



Making a positive difference
for energy consumers

National Grid Electricity System
Operator Limited, National Grid
Gas Plc, and Wales and West
Utilities

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Date: 1 September 2022

Dear Company Secretaries,

September 2022 SIF Funding Direction

The Strategic Innovation Fund (SIF) is a funding mechanism for the Electricity System Operator, Electricity Transmission, Gas Transmission and Gas Distribution sectors, within the RIIO-2¹ network price control.²

As confirmed in our decision on the operational arrangements for the SIF on 25 August 2021, we³ have appointed UK Research and Innovation (UKRI) as our delivery partner on the SIF and are remunerating their costs fulfilling such a role via network charges.⁴

Following the completion of the SIF's round 1 Discovery Phase Projects by 30 April 2022⁵, the purpose of this SIF Funding Direction⁶ is to implement our recent decisions to distribute SIF Funding to (i) the round 1 Alpha Phase Projects that we

¹ RIIO stands for (Revenue = Incentives + Innovation + Outputs). It is Ofgem's network price control framework. RIIO-2 means the network price control which runs between 1 April 2021 and 31 March 2026 for gas transporter and electricity transmission licensees, and between 1 April 2023 and 31 March 2028 for electricity distribution licensees.

² Fuller details regarding the SIF can be found here: <https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/network-price-controls-2021-2028-riio-2/network-price-controls-2021-2028-riio-2-riio-2-network-innovation-funding/strategic-innovation-fund-sif>

³ The terms 'we', 'us', 'our' refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

⁴ SIF governance decision here: <https://www.ofgem.gov.uk/publications/sif-governance-document>
While further detail on UKRI's role can be found here: <https://www.ofgem.gov.uk/publications/appointment-innovate-uk-uk-research-innovation-sif-delivery-partner>

⁵ Further details on the round 1 Discovery Phase Projects which were awarded SIF Funding can be found here: <https://www.ofgem.gov.uk/publications/strategic-innovation-fund-discovery-projects-approved-funding>

⁶ Capitalised terms not otherwise defined in this document have the meaning given to them in Appendix 1 of the SIF Governance Document.

awarded funding in July 2022,⁷ and (ii) reconcile any unspent SIF Funding from the round 1 Discovery Phase Projects. Please note that UKRI's costs of operating in the SIF in 2021/22 and 2022/23 were included in the 22 March 2022 Funding Direction⁸ and therefore no UKRI costs are included in this SIF 1 September 2022 Funding Direction. Reconciliation of UKRI's actual costs for 2021/22 and 2022/23 and distribution of UKRI's forecast costs for 2023/24 will be included in a future SIF Funding Direction.

Accordingly, this Funding Direction sets out the amount that National Grid Electricity System Operator Limited (ESO) and National Grid Gas Plc⁹ will ultimately recover from its customers in relation to the SIF. It also specifies the net amounts to be transferred between ESO and other electricity Funding Parties (ie electricity network licensees); and National Grid Gas Plc and other gas Funding Parties (ie gas network licensees) in relation to their SIF projects.

ESO must transfer funds as set out in Schedule 1 below, and National Grid Gas Plc must transfer funds as set out in Schedule 2 below. ESO and National Grid Gas Plc must transfer funds to the nominated bank account as notified by Funding Parties as per the requirements in the SIF Project Directions. The Funding Party must adhere to requirements regarding project banking arrangements as specified in Chapter 8 of the SIF Governance Document. If Funding Parties anticipate any problems fulfilling these requirements, they should notify Ofgem as soon as possible.

Any unspent SIF Funding from the round 1 Discovery Phase Projects will be applied to the SIF Funding requested for the round 1 Alpha Phase Projects on a per Funding Party. However, as not all Funding Parties have Projects progressing from the Discovery Phase to the Alpha Phase, Schedule 3 to this Funding Direction outlines what SIF Funding must be returned. Table 3 below provides more information on what unspent SIF Funding from the round 1 Discovery Phase Projects is being applied to SIF Funding awarded for the round 1 Alpha Phase and what unspent SIF Funding must be returned.

⁷ The SIF Alpha Phase Funding Decision was published on 26 July 2022 and can be found here:

<https://www.ofgem.gov.uk/publications/strategic-innovation-fund-round-1-alpha-projects-approved-funding>

⁸ The 22 March 2022 SIF Funding Direction can be found here: <https://www.ofgem.gov.uk/publications/direction-distribute-funding-strategic-innovation-fund>

⁹ The terms "National Grid Gas Plc" and "NGGT" are used interchangeably in this document and refer to National Grid Gas Plc – National Transmission System.

Background

In line with chapter 7 of SIF Governance Document and pursuant to the following licence conditions detailed in Table 1 below, Ofgem calculates and, by direction, specifies the net amount of SIF Funding (less any SIF Funding Return) that is to be paid to Funding Parties by ESO and NGGT. Ofgem also specifies the manner in which and the times at which ESO and NGGT is required to transfer that SIF Funding.

Table 1 – Network licence conditions

Network Licensee	Licence Condition
National Grid Electricity Transmission Plc (NGET)	Special Condition 9.19
SP Transmission Limited (SPT)	Special Condition 9.19
Scottish Hydro Electric Transmission Plc (SHE)	Special Condition 9.19
National Grid Electricity System Operator Limited (NGESO)	Special Condition 3.4
National Grid Gas Plc (NGGT)	Special Condition 5.7
Cadent Gas Limited (Cadent)	Special Condition 9.13
Northern Gas Networks Limited (NGN)	Special Condition 9.13
Scotland Gas Networks plc	Special Condition 9.13
Southern Gas Networks plc (SGN) ¹⁰	Special Condition 9.13
Wales & West Utilities Limited (WWU)	Special Condition 9.13

We below specify values under two headings, which in turn feed into the calculation of the SIFF term within ESO's and NGGT's licence:

1. The amount of SIF Funding to be distributed to Funding Parties (ie network licensees) who are leading Projects which we have decided to fund.
2. The amount of the funding to be returned (the SIF Funding Return) to customers through the SIF Funding Return Mechanism.

The values in this document align with the SIF Funding Decision published on 26 July 2022.¹¹ These figures awarded are based upon the forecasts submitted by individual

¹⁰ Please note that all SGN projects were submitted under the licensee Southern Gas Networks.

¹¹The July 26 Alpha Phase Funding Decision can be found here: <https://www.ofgem.gov.uk/publications/strategic-innovation-fund-round-1-alpha-projects-approved-funding>

Projects. However, we recognise the actual expenditure on Projects may differ from these figures. Accordingly, there will be a 'true-up' of the figures quoted in this SIF Funding Direction against actual expenditure via subsequent SIF Funding Directions.

To minimise cashflow risk, ESO and NGGT have both forecast the value of the SIFF term in advance of this direction.¹² As the Project Phases and the SIF rounds progress, the ESO and NGGT must reconcile their forecast values of the SIFF term against the actual values specified in this direction to ensure the amount of funding ultimately recovered from consumers is accurate.

SIF Funding awarded

As per our SIF Funding Decision published on 26 July 2022, we awarded SIF Funding to 18 Project for the round 1 Alpha Phase of the SIF. The Projects we decided to fund are listed in Table 2 below.

Table 2 – SIF Funding due to Funding Parties for round 1 Alpha Phase Projects

SIF round	Project Phase	Sector	Project name	Funding Party	Total SIF Funding to be distributed
Round 1	Alpha	Electricity	Network-DC	SHE	£423,476.00
Round 1	Alpha	Gas	HyNTS Compression	NGGT	£499,898.00
Round 1	Alpha	Gas	HyNTS Deblending for Transport Applications	NGGT	£313,398.00
Round 1	Alpha	Gas	HyNTS Pipeline Dataset	NGGT	£454,090.00
Round 1	Alpha	Gas	HyNTS Protection	NGGT	£443,195.00
Round 1	Alpha	Gas	Gas System of the Future – Digital Twin	SGN	£494,925.00

¹² The ESO and National Grid Gas Plc are able to input forecast values for the SIFF term when setting network charges for the year ahead. In future years, the ESO and National Grid Gas Plc then reconcile these forecast values against actual values we specify within these SIF Funding Directions.

Round 1	Alpha	Electricity	INCENTIVE - Innovative Control and Energy Storage for Ancillary Services in Offshore Wind	SHE	£380,606.00
Round 1	Alpha	Gas	Thermal Imagery Analysis	NGN	£469,356.00
Round 1	Alpha	Electricity	Crowdflex	NGESO	£499,919.00
Round 1	Alpha	Gas	Intelligent Gas Grid	SGN	£491,075.00
Round 1	Alpha	Gas	Predictive Safety Interventions	SGN	£411,086.00
Round 1	Alpha	Electricity	Eye in the Sky	NGET	£395,769.00
Round 1	Alpha	Electricity	Predict4Resilience	SPT	£499,999.00
Round 1	Alpha	Electricity	A Holistic Hydrogen Approach to Heavy Duty Transport (H2H)	SPT	£401,864.00
Round 1	Alpha	Electricity	Heat Balance	SPT	£499,116.00
Round 1	Alpha	Gas	Velocity Design with Hydrogen	SGN	£462,320.00
Round 1	Alpha	Gas	Digital Platform for Leakage Analytics	Cadent	£445,571.00
Round 1	Alpha	Electricity	SCADENT – SuperConductor Applications for Dense Energy Transmission	NGET	£449,000.00
Total					£8,034,663.00

The SIF Funding Return

The SIF Funding Return Mechanism is used to return any SIF Funding Return from Funding Parties to National Grid Plc and ESO, and ultimately back to consumers. As detailed in chapter 7 of the SIF Governance Document, this will include unspent SIF Funding, SIF Disallowed Expenditure, SIF Halted Project Revenues, SIF Returned Project Revenues and SIF Returned Royalty Income.

As many Funding Parties have Projects which are progressing from the round 1 Discovery Phase to the Alpha Phase, we have applied any remaining SIF Funding from the round 1 Discovery Phase in Table 3 below against the SIF Funding awarded for the round 1 Alpha Phase on a per Funding Party basis. This aligns with the distribution of the SIF Funding, which is also applied on a per Funding Party basis. As many Funding Parties have Projects which are progressing the round 1 Discovery Phase to the Alpha Phase, this means that many licensees will not be required to use the SIF Funding Return Mechanism and return unspent SIF Funding from round 1 Discovery Phase. Table 3 below provides the SIF Funding remaining from individual Projects which completed the round 1 Discovery Phase.

However, as not all Funding Parties have Projects progressing from the Discovery Phase to the Alpha Phase as part of round 1, Schedule 3 to this Funding Direction outlines what SIF Funding must be returned. Table 3 below also includes a column indicating whether unspent SIF Funding from the round 1 Discovery Phase Projects is being applied to the SIF Funding requested as part of the round 1 Alpha Phase or if the unspent SIF Funding must be returned as part of the SIF Funding Return Mechanism.

For the avoidance of doubt, please note the values in the column 'Total SIF Funding awarded round 1 Discovery Phase' reflect the values set out in each of the round 1 Discovery Phase Project Directions¹³, including any changes to SIF Funding which occurred as a result of an approved change request made during the Discovery Phase¹⁴. As a result, some of these values and the total SIF Funding awarded to

¹³ Further details on the round 1 Discovery Phase Projects which were awarded SIF Funding can be found here: <https://www.ofgem.gov.uk/publications/strategic-innovation-fund-discovery-projects-approved-funding>

¹⁴ The Projects which had approved change requests during the round 1 Discovery Phase are: ARRC, Crowdflex, HyNTS Deblending, HyNTS Pipeline Dataset, NIMBUS, and Virtual Energy System. For more information please see the updated Project Directions for the Discovery Phase here: <https://www.ofgem.gov.uk/publications/updated-sif-project-directions>

Discovery Phase Projects differ to the amounts included in the March 2022 SIF Funding Direction for the round 1 Discovery Phase.

Table 3 – SIF Funding Returns due from individual round 1 Discovery Phase Projects

SIF round	Project Phase	Sector	Project name	Funding Party	Total SIF Funding awarded for round 1 Discovery Phase	Total SIF Funding used during the round 1 Discovery Phase	Total SIF Funding remaining following round 1 Discovery Phase	Reason for return (eg unspent SIF Funding, SIF Disallowed Expenditure)	Use of unspent SIF Funding ¹⁵
Round 1	Discovery	Electricity	Asset Reuse and Recovery Collaboration (ARRC)	SPT	£75,963.11	£75,952.50	£10.61	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Electricity	Digi-GIFT	SPT	£136,236.00	£131,019.95	£5,216.05	Unspent SIF Funding	Applied to round 1 Alpha

¹⁵ As detailed above, unspent SIF Funding from the round 1 Discovery Phase Projects are either being applied to the SIF Funding requested for round 1 Alpha Phase Projects on a per Funding Party (ie network licensee) basis, or must be returned to NGGT or NGET where a Funding Party does not have a round 1 Discovery Phase Project progressing to the Alpha Phase.

									Phase Project(s)
Round 1	Discovery	Electricity	EN-twin-e	SPT	£143,479.80	£136,166.80	£7,313.00	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Electricity	Predict4Resilience	SPT	£109,401.16	£109,400.90	£0.26	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	Digital Twins: Exploring the commercial, societal and operational benefits on green hydrogen projects	SGN	£124,265.78	£89,231.19	£35,034.59	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)

Round 1	Discovery	Gas	HyNTS Pipeline DataSet	NGGT	£95,571.00	£87,670.02	£7,900.98	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	Gas Analyser Systems for Hydrogen Blends	NGGT	£113,414.53	£103,951.42	£9,463.11	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	Hydrogen Metering	NGGT	£86,377.50	£71,244.89	£15,132.61	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Electricity	Network-DC	SHE	£142,287.87	£90,149.26	£52,138.61	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Electricity	NIMBUS - Network Innovation	SHE	£148,475.55	£133,623.07	£14,852.48	Unspent SIF Funding	Applied to round 1 Alpha

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			and Meteorology to BUild for Sustainability						Phase Project(s)
Round 1	Discovery	Gas	Ch4rge – Emissions Capture	NGGT	£144,782.00	£135,250.07	£9,531.93	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	Gas Networks Interoperable Digital Twin	NGGT	£78,778.21	£75,313.06	£3,465.15	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	Hydrogen Barrier Coatings for Gas Network Assets	NGGT	£74,705.74	£73,340.18	£1,365.56	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	Green Hydrogen	NGGT	£114,651.32	£105,275.68	£9,375.64	Unspent SIF Funding	Applied to round 1 Alpha

			Injection into the NTS						Phase Project(s)
Round 1	Discovery	Gas	HyNTS Compression	NGGT	£146,658.79	£137,554.24	£9,104.55	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	Nuclear Net-Zero Opportunities (N-NZO)	NGGT	£107,494.67	£91,749.94	£15,744.73	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Electricity	INCENTIVE - Innovative Control and Energy Storage for Ancillary Services in Offshore Wind	SHE	£121,001.85	£89,055.51	£31,946.34	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)

Round 1	Discovery	Electricity	Resilient and Flexible Railway Multi-Energy Hub Networks for Integrated Green Mobility	SPT	£118,779.61	£109,239.61	£9,540.00	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Electricity	Fast Flex	SPT	£112,221.56	£107,421.17	£4,800.39	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Electricity	Flexible Heat	SPT	£137,827.75	£125,135.90	£12,691.85	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Electricity	Heat Balance	SPT	£125,695.47	£122,874.70	£2,820.77	Unspent SIF Funding	Applied to round 1 Alpha

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									Phase Project(s)
Round 1	Discovery	Electricity	A Holistic Hydrogen Approach to Heavy Duty Transport (H2H)	SPT	£108,238.73	£107,878.64	£360.09	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Electricity	Virtual Energy System	NGESO	£149,919.89	£149,413.98	£505.91	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	HyPark	WWU	£150,000.00	£134,477.54	£15,522.46	Unspent SIF Funding	Returned to NGGT
Round 1	Discovery	Gas	Digital Twin - Exploring the societal, operational, and cross industry whole	SGN	£119,127.49	£91,858.91	£27,268.58	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)

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			system benefits on the Gas Distribution Network						
Round 1	Discovery	Electricity	Crowdflex: Discovery	NGESO	£68,697.20	£68,697.20	£0.00	Not applicable	Not applicable
Round 1	Discovery	Gas	Velocity Design with Hydrogen	SGN	£55,542.06	£51,422.19	£4,119.87	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	Predictive Safety Interventions	SGN	£58,728.88	£52,554.06	£6,174.82	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	Thermal imagery analysis - Condition assessment	NGN	£78,182.50	£75,477.20	£2,705.30	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)

			fluid and pressure						
Round 1	Discovery	Gas	Excess gas turbine energy generation	NGN	£134,161.11	£130,057.14	£4,103.97	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	Multimodal Hydrogen Transport Refuelling Study	NGN	£89,445.00	£89,445.00	£0.00	Not applicable	Not applicable
Round 1	Discovery	Gas	CEV: Critical factors for the adoption of smart homes for energy efficiency and implications for consumers	NGN	£55,396.00	£53,873.33	£1,522.67	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)

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			and providers						
Round 1	Discovery	Gas	Rail Decarbonisation Planning	NGN	£113,594.26	£54,400.27	£59,193.99	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Electricity	SEGIL - Sustainable Electrical Gas Insulated Lines	NGET	£133,814.02	£97,821.68	£35,992.34	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	Digital Platform for Leakage Analytics	Cadent	£114,575.69	£111,756.55	£2,819.14	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	NAVIGATION	SGN	£149,724.41	£149,724.31	£0.10	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)

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Round 1	Discovery	Electricity	Eye in the Sky - Utilising satellite data to improve grid resilience in emergency	NGET	£119,104.88	£94,766.56	£24,338.32	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Electricity	SCADENT - SuperConductor Applications for Dense Energy Transmission	NGET	£148,437.48	£116,588.35	£31,849.13	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	Intelligent Gas Grid	SGN	£116,401.00	£105,563.33	£10,837.67	Unspent SIF Funding	Applied to round 1 Alpha Phase Project(s)
Round 1	Discovery	Gas	HyNTS Deblending	NGGT	£146,545.00	£104,091.64	£42,453.36	Unspent SIF Funding	Applied to round 1 Alpha

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									Phase Project(s)
Total					£4,567,704.87	£4,040,487.9 4	£527,216.93		

Implementation

As the learning from the SIF Projects provides benefits to all Funding Parties and GB consumers as a whole, SIF Funding is raised across all GB consumers through NTS Transportation Owner Charges (in gas) and Transmission Network Use of System Charges (in electricity).

SIF Funding is distributed by National Grid Gas Plc and ESO to individual Funding Parties. This means that National Grid Gas Plc and ESO make a net payment to each Funding Party per instalment as per Table 4 and Table 6, which is the sum of SIF Funding awarded to the Funding Party across multiple Projects, minus any SIF Funding Return. The Funding Parties are responsible for administering the SIF Funding they receive for Projects as per requirements in chapter 8 of the SIF Governance Document .

In accordance with Special Conditions 3.1 and 3.4 of ESO's Electricity Transmission Licence, Special Conditions 5.1 and 5.7 of National Grid Gas Plc's Gas Transporter Licence, and the SIF Governance Document, the Authority hereby requires ESO to comply with the conditions in Schedule 1, and National Grid Gas Plc to comply with the conditions in Schedule 2 to this SIF Funding Direction. Schedules 1 and 2 set out the net amounts that are to be transferred by ESO and National Grid Gas Plc to Funding Parties, together with the manner and timescale over which these amounts will be transferred – see Tables 4 and 6 in the Schedules appended to this letter.

Additionally, in accordance with Part B of Special Condition 9.13 of Wales and West Utilities Licence and the SIF Governance Document, the Authority hereby requires Wales and West Utilities to comply with the conditions in Schedule 3 to this SIF Funding Direction for the return of unspent SIF Funding from the round 1 Discovery Phase. Schedule 3 sets out the net amounts that are to be transferred from Wales and West Utilities to National Grid Gas Plc, together with the manner and timescale over which these amounts will be transferred.

This SIF Funding Direction constitutes notice pursuant to section 38A (Reasons for decisions) of the Gas Act 1986 and section 49A (Reasons for decisions) of the Electricity Act 1989.

If you have further questions or want to discuss, please contact Graeme Barton on Graeme.barton@ofgem.gov.uk

Yours faithfully,

Graeme Barton

Head of Price Control Operations - Small & Medium Sized Projects

Signed for and on behalf of the Authority

Schedule 1: Funds to be transferred by ESO

The net amounts of SIF Funding that must be transferred by ESO to recipients

Table 4 contains the net amounts that must be transferred by ESO to Funding Parties, as appropriate, in the Regulatory Year 2022/2023 commencing 1 April 2022 for the round 1 Alpha Phase of the SIF. For the avoidance of doubt, no adjustments for inflation should be made to these numbers. It also sets out the manner and timescale for making payments.

As required by individual SIF Project Directions, the recipients receiving funding from ESO were required to provide their bank account details to ESO by 23 August 2022.

Table 4 – Net amounts of SIF Funding to be transferred by ESO to recipients

Recipient	Instalment 1 (to be paid on or before 13 October 2022)
National Grid Electricity Transmission Plc	£752,589.21
SP Electricity Transmission Limited	£1,358,225.98
Scottish Hydro Electric Transmission Plc	£705,144.57
Total net amount of SIF Funding to be transferred by ESO to recipients	£2,815,959.76

The net amount that ESO must retain for its own SIF Projects

Table 5 contains the net amount that ESO must retain for its own SIF Projects in the Regulatory Year 2022/2023 commencing 1 April 2022. For the avoidance of doubt, no adjustments for inflation should be made to these numbers.

Table 5 – Net amount to be retained by ESO for its own SIF projects

Recipient	Instalment 1 (to be paid on or before 13 October 2022)
National Grid Electricity System Operator Limited	£499,413.09

Schedule 2: Funds to be transferred by National Grid Gas Plc

The net amounts that must be distributed by National Grid Gas Plc to recipients

Table 6 contains the net amounts that must be transferred by National Grid Gas Plc to Funding Parties, as appropriate, in the Regulatory Year 2022/2023 commencing 1 April 2022 for the round 1 Alpha Phase of the SIF. For the avoidance of doubt, no adjustments for inflation should be made to these numbers. It also sets out the manner and timescale for making payments.

As required by individual SIF Project Directions, the recipients receiving funding from the National Grid Gas Plc were required to provide their bank account details to the National Grid Gas Plc by 23 August 2022.

Table 6 – Net amounts to be distributed by National Grid Gas Plc to recipients

Recipient	Instalment 1 (to be paid on or before 13 October 2022)
Cadent Gas Limited	£442,751.86
Northern Gas Networks Limited	£401,830.07
Southern Gas Networks Plc ¹⁶	£1,775,970.37
Wales & West Utilities Limited	£0.00
Total net amount of SIF Funding to be transferred by National Grid Gas Plc to recipients	£2,620,552.30

The net amount that National Grid Gas Plc must retain for its own SIF projects

Table 7 contains the net amount that National Grid Gas Plc must retain for its own SIF projects under NGGT in the Regulatory Year 2022/2023 commencing 1 April 2022. For the avoidance of doubt, no adjustments for inflation should be made to these numbers.

¹⁶ Funds for SGN's SIF projects are being distributed to Southern Gas Networks because all SGN projects were submitted under the licensee Southern Gas Networks.

Table 7 – Net amount to be retained by the National Grid Gas Plc for its own SIF projects

Recipient	Instalment 1 (to be paid on or before 13 October 2022)
National Grid Gas Plc	£1,587,043.38

Schedule 3: Funds to be transferred by Wales and West Utilities

1. The net amounts that must be returned from Wales and West Utilities to National Grid Gas Plc

Table 8 contains the net amounts that must be transferred by Wales and West Utilities to National Grid Gas Plc in the Regulatory Year 2022/2023 commencing 1 April 2022 for the unspent SIF Funding in round 1 Discovery Phase of the SIF. As Wales and West Utilities does not have any Projects progressing from round 1 Discovery Phase to the Alpha Phase, the unspent SIF funding cannot be applied to Alpha Phase Projects. Unspent SIF Funding from the round 1 Discovery Phase must therefore be returned on or before 13 October 2022 under the SIF Funding Return Mechanism, as per the SIF Governance Document. For the avoidance of doubt, no adjustments for inflation should be made to these numbers. It also sets out the manner and timescale for making payments.

Table 8 – Net amount to be returned from Wales and West Utilities to National Grid Gas

Recipient	Instalment 1 (to be paid on or before 13 October 2022)
National Grid Gas Plc	£15,522.46