

UK POWER NETWORKS: EASTERN POWER NETWORKS PLC (EPN)

Newington House, 237 Southwark Bridge Road

London

SE1 6NP

Direct Dial: 020 7901 7295

Email: Marzia.Zafar@ofgem.gov.uk

Date: 28 April 2023

Dear UK Power Networks: Eastern Power Networks PLC,

Strategic Innovation Fund – Approval of the Material Change request for UK Power Networks: Eastern Power Networks PLC / Indus

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.¹

On 4 April 2023, UK Power Networks: Eastern Power Networks PLC was awarded SIF Funding for Indus (the Project).² The Project is examining Developing a network-led business model for decarbonising heat and power in mid-sized industrial parks. Further to this decision, on 4 April 2023 Ofgem³ issued a SIF Project Direction.⁴

On 4 April 2023, UK Power Networks: Eastern Power Networks PLC submitted a Material Change request for the Project to the Authority. The Material Change request was submitted due to:

- A Project Partner (CR PLUS LIMITED) dropping out of the Project
- CR PLUS LIMITED's deliverables have been reallocated to other Project Partners and the Funding Party (UK Power Networks: Eastern Power Networks PLC) is confident that the

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

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

³ 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.

⁴ <https://www.ofgem.gov.uk/publications/strategic-innovation-fund-round-2-discovery-projects-approved-funding>

Project will be capable of progressing in a timely manner for the Discovery Phase with the remaining Project Partners.

The Material Change request proposed the following changes to the schedule of the SIF Project Direction issued on 4 April 2023:

- Removal of Project Partner 'CR PLUS LIMITED' from 'Table 1. Project Partners' to reflect its removal as a Project Partner.
- In 'Table 3. Project Milestones', Milestone 4 has been updated to reflect that it is now Partner 3 (AMERESCO LIMITED) (as set out in the Project Plan) which will be completing Milestone 4, rather than Partner 4 (CR Plus Limited).
- In Annex 1, in the Project Finances table for the Project Partner 'CR PLUS LIMITED' removing its total Projects, contribution, Project Compulsory Contribution, and Total SIF Funding requested to reflect that it is stepping away from the Project and is no longer a Project Partner.
- In Annex 1, in the Project Finances table for the Project Partner 'M3MAS LIMITED' increasing its total project costs to reflect its change in Project Compulsory Contribution and Total SIF Funding Requested. With CR Plus Limited stepping away from the Project, M3MAS will pick up the industrial customer requirements originally allocated to CR Plus Limited. The percentage of its 'Project Compulsory Contribution' remains unchanged as the contribution as a percentage of the total SIF Funding requested remains the same.
- In Annex 1, in the Project Finances table for the Project Partner 'CAMIRUS LIMITED' has an updated total Project costs to reflect its increased contribution and total SIF Funding requested. Camirus Limited, supported by M3MAS Limited, will pick up the sharing of experience from 'Repowering the Black Country' originally allocated to CR Plus Limited as part of work package 4. The percentage of its 'Project Compulsory Contribution' remains unchanged as the contribution as a percentage of the total SIF Funding requested remains the same.
- In Annex 1, in the Project Finances table for the Project Partner 'AMERESCO LIMITED' has an updated total Project costs to reflect its increased contribution and total SIF Funding requested. Ameresco Limited will pick up engineering aspects under work package 4 and which were originally allocated to CR Plus Limited and become the work package lead for work package 4. The percentage of its 'Project Compulsory Contribution' remains unchanged as the contribution as a percentage of the total SIF Funding requested remains the same.

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 UK Power Networks: Eastern Power Networks PLC and has engaged with the monitoring officer on the Project. Ofgem has reviewed the reasoning for the Material Change submitted by UK Power Networks: Eastern Power Networks PLC and considers it to satisfy the Eligibility Criteria in chapter 2 of the SIF Governance because:

- The Project maintains participation from a sufficient range of stakeholders for the activities set out. The Expert Assessors also considered the Project to have participation from a sufficient range of stakeholders for the activities set out, noting positively the involvement of the local authority and industry experts.
- The Material Change does not include any change to deliverables or scope of deliverables as originally set out in the 4 April 2023 Project Direction. Furthermore, the Funding Party has clearly articulated that it has confidence in the remaining Project Partners' ability to deliver the Project without any delays or changes to the scope of deliverables.

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

Decision

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

In accordance with Section 17 of the Project Direction issued on 4 April 2023 and paragraph 6.22 of the SIF Governance Document, the amended SIF Project Direction for UK Power Networks: Eastern Power Networks PLC / Indus 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 Indus. 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. Alternatively, you can contact UKRI via SIF_Ofgem@innovateuk.ukri.org.

Yours sincerely,

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

Schedule: Amended SIF Project Direction

1. PROJECT DETAILS

SIF Project Direction reference: UKPN/Indus/SIFADMED/Rd2_Discovery

Application number: 10061338

Project title: Indus

Innovation Challenge/Project Phase: Accelerating decarbonisation of major energy demands / Discovery Phase round 2

Project start date: 3 April, 2023

Project end date: 30 June, 2023

SIF Approved Amount for SIF Funding: £141,349

Total Compulsory Contribution⁵: £30,068

2. PREAMBLE

This SIF Project Direction is issued by the Gas and Electricity Markets Authority (the "Authority") to UK Power Networks: Eastern Power Networks PLC (the "Funding Party") pursuant to the SIF Governance Document issued pursuant to Special Condition 9.9 of the Electricity Distribution Licence (the "Licence"). It sets out the conditions to be complied with in relation to Indus (the "Project") as a condition of it being funded under the SIF Funding Mechanism.⁶

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

M3MAS LIMITED

⁵ The Compulsory Contribution is defined in the SIF Governance Document.

⁶ The SIF Funding Return Mechanism is defined in the SIF Governance Document.

CAMIRUS LIMITED
CR PLUS LIMITED
AMERESCO LIMITED
GUIDEHOUSE EUROPE LIMITED
PETERBOROUGH CITY COUNCIL

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 DESNZ (formerly BEIS) during the Project Phase.

Condition 4

Prior to the end of the Discovery Phase, the Funding Party must provide to the monitoring officer consideration for how the Project plans on supporting the commercial implementation of its findings and whether additional Project Partners will be necessary in the Project to implement these commercial considerations.

4. COMPLIANCE

The Funding Party must comply with Special Condition 9.9 of the Electricity Distribution Licence (the "Licence"), the SIF Governance Document and with this SIF Project Direction.

5. SIF APPROVED AMOUNT

The SIF Approved amount of £141,349 (as detailed under Section 1: Project details of this Project Direction) will be recovered by National Grid Electricity System Operator from GB customers and transferred to the Funding Party. The Funding Party is responsible for notifying National Grid Electricity System Operator 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 Electricity System Operator, the reverse applies. The Funding Party must provide bank account details to National Grid Electricity System Operator 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.

Each Project not intending to submit an Application to the next Project Phase must submit an end of Project Phase report to the monitoring officer. Projects which are not successful at the next Project Phase must either retrospectively complete an end of Phase report and publish it on the Smarter Networks Portal, or publish their unsuccessful Application (redacted where necessary) and close out meeting slides for this Project Phase on the Smarter Networks Portal.

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)⁷ and DPA (Data Protection Act) 2018⁸. 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.

⁷ https://ec.europa.eu/info/law/law-topic/data-protection/data-protection-eu_en

⁸ <https://www.legislation.gov.uk/ukpga/2018/12/contents/enacted>

13. PROJECT MILESTONES

The Funding Party must verify in its end of Project Phase meeting with the monitoring officer whether the Project milestones have been achieved or explain why they have not been.

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

Table 3. Project milestone⁹

Reference	Project milestone	Deadline	Evidence	SIF Funding Request (100%) ¹⁰
Milestone 1	Work package 1: Identify viable hub location	June 30, 2023	<p>Overall work package objectives: There are two objectives of this work package. Firstly, to identify the optimal location for a zero carbon industrial hub within the Peterborough area; secondly to establish the potential for replicability of the model across the UK, looking across the whole of UKPN's licence areas to assess the likely number of viable sites across a much wider geography.</p> <p>Key tasks:</p> <ol style="list-style-type: none">1. Review Council portfolio2. Engage with wider SE region via energy hub3. Specify DNO requirements for ideal developments	£18,121.00

⁹ As outlined in in the Application or Project Plan appendix.

¹⁰ 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.

			<p>4. Specify ideal requirements for commercial developers</p> <p>5. Specify ideal economic/industrial requirements</p> <p>6. Assess replicability potential across UKPN licence areas</p> <p>7. Create prioritised pipeline of development sites, including demonstration location(s) in Peterborough</p> <p>Milestone(s):</p> <ul style="list-style-type: none"> - Partner 2 reports on site requirements in midproject workshop: Constructive input. (£10,873.00). - Viable hub location final report: Useable reports. (£7,248.00) 	
Milestone 2	Work package 2: Identify potential industrial foci	June 30, 2023	<p>Overall work package objectives: Identify the broad sectoral focus of the demonstration zero carbon hub to be developed in Peterborough (e.g., food manufacturing, agritech, mobility technologies).</p> <p>Key tasks:</p> <ol style="list-style-type: none"> 1. Review local economic plans. 2. Engage with existing local anchor sites. 	£10,929.00

			<p>3. Workshops with key stakeholders.</p> <p>4. Report on local economic priorities.</p> <p>Milestone(s):</p> <ul style="list-style-type: none"> - Partner 1 reports on industrial foci in midproject workshop: Constructive input. (£6,558.00) - Potential industrial foci final report: Useable reports. (£4,371.00) 	
Milestone 3	Work package 3: Develop commercial offer	June 30, 2023	<p>Overall work package objectives:</p> <p>Establish commercial attractiveness of proposed new development model, including selecting commercial development partner for alpha and beta phases.</p> <p>Key tasks:</p> <ol style="list-style-type: none"> 1. Engage with potential commercial industrial park developers 2. Overview of global best practices in industrial park developments focused on net zero 3. Preliminary views on a viable commercial marketing approach for net zero industrial hubs in 	£15,928.00

			<p>the UK and peterborough specifically</p> <p>Milestone(s):</p> <ul style="list-style-type: none"> - Partner 2 reports on commercial offering development in midproject workshop: Effective input. (£9,557.00) - Commercial offering final report: Useable reports. (£6,371.00) 	
Milestone 4	<p>Work package 4: Develop energy services options and identify development partner</p>	<p>June 30, 2023</p>	<p>Overall work package objectives:</p> <p>Create 'pattern book' of high level options for industrial park infrastructure</p> <p>Key tasks:</p> <ol style="list-style-type: none"> 1. Consolidate Repowering Experience 2. Options evaluation with Ameresco input - add commercial perspective 3. Evaluate against industrial demand options 4. Evaluate against UKPN ideal requirements 5. Produce Indus pattern book. <p>Milestone(s):</p> <ul style="list-style-type: none"> - Partner 43 reports on technological offering in midproject workshop: 	£46,137.00

			<p>Effective input. (£27,683.00).</p> <ul style="list-style-type: none"> - Indus pattern book final report: Useable reports. (£18,454.00). 	
Milestone 5	<p>Work package 5: Identify regulatory barriers and quantify benefits case</p>	<p>June 30, 2023</p>	<p>Overall work package objectives: Identify regulatory barriers and quantify benefits case.</p> <p>Key tasks:</p> <ol style="list-style-type: none"> 1. Identify potential regulatory barriers 2. Analyse potential network benefits 3. Analyse potential industrial benefits 4. Analyse potential local economic benefits 5. Consolidate into overall benefits case to support alpha bid <p>Milestone(s):</p> <ul style="list-style-type: none"> - Partner 6 reports on regulatory barriers & benefits case in midproject workshop: Effective input. (£19,740.00). - Consumer benefits case final report: Useable reports. (£13,160.00). 	<p>£32,900.00</p>

Milestone 6	Work package 6: Project management	June 30, 2023	<p>Overall work package objectives: Ensure the project is delivered to time, budget and specification, in particular focusing on ensuring that a credible Alpha bid is developed.</p> <p>Key tasks:</p> <ol style="list-style-type: none"> 1. Arrange regular progress meetings including kick-off meeting and mid-project workshop 2. Ensure project disciplines and reporting maintained 3. Support effective risk management and project governance 4. Maintain task, risk and financial schedules 5. Co-ordinate and lead production of final report <p>Milestone(s):</p> <ul style="list-style-type: none"> - Mid-project Options Review workshop: Effective input. (£10,401.00). - Final report: Useable reports. (£6,933.00). 	£17,334.00
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14. USE OF LOGO

The Funding Party and the Project Partners, External Funders and Project Supporters or subcontractors¹¹ must not use the Innovate UK/UKRI and/or Ofgem logo for purposes associated with the Project in any circumstances.

¹¹ As detailed in the Application.

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 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 9.9 of the Electricity Distribution 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 9.9 of the Electricity Distribution 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 49A (Reasons for decisions) of the Electricity Act 1989.

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

SIF Project Direction costs	
Cost Category	Total Project costs (£)
Labour	167,115
Materials	0
Subcontracting	0
Travel and subsistence	3,302
Other costs	1,000
Total	171,417

Project finances				
Project Partner	Total project costs (£)	Project Compulsory Contribution (%) ¹²	Project Compulsory Contribution (£)	Total SIF Funding requested (£)
UK POWER NETWORKS: EASTERN POWER NETWORKS PLC	20,750	261%	15,000	5,750
M3MAS LIMITED	24,960 <u>34,329</u>	11%	2,496 <u>3,433</u>	22,464 <u>30,896</u>
CAMIRUS LIMITED	34,872 <u>41,119</u>	11%	3,488 <u>4,113</u>	31,384 <u>37,006</u>
CR PLUS LIMITED	24,986	11%	2,499	22,487
AMERESCO LIMITED	25,000 <u>34,370</u>	11%	2,500 <u>3,437</u>	22,500 <u>30,933</u>
GUIDEHOUSE EUROPE LIMITED	30,000	11%	3,000	27,000
PETERBOROUGH CITY COUNCIL	10,849	11%	1,085	9,764
Total	171,417	21%	30,068	141,349

¹² The Project contribution is calculated as percentage of the SIF Funding requested per Project Partner and for the Project.

ANNEX 2 TO SCHEDULE: TEMPLATE OF BANK ACCOUNT DETAILS TO BE PROVIDED TO NG ESO (revenue.invoice@nationalgrideso.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)