

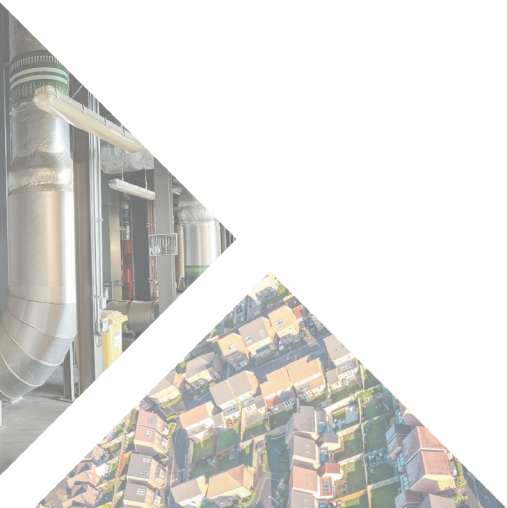


# HEAT NETWORK EFFICIENCY SCHEME



# Welcome and Agenda

Christina Thompson-Yates



# Welcome



**Please mute microphones to limit disruption**



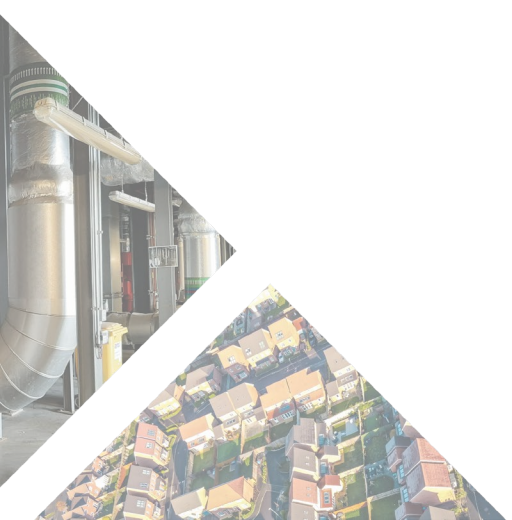
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**Please ask questions using the Q&A functionality**

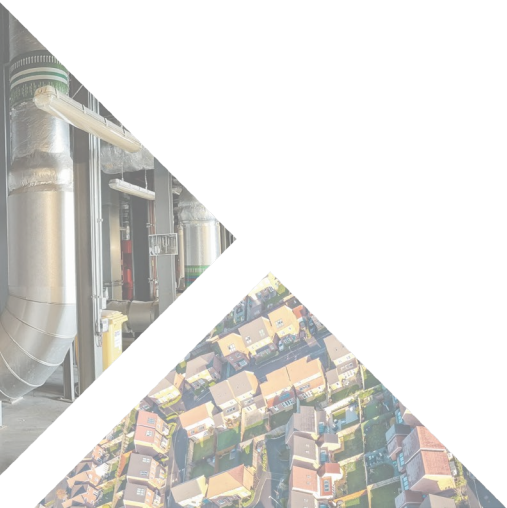


**This seminar will be recorded and slides distributed after**



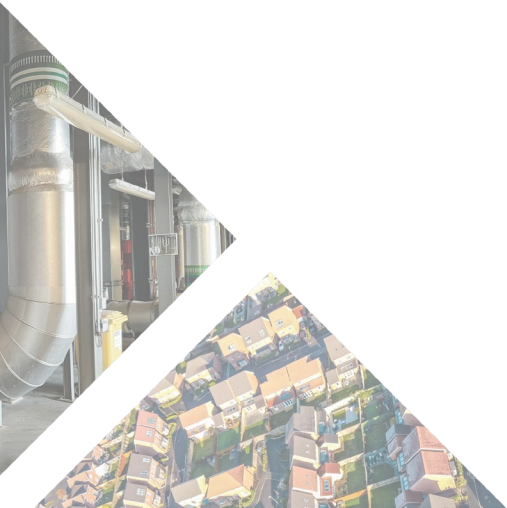
# Agenda

Session	Speaker
Introduction to HNES	Louise Singleton and Katy Ansari
Application Process	Sam Hales
Assessment Process	Louise Singleton and Alison Sanders
Support available for applicants	Christina Thompson-Yates
Q&A	Christina Thompson-Yates



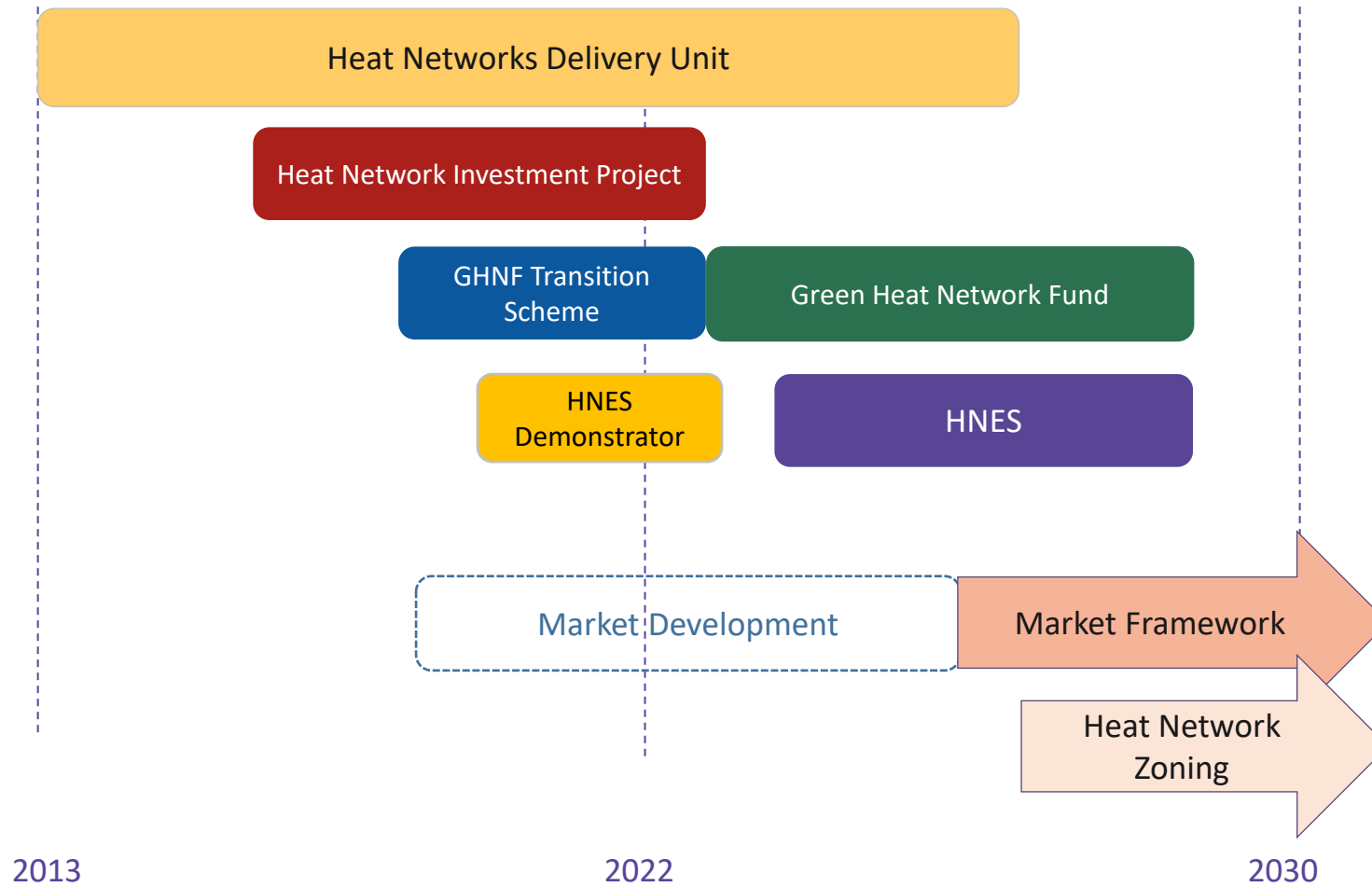
# Introduction to HNES

Louise Singleton and Katy Ansari



# 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

2013

2022

2030



HEAT NETWORK  
EFFICIENCY 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



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

- Capital projects can apply for funding in FY24/25, FY25/26 and FY26/27
- Revenue projects can apply for funding in FY24/25 and FY25/26, however FY25/26 funding is subject to availability
- Grant funding must be spent within its 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 7	19 <sup>th</sup> July 2024	26 <sup>th</sup> July 2024
Round 8	1 <sup>st</sup> November 2024	8 <sup>th</sup> November 2024
Round 9	TBC	TBC

New application forms are available for Round 7:

- **Version 7.0** for capital applications
- **Version 5.0** for revenue applications

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



# HNES Eligibility Criteria



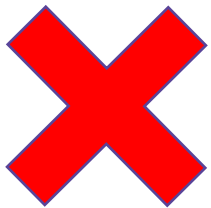
# Capital grants



## 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**

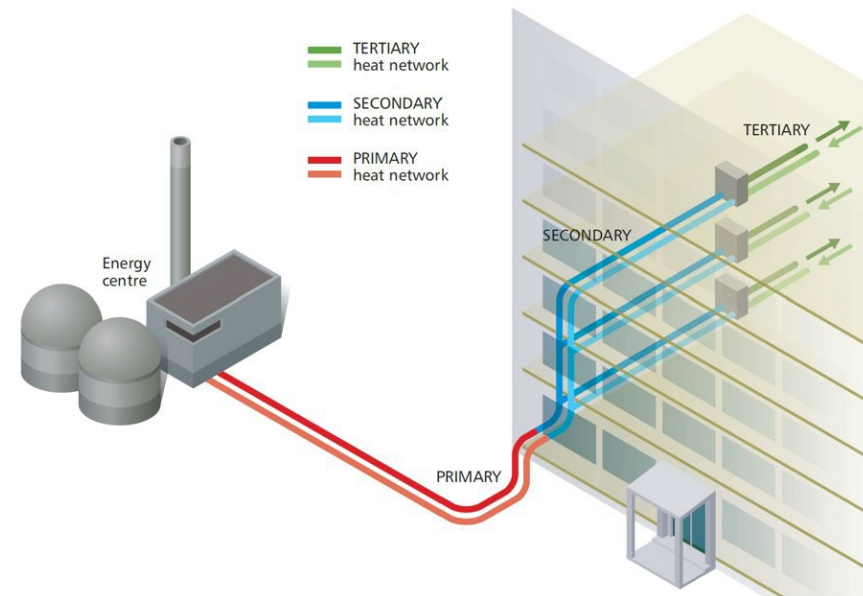


Image: Heat networks CP1: 2020

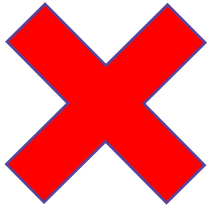


# Revenue grants



## 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)

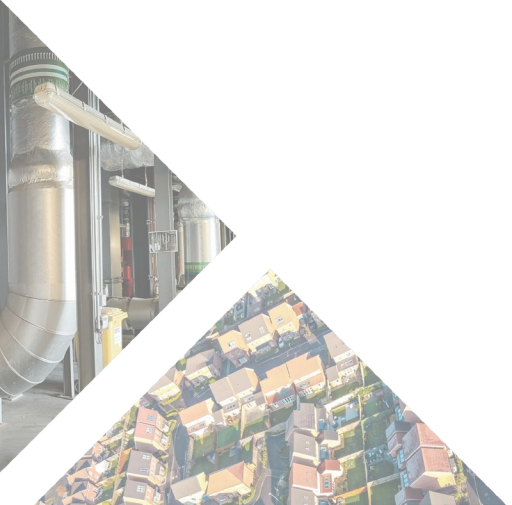
**OPTIONAL**

Completed HNES Capital Grant Application Form





# HNES Funded Projects



# What HNES has achieved so far...

**200**

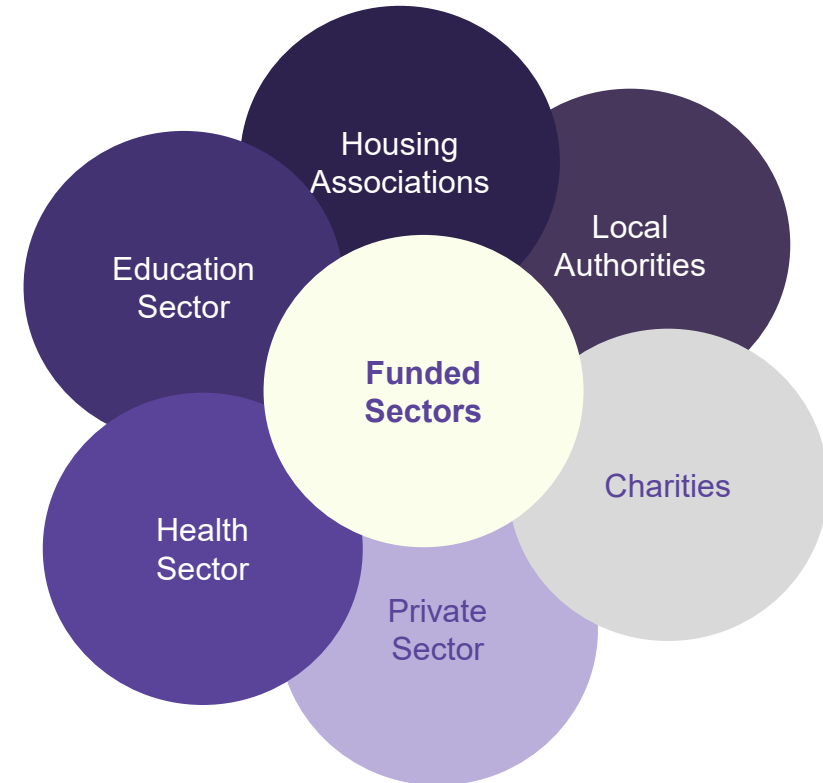
Heat network projects funded

Capital and revenue funding awarded

**£32.1M**

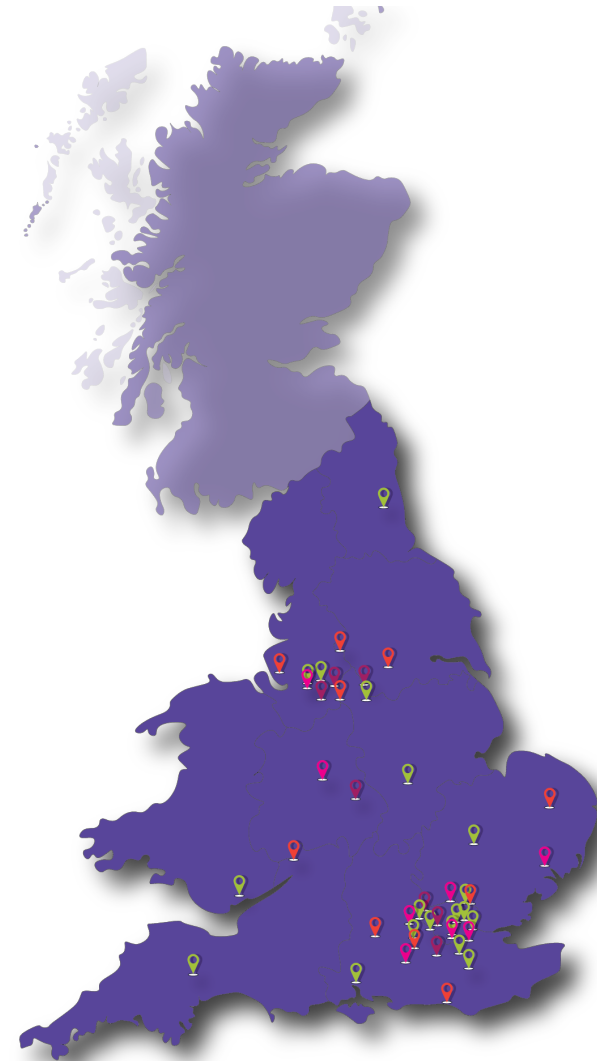
**41,000+**

Residents benefitting



# What has been funded and where?

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



# Round 5 Successful Projects

£3.2 million  
awarded

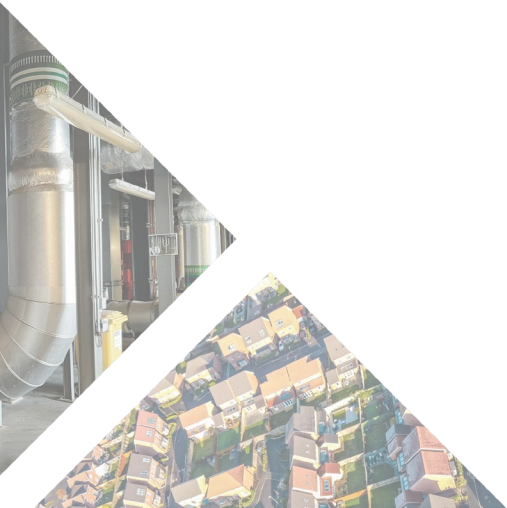
33  
heat  
networks

8,500 residents  
including  
students and  
hospital patients



# Application Process

Sam Hales



# 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

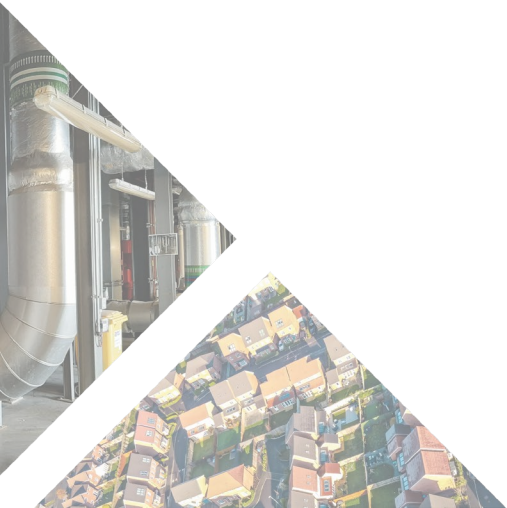
Email [hnes@gemserv.com](mailto:hnes@gemserv.com) to:

1. Request an application form – current versions are v7.0 for capital and v5.0 for revenue
2. Express interest in applying for future rounds
3. Request a SharePoint space to submit your application for Round 7 – deadline is **Friday 19<sup>th</sup> July**

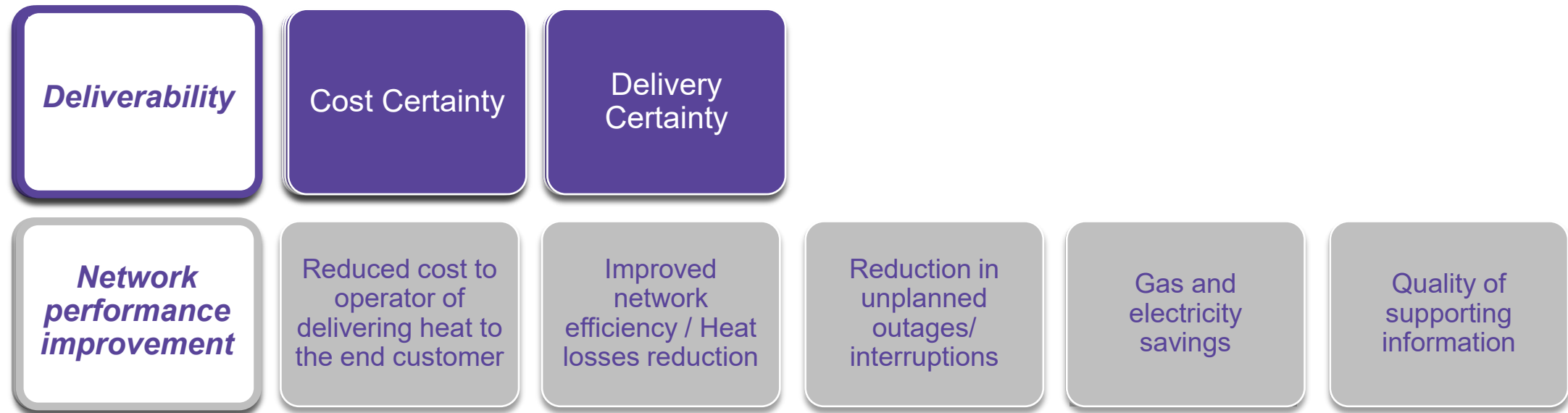


# Assessment Process

Louise Singleton and Alison Sanders



# Scoring criteria (capital applications)

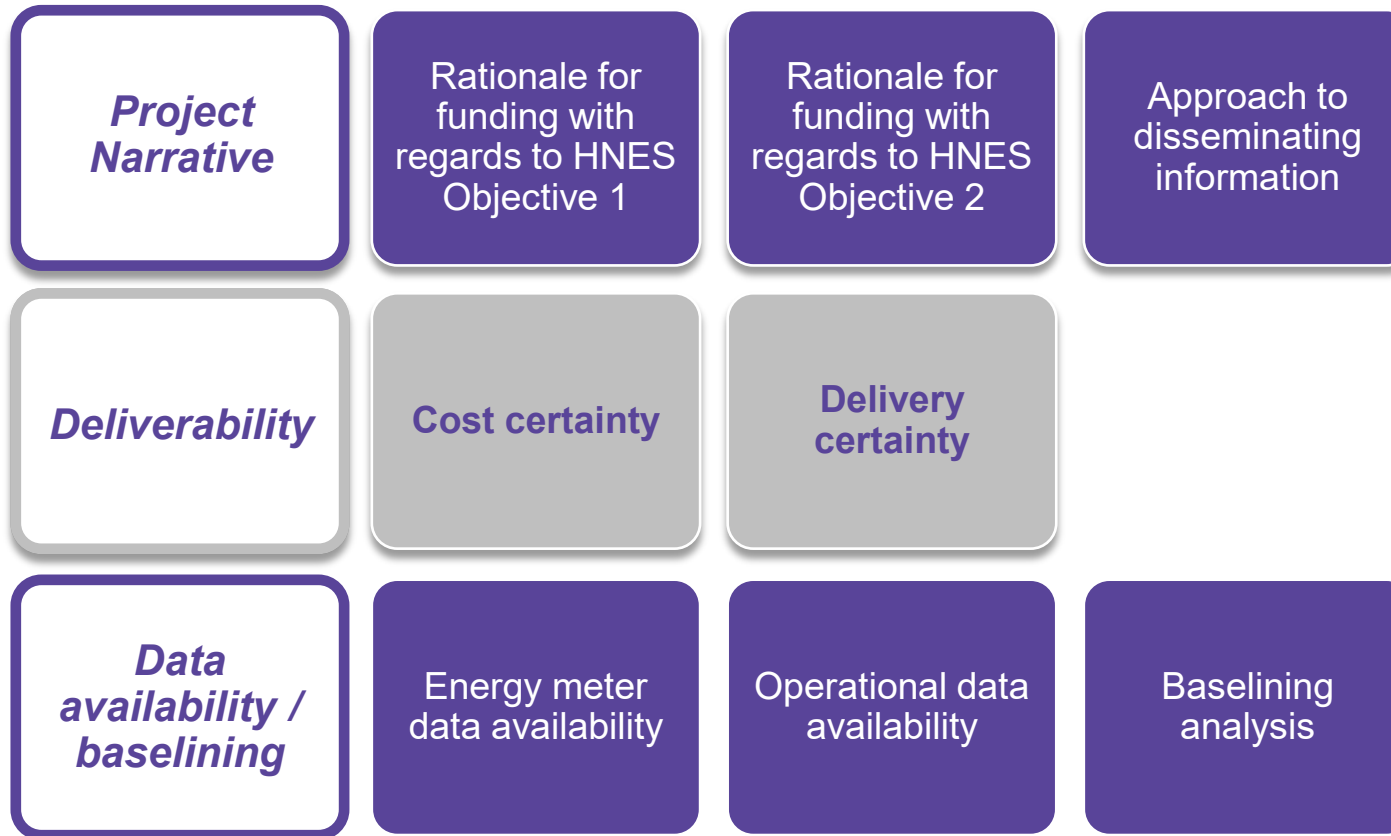


# Scoring criteria (capital applications)

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



# Scoring criteria (revenue applications)



# Round 7 Timescales

Weeks	Description	Indicative Dates*
1-9	Application assessment period, including clarification period. Submission of assessment outcomes to HNES Investment Committee	29/07/24 – 27/09/24
10-13	Review of assessments by HNES Investment Committee (including clarifications) leading to decision on funding award recommendations	30/09/24 – 25/10/24
14	Internal approvals of funding recommendations by the Department of Energy Security and Net Zero	28/10/24 – 01/11/24
15	Confirmation to all applicants of successful / unsuccessful applications	04/11/24 – 08/11/24
16	Issue of Grant Funding Agreements to successful non-Local Authority applicants	11/11/24 – 15/11/24
15-19	Further approval process for Local Authority applicants and issue of Memorandum of Understanding to successful applicants	18/11/24 – 13/12/24

\*dates are indicative only and subject to change



# Clarifications

- During the assessment period, clarifications may be raised to which the Applicant must respond. These are typically issued during Weeks 1, 3 and 5
- **It is essential that the Applicant is available during these weeks to ensure full and timely responses to any clarifications can be provided**
- Further clarifications may be raised as part of the Investment Committee process (typically Week 11)
- However, clarifications can be issued at any time during the assessment process (Weeks 1-13), so it is helpful to make sure someone is available throughout the whole assessment period





# 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 Agreement
  - Where relevant, evidence of match funding spend

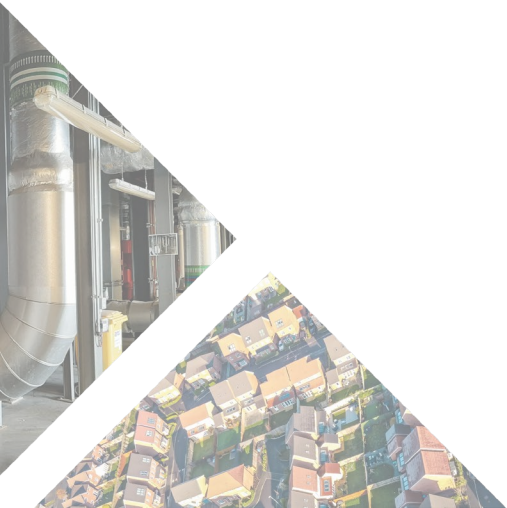
## Local Authorities

- 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
- Evidence of project spend is required at the end of the project and the MoU includes provisions to clawback any funding that isn't used in line with the funding award



# Pre-application Support

Christina Thompson-Yates



# 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

To discuss your project in more detail with one of our Relationship Managers, please email [hnes.support@gemserv.com](mailto:hnes.support@gemserv.com)



# Where to find help and support

- 🕒 Email [hnes@gemserv.com](mailto:hnes@gemserv.com) for general enquiries and to request application forms and SharePoint spaces
- 🕒 Read our [HNES Guidance for Applicants](#) document for further detail on the scheme
- 🕒 Sign up to our [Mailing List](#) for the latest information and updates about the scheme
- 🕒 Read DESNZ's [optimisation guide](#) and watch these [heat network optimisation guidance videos](#) for helpful tips on how to improve your network



Louise Singleton



Sam Hales



Katy Ansari



Alison Sanders



Sandra Morris



Roisin Broomfield



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