



Making a positive difference  
for energy consumers

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Date: 31/01/2023

Dear National Grid Gas Plc,

**Strategic Innovation Fund – Approval of the Material Change request for National Grid Gas Plc / HyNTS Deblending for Transport Applications**

The Strategic Innovation Fund (SIF) supports network innovation that contributes to the achievement of Net Zero, while delivering net benefits to energy consumers. It facilitates collaboration with other public funders of innovation so that activities appropriately funded by network consumers are coordinated with activities funded by Government, and funding gaps are avoided. The SIF Governance Document sets out the governance and administration of the SIF.<sup>1</sup>

On 1 August 2022, National Grid Gas Plc was awarded SIF Funding for HyNTS Deblending for Transport Applications (the Project).<sup>2</sup> The Project is examining the blending of hydrogen for transport refuelling stations on the network. Further to this decision, on 12 August 2022 Ofgem<sup>3</sup> issued a SIF Project Direction.<sup>4</sup>

On 14 December 2022, National Grid Gas Plc submitted a Material Change request for the Project to the Authority. The Material Change request was submitted due to:

- The Project no longer needing to subcontract a hydrogen refuelling station (HRS) supplier as this technology is already commercially available. This was considered to be a material change as the Project had initially planned as part of its milestone 7 to publish a request for proposal for an HRS provider. While this was considered a

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<sup>1</sup> <https://www.ofgem.gov.uk/publications/updated-sif-governance-document>

<sup>2</sup> <https://www.ofgem.gov.uk/publications/strategic-innovation-fund-round-1-alpha-projects-approved-funding>

<sup>3</sup> The terms the "Authority", "Ofgem", "we" and "us" are used interchangeably in this document. The Authority refers to the Gas and Electricity Markets Authority. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>4</sup> <https://www.ofgem.gov.uk/publications/sif-round-1-alpha-phase-project-directions>

material change, the Project will continue to examine how HRS and deblending technology can integrate with one another.

The Material Change request proposed the following changes to the schedule of the SIF Project Direction issued on 12 August 2022:

- In section 1, the SIF Funding Approved amount has been reduced by £56,715 to reflect the Project and the Funding Party no longer require the full amount of SIF Funding which was originally requested.
- In section 5, the SIF Approved amount has been reduced by £56,715 to £256,683 to reflect the Project and the Funding Party no longer require the full amount of SIF Funding which was originally requested.
- In Table 3, because of the reduction in the Project's total costs and amount of SIF Funding requested, the SIF Funding allocated to milestone 4 and milestone 5 now make up a larger share of the Project's total SIF Funding requested. As a result, the percentage of SIF Funding allocated to milestone 4 has increased from 16% to 19%. Similarly, the percentage of SIF Funding allocated to milestone 5 has also increased from 13% to 15%.
- In Table 3, because the Project has sourced already available refuelling equipment without the need for a request for proposal, milestone 7 has been amended to reflect that there will not be engagement with hydrogen refuelling station (HRS) suppliers.
- In Table 3, the Funding Party has amended the evidence for milestone 7 to include the design of the connection between deblending and refuelling equipment. This is to clarify that even though the Project no longer plans on publishing a request for proposal for HRS suppliers to examine how the deblending and refuelling systems can integrate with one another, the Project will continue to examine how they can be integrated.
- In Table 3, because the Funding Party no longer requires a request for proposal for HRS suppliers and has subcontracted a hydrogen deblending for less SIF Funding than anticipated, milestone's 7 costs and percentage of SIF Funding have been reduced by £56,725 from £225,010 to £168,285. This is because the Project originally allocated £100,000 for subcontracting both the HRS and deblending technology providers as part of milestone 7 but only £43,285 was needed for subcontracting the deblending technology provider. Furthermore, because of this change, the percentage of SIF Funding allocated to milestone 7 has been reduced from 72% to 66%.
- In Annex 1, in the SIF Project Direction costs table, the total SIF Funding allocated to subcontracting has been reduced by £56,715. This reduction is also carried

through to the total Project costs for subcontracting, which has also been reduced by £56,715.

- In Annex 1, in the SIF Project Direction costs table, the total Project costs and total SIF Funding requested have also been reduced by £56,715 to reflect the reduction in SIF Funding requested for subcontracting.
- In Annex 1, in the Project finances table, the total SIF Funding requested by National Grid Gas Plc has been reduced by £56,715, so the total SIF Funding requested by National Grid Gas Plc is now £76,083. This change also reduces the total Project costs for National Grid Gas Plc by £56,715 to £126,083. Whilst there is no change to the Project contribution, its percentage of the total Project costs has now increased to 40%.
- In Annex 1, in the Project finances table, the total Project costs for all Projects has been reduced by £56,715 to £332,583 to reflect the reduction of total Project costs from National Grid Gas Plc. Similarly, the total SIF Funding requested has been reduced by £56,715 to £256,683.

## **Ofgem's review**

As set out in chapter 1 of the SIF Governance Document, Ofgem is the decision-maker in the SIF. Furthermore, as set out in chapter 6, Ofgem will consider Material Changes in circumstances and requests to change SIF Project Directions on a case by case, and will engage with monitoring officers on Projects to support the assessment of Material Change requests.

Ofgem has reviewed this Material Change requested submitted by National Grid Gas Plc and has engaged with the monitoring officer on the Project. Ofgem has reviewed the reasoning for the Material Change submitted by the Funding Party and considers it to satisfy the Eligibility Criteria in chapter 2 of the SIF Governance because:

- The change of scope in milestone 7 is a result of an efficiency gain and will not impact the originally proposed deliverables and timeline of the Project.
- The Project will continue to investigate how hydrogen deblending and refuelling technologies can be integrated for a first of its kind demonstration.
- The material change does not reflect a change to the Project Partners and the Project continues to meet the Innovation Challenge-specific requirements.

As such, UKRI recommended approval of the Material Change request to Ofgem.

## **Decision**

As a result of the reasons outlined above, Ofgem has approved this Material Change request.

In accordance with Section 17 of the Project Direction issued on 12 August 2022 and paragraph 6.22 of the SIF Governance Document, the amended SIF Project Direction for National Grid Gas Plc / HyNTS Deblending for Transport Applications is published in the Schedule 1 of this letter. The amended SIF Project Direction is effective as of the date of this letter and, unless stated otherwise, supersedes the SIF Project Direction issued on 12 August 2022. The letter constitutes notice pursuant to section 49A (Reasons for decisions) of the Electricity Act 1989 and 38A (Reasons for decisions) of the Gas Act 1986.

If you would like to discuss any of the issues, you can contact Ofgem via [networks.innovation@ofgem.gov.uk](mailto:networks.innovation@ofgem.gov.uk). Alternatively, you can contact UKRI via [SIF\\_Ofgem@innovateuk.ukri.org](mailto:SIF_Ofgem@innovateuk.ukri.org).

Yours sincerely,

**Marzia Zafar**  
**Deputy Direction of Strategy & Decarbonization**  
**For and on behalf of the Authority**

## Schedule: Amended SIF Project Direction

### 1. PROJECT DETAILS

SIF Project Direction reference:

NGGT/HyNTS\_Debblending\_for\_Transport\_Applications/SIFZET/Rd1\_Alpha

Application number: 10036950

Project title: HyNTS Debblending for Transport Applications

Innovation Challenge/Project Phase: Zero emission transport / Alpha Phase round 1

Project start date: August 1, 2022

Project end date: January 31, 2023

SIF Approved Amount for SIF Funding: ~~£313,398~~ £256,683

### 2. PREAMBLE

This SIF Project Direction is issued by the Gas and Electricity Markets Authority (the "Authority") to National Grid Gas Plc (the "Funding Party") pursuant to the SIF Governance Document issued pursuant to Special Condition 5.7 of the Gas Transporter licence (the "Licence"). It sets out the conditions to be complied with in relation to HyNTS Debblending for Transport Applications (the "Project") as a condition of it being funded under the SIF Funding Mechanism.<sup>5</sup>

Unless otherwise specified, defined terms in this SIF Project Direction have the meaning given to them in the Licence or Appendix 1 of the SIF Governance Document.

References to specific sections of the Funding Party's Application in this SIF Project Direction are, for ease of reference, made by referring to the section number in the Funding Party's Application.

### 3. PROJECT SPECIFIC CONDITIONS

In accepting funding for the Project, the Funding Party is subject to the following Project-specific condition(s):

#### **Condition 1**

The Funding Party must not spend any SIF Funding until contracts are signed with the Project Partners named in Table 1 for the purpose of completing the Project.

**Table 1. Project Partners**

Element Energy Limited
Cadent Gas Limited

<sup>5</sup> The SIF Funding Return Mechanism is defined in the SIF Governance Document.

### **Condition 2**

The Funding Party must report on the financial contributions made to the Project as set out in its Application. Any financial contributions made over and above that stated in its Application should also be reported and included within the Project costs template.

### **Condition 3**

The Funding Party must participate in all meetings related to the Project that they are invited to by Ofgem, UKRI and BEIS during the Alpha Phase.

### **Condition 4**

The Funding Party must make reasonable endeavours in the Alpha Phase to engage with successful participants funded under UKRI's Zero Emission Road Freight (ZERFT) programme to consider ways of aligning activities in demonstration activities. An introduction to the successful participants of the ZERFT programme can be facilitated by Innovate UK.

## **4. COMPLIANCE**

The Funding Party must comply with Special Condition 5.7 of the Gas Transporter licence (the "Licence"), the SIF Governance Document and with this SIF Project Direction.

## **5. SIF APPROVED AMOUNT**

The SIF Approved amount of ~~£313,398~~ £256,683 (as detailed under Section 1: Project details of this Project Direction) will be recovered by National Grid Gas Transmission from GB customers and transferred to the Funding Party. The Funding Party is responsible for notifying National Grid Gas Transmission of the bank account details to which transfers must be made, in addition to completing Annex 2 of this SIF Project Direction. If a Funding Party is required to return funding to National Grid Gas Transmission, the reverse applies. The Funding Party must provide bank account details to National Grid Gas Transmission within two weeks of accepting this SIF Project Direction.

## **6. PROJECT BUDGET**

The Project Budget is set out in Annex 1 of this SIF Project Direction.

The Funding Party must report on expenditure against each line under the category total in the Project Budget and explain any projected variance against each line as part of its detailed report which will be provided, in accordance with Chapter 7 of the SIF Governance

Document. The Funding Party must report variations in the Project budget as outlined in Chapter 6 of the SIF Governance Document.

## **7. PROJECT IMPLEMENTATION**

The Funding Party must undertake the Project in accordance with the commitments it has made in the Application and with the conditions of this SIF Project Direction. These include (but are not limited to) the following:

- (i) undertake the Project in accordance with its Application,
- (ii) complete the Project on or before the Project completion date as detailed under section 1 of the schedule of this SIF Project Direction, and
- (iii) disseminate the learning from the Project at least to the level described in chapter 3 of the SIF Governance Document. Dissemination of learning must be carried out whether the Project was concluded successfully or otherwise.

## **8. REPORTING**

Ofgem and UKRI may issue guidance (and amend it from time to time) about the structure and content of the Project reporting required by Chapter 6 of the SIF Governance Document. The Funding Party must follow this guidance in preparing the reports.

The Funding Party must submit an end of Project Phase report to UKRI monitoring officers for the Alpha Phase. Within this report, the Funding Party must submit information related to questions on Project delivery as detailed in chapter 6, table 4 of the SIF Governance Document.

## **9. MONITORING**

The Funding Party must comply with any reasonable request for information by its monitoring officer at UKRI and related deadlines. Ofgem, with the support of UKRI, will together monitor Project delivery, impacts and benefits. Throughout the term of the Project, progress is monitored by UKRI through a monitoring officer. The monitoring officer is the first point of contact for official notifications, queries and correspondence with UKRI and the Authority, unless otherwise required by this SIF Project Direction.

As detailed in Chapter 6 of the SIF Governance Document, meetings with the monitoring officer will take place at regular intervals, as advised by Ofgem or the monitoring officer during the delivery of the Project, and at the end of each Project Phase.

## **10. EVALUATION**

The Funding Party has acknowledged when it submitted its Application for this Project, that reporting information and data gathered during the Project's timescales (as detailed in Section 1 of this SIF Project Direction) will be used to evaluate Project performance. In addition, the Funding Party may be required to provide requested information outside of the Project timescales and, in particular, for the period from the Project end date to the end of the SIF Programme. Further data and reporting information may be requested (frequency and method based on requirement) outside of standard monitoring and reporting requirements as deemed necessary. Further data and information requirements must be complied with by the Funding Party and Project Partners.

## **11. DATA SHARING**

As set out in Chapter 3 of the SIF Governance Document, the Funding Party must follow Data Best Practice Guidance with regards to all data gathered or created in the course of a Project. We expect the Funding Party to document any reasons, such as commercial sensitivities, for desensitising data. As defined by, and in accordance with, Data Best Practice Guidance, Funding Parties must have a data triage process. Where multiple Project Partners are collaborating on a Project, the consortium must adopt a consistent Open Triage Process for the data related to the Project. Ofgem may require that Project information and data is also shared with other specified parties, such as parties working on complementary innovation funding programmes (subject to redaction of sensitive data).

## **12. CYBER SECURITY**

It is the responsibility of the Funding Party and all Project Partners to implement and maintain appropriate security measures to protect personal data in accordance with The GDPR (General Data Protection Regulation)<sup>6</sup> and DPA (Data Protection Act) 2018<sup>7</sup>. Protection of computer systems from unauthorised access or being otherwise damaged or made inaccessible must be in place alongside effective working practices. These must be maintained in line with the Funding Party's IT Management Strategies and policies.

## **13. PROJECT MILESTONES**

The Funding Party must submit its end of Project Phase report to its monitoring officer that verifies the Project milestones have been achieved or explains why they have not.

Project milestones are outlined below in Table 3, based upon details contained within Question 7 and Appendix Question 9 in the Funding Party's.

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<sup>6</sup> [https://ec.europa.eu/info/law/law-topic/data-protection/data-protection-eu\\_en](https://ec.europa.eu/info/law/law-topic/data-protection/data-protection-eu_en)

<sup>7</sup> <https://www.legislation.gov.uk/ukpga/2018/12/contents/enacted>



**Table 3. Project milestone<sup>8</sup>**

Reference	Project milestone	Deadline	Evidence	SIF Funding Request (100%) <sup>9</sup>
Milestone 1	Project kick-off meeting	January 31, 2023	Project kick-off meeting attended by all partners.	£0 (0%)
Milestone 2	Deblending equipment supplier selected	January 31, 2023	A viable equipment supplier for deblending project has been selected and agreed with consortium.	£0 (0%)
Milestone 3	Deblending equipment supplier contracted	January 31, 2023	Signed contract for the deblending equipment suppliers design contributions to the Alpha Phase.	£0 (0%)
Milestone 4	H2 vehicle demand confirmed and hydrogen refuelling station (HRS) specification for Beta	January 31, 2023	Agreements reached with local fleets for deployment of hydrogen vehicles, with clear specification of HRS requirements defined.	£49,038 <del>(16%)</del> <del>(19%)</del>
Milestone 5	Project interim report	January 31, 2023	Project running within budget and to project plan and outputs of work package 1 to 4, as detailed in the Project Plan appendix to the Application, to date are delivered as set out.	£39,350 <del>(13%)</del> <del>(15%)</del>
Milestone 6	Demonstration facility size recommended	January 31, 2023	A size of Beta demonstration that fits within a reasonable budget is determined.	£0 (0%)

<sup>8</sup> As outlined in in the Application or Project Plan appendix.

<sup>9</sup> Where Project Applications were not explicit on milestone(s) as a percentage of total SIF Funding Request, milestone(s) as a percentage of total project costs were applied to the SIF Funding Request. In some circumstances where the information needed to complete this table was not available in an Application, Funding Parties were requested to provide this information separately.

Milestone 7	Final Summary report and final summary report partner contribution	January 31, 2023	<p>Project summary completed following output of all deliverables in work packages 5 to 8, as detailed in the Project Plan appendix of the Application.</p> <p>Summary report of integration into future grid site and H2 supply selection, and summary of gas network engagement activities and front end engineering designs of selected deblending <del>and HRS</del> suppliers. <u>The connection between the deblending and refuelling equipment will be designed.</u></p> <p>Deliverable of insight into hydrogen compression and purification activities from 100% H2 low pressure distribution network.</p> <p>Several outputs from work package 5 and 7, as detailed in the Project Plan appendix of the Application are:</p> <ul style="list-style-type: none"> <li>- A system sizing and costing for refuelling document</li> <li><del>- Final specifications for supplier selection for refuelling</del></li> </ul>	<p><del>£225,010</del> <del>(72%)</del></p> <p><u>£168,285</u> <u>(66%)</u></p>
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			- The refuelling station equipment supplier selected and contracted	
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#### **14. USE OF LOGO**

The Funding Party and the Project Partners, External Funders and Project Supporters or subcontractors<sup>10</sup> must not use the Innovate UK/UKRI and/or Ofgem logo for purposes associated with the Project in any circumstances.

As an alternative for use of both Ofgem and UKRI logos, all external Project communications must include the following standard form of wording:

- (i) "this project is funded by network users and consumers under the Strategic Innovation Fund, an Ofgem programme managed in partnership with UKRI."

For additional guidance, refer to the communications and media guidelines for competition winners, detailed as part of your delivery pack. These guidelines are designed to help with some suggestions and encourage you to take a proactive approach to communicating about your Project.

#### **15. SHARING OF LESSONS LEARNED**

The Funding Party is required to ensure that the sharing of lessons learned and the facilitation of knowledge transfer is conducted as effectively as possible, to ensure that all parties, and therefore all consumers including future consumers, can benefit from Projects.

As contained within Chapter 3 of the SIF Governance Document, we require the Funding Party to work collaboratively to maintain the ENA Smarter Networks Portal so that all reporting and dissemination of learnings on Projects (as required by chapter 6 of the SIF Governance Document) is available via the ENA Smarter Networks Portal.

#### **16. COLLABORATION**

The Funding Party must collaborate with third-party innovators as Project Partners, as well as work closely with other parties in the energy supply chain, as set out in Chapter 3 of the SIF Governance Document.

The Funding Party must collaborate with other parties and with UKRI to organise an annual conference in a format appropriate to enabling the building of consortiums and

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<sup>10</sup> As detailed in the Application.

disseminating learning widely. The conference may be a single event for gas and electricity, or more than one event, as appropriate.

## **17. AMENDMENT OR REVOCATION**

As set out in Chapter 7 of the SIF Governance Document, this SIF Project Direction may be amended or revoked under the following circumstances:

- (i) if the Funding Party considers that there has been a material change in circumstance that requires a change to the SIF Project Direction, and the Authority agrees; or
- (ii) to reflect amendments made to the Licence.

## **18. HALTING OF PROJECTS**

This SIF Project Direction is subject to the provisions contained in Chapter 7 of the SIF Governance Document relating to the halting of Projects. By extension, this SIF Project Direction is subject to any decision by the Authority to halt the Project to which this SIF Project Direction relates and to any subsequent relevant SIF Funding Direction issued by the Authority pursuant to Special Condition 5.7 of the Gas Transporter licence (the "Licence").

Further to the requirements in Chapter 7 of the SIF Governance Document, in the event the Authority decides to halt the Project, to which this SIF Project Direction relates, to which this SIF Project Direction relates, the Authority may issue a statement to the Funding Party clarifying the effect of that halting decision as regards to the status and legal force of the conditions contained in this SIF Project Direction.

### **NOW THEREFORE:**

In accordance with the SIF Governance Document issued pursuant to Special Condition 5.7 of the Gas Transporter licence (the "Licence") of the Licence the Authority hereby issues this SIF Project Direction to the Funding Party in relation to the Project.

This constitutes notice of reasons for the Authority's decision pursuant to section 38A (Reasons for decisions) of the Gas Act 1986.

Failure to comply with the conditions of this SIF Project Direction means that Ofgem may treat all or part of the SIF Approved Amount received by the Funding Party as SIF Disallowed Expenditure.

## ANNEX 1: PROJECT BUDGET

<b>SIF Project Direction costs<sup>11</sup></b>			
Cost Category	Total Project costs (£)	Project contribution (£)	Total SIF Funding requested (£)
Labour	£239,123	£61,900	£177,223
Materials	£0	£0	£0
Subcontracting	<del>£132,175</del> <del>£75,460</del>	£0	<del>£132,175</del> <del>£75,460</del>
Travel and subsistence	£4,000	£0	£4,000
Other costs	£14,000	£14,000	£0
<b>Total</b>	<del><b>£389,298</b></del> <del><b>£332,583</b></del>	<b>£75,900</b>	<del><b>£313,398</b></del> <del><b>£256,683</b></del>

<b>Project finances</b>				
Project Partner	Total project costs (£)	Project contribution (%)	Project contribution (£)	Total SIF Funding requested (£)
National Grid Gas Plc	<del>£182,798</del> <del>£126,083</del>	<del>27%</del> <del>40%</del>	£50,000	<del>£132,798</del> <del>£76,083</del>
Element Energy Limited	£104,600	25%	£25,900	£78,700
Cadent Gas Limited	£1,401	0%	£0	£1,401
Northern Gas Networks Limited	£2,424	0%	£0	£2,424
Element 2 Limited	£98,075	0%	£0	£98,075
<b>Total</b>	<del><b>£389,298</b></del> <del><b>£332,583</b></del>		£75,900	<del><b>£313,398</b></del> <del><b>£256,683</b></del>

<sup>11</sup> Funding Parties were requested to provide the information in this table separate to their Application submissions.

**ANNEX 2 TO SCHEDULE: TEMPLATE OF BANK ACCOUNT DETAILS TO BE PROVIDED TO NGGT ([BOX.GSOSETTLEMENTS@NATIONALGRID.COM](mailto:BOX.GSOSETTLEMENTS@NATIONALGRID.COM))**

**Company name:**

**Primary Contact Details (only one contact permitted)**

First Name:

Last Name:

Email address:

Mobile phone number:

Work phone number:

**Address details**

Address name:

Street address:

City:

State / region:

Post code:

PO box: (if applicable)

PO box post code: (if applicable)

**Banking details**

These should be evidenced in non-editable format. The evidence provided must show company name and bank details and it should be dated within the last 6 months.

Any of the below documents will suffice:

- Bank statement (scanned document)
- Void cheque
- Paying in slip
- Screenshot of online banking (showing a logged in account with bank account and sort code, with browser visible)