

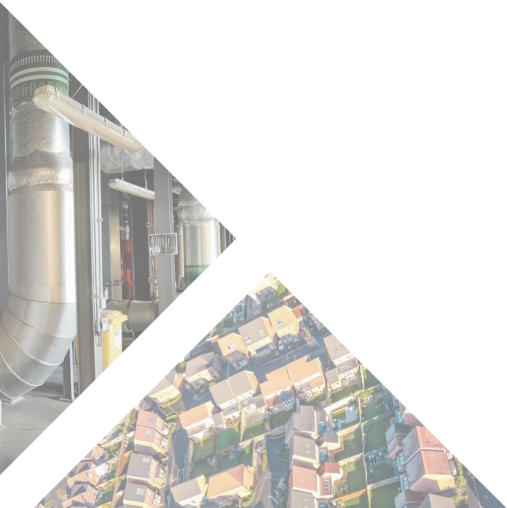


HEAT NETWORK EFFICIENCY SCHEME



Welcome and Agenda

Christina Thompson-Yates



Welcome



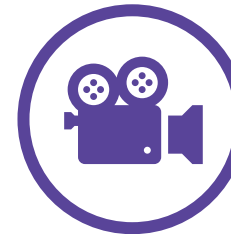
Please mute microphones to limit disruption



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



Please ask questions using the Q&A functionality

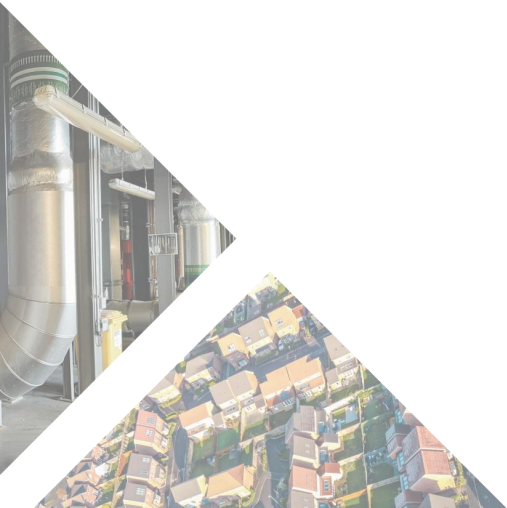


This seminar will be recorded and slides distributed after



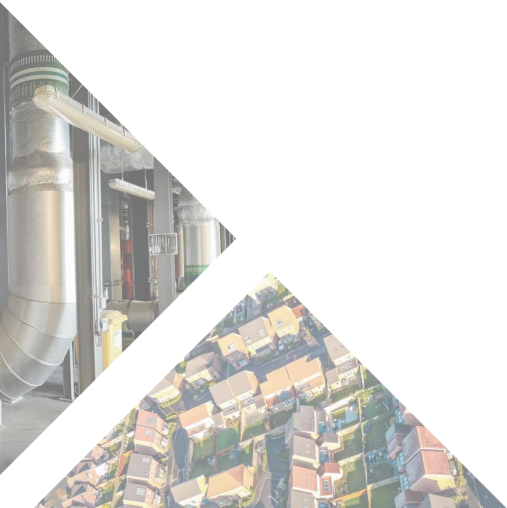
Agenda

| Session | Speaker |
|----------------------------------|--------------------------|
| Introduction to HNES | Louise Singleton |
| Application Process | Sam Hales |
| Assessment Process | Louise Singleton |
| Support available for applicants | Christina Thompson-Yates |
| Q&A | Christina Thompson-Yates |



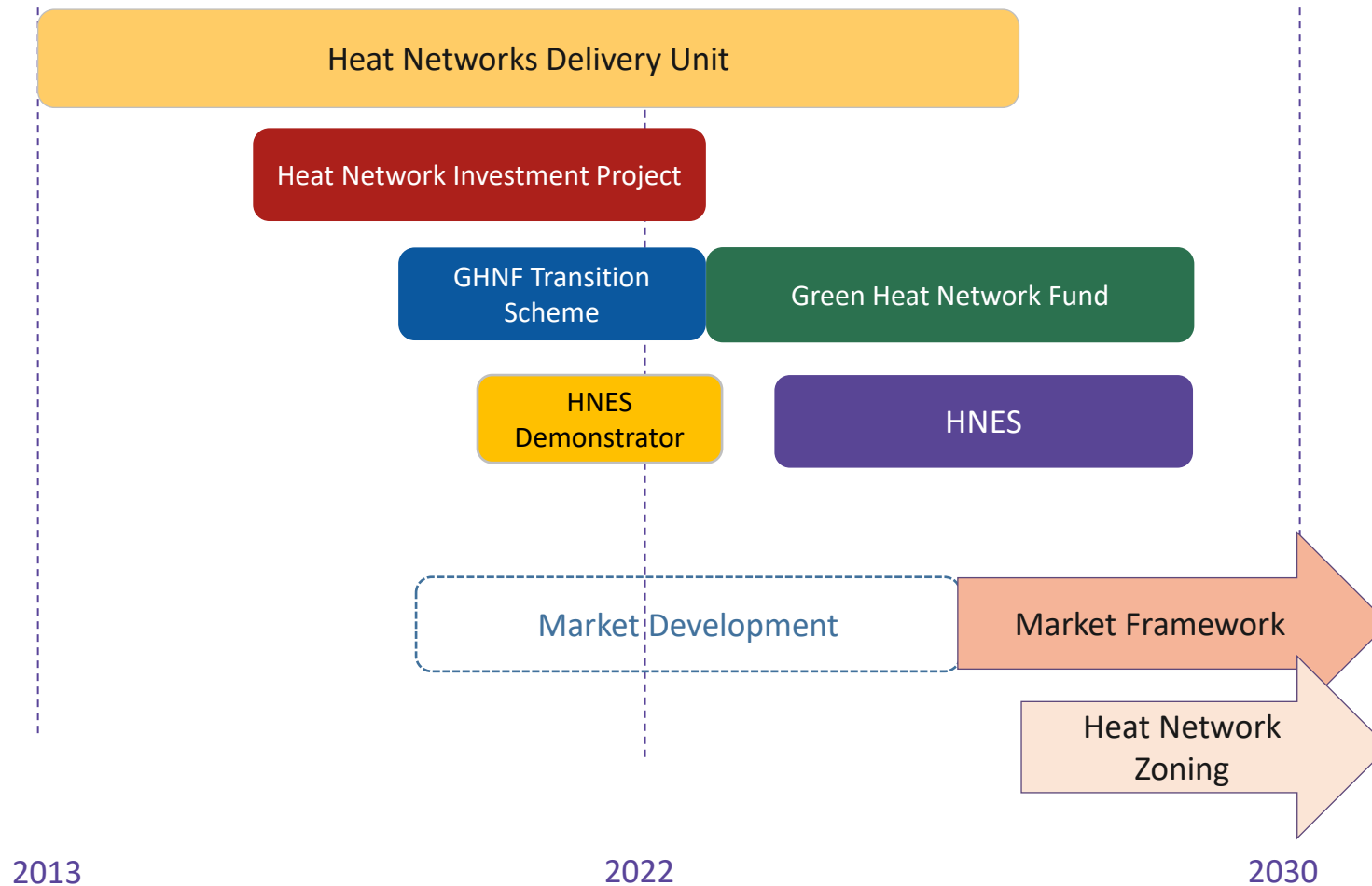
Introduction to HNES

Louise Singleton
HNES Programme Manager



HEAT NETWORKS TRANSFORMATION PROGRAMME

Supporting and growing the heat network market



As part of the Market Framework, the Heat Networks Technical Assurance Scheme (HNTAS) is to be put in place to ensure a minimum level of performance and reliability for heat networks, with good consumer outcomes



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



How much funding is available?

| Revenue Grants |
|--|
| <p>Full funding available for procurement or mobilisation of external third-party support to carry out Optimisation Studies.</p> <p>These studies will assess heat network projects to identify causes of sub-optimal performance and recommend costed intervention or improvement measures.</p> |
| Up to £2m across FY23/24 and FY24/25 |

| Capital Grants |
|---|
| <p>Part funding (up to but not including 50%) available for the delivery (installation) of eligible intervention / improvement measures.</p> |
| Up to £75m across FY23/24 to FY27/28 |

- Revenue projects can apply for funding in FY24/25
- Capital projects can apply for funding across both FY24/25 and FY25/26, but must spend all funding within each allocated financial year
- Match funding does not have to be spent at the same time as grant funding



Who can apply?

Operators of existing district heating networks or communal heating systems

Heat networks situated in England or Wales

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



Funding round closing dates

| Round | Last Day to Request a SharePoint Space | Closing Date for Applications |
|---------|--|-------------------------------|
| Round 6 | 15 th March 2024 | 22 nd March 2024 |
| Round 7 | 19 th July 2024 | 26 th July 2024 |
| Round 8 | TBC | TBC |

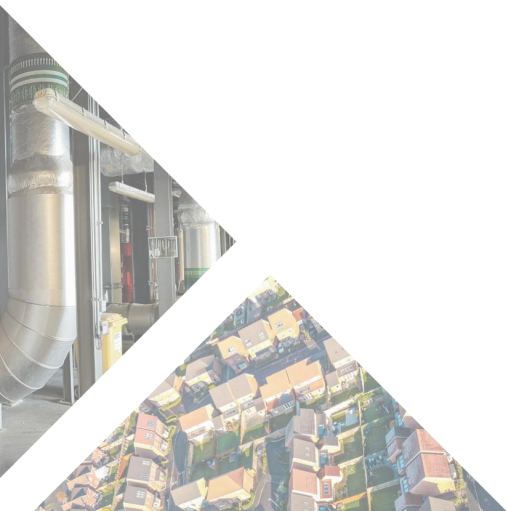
New application forms are available for Round 6:

- **Version 6.0** for capital applications
- **Version 4.0** for revenue applications

Updated Guidance for Applicants document can be accessed [here](#)



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

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 and internal project management)
- Energy centre / plant room – costs for **replacement** of the primary heat generation source
- Tertiary systems – costs for **buying or replacing pipework and heat emitters** (e.g., radiators) within buildings or dwellings
- Metering – costs for metering that is required under the **HNMBR**

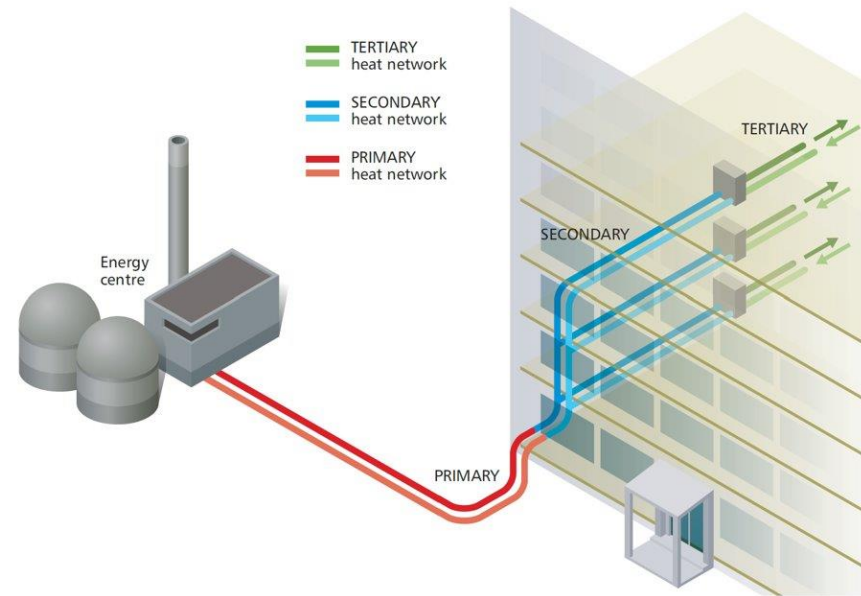


Image: Heat networks CP1: 2020

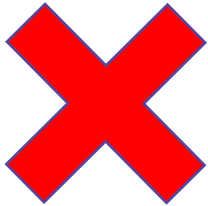


Revenue grants



Eligible costs

- Optimisation Studies delivered according to the outline specification provided in Annex A of the Guidance for Applicants document



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



WP1 – Network Operational Performance

Aim – to investigate the current operation and condition of the network in order to develop a baseline against which optimisation measures can be developed and their impact quantified (WP2)

Outputs – heat network operator understands the causes of sub-optimal performance and the impact of these on the operation of the network and on customers

Steps

1. Data capture / analysis and site visit(s)
2. Baselining of network performance and KPIs
3. Analysis of network performance, including reporting



WP2 – Network Optimisation Opportunities

Aim – to identify potential optimisation measures and quantify the costs and impacts that implementing these could have on network performance

Outputs – heat network operator receives clear and robust analysis to define a pathway to improving customer outcomes and operational performance of the network

Steps

1. Development of optimisation measures and packages of measures
2. Cost and cost-effectiveness assessment of intervention measure packages
3. Reporting and recommendations



Final Deliverables

Project Report

Summary site visit report

Techno-economic analysis spreadsheet

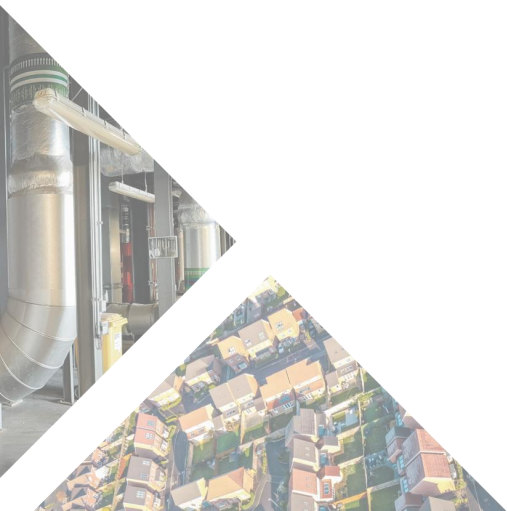
Final submission of Revenue M&R worksheet
(including Optimisation Study Outputs Annex)

OPTIONAL

Completed HNES Capital Grant Application Form



HNES Funded Projects



What HNES has achieved so far...

167

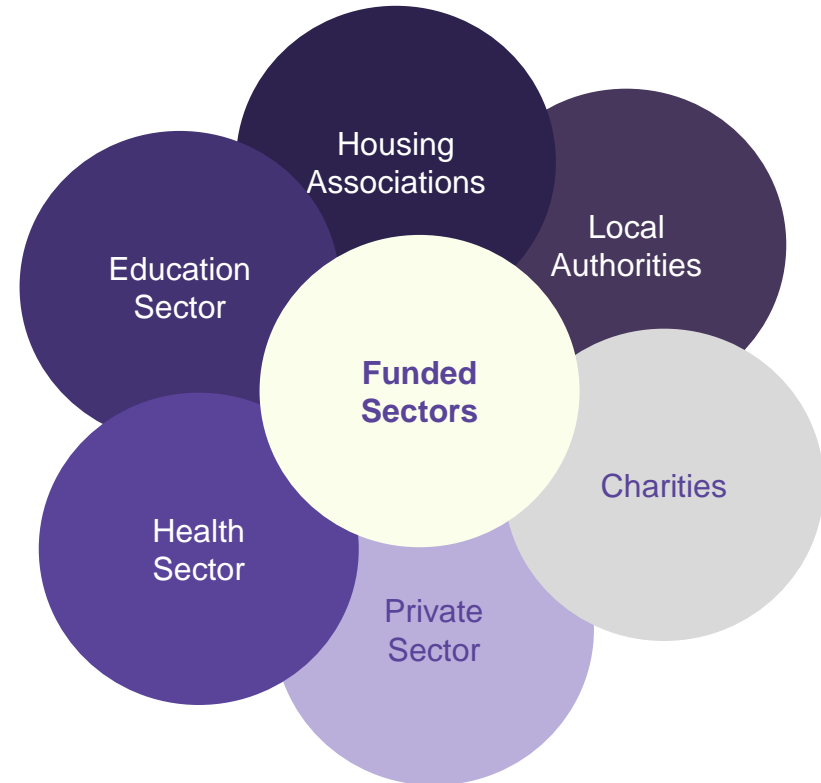
Heat network projects funded

Capital and revenue funding awarded

£28.6M

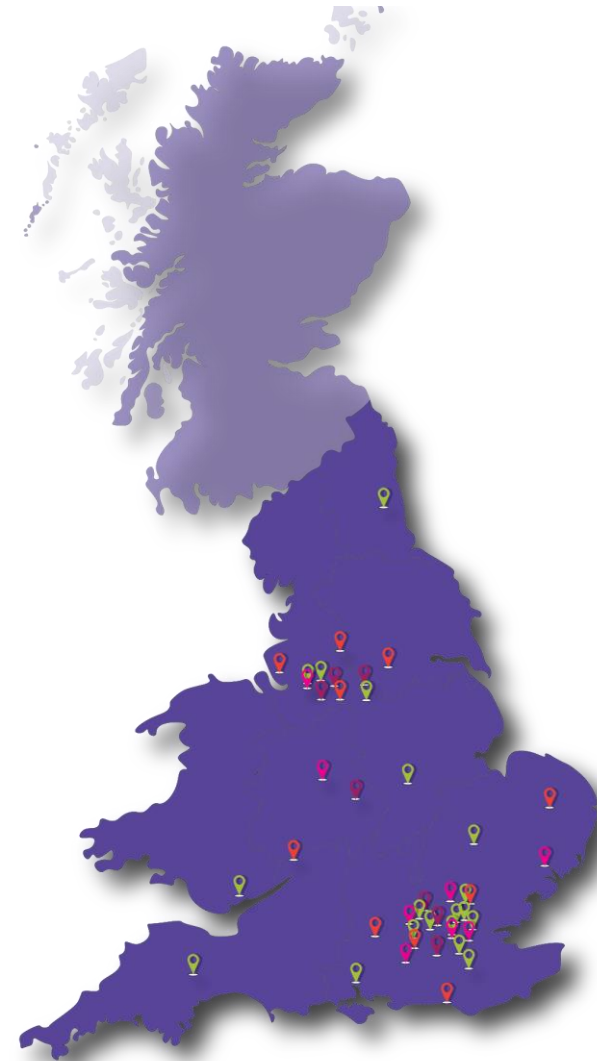
32,000+

Residents benefitting



What has been funded and where?

| | |
|-------------------------|----------------------|
| Upgrading pipework | Improving insulation |
| Updating controls | Replacing HIUs |
| Improving water quality | Reducing leaks |



Round 4 Successful Projects

£3.5 million
awarded

25
heat
networks

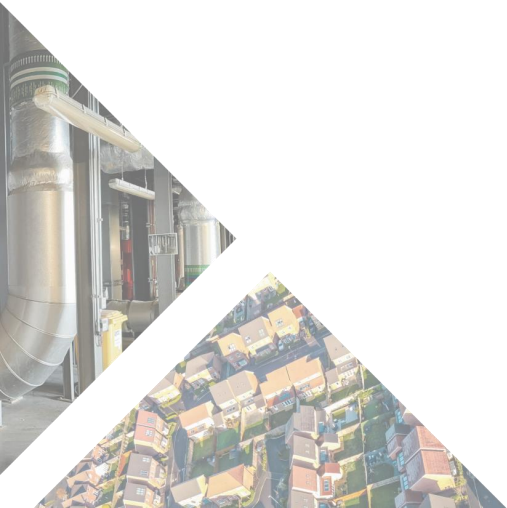
5,700 residents
including
students and
hospital patients



Application Process

Sam Hales

Applicant Support and Relationship Management Lead



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 residential ‘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 disseminating information i.e. communication methods and means
- Sub-optimal outcomes experienced



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



Supporting evidence

Capital 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
- A completed AP1a form
- Where applicable, confirmation / evidence of eligibility of metering costs relative to HNMBR requirements

Revenue Grants

- 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
- A completed AP1a form



Applying for multiple projects under HNES

| | Revenue Grants | Capital Grants |
|--|--|--|
| Submitting multiple applications in the same funding round | Applicants will need to explain how the networks differ in terms of engineering design/operation, indicators of sub-optimal performance and/or indicators of customer detriment and justify why multiple studies are necessary and learnings can't be shared | Consideration should be given as to whether the capital works are similar in nature and if lessons could be learned and efficiencies made by running projects sequentially rather than in parallel |
| Submitting further applications after funding has been awarded in previous funding rounds | Applicants will need to explain how learnings from previous studies have been used and why these cannot be applied to the new applications | Applicants should explain how lessons learned from previous projects have been incorporated into the new application, where applicable |

HNES actively encourages capital applications from heat networks that have previously been awarded revenue funding, to help implement the recommended capital measures



To submit an application

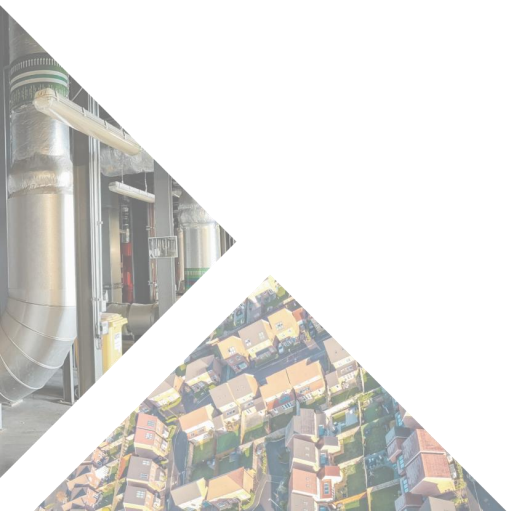
Email hnes@gemserv.com to:

1. Request an application form – current versions are v6.0 for capital and v4.0 for revenue
2. Express interest in applying for future rounds
3. Request a SharePoint space to submit your application for Round 6 – deadline is **Friday 15th March**

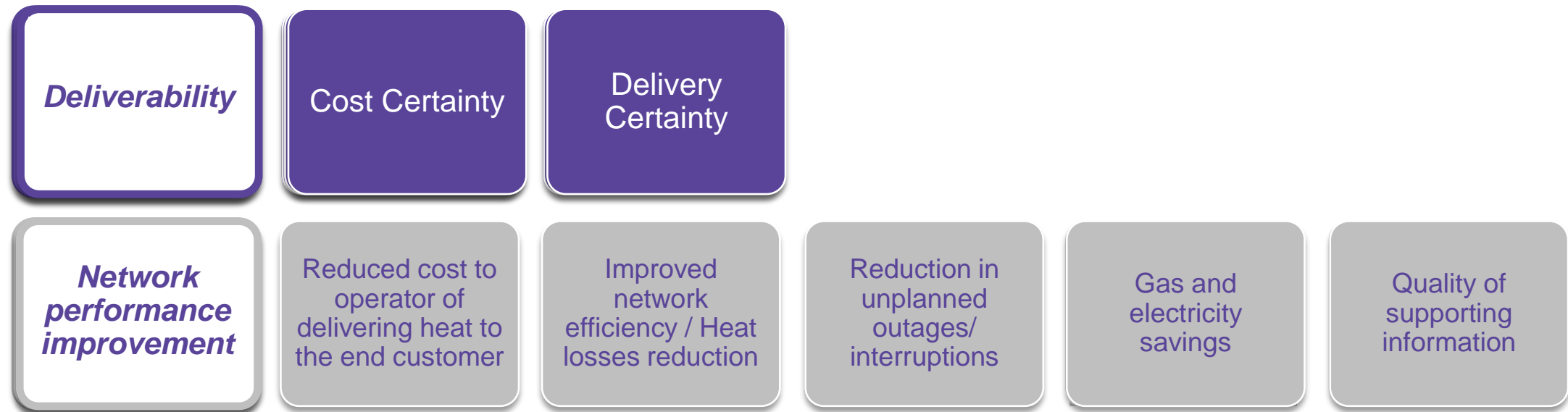


Assessment Process

Louise Singleton
HNES Programme Manager



Scoring criteria (capital applications)

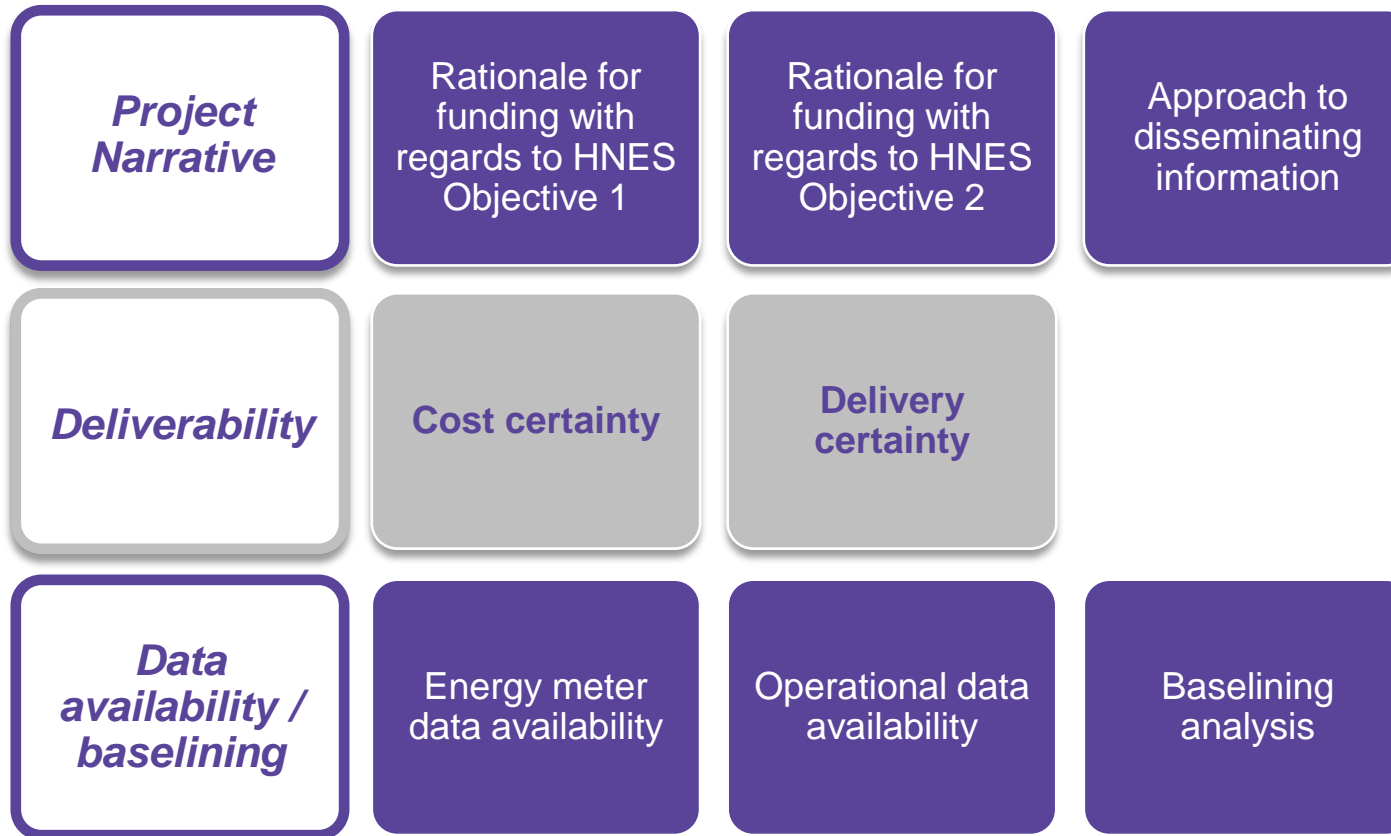


Scoring criteria (capital applications)

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



Scoring criteria (revenue applications)



Round 6 Timescales

| Weeks | Description | Indicative Dates* |
|-------|--|---------------------|
| 1-9 | Application assessment period, including clarification period. Submission of assessment outcomes to HNES Investment Committee | 25/03/24 – 24/05/24 |
| 10-13 | Review of assessments by HNES Investment Committee (including clarifications) leading to decision on funding award recommendations | 28/05/24 – 21/06/24 |
| 14 | Internal approvals of funding recommendations by the Department of Energy Security and Net Zero | 24/06/24 – 28/06/24 |
| 15 | Confirmation to all applicants of successful / unsuccessful applications | 01/07/24 – 05/07/24 |
| 16 | Issue of Grant Funding Agreements to successful non-Local Authority applicants | 08/07/24 – 12/07/24 |
| 15-19 | Further approval process for Local Authority applicants and issue of Memorandum of Understanding to successful applicants | 01/07/24 – 02/08/24 |

*dates are indicative only and subject to change



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 1-9), 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**
- Further clarifications may be raised as part of the Investment Committee process (Weeks 10-13)



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
- Additional written guidance on M&R is provided to successful projects.

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



Grant Claims

Non-Local Authorities

- Grant funding can only be claimed retrospectively
- Evidence of spend must be provided before the grant claim can be paid. This includes:
 - Invoices sent from contractors
 - Remittance evidence to show the invoices have been paid
 - A grant claim form that aligns with the funded activities in the Grant Funding Agreements
 - Where relevant, evidence of match funding spend

Local Authorities

- Grant funding can be claimed upfront once the Memorandum of Understanding (MoU) has been signed
- Funding is released on a per Financial Year (FY) basis – if funding is split over multiple FYs, then evidence that the grant has been spent is required before any grant awarded for the next financial year can be claimed
- MoU includes provisions to clawback any funding that isn't used in line with the funding award



Pre-application Support

Christina Thompson-Yates
Communications Manager

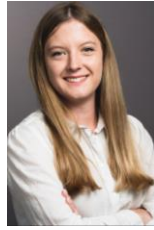


Where to find help and support

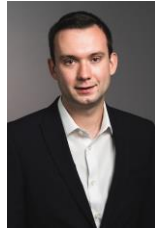
If you have a general enquiry about HNES, want to be added to our mailing list, or would like an application form, please email hnes@gemserv.com



Louise Singleton



Samantha Shea



Sam Hales

DESNZ has published an optimisation study guide and eight heat network optimisation guidance videos, which can be accessed on the [gov.uk](https://www.gov.uk) website

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



Neil Smillie



Billy Clifflen



Chris Forster



Elin Pain

Further detail on the scheme can be found in our [HNES Guidance for Applicants](#) document



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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