

UK Power Networks: Eastern Power Networks PLC (EPN)
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Date: 28 April 2023

Dear UK Power Networks: Eastern Power Networks PLC (EPN),
**Strategic Innovation Fund – Approval of the Change request for UK Power
Networks: Eastern Power Networks PLC / SHIELD**

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 (EPN) was awarded SIF Funding for SHIELD: Smart Heat and Intelligent Energy in Low-Income Districts (the Project).² The Project is examining new approaches and business models to make the decarbonisation of heat and energy affordable and therefore accessible to vulnerable consumers. 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 (EPN) submitted a request for the Project to the Authority to change the name of one of its Project Partners, Kensa Heat Pumps Limited, to Kensa Contracting Limited. It was identified after the Project Direction was issued that the Project Partner included in the Project Direction is the incorrect division of the Kensa Group which should have been included in its Application.

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>

Instead, Kensa Contracting is the division of Kensa Group which should have been included in the Application and the Project Direction.

Upon review by Ofgem, this change request was not considered a Material Change request as set out in the SIF Governance Document. This is because it does not delay the Project or any of its Project Deliverables by more than one year; result in a change to the scope of any of the Project's Deliverables; result in a change to any Project learning; result in a change to the Project Partners to the Project as it is a change to the parent organisation rather than a new Project Partner.

While this change request does not constitute a Material Change as set out in the SIF Governance Document, we are publishing a revised Project Direction for the Project in the Schedule to this revised Project Direction. This revised Project Direction includes a change to the Project Partner name (from Kensa Heat Pumps Limited to Kensa Contracting Limited) in both 'Table 1 Project Partners' and the 'Project finances' table in Annex 1.

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 change request submitted by UK Power Networks: Eastern Power Networks PLC (EPN) and has engaged with the monitoring officer on the Project. As the change does not constitute a Material Change to the Project, the Project is still considered to have met the Eligibility Criteria set out in chapter 2 of the SIF Governance Document.

Decision

As a result of the reasons outlined above, this non-material change request does not require Ofgem approval.

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 (EPN) / SHIELD - Smart Heat and Intelligent Energy in Low-Income Districts 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 4 April 2023. 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: UKPNOL/SHIELD - Smart Heat and Intelligent Energy in Low-Income Districts/SIFSJET/Rd2_Discovery

Application number: 10061386

Project title: SHIELD - Smart Heat and Intelligent Energy in Low-Income Districts

Innovation Challenge/Project Phase: Supporting a just energy transition/ Discovery Phase round 2

Project start date: 3 April, 2023

Project end date: 30 June, 2023

SIF Approved Amount for SIF Funding: £82,163

Total Compulsory Contribution⁵: £9,074

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 SHIELD - Smart Heat and Intelligent Energy in Low-Income Districts (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.

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

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

Table 1. Project Partners

ESSEX COUNTY COUNCIL
UK COMMUNITY WORKS CIC
KENSA CONTRACTING LIMITED HEAT PUMPS LIMITED
CITIZENS ADVICE ESSEX LIMITED
EASTLIGHT COMMUNITY HOMES LIMITED
POWER CIRCLE PROJECTS LTD
THERMIFY HOLDINGS LIMITED

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 completion of the Discovery Phase, the Funding Party must provide to the monitoring officer an explanation as to why the Project is focusing on Thermify systems and PV, rather than other opportunities such as wind or electric vehicles.

Condition 5

Prior to the completion of the Discovery Phase, the Funding Party must engage with the team behind the SIF Project 'Net Zero Terrace' to discuss similarities and potential areas of overlap. The Funding Party must provide prior to the end of the Discovery Phase a summary of this discussion. Innovate UK can facilitate an introduction if necessary.

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 £82,163 (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.

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: Project management	June 30, 2023	Overall work package objectives: To ensure the timely and successful delivery of the Discovery Phase of SHIELD. Key tasks: 1. Monitor progress of all work packages 2. Maintain and update the project risk register 3. Ensure effective communication between all delivery partners	£13,518.00

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>

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. Ensure effective communication with UKPN and the funding party monitoring officer</p> <p>5. Action funding claims and redistribution of funds to various delivery partners</p> <p>6. Collate and produce interim and final reports</p> <p>Milestone(s):</p> <ul style="list-style-type: none"> - First funding party monitoring officer meeting: Meeting minutes/transcript/recording. (£500.00) - Interim funding party monitoring officer meeting: Meeting minutes/transcript/recording. (£500.00) - Discovery Phase final meeting: Meeting minutes/transcript/recording. (£1,000.00) - Weekly meetings: Meeting minutes/transcript/recording. (£11,518.00) 	
Milestone 2	Work package 2: Site shortlisting	June 30, 2023	Overall work package objectives: To shortlist a site or sites containing property types and resident profiles relevant to SHIELD's proposed solutions.	£14,943.00

			<p>Key tasks:</p> <ol style="list-style-type: none"> 1. Provision of housing stock data 2. Comparison of housing stock locations with gas network access 3. Identify site or sites which match key SHIELD criteria 4. Scrutinise grid capacity <p>Milestone(s):</p> <ul style="list-style-type: none"> - Housing stock analysis: Analysis delivered. (£2,995.00) - Vulnerability assessment of properties/residents: Analysis delivered. (£3,432.00) - Gas network comparison: Comparison completed. (£500.00) - Drafting of a shortlist of SHIELD-ready households: Shortlist delivered. (£4,816.00) - Confirmation meeting: Meeting minutes/transcript/recording. (£1,000.00) - Scrutiny of grid capacity at shortlisted sites: Data delivered. (£2,200.00) 	
Milestone 3	Work package 3: Stakeholder engagement	June 30, 2023	Overall work package objectives: To design and trial	£18,151.00

			<p>an effective stakeholder engagement methodology.</p> <p>Key tasks:</p> <ol style="list-style-type: none"> 1. Identify key stakeholder groups 2. Develop engagement and communication strategy, plus associated media 3. Trial engagement strategy with test groups of stakeholders <p>Milestone(s):</p> <ul style="list-style-type: none"> - Draft engagement and communication strategy, plus associated media: Draft delivered to SHIELD partners. (£7,466.00) - Final engagement and communication strategy, plus associated media: Approved by SHIELD partners. (£7,466.00). - Trial engagement event: Event delivered. (£3,219.00) 	
Milestone 4	Work package 4: Develop technical specifications (SLES, distributed data centre, GSHP and rooftop wind)	June 30, 2023	<p>Overall work package objectives: To provide outline technical specifications of Smart Local Energy System (SLES), distributed data centres, ground source heat pumps and rooftop wind.</p> <p>Key tasks:</p>	£19,803.00

			<ol style="list-style-type: none"> 1. Indicative SLES assessment for sample locations 2. Identification of appropriate distributed data centre solution with heat/hot water integration for each main house type 3. Identification of appropriate standard GSHP solution in sample location 4. Identification of preferred integration option for heat pumps and distributed data centres 5. Outline specification of proposed rooftop wind system(s) or assessment of reasons for this option not being practicable or not being confirmable at this stage" <p>Milestone(s):</p> <ul style="list-style-type: none"> - Indicative SLES assessment for sample locations: Report delivered. (£2,328.00) - Identification of appropriate distributed data centre solution with heat/hot water integration for each main house type: Report delivered. (£5,446.00) - Identification of appropriate standard GSHP solution in sample location: Report delivered. (£1,989.00) 	
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			<ul style="list-style-type: none"> - Identification of preferred integration option for heat pumps and distributed data centres: Report delivered. (£5,706.00) - Outline specification of proposed rooftop wind system(s) or assessment of reasons for this option not being practicable or not being confirmable at this stage: Report delivered. (£4,334.00) 	
Milestone 5	Work package 5: Outline energy and financial modelling	June 30, 2023	<p>Overall work package objectives: Outline specification of proposed system(s) or assessment of reasons for this option not being practicable or not being confirmable at this stage.</p> <p>Key tasks:</p> <ol style="list-style-type: none"> 1. Assemble and review data from earlier work packages 2. Define and quantify further assumptions as necessary 3. Adapt existing PCP energy and financial model to accommodate SHIELD individual home and communal project types 4. Populate and iterate the model 5. Undertake sensitivity analyses 	£10,383.00

			6. Provide summary reports Milestone(s): - Provision of summary reports from populated energy and financial model: Report delivered. (£10,383.00)	
Milestone 6	Work package 6: Discovery Learnings and findings & Alpha Prep	June 30, 2023	Overall work package objectives: Discovery Learnings and findings and Alpha Prep. Key tasks: 1. Provide a Discovery Stage report 2. Assemble an Alpha stage application Milestone(s): - Written feedback from delivery partners and key stakeholders: Full engagement with stakeholders. (£1,000.00) - Summary of learning from the Discovery Phase: Summary report. (£4,365.00)	£5,365.00

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	75,698
Materials	200
Subcontracting	0
Travel and subsistence	300
Other costs	15,039
Total	91,237

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	9,075	907400%	9,074	1
ESSEX COUNTY COUNCIL	3,498	0%	0	3,498
UK COMMUNITY WORKS CIC	15,274		0	15,274
KENSA HEAT PUMPS LIMITED CONTRACTING LIMITED	7,644	0%	0	7,644
CITIZENS ADVICE ESSEX LIMITED	5,400	0%	0	5,400
EASTLIGHT COMMUNITY HOMES LIMITED	8,870	0%	0	8,870
POWER CIRCLE PROJECTS LTD	32,100	0%	0	32,100
THERMIFY HOLDINGS LIMITED	9,376	0%	0	9,376
Total	91,237	11%	9,074	82,163

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)