME

Supporting evidence

Capital Grants	Revenue Grants
- Evidence of application costs - Evidence of targeted benefits - A signed letter (or letters) confirming: - Applicant support for the application and works to be supported; - Match funding; - Acceptance of monitoring and reporting requirements; - Confirmation (where relevant) of any other subsidies relevant to the project - A summary programme of works - Where applicable, confirmation / evidence of eligibility of metering costs relative to HNMBR requirements	- Evidence of application costs - A signed letter (or letters) confirming: - Applicant support for the application and works to be supported; - Match funding (if relevant); - Acceptance of monitoring and reporting requirements; - Confirmation (where relevant) of any other subsidies relevant to the project - An outline project programme

HEAT NETWORK
EFFICIENCY SCHEME

HNES with Multiple Projects

1. We **do not** intend to fund multiple applications by a single applicant where projects are considered similar in terms of engineering design/operation, indicators of sub-optimal performance and/or indicators of customer detriment.

2. Applicants should consider the extent to which learning from a smaller number of Optimisation Studies may support, validate or enable similar work in other projects in the applicant's portfolio outside of the HNES budget envelope.

HEAT NETWORK
EFFICIENCY SCHEME

Lessons learned from Round 1 applications

- Capital grant requests MUST be less than 50% of the total project cost

- Ensure the name of the applicant matches the legal entity name exactly, e.g. as listed on Companies House

- If you request irrecoverable VAT, make sure to include justification as to why this is being claimed

- If you are including contingency, it is best to put this into the Other sections of Tab E – Funding and procurement, to ensure it can be clearly identified

HEAT NETWORK
EFFICIENCY SCHEME

Round 2 updates to the application form

- Minor changes are being made e.g.
  - number of residential and commercial connections can be set to zero
  - revenue grant description box can be populated
  - greater guidance provided for some questions

- The new application form is being developed and will be issued ahead of Round 2

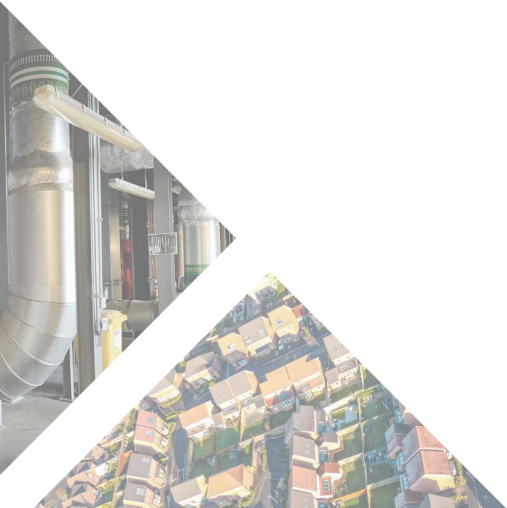- If applicants wish to start populating an application form now, you can use the existing one as a stopgap but please ensure you use the **updated template** once issued when submitting

HEAT NETWORK
EFFICIENCY SCHEME

Any Questions

Submission Process

Prior to Submitting an Application

Applicants who would like to submit an application will need to request an application form from us. Please email hnes@gemserv.com to request a form

If you would like support from a Relationship Manager, please let us know when you request an application form

If you would like a Relationship Manager and already have an application form, email hnes.support@gemserv.com with some details of your project and we will allocate a Relationship Manager to you

Please submit an expression of interest for future rounds if you haven't already done so by emailing hnes@gemserv.com

HEAT NETWORK
EFFICIENCY SCHEME

Submitting an Application

Please email hnes@gemserv.com to request a SharePoint Space as early as possible and at latest a week before the funding round closes to ensure you can submit.

- Project Name
- Organisation Name
- Primary Contact Name and Email
- Application Type (Local Authority, Private or Other)
- Funding Round that you are applying in
- Grant funding type (capital or revenue)
- Expected Grant Value Request

If you would like to add additional users to the SharePoint Space, please provide the below details for each additional user:

- Additional user's contact name
- Additional user's email address

NETWORK EFFICIENCY SCHEME

SharePoint Space

You will be given access to a dedicated space per project. If you are submitting multiple applications, you will need multiple spaces.

If your organisation doesn't use Microsoft Office, you will be asked to create a password, please remember this.

Use the upload button or drag and drop files to upload your application form and supporting evidence.

Please DO NOT copy files directly from your organisation's SharePoint to the Gemserv SharePoint.
- Please download the files on to your device and then upload them to prevent corruption issues.

Email hnes@gemserv.com once your files are uploaded, assessment will only occur if you do this. Applicants who do not notify us will not be assessed

If you have issues with uploading, please restart your browser and try logging in again only opening the Gemserv SharePoint.
- Please email hnes@gemserv.com as early as possible if you have any issues uploading.

The space will be locked to read only once submission is complete

HEAT NETWORK
EFFICIENCY SCHEME

Lessons learned from Round 1

- Please ensure that files are uploaded in an accessible format. Please do not upload the files in zipped folders

- Please ensure that you keep the application form file name in exactly the same format as it was sent to you. You can put your project name at the start or end of the file name if you wish

- Please ensure that you upload files correctly into the file structure (e.g. application form in application folder)

- When informing us of completed applications, please include the application reference number in your email. This is in the folder name and starts with HNES_MAIN_
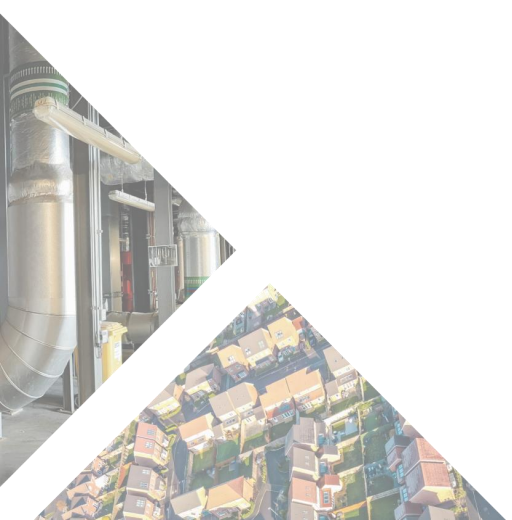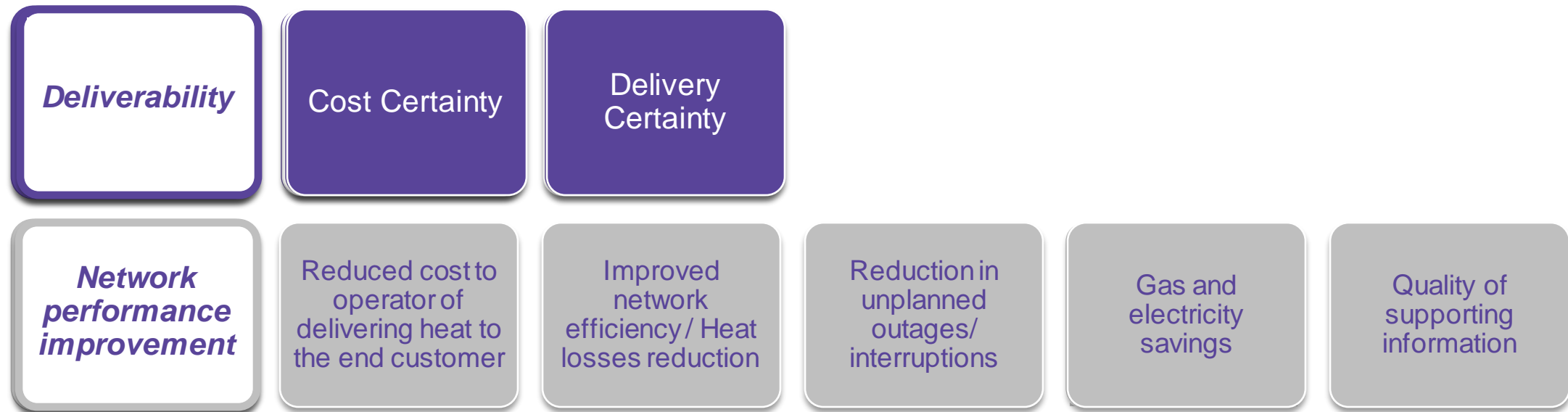
Any Questions

HEAT NETWORK
EFFICIENCY SCHEME

Assessment Process

Louise Singleton

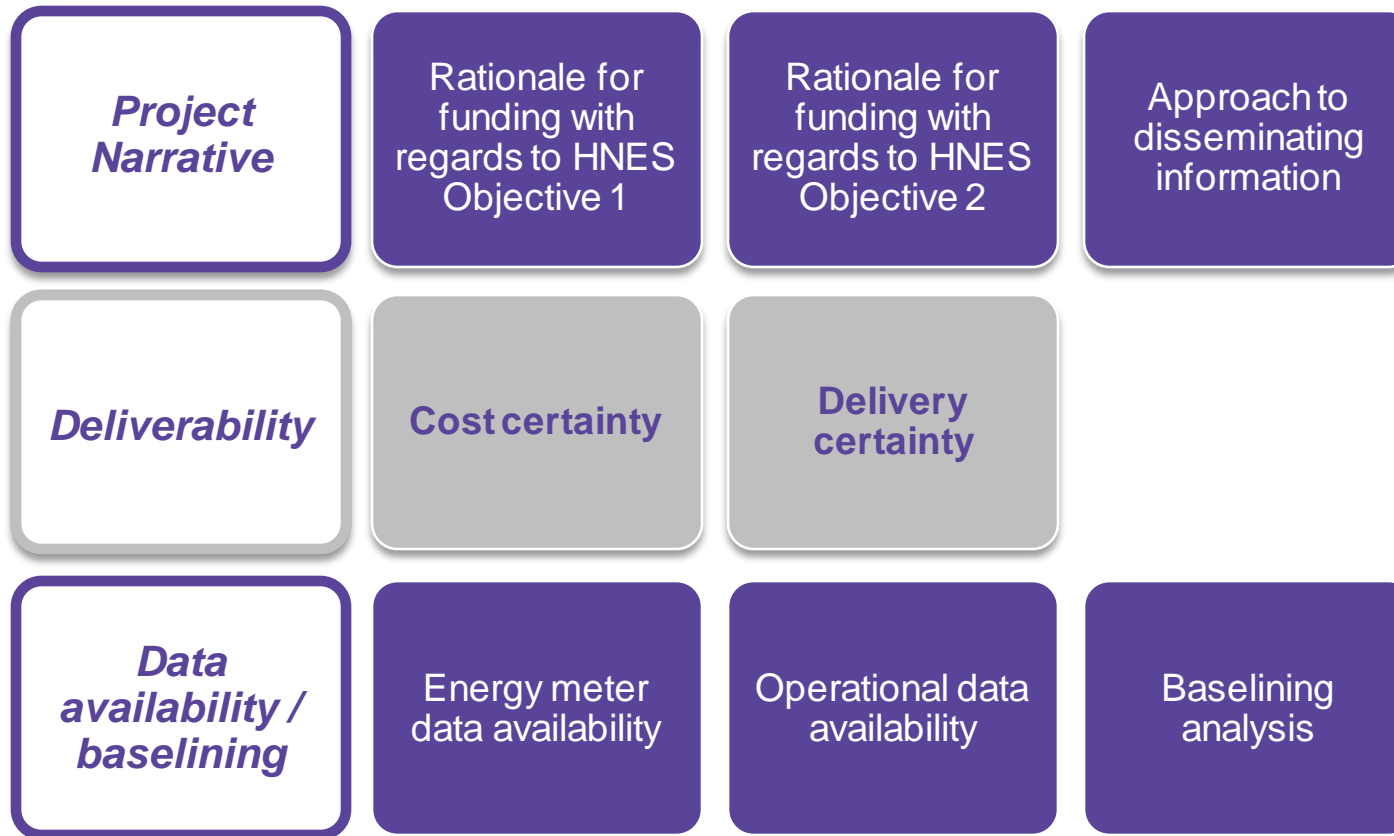HNES Programme Manager

Scoring criteria (capital applications)

Deliverability	Cost Certainty	Delivery Certainty			
Network performance improvement	Reduced cost to operator of delivering heat to the end customer	Improved network efficiency / Heat losses reduction	Reduction in unplanned outages/ interruptions	Gas and electricity savings	Quality of supporting information

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Scoring criteria (capital applications)

Project Narrative	Rationale for funding with regards to HNES Objective 1	Rationale for funding with regards to HNES Objective 2	Approach to disseminating information
Value for money	Cost of carbon abated	Cost of gas savings	Cost of electricity savings
Data availability / baselining	Energy meter data availability	Operational data availability	Baselining analysis

HEAT NETWORK
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Scoring criteria (revenue applications)

Project Narrative	Rationale for funding with regards to HNES Objective 1	Rationale for funding with regards to HNES Objective 2	Approach to disseminating information
Deliverability	Cost certainty	Delivery certainty	
Data availability / baselining	Energy meter data availability	Operational data availability	Baselining analysis

HEAT NETWORK
EFFICIENCY SCHEME

Timescales from Applicant's perspective

Weeks	Description
1-6	Application assessment period, including clarification period. Submission of assessment outcomes to HNES Investment Committee
7-8	Review of assessments by HNES Investment Committee (including clarifications) leading to decision on funding award recommendations
9	Internal approvals of funding recommendations by the Department of Energy Security and Net Zero
10	Confirmation to non-Local Authority applicants of successful / unsuccessful applications, and issue of Grant Funding Agreements to successful applicants
10-14	Further approval process for Local Authority applicants. Confirmation to Local Authority applicants of successful / unsuccessful applications, and issue of Memorandum of Understanding to successful applicants

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Clarifications

- From an Applicant's perspective, the application is completed when the application form and accompanying supporting evidence are submitted to HNES

- During the assessment period (Weeks 1-6), clarifications may be raised to which the Applicant must respond

- **It is essential that the Applicant is available over this period to ensure full and timely responses to any clarifications can be provided**

HEAT NETWORK
EFFICIENCY SCHEME

Any Questions

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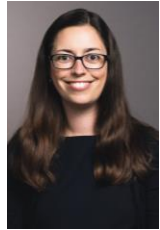
Pre-application Support

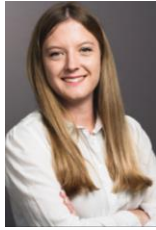Samantha Shea

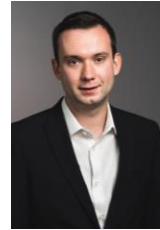Business Development and Comms Lead
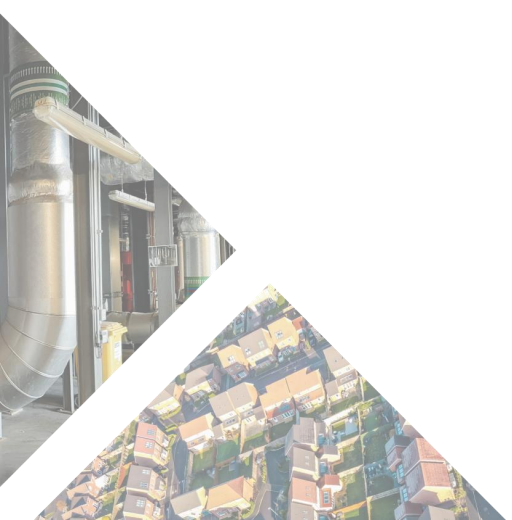
Where to find help and support

If you have a general enquiry about HNES, want to be added to our mailing list, or would like an application form, please email hnes@gemserv.com

To discuss your project in more detail with one of our Relationship Managers, please email hnes.support@gemserv.com

Louise Singleton   Samantha Shea   Sam Hales   Rosie Knight

Neil Smillie   Angela Rose   Billy Cliffen   Chris Forster   Elin Hultgren

DESNZ has recently published eight heat network optimisation guidance videos, which can be accessed on the gov.uk website

Further detail on the scheme can be found in our HNES Guidance for Applicants document

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Pre-application Support

Prospective applicants can access front end support from our Pre-Application Support team to discuss the application process, or to begin their application for submission.

The Pre-Application support team can provide:
- Initial contact and issue of application form
- 1-2-1s with dedicated Relationship Managers to discuss application
- First pass review of application with feedback
- Responding to applicant enquiries prior to submission
- Signposting to applicants that they are ready to submit

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Any Questions

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