

National Grid Electricity System
Operator Limited, National Gas
Transmission Plc

Direct Dial: 0141 354 5416
Email: Luke.Blackaby@Ofgem.gov.uk

Date: 19 October 2023

Dear Company Secretaries,

October 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 RIIO-2¹ network price control.²

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

Following the completion of the SIF's round 2 Discovery Phase Projects by 30 June 2023⁵, the purpose of this SIF Funding Direction⁶ is to implement our recent decisions to distribute SIF Funding to (i) the round 2 Alpha Phase Projects that we awarded funding in 10 October 2023⁷, and (ii) reconcile any unspent SIF Funding from the round 2 Discovery Phase Projects. Please note that UKRI's costs of

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

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

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

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

⁵ Further details on the round 2 Discovery Phase Projects which were awarded SIF Funding can be found here: <https://www.ofgem.gov.uk/publications/strategic-innovation-fund-round-2-discovery-projects-approved-funding#:~:text=Our%20round%20%20call%20for,energy%20system%20resilience%20and%20robustness>

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

⁷ The SIF Alpha Phase Funding Decision was published on 10 October 2023 and can be found here: <https://www.ofgem.gov.uk/publications/strategic-innovation-fund-round-2-alpha-projects-approved-funding>

operating in the SIF in 2023/24 were included in the 21 April 2023 Funding Direction⁸ for the round 2 Discovery Phase and therefore no UKRI costs are included in this SIF Funding Direction. Reconciliation of UKRI's actual costs for 2022/23 and 2023/24 and distribution of UKRI's forecast costs for 2024/25 will be included in a future SIF Funding Direction.

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

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

Any unspent SIF Funding from the round 2 Discovery Phase Projects will be applied to the SIF Funding requested for the round 2 Alpha Phase Projects on a per Funding Party basis. Table 3 below provides more information on what unspent SIF Funding from the round 2 Discovery Phase Projects is being applied to SIF Funding awarded for the round 2 Alpha Phase. As all Funding Parties from the round 2 Discovery Phase have Projects which have been selected to receive SIF Funding for the round 2 Alpha Phase, all unspent SIF Funding from the round 2 Discovery Phase can be reconciled against the SIF Funding due to be distributed to the round 2 Alpha Phase Projects on a per Funding Party basis. As a result, none of the unspent SIF Funding from the round 2 Discovery Phase must be returned via the SIF Funding Return Mechanism.

Background

⁸ The 21 March 2023 SIF Funding Direction for the round 2 Discovery Phase can be found here: <https://www.ofgem.gov.uk/publications/strategic-innovation-fund-round-2-discovery-projects-approved-funding#:~:text=Our%20round%202%20call%20for,energy%20system%20resilience%20and%20robustness>

In line with chapter 7 of SIF Governance Document and pursuant to the following licence conditions detailed in Table 1 below, Ofgem calculates and, by direction, specifies the net amount of SIF Funding (less any SIF Funding Return) that is to be paid to Funding Parties by ESO and 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 below also sets out the network licensees who were eligible to participate in the round 2 Alpha Phase.

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) ⁹	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

⁹ Please note that all SGN Projects were submitted under the licensee Southern Gas Networks
The Office of Gas and Electricity Markets

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 NGGT's licence:

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

The values in this document align with the SIF Funding Decision published on 10 October 2023¹⁰. These figures awarded are based upon the forecasts submitted by individual Projects. However, we recognise the actual expenditure on Projects may differ from these figures. Accordingly, there will be a 'true-up' of the figures quoted in this SIF Funding Direction against actual expenditure via subsequent SIF Funding Directions.

To minimise cashflow risk, ESO and NGT have both forecast the value of the SIFF term in advance of this direction.¹¹ As the Project Phases and the SIF rounds progress, the 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 recovered from consumers is accurate.

SIF Funding awarded

¹⁰The 10 October 2023 round 2 Alpha Phase Funding Decision can be found here:

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

¹¹ The ESO and NGT are able to input forecast values for the SIFF term when setting network charges for the year ahead. In future years, the ESO and NGT then reconcile these forecast values against actual values we specify within these SIF Funding Directions.

As per our SIF Funding Decision published on 10 October 2023, we awarded SIF Funding to 36 Project for the round 2 Alpha Phase of the SIF. The Projects we decided to fund are listed in Table 2 below.

Table 2 – SIF Funding requested by the successful round 2 Alpha Phase Projects

SIF round	Project Phase	Sector	Project name	Funding Party	Total SIF Funding to be distributed
Round 2	Alpha	Gas	Hy-Fair - Alpha	Southern Gas Networks Plc (SGN)	£ 463,201.00
Round 2	Alpha	Electricity	Net Zero Terrace	Electricity North West Limited (ENWL)	£ 494,502.00
Round 2	Alpha	Electricity	VIVID - Vulnerability Identification Via informative Data	Scottish and Southern Energy Power Distribution (SHEPD): Scottish Hydro Electric Power Distribution Plc	£ 448,525.00
Round 2	Alpha	Electricity	Guidelight	UK Power Networks: London Power Networks Plc (LPN)	£ 487,322.00
Round 2	Alpha	Electricity	SHIELD - Smart Heat and Intelligent Energy in Low-Income Districts	UK Power Networks: Eastern Power Networks Plc (EPN)	£ 475,123.00
Round 2	Alpha	Electricity	INSIGHT	Scottish Hydro Electric (SHE) Transmission Plc	£ 227,093.00
Round 2	Alpha	Gas	HyNTS Waste Heat Recovery for Electrolysis	National Gas Transmission Plc (NGT)	£ 386,732.00
Round 2	Alpha	Electricity	Powering Wales Renewably	National Grid Electricity System Operator Limited (NGESO)	£ 499,176.00
Round 2	Alpha	Electricity	Flexible Queue Management (Alpha)	Northern Powergrid (Yorkshire) Plc (NPgY)	£ 245,416.00
Round 2	Alpha	Electricity	Artificial Forecasting	Northern Powergrid (Northeast) Plc (NPgN)	£ 467,838.00
Round 2	Alpha	Gas	HyNTS Hybrid Storage	National Gas Transmission Plc (NGT)	£ 375,369.00

Round 2	Alpha	Electricity	SIF Black start Demonstrator from offshore wind (SIF BLADE)	SP Transmission (SPT)	£ 499,920.00
Round 2	Alpha	Gas	Hydrogen Cost Reduction (HyCoRe)	Northern Gas Networks Limited (NGN)	£ 499,787.00
Round 2	Alpha	Electricity	REACT	Scottish Hydro Electric (SHE) Transmission Plc	£ 496,625.40
Round 2	Alpha	Electricity	D-suite	SP Energy Networks: Manweb Plc (SPMW)	£ 495,010.00
Round 2	Alpha	Electricity	Scenarios for Extreme Events	National Grid Electricity System Operator Limited (NGESO)	£ 457,899.00
Round 2	Alpha	Electricity	Whole Energy System Resilience Vulnerability Assessment (WELLNESS)	National Grid Electricity Transmission Plc (NET)	£ 471,725.00
Round 2	Alpha	Electricity	SF6 whole life strategy	National Grid Electricity Transmission Plc (NET)	£ 403,311.00
Round 2	Alpha	Gas	NextGen Electrolysis – Wastewater to Green Hydrogen	Wales & West Utilities Limited (WWU)	£ 295,824.00
Round 2	Alpha	Electricity	CommsConnect	UK Power Networks: South Eastern Power Networks Plc (SPN)	£ 403,382.00
Round 2	Alpha	Electricity	Connectrolyser	UK Power Networks: Eastern Power Networks Plc (EPN)	£ 498,483.00
Round 2	Alpha	Electricity	Trinity	UK Power Networks: South Eastern Power Networks Plc (SPN)	£ 499,545.00
Round 2	Alpha	Gas	Digital Inspector	Cadent Gas Limited (Cadent)	£ 309,790.00
Round 2	Alpha	Electricity	CRDo+ Climate Resilience Demonstrator (extension to new climate risks)	UK Power Networks: Eastern Power Networks Plc (EPN)	£ 497,856.00
Round 2	Alpha	Electricity	NIMBUS	Scottish Hydro Electric (SHE) Transmission Plc	£ 499,873.00
Round 2	Alpha	Electricity	Full Circle	UK Power Networks: London Power Networks Plc (LPN)	£ 416,811.00
Round 2	Alpha	Electricity	Planning Regional Infrastructure in a Digital	National Grid Electricity	£ 499,874.00

			Environment (PRIDE)	Distribution (EMID): East Midlands Plc	
Round 2	Alpha	Electricity	LEO-N	Scottish and Southern Energy Power Distribution (SSEPD), Southern Electric Power Distribution Plc	£ 481,159.00
Round 2	Alpha	Electricity	Heatropolis	UK Power Networks: London Power Networks Plc (LPN)	£ 483,374.00
Round 2	Alpha	Electricity	Heat Risers	UK Power Networks: London Power Networks Plc (LPN)	£ 489,735.00
Round 2	Alpha	Electricity	Inform	Northern Powergrid (Northeast) Plc (NPgN)	£ 388,491.00
Round 2	Alpha	Electricity	Park & Flex	UK Power Networks: South Eastern Power Networks Plc (SPN)	£ 467,470.00
Round 2	Alpha	Electricity	Indus	UK Power Networks: Eastern Power Networks Plc (EPN)	£ 496,757.00
Round 2	Alpha	Electricity	Lightspeed	UK Power Networks: South Eastern Power Networks Plc (SPN)	£ 497,928.00
Round 2	Alpha	Electricity	RetroMeter	Electricity North West Limited (ENWL)	£ 483,934.00
Round 2	Alpha	Electricity	Watt Heat	UK Power Networks: London Power Networks Plc (LPN)	£ 486,444.00
Total of SIF Funding requested by successful round 2 Alpha Phase Projects					£ 16,091,304.40

The SIF Funding Return

The SIF Funding Return Mechanism is used to return any SIF Funding Return from Funding Parties to NGT and ESO, and 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.

No Projects from the round 2 Discovery Phase were halted or had revenues and therefore there are no SIF Disallowed Expenditure, SIF Halted Project Revenues, SIF Returned Project Revenues and SIF Returned Royalty Income set out as part of this Funding Direction. Furthermore, as all Funding Parties have Projects which are progressing from the round 2 Discovery Phase to the round 2 Alpha Phase, we have applied any unspent SIF Funding from the round 2 Discovery Phase in Table 3 below against the SIF Funding awarded for the round 2 Alpha Phase on a per Funding Party basis. This aligns with the distribution of the SIF Funding, which is also applied on a per Funding Party basis. As a result of this, no licensees are required to use the SIF Funding Return Mechanism to return unspent SIF Funding from round 2 Discovery Phase. Table 3 below provides the unspent SIF Funding remaining from individual Projects which completed the round 2 Discovery Phase.

For the avoidance of doubt, please note the values in the column 'Total SIF Funding awarded round 2 Discovery Phase' reflect the values set out in each of the round 2 Discovery Phase Project Directions, including any changes to SIF Funding which occurred as a result of an approved change request made during the Discovery Phase¹². As a result, these values and the total SIF Funding awarded to Discovery Phase Projects may differ to the amounts included in the March 2023 SIF Funding Direction for the round 2 Discovery Phase.

¹² The Projects which had approved change requests during the round 2 Discovery Phase are: PIONEER, Indus, SHIELD, Shifting Currents, Dynamic Networks. For more information please see the updated Project Directions for the Discovery Phase here: <https://www.ofgem.gov.uk/publications/updated-sif-project-directions-july-2023>

Table 3 – SIF Funding Returns due from individual round 2 Discovery Phase Projects

SIF round	Project Phase	Sector	Project name	Funding Party	Total SIF Funding awarded for Round 2 Discovery Phase	Total SIF Funding used during the Round 2 Discovery Phase	Total SIF Funding Remaining following Round 2 Discovery Phase	Reason for return (eg unspent SIF Funding, SIF Disallowed Expenditure, SIF Halted Project Revenues, SIF Returned Project Revenues and SIF Returned Royalty Income)	Use of Unspent SIF Funding
Round 2	Discovery	Gas	Electrolyser Improvements driven by Waste Heat Recovery	National Gas Transmission Plc (NGT)	£ 95,714.00	£ 93,462.34	-£ 2,251.66	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Gas	Hybrid Storage Systems for site safety and efficiency	National Gas Transmission Plc (NGT)	£ 133,656.00	£ 133,447.27	-£ 208.73	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Gas	Supply Chain Resilience in the Transition	National Gas Transmission Plc (NGT)	£ 77,893.00	£ 77,847.23	-£ 45.77	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Gas	Hy-Fair	Southern Gas Networks Plc (SGN)	£ 111,854.00	£ 111,854.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Gas	Calfacto Latent Energy	Southern Gas Networks Plc (SGN)	£ 82,469.00	£ 82,469.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Gas	Net Zero Community Energy Hubs	Southern Gas Networks Plc (SGN)	£ 81,315.00	£ 81,314.00	-£ 1.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Gas	Carnot Gas Plant	Southern Gas Networks Plc (SGN)	£ 93,952.00	£ 93,951.00	-£ 1.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award

Round 2	Discovery	Gas	Distribution Network Information Modelling (DNIM)	Southern Gas Networks Plc (SGN)	£ 2.00	£ 2.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Gas	Looking-Glass	Southern Gas Networks Plc (SGN)	£ 88,007.00	£ 88,007.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	INSIGHT	Scottish Hydro Electric (SHE) Transmission Plc	£ 83,515.00	£ 72,940.00	-£ 10,575.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	SECURE - Securing the future delivery of all HVDC projects by de-risking the HVDC cable supply chain	Scottish Hydro Electric (SHE) Transmission Plc	£ 147,909.00	£ 145,115.00	-£ 2,794.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	REACT	Scottish Hydro Electric (SHE) Transmission Plc	£ 149,320.00	£ 139,071.00	-£ 10,249.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Gas	Hydrogen Cost Reduction (HyCoRe)	Northern Gas Networks Limited (NGN)	£ 137,262.00	£ 135,954.51	-£ 1,307.49	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Powering Wales Renewably	National Grid Electricity System Operator Limited (NGESO)	£ 135,491.00	£ 135,491.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Scenarios for Extreme Events	National Grid Electricity System Operator Limited (NGESO)	£ 149,999.00	£ 134,119.00	-£ 15,880.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Whole Energy System Resilience Vulnerability Assessment	National Grid Electricity Transmission Plc (NGET)	£ 142,820.00	£ 140,335.00	-£ 2,485.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	SF6 whole life strategy	National Grid Electricity Transmission Plc (NGET)	£ 119,607.00	£ 118,157.00	-£ 1,450.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	SCOHL - SuperConductor OverHead Lines	National Grid Electricity Transmission Plc (NGET)	£ 132,507.00	£ 124,191.46	-£ 8,315.54	Unspent SIF Funding	Applied to Round 2 Alpha Phase award

Round 2	Discovery	Electricity	SIF Black start Demonstrator from offshore wind (SIF BLADE)	SP Transmission (SPT)	£ 149,226.00	£ 149,226.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Gas	Digital Inspector	Cadent Gas Limited (Cadent)	£ 47,600.00	£ 41,959.00	-£ 5,641.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Gas	Integrated hydrogen transport hubs	Wales & West Utilities Limited (WWU)	£ 135,169.00	£ 135,169.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Gas	NextGen Electrolysis – Wastewater to Green Hydrogen	Wales & West Utilities Limited (WWU)	£ 81,422.00	£ 81,422.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Shifting Currents	National Grid Electricity Distribution (WMID): West Midlands Plc	£ 99,040.00	£ 99,040.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	EV Respond	National Grid Electricity Distribution (WMID): West Midlands Plc	£ 121,384.00	£ 121,384.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Planning Regional Infrastructure in a Digital Environment (PRIDE)	National Grid Electricity Distribution (EMID): East Midlands Plc	£ 130,641.00	£ 127,800.00	-£ 2,841.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Proportional Investment Of Networks in Energy Efficiency Retrofit (PIONEER)	National Grid Electricity Distribution (EMID): East Midlands Plc	£ 125,446.00	£ 125,446.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Tyseley Environmental Enterprise District	National Grid Electricity Distribution (SWEST): South West Plc	£ 145,216.00	£ 145,216.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Diversified Flexible Queue Management	Northern Powergrid (Northeast) Plc (NPgN)	£ 147,151.00	£ 147,151.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Artificial Forecasting	Northern Powergrid (Northeast) Plc (NPgN)	£ 126,722.00	£ 120,121.00	-£ 6,601.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award

Round 2	Discovery	Electricity	Inform	Northern Powergrid (Northeast) Plc (NPgN)	£ 123,196.00	£ 121,346.00	-£ 1,850.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Resilient Customer Response	Northern Powergrid (Northeast) Plc (NPgN)	£ 117,889.00	£ 113,844.00	-£ 4,045.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Power Block	UK Power Networks: London Power Networks Plc (LPN)	£ 42,355.00	£ 42,355.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Guidelight	UK Power Networks: London Power Networks Plc (LPN)	£ 119,628.00	£ 117,983.00	-£ 1,645.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Heatropolis	UK Power Networks: London Power Networks Plc (LPN)	£ 146,195.00	£ 146,195.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Full Circle	UK Power Networks: London Power Networks Plc (LPN)	£ 108,453.00	£ 108,453.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Heat Risers	UK Power Networks: London Power Networks Plc (LPN)	£ 92,341.00	£ 92,341.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Watt Heat	UK Power Networks: London Power Networks Plc (LPN)	£ 86,697.00	£ 86,696.00	-£ 1.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Lightspeed	UK Power Networks: South Eastern Power Networks Plc (SPN)	£ 140,552.00	£ 140,552.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Park & Flex	UK Power Networks: South Eastern Power Networks Plc (SPN)	£ 108,554.00	£ 108,554.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	CommsConnect	UK Power Networks: South Eastern Power Networks Plc (SPN)	£ 110,138.00	£ 110,138.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award

Round 2	Discovery	Electricity	WARN (Weather Alerts and Risk analysis for Network operators)	UK Power Networks: South Eastern Power Networks Plc (SPN)	£ 109,647.00	£ 108,147.00	-£ 1,500.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	CRedo+	UK Power Networks: Eastern Power Networks Plc (EPN)	£ 112,284.00	£ 112,284.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	SHIELD	UK Power Networks: Eastern Power Networks Plc (EPN)	£ 82,163.00	£ 82,163.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Indus	UK Power Networks: Eastern Power Networks Plc (EPN)	£ 141,349.00	£ 141,349.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Connectrolyser	UK Power Networks: Eastern Power Networks Plc (EPN)	£ 118,525.00	£ 118,525.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Trinity	UK Power Networks: Eastern Power Networks Plc (EPN)	£ 134,793.00	£ 134,793.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	Net Zero Terrace	Electricity North West Limited (ENWL)	£ 129,519.00	£ 129,519.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	RetroMeter	Electricity North West Limited (ENWL)	£ 148,081.00	£ 148,081.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	REWIRE	Electricity North West Limited (ENWL)	£ 149,947.00	£ 149,947.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	VIVID	Scottish and Southern Energy Power Distribution (SSEPD), Southern Electric Power Distribution Plc	£ 94,459.00	£ 91,926.00	-£ 2,533.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	LEO-N	Scottish and Southern Energy Power Distribution (SSEPD),	£ 141,756.00	£ 133,466.65	-£ 8,289.35	Unspent SIF Funding	Applied to Round 2 Alpha Phase award

				Southern Electric Power Distribution Plc					
Round 2	Discovery	Electricity	Dynamic Networks	Scottish and Southern Energy Power Distribution (SSEPD), Southern Electric Power Distribution Plc	£ 139,273.00	£ 120,104.00	-£ 19,169.00	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Round 2	Discovery	Electricity	D-suite	SP Energy Networks: Manweb Plc (SPMW)	£ 131,875.00	£ 131,875.00	£ -	Unspent SIF Funding	Applied to Round 2 Alpha Phase award
Total of SIF Funding Returns from individual Projects							-£ 109,679.54		

Implementation

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

SIF Funding is distributed by NGT and ESO to individual Funding Parties. This means that ESO and NGT make a net payment to each Funding Party per instalment as per Table 4 and Table 6, respectively, which is the sum of SIF Funding awarded to the Funding Party across multiple Projects, minus any unspent SIF Funding from the round 2 Discovery Phase. The Funding Parties are responsible for administering the SIF Funding they receive for Projects as per requirements in chapter 8 of the SIF Governance Document.

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

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 Blackaby on Luke.Blackaby@Ofgem.gov.uk.

Yours faithfully,

Luke Ames Blackaby
Interim Head of Innovation Hub

Signed for and on behalf of the Authority

Schedule 1: Funds to be transferred by ESO

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

Table 4 contains the net amounts that must be transferred by ESO to Funding Parties, as appropriate, in the Regulatory Year 2023/2024 commencing 1 April 2023 for the round 2 Alpha Phase of the SIF. For the avoidance of doubt, no adjustments for inflation should be made to these numbers. It also sets out the manner and timescale for making payments.

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

Recipient	Instalment 1 (to be paid on or before w/c 13 November 2023)
Electricity North West Limited (ENWL)	£ 978,436.00
National Grid Electricity Distribution (WMID): West Midlands Plc	£ -
National Grid Electricity Distribution (EMID): East Midlands Plc	£ 497,033.00
National Grid Electricity Distribution (SWALES): South Wales Plc	£ -
National Grid Electricity Distribution (SWEST): South West Plc	£ -
National Grid Electricity Transmission Plc (NGET)	£ 862,785.46
Northern Powergrid (Northeast) Plc (NPgN)	£ 843,833.00
Northern Powergrid (Yorkshire) Plc (NPgY)	£ 245,416.00
Scottish and Southern Energy Power Distribution (SHEPD): Scottish Hydro Electric Power Distribution Plc	£ 448,525.00
Scottish and Southern Energy Power Distribution (SSEPD), Southern Electric Power Distribution Plc	£ 451,167.65
Scottish Hydro Electric (SHE) Transmission Plc	£ 1,199,973.40
SP Energy Networks: Distribution Ltd (SPD)	£ -
SP Energy Networks: Manweb Plc (SPMW)	£ 495,010.00
SP Transmission (SPT)	£ 499,920.00
UK Power Networks: London Power Networks Plc (LPN)	£ 2,362,040.00
UK Power Networks: South Eastern Power Networks Plc (SPN)	£ 1,866,825.00
UK Power Networks: Eastern Power Networks Plc (EPN)	£ 1,968,219.00
Total net amount of SIF Funding to be transferred by ESO to recipients	£ 12,719,183.51

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

Table 5 contains the net amount that ESO must retain for its own SIF Projects in the Regulatory Year 2023/2024 commencing 1 April 2023. For the avoidance of doubt, no adjustments for inflation should be made to these numbers.

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

Recipient	Instalment 1 (to be paid on or before w/c 13 November 2023)
National Grid Electricity System Operator Limited	£ 941,195

Schedule 2: Funds to be transferred by NGT

The net amounts that must be distributed by NGT to recipients

Table 6 contains the net amounts that must be transferred by NGT to Funding Parties, as appropriate, in the Regulatory Year 2023/2024 commencing 1 April 2023 for the round 2 Alpha Phase of the SIF. For the avoidance of doubt, no adjustments for inflation should be made to these numbers. It also sets out the manner and timescale for making payments.

Table 6 – Net amounts to be distributed by NGT to recipients

Recipient	Instalment 1 (to be paid on or before w/c 13 November 2023)
Cadent Gas Limited	£ 304,149.00
Northern Gas Networks Limited	£ 498,479.51
Scotland Gas Networks plc	£ -
Southern Gas Networks plc	£ 463,199.00
Wales & West Utilities Limited	£ 295,824.00
Total net amount of SIF Funding to be transferred by NGT to recipients	£ 1,561,651.51

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

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

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

Recipient	Instalment 1 (to be paid on or before w/c 13 November 2023)
National Gas Transmission Plc	£ 759,594.84