



Making a positive difference
for energy consumers

National Grid Electricity System
Operator Limited, National Gas
Transmission Plc

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Date: 21 April 2023

Dear Company Secretaries,

April 2023 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 RIIIO-2 network price control.¹

For each round of the SIF new Innovation Challenges are launched focusing on strategic issues currently facing gas and electricity networks. Round 1 of the SIF was launched in July 2021 with four Innovation Challenges on whole system integration, data and digitalisation, heat, and zero emissions transports². Round 2 of the SIF, launched in May 2022, focuses on four new Innovation Challenges: supporting a just energy transition, preparing for a net zero power system, improving energy system resilience and robustness, and accelerating decarbonisation of major energy demands³.

Within each round of the SIF, a multi-phase approach is taken to help mitigate the risk associated with innovation: the Discovery Phase, the Alpha Phase and the Beta Phase. At the start of each Project Phase we⁴ issue a Funding Direction to direct National Grid Electricity System Operator (ESO) and National Gas Transmission (NGT) to distribute SIF Funding to the

¹ 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>

² For more information on round 1 of the SIF, including the Innovation Challenges, please see: <https://www.ofgem.gov.uk/publications/strategic-innovation-fund-innovation-challenges>

³ For more information on round 2 of the SIF, including the Innovation Challenges, please see: <https://www.ofgem.gov.uk/publications/strategic-innovation-fund-round-two-innovation-challenges>

⁴ The terms the "Authority", "Ofgem", "we", "our" 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.

Projects we have decided to award funding to and to reconcile any unspent SIF Funding from a previous Project Phase. The Funding Direction may also include allocation of funding via network changes for UK Research and Innovation's (UKRI) role in delivering the SIF⁵.

The purpose of this SIF Funding Direction is to:

- I. confirm the amount of SIF Funding that must be distributed to the round 2 Discovery Phase SIF Projects that we have decided to award funding for network licensees covered by Special Condition 5.7 of the Gas Transport Licence⁶, Special Condition 9.13 of the Gas Transporter Licence⁷, Special Condition 9.19 of the Electricity Transmission Licence⁸, Special Condition 3.4 of the Electricity Transmission Licence⁹, but not those covered under Special Condition 9.9 of the Electricity Distribution Licence (please see the heading "SIF Funding distribution to Electricity Distribution Licensees" below for more information)
- II. reconcile any unspent SIF Funding from the round 1 Alpha Phase Projects
- III. set straight an error in the round 1 Alpha Phase Funding Direction where an incorrect amount of SIF Funding had been reconciled in the round 1 Alpha Phase Funding Direction¹⁰
- IV. cover UKRI's costs operating the SIF in 2023/24 and the costs incurred and approved by Ofgem from operating the SIF in 2021/22

Accordingly, this direction sets out the amount that National Grid Electricity System Operator Limited (ESO) and National Gas Transmission Plc (NGT) will ultimately recover from its customers in relation to the SIF. It also specifies the net amounts to be transferred between ESO, UKRI and other electricity network licensees (excluding electricity distribution licensee holders); and NGT, UKRI and other gas network licensees in relation to their SIF projects.

ESO will transfer funds as set out in Schedule 1 below, and NGT will transfer funds as set out in Schedule 2 below. ESO and NGT will transfer funds to the nominated bank account as notified by network licensees as per the requirements in the SIF Project Directions. The recipient must adhere to requirements regarding project banking arrangements as specified

⁵ As confirmed in our decision on the operational arrangements for the SIF on 25 August 2021, we have appointed UK Research and Innovation (UKRI) as our delivery partner on the SIF. SIF governance decision here:

<https://www.ofgem.gov.uk/sites/default/files/2023-02/SIF%20Governance%20Document%20v2.1%20final%20clean.pdf>. 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>

⁶ Held by National Gas Transmission Plc.

⁷ Held by Cadent Gas Limited, Northern Gas Networks Limited, Scotland Gas Networks Plc, Southern Gas Networks Plc, and Wales and West Utilities Limited.

⁸ Held by National Grid Electricity Transmission Plc, SP Transmission Plc, and Scottish Hydro Electric Transmission Plc.

⁹ Held by National Grid Electricity System Operator Limited.

¹⁰ For more information on the round 1 Alpha Phase Funding Direction please see:

<https://www.ofgem.gov.uk/sites/default/files/2022-09/Rd%201%20Alpha%20Phase%20-%20SIF%20Funding%20Direction%20.pdf>

in Chapter 8 of the SIF Governance Document. If recipient network licensees anticipate any problems fulfilling these requirements, they should notify Ofgem as soon as possible.

Any unspent SIF Funding from the round 1 Alpha Phase Projects will be applied to the SIF Funding requested for the round 2 Discovery Phase Projects on a per Funding Party basis, taking into consideration any SIF Funding owed as a result of the error in the round 1 Alpha Phase Funding Direction. As no Funding Party has unspent SIF Funding from the round 1 Alpha Phase which exceeds the amount of SIF Funding being allocated for the round 2 Discovery Phase, no SIF Funding is due to be returned under the SIF Funding Return Mechanism. Table 5 below provides more information on what unspent SIF Funding from the round 1 Alpha Phase Projects is being applied to SIF Funding awarded for the round 2 Discovery Phase and what unspent SIF Funding must be returned.

SIF Funding distribution to electricity distribution licensees

Following a consultation and update of the electricity distribution licence for electricity distribution network licensees to participate in the SIF, Ofgem is awaiting the end of the 56-day standstill period to issue a Funding Direction to ESO to distribute funding to the successful round 2 Discovery Phase Projects submitted by electricity distribution network licensees. As such, this Funding Direction does not include any of the successful round 2 Discovery Phase Projects submitted by electricity distribution licensee holders. A separate Funding Direction will be issued by Ofgem to ESO for it to distribute funding to the successful round 2 Discovery Phase at the end of the standstill period. We encourage all electricity distribution network licensees with successful Projects in round 2 Discovery Phase to submit their bank account details to ESO in the meantime to ensure a smooth and efficient distribution of SIF Funding following the future Funding Direction.

Background

As per 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 licensees and UKRI by ESO and NGT. Ofgem also specifies the manner in which and the times at which ESO and NGT 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 (ESO) | Special Condition 3.4 |

| | |
|---|------------------------|
| National Gas Transmission Plc (NGT) | 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 (SGN) | Special Condition 9.13 |
| Southern Gas Networks plc (SGN) | Special Condition 9.13 |
| Wales & West Utilities Limited (WWU) | Special Condition 9.13 |
| Electricity North West Limited (ENWL) | Special Condition 9.9 |
| Northern Powergrid (Northeast) Plc (NPgN) | Special Condition 9.9 |
| Northern Powergrid (Yorkshire) Plc (NPgY) | Special Condition 9.9 |
| National Grid Electricity Distribution: West Midlands Plc (WMID) | Special Condition 9.9 |
| National Grid Electricity Distribution: East Midlands Plc (EMID) | Special Condition 9.9 |
| National Grid Electricity Distribution: South Wales Plc (SWALES) | Special Condition 9.9 |
| National Grid Electricity Distribution: South West Plc (SWEST) | Special Condition 9.9 |
| UK Power Networks: London Power Networks Plc (LPN) | Special Condition 9.9 |
| UK Power Networks: South Eastern Power Networks Plc (SPN) | Special Condition 9.9 |
| UK Power Networks: Eastern Power Networks Plc (EPN) | Special Condition 9.9 |
| SP Energy Networks: Distribution Ltd (SPD) | Special Condition 9.9 |
| SP Energy Networks: Manweb Plc (SPMW) | Special Condition 9.9 |
| Scottish and Southern Energy Power Distribution: Scottish Hydro Electric Power Distribution Plc (SHEPD) | Special Condition 9.9 |
| Scottish and Southern Energy Power Distribution: Southern Electric Power Distribution Plc (SSEPD) | Special Condition 9.9 |

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

1. The amount of SIF Funding to be distributed to network licensees who are leading Projects which we have decided to fund, and to UKRI for their services administering the SIF.
2. The unspent SIF Funding which is being applied against the SIF Funding being distributed.
As such, no SIF Funding is to be returned to consumers through the through the SIF Funding Return Mechanism.

To minimise cashflow risk, ESO and NGT have both forecast the value of the SIFF term in advance of this direction. In time, ESO and NGT 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 03 April 2023¹¹, we awarded SIF Funding to 53 of the 65 Projects submitted for the round 2 Discovery Phase of the SIF. The projects we decided to fund are listed in Table 2 below. However, as mentioned above, this Funding Direction includes the successful round 2 Discovery Phase Applications for network licensees covered by Special Condition 5.7 of the Gas Transport Licence, Special Condition 9.13 of the Gas Transporter Licence, Special Condition 9.19 of the Electricity Transmission Licence, Special Condition 3.4 of the Electricity Transmission Licence, but not those covered under Special Condition 9.9 of the Electricity Distribution Licence. As such, the successful number of round 2 Discovery Phase Projects included in this Funding Direction is 22 and it covers electricity transmission, gas transmission, National Grid ESO and National Gas Transmission Projects.

Table 2 – SIF Funding due to network licensees for Projects for round 2 Discovery Phase Projects

| SIF round | Project Phase | Sector | Project name | Network licensee | Instalment 1 (June 2023) |
|------------------|----------------------|---------------|---|-------------------------|---------------------------------|
| Round 2 | Discovery | Electricity | INSIGHT | SHE | £ 83,515.00 |
| Round 2 | Discovery | Gas | Electrolyser Improvements driven by Waste Heat Recovery. | NGT | £ 95,714.00 |
| Round 2 | Discovery | Gas | Hybrid Storage Systems for site safety and efficiency | NGT | £ 133,656.00 |
| Round 2 | Discovery | Electricity | Powering Wales Renewably | NGESO | £ 135,491.00 |
| Round 2 | Discovery | Gas | Hy-Fair | SGN | £ 111,854.00 |
| Round 2 | Discovery | Gas | Integrated hydrogen transport hubs | WWU | £ 135,169.00 |
| Round 2 | Discovery | Gas | Calfacto Latent Energy | SGN | £ 82,469.00 |
| Round 2 | Discovery | Gas | Net Zero Community Energy Hubs | SGN | £ 81,315.00 |
| Round 2 | Discovery | Gas | Carnot Gas Plant | SGN | £ 93,952.00 |
| Round 2 | Discovery | Gas | Distribution Network Information Modelling (DNIM) | SGN | £ 2.00 |
| Round 2 | Discovery | Electricity | SIF Black start Demonstrator from offshore wind (SIF BLADE) | SPT | £ 149,226.00 |
| Round 2 | Discovery | Electricity | SECURE - Securing the future delivery of all HVDC | SHE | £ 147,909.00 |

¹¹ For more information on the round 2 Discovery Phase Projects awarded SIF Funding please see: <https://www.ofgem.gov.uk/publications/strategic-innovation-fund-round-2-discovery-projects-approved-funding>

| | | | | | |
|---|-----------|-------------|---|--------|-----------------------|
| | | | projects by de-risking the HVDC cable supply chain | | |
| Round 2 | Discovery | Gas | Hydrogen Cost Reduction (HyCoRe) | NGN | £ 137,262.00 |
| Round 2 | Discovery | Electricity | REACT (Rapid Evaluation Areal Connection Tool) | SHE | £ 149,320.00 |
| Round 2 | Discovery | Gas | Supply Chain Resilience in the Transition | NGT | £ 77,893.00 |
| Round 2 | Discovery | Electricity | Scenarios for Extreme Events | NGESO | £ 149,999.00 |
| Round 2 | Discovery | Electricity | Whole Energy System Resilience Vulnerability Assessment | NGET | £ 142,820.00 |
| Round 2 | Discovery | Electricity | SF6 whole life strategy | NGET | £ 119,607.00 |
| Round 2 | Discovery | Electricity | SCOHL - SuperConductor OverHead Lines | NGET | £ 132,507.00 |
| Round 2 | Discovery | Gas | NextGen Electrolysis – Wastewater to Green Hydrogen | WWU | £ 81,422.00 |
| Round 2 | Discovery | Gas | Looking-Glass | SGN | £ 88,007.00 |
| Round 2 | Discovery | Gas | Digital Inspector | CADENT | £ 47,600.00 |
| Total of SIF Funding for Projects due to network licensees | | | | | £ 2,376,709.00 |

Additionally, as part of our contractual relationship with UKRI, we recently approved UKRI's forecast costs for delivering the SIF in 2023/24 and for additional costs incurred for operating the SIF in 2021/22. This consists of £89,985 plus VAT costs incurred for operating the SIF in 2021/22, in addition to the amount approved in the March 2022 Funding Direction¹², and £2,529,240 plus VAT of costs forecasted for the operation of the SIF in 2023/24. As detailed in chapter 7 of the SIF Governance Document, UKRI's costs will be apportioned between electricity and gas network charges, according to the relative split of electricity and gas Projects. UKRI's costs included within this Funding Direction are split taking into consideration all 53 of the Projects we have decided to award SIF Funding to for the round 2 Discovery Phase. As the Funding Direction for the round 1 Alpha Phase set out that UKRI's costs for operating the SIF in 2023/24 and any reconciliations for operating it in 2021/22 would be included in a future Funding Direction, we have included them in this Funding Direction and

¹² For the March 2022 Funding Direction for the round 1 Discovery Phase, please see: <https://www.ofgem.gov.uk/publications/direction-distribute-funding-strategic-innovation-fund>

based its breakdown on the total split of all round 2 Discovery Phase Projects approved to remain consistent with the approach taken to date.

Table 3 – SIF Funding due to UKRI for delivering the SIF

| | Instalment 1 (to be paid June 2023) |
|---|--|
| Total to be distributed by National Grid ESO to UKRI | £ 2,393,791 |
| Total to be distributed by National Gas Transmission to UKRI | £ 749,279 |
| Total of SIF Funding due to UKRI for delivering the SIF (inclusive of VAT) | £ 3,143,070.00 |

As noted in our September 2022 Funding Direction for the round 1 Alpha Phase, the reconciliation process can include a 'true-up' of the figures included in previous Funding Directions. As part of our ongoing reconciliation process, we noted several instances where rounds 1 Discovery Phase Projects were required to return an incorrect amount of SIF Funding in the round 1 Alpha Phase Funding Direction. Table 4 below provides an amalgamation of these instances, where SIF Funding is owed to a Funding Party from the round 1 Discovery Phase. We have verified these amounts with each of the Funding Parties and do not anticipate future reconciliations being required for the round 1 Discovery Phase following this Funding Direction.

Table 4 – SIF Funding due to network licensees for Projects from the round 1 Alpha Phase Funding Direction in relation to round 1 Discovery Phase reconciliation process

| | Sector | Instalment 1 (to be paid in June 2023) |
|--|---------------|---|
| SIF Funding for Projects due to National Gas Transmission Plc (NGT) | Gas | £ 558.22 |
| SIF Funding for Projects due to Southern Gas Networks Plc (SGN) ¹³ | Gas | £ 46,808.57 |
| SIF Funding for Projects due to Scottish Hydro Electric (SHE) Transmission Plc | Electricity | £ 8,063.19 |
| SIF Funding for Projects due to Northern Gas Networks Limited (NGN) | Gas | £ 64,306.67 |

¹³ 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

| | | | |
|---|-------------|----------|-------------------|
| SIF Funding for Projects due to National Grid Electricity Transmission Plc (NGET) | Electricity | £ | 29,198.23 |
| SIF Funding for Projects due to SP Transmission (SPT) | Electricity | £ | 14,807.15 |
| SIF Funding for Projects due to Wales & West Utilities Limited (WWU) | Gas | £ | 1,352.24 |
| Total of SIF Funding for Projects due to network licensees | | £ | 165,094.27 |

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 both Projects which were selected for SIF Funding in the round 1 Alpha Phase and which have been selected for SIF Funding in the round 2 Discovery Phase, we have applied any remaining SIF Funding from the round 1 Alpha Phase in Table 5 below against the SIF Funding awarded for the round 2 Discovery 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 no Funding Parties have unspent SIF Funding from the round 1 Alpha Phase which exceeds the amount of SIF Funding awarded for the round 2 Discovery Phase, no Funding Party is required to return the unspent SIF Funding via the SIF Funding Return Mechanism. Table 5 below provides the SIF Funding remaining from individual Projects which completed the round 1 Alpha Phase.

For the avoidance of doubt, please note the values in the column 'Total SIF Funding awarded round 1 Alpha Phase' reflect the values set out in each of the round 1 Alpha Phase Project Directions¹⁴, including any changes to SIF Funding which occurred as a result of an approved change request made during the Alpha Phase¹⁵. As a result, some of these values and the total SIF Funding awarded to Alpha Phase Projects differ to the amounts included in the September 2022 SIF Funding Direction for the round 1 Alpha Phase¹⁶.

Table 5 – SIF Funding Returns due from round 1 Alpha Phase Projects

¹⁴ For the round 1 Alpha Phase Project Directions please see: <https://www.ofgem.gov.uk/publications/sif-round-1-alpha-phase-project-directions>

¹⁵ For the round 1 Alpha Phase Projects which had a Project Direction change please see: <https://www.ofgem.gov.uk/publications/updated-sif-round-1-alpha-phase-project-directions>

¹⁶ For the round 1 Alpha Phase Funding Direction please see: <https://www.ofgem.gov.uk/publications/direction-distribute-funding-strategic-innovation-fund-0>

| SIF round | Project Phase | Sector | Project name | Network licensee | Total SIF Requested - round 1 Alpha Phase | Total SIF Funding used during the round 1 Alpha Phase | Total SIF Funding remaining following round 1 Alpha Phase |
|-----------|---------------|-------------|---|------------------|---|---|---|
| Round 1 | Alpha | Electricity | Network-DC | SHE | £ 423,476.00 | £ 389,321.00 | -£ 34,155.00 |
| Round 1 | Alpha | Gas | HyNTS Compression | NGT | £ 499,898.00 | £ 499,249.22 | -£ 648.78 |
| Round 1 | Alpha | Gas | HyNTS Deblending for Transport Applications | NGT | £ 313,398.00 | £ 256,681.50 | -£ 56,716.50 |
| Round 1 | Alpha | Gas | HyNTS Pipeline Dataset | NGT | £ 454,090.00 | £ 431,769.63 | -£ 22,320.37 |
| Round 1 | Alpha | Gas | HyNTS Protection | NGT | £ 443,195.00 | £ 439,888.85 | -£ 3,306.15 |
| Round 1 | Alpha | Gas | Gas System of the Future – Digital Twin | SGN | £ 494,925.00 | £ 490,399.38 | -£ 4,525.62 |
| Round 1 | Alpha | Electricity | INCENTIVE | SHE | £ 380,606.00 | £ 321,474.00 | -£ 59,132.00 |
| Round 1 | Alpha | Gas | Thermal Imagery Analysis | NGN | £ 469,356.00 | £ 468,966.98 | -£ 389.02 |
| Round 1 | Alpha | Electricity | Crowdflex | NGESO | £ 499,919.00 | £ 488,015.00 | -£ 11,904.00 |
| Round 1 | Alpha | Gas | Intelligent Gas Grid | SGN | £ 491,075.00 | £ 485,892.16 | -£ 5,182.84 |

The Office of Gas and Electricity Markets

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|--|-------|-------------|---|--------|---------------------------|---------------------------|--------------------------|
| Round 1 | Alpha | Gas | Predictive Safety Interventions | SGN | £ 411,086.00 | £ 254,023.47 | -£ 157,062.53 |
| Round 1 | Alpha | Electricity | Eye in the Sky | NGET | £ 395,769.00 | £ 314,087.76 | -£ 81,681.24 |
| Round 1 | Alpha | Electricity | Predict4Resilience | SPT | £ 499,999.00 | £ 499,351.22 | -£ 647.78 |
| Round 1 | Alpha | Electricity | A Holistic Hydrogen Approach to Heavy Duty Transport (H2H) | SPT | £ 401,864.00 | £ 393,431.43 | -£ 8,432.57 |
| Round 1 | Alpha | Electricity | Heat Balance | SPT | £ 499,116.00 | £ 499,116.00 | £ - |
| Round 1 | Alpha | Gas | Velocity Design with Hydrogen | SGN | £ 462,320.00 | £ 462,259.53 | -£ 60.47 |
| Round 1 | Alpha | Gas | Digital Platform for Leakage Analytics | Cadent | £ 445,571.00 | £ 445,571.00 | £ - |
| Round 1 | Alpha | Electricity | SCADENT – SuperConductor Applications for Dense Energy Transmission | NGET | £ 449,000.00 | £ 412,565.21 | -£ 36,434.79 |
| Total of SIF Funding Returns from individual Projects | | | | | £ 8,034,663.00 | £ 7,552,063.34 | -£ 482,599.66 |

Implementation

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

SIF Funding is distributed by NGT and ESO to individual network licensees. This means that NGT and ESO make a net payment to each licensee per instalment as per Table 6 and Table 9, which is the sum of SIF Funding awarded to the licensee across multiple Projects, minus any SIF Funding Return. The network licensees 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 NGT's Gas Transporter Licence, and the SIF Governance Document, the Authority hereby requires ESO and NGT to comply with the conditions in Schedules 1 or 2 to this SIF Funding Direction, as appropriate. Schedules 1 and 2 set out the net amounts that are to be transferred by ESO and NGT to recipients of funding, together with the manner and timescale over which these amounts will be transferred – see Tables 6 and 9 in the Schedules appended to this letter. Please note that because of the reconciliation of unspent SIF Funding from the round 1 Alpha Phase against any SIF Funding allocated to the successful round 2 Discovery Phase, no network licensee must return unspent SIF Funding from the round 1 Alpha Phase via the SIF Funding Return.

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 Luke Ames Blackaby on luke.blackaby@ofgem.gov.uk.

Yours faithfully,

Marzia Zafar

Deputy Director of Strategy & Decarbonisation

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 6 contains the net amounts that must be transferred by ESO to UKRI and network licensees, as appropriate, in the Regulatory Year 2023/2024 commencing 1 April 2023 for the round 2 Discovery 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.

Table 6 – Net amounts of SIF Funding to be transferred by ESO to recipients

| Recipient | Instalment 1 (to be paid on or before June 2023) |
|---|---|
| UKRI | £ 2,393,791.00 |
| National Grid Electricity Transmission Plc (NGET) | £ 306,016.20 |
| Scottish Hydro Electric (SHE) Transmission Plc | £ 295,520.19 |
| SP Transmission (SPT) | £ 154,952.80 |
| Total net amount of SIF Funding to be transferred by ESO to recipients | £ 3,150,280.19 |

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

Table 7 contains the net amount that ESO must retain for its own SIF Projects in the Regulatory Year 2023/2024 commencing 1 April 2023 for the round 2 Discovery Phase of the SIF. For the avoidance of doubt, no adjustments for inflation should be made to these numbers.

Table 7 – Net amount to be retained by ESO for its own SIF projects

| Recipient | Instalment 1 (to be paid June 2023) |
|---|--|
| National Grid Electricity System Operator Limited | £ 285,490.00 |

The net amount that ESO must return from its own SIF Projects

Table 8 contains the net amount that ESO must return from its own SIF projects in the Regulatory Year 2023/2024 commencing 1 April 2023 for the round 2 Discovery Phase of the

SIF. For the avoidance of doubt, no adjustments for inflation should be made to these numbers.

Table 8 – Net amount that ESO must return from its own SIF Projects

| Recipient | Instalment 1 (June 2023) |
|---|-------------------------------------|
| National Grid Electricity System Operator Limited | -£ 11,904.00 |

Schedule 2: Funds to be transferred by NGT

The net amounts that must be distributed by NGT to recipients

Table 9 contains the net amounts that must be transferred by NGT to UKRI and network licensees, as appropriate, in the Regulatory Year 2023/2024 commencing 1 April 2023 for the round 2 Discovery 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.

Table 9 – Net amounts to be distributed by NGT to recipients

| Recipient | Instalment 1 (to be paid June 2023) |
|--|--|
| UKRI | £ 749,279.00 |
| Cadent Gas Limited | £ 47,600.00 |
| Northern Gas Networks Limited | £ 201,179.65 |
| Southern Gas Networks plc | £ 337,576.11 |
| Wales & West Utilities Limited | £ 217,943.24 |
| Total net amount of SIF Funding to be transferred by NGGT to recipients | £ 1,553,578.00 |

The net amount that NGT must retain for its own SIF projects

Table 10 contains the net amount that NGT must retain for its own SIF projects in the Regulatory Year 2023/2024 commencing 1 April 2023 for the round 2 Discovery Phase of the SIF. For the avoidance of doubt, no adjustments for inflation should be made to these numbers.

Table 10 – Net amount to be retained by the NGT for its own SIF projects

| Recipient | Instalment 1 (to be paid June 2023) |
|-------------------------------|--|
| National Gas Transmission Plc | £ 307,821.22 |

The net amount that NGT must return from its own SIF Projects

Table 11 contains the net amount that NGT must return from its own SIF projects in the Regulatory Year 2023/2024 commencing 1 April 2023 for the round 2 Discovery Phase of the SIF. For the avoidance of doubt, no adjustments for inflation should be made to these numbers.

Table 11 – Net amount that NGT must return from its own SIF Projects

| Recipient | Instalment 1 (June 2023) |
|-------------------------------|-------------------------------------|
| National Gas Transmission Plc | -£ 82,991.80 |