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Date: 16 February 2024

Dear Northern Powergrid (Northeast) PLC,

**SIF Project Direction ref:** NPgN/Cross Vector Energy Hub/SIFWSPFAR/Rd3\_Discovery  
Northern Powergrid (Northeast) PLC submitted Cross Vector Energy Hub (the Project) to be considered for funding through the Discovery Phase of round 3 of the Strategic Innovation Fund (SIF). In our<sup>1</sup> SIF Funding Decision finalised on 16 February 2024, we selected the Project<sup>2</sup> for conditional funding for the round 3 Discovery Phase and as a result we are now issuing this SIF Project Direction to implement that decision.

Northern Powergrid (Northeast) PLC must comply with the conditions contained in this SIF Project Direction as a condition of the Project receiving funding through the SIF. These conditions can be found in the Schedule to this document.

### **Progression through SIF Phases**

The SIF consists of a multi-phase approach for Projects in order to mitigate the risk associated with innovations. The Discovery Phase focuses on feasibility, the Alpha Phase on experimental development, and the Beta Phase on deployment and demonstration. This Project Direction is for the round 3 Discovery Phase of the SIF.

### **Role of UK Research & Innovation (UKRI)**

As per Chapter 1 of the SIF Governance Document<sup>3</sup> the role of UKRI is to deliver the SIF in line with the SIF Governance Document - administering the funding programme,

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<sup>1</sup> The terms 'we', 'us', 'our' refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

<sup>2</sup> Unless otherwise specified, defined terms in this SIF Project Direction have the meaning given to them in Appendix 1 of the SIF Governance Document.

<sup>3</sup> <https://www.ofgem.gov.uk/publications/updated-sif-governance-document>

monitoring the delivery of Projects, collating data from Projects on benefits, making recommendations to Ofgem on operational matters, supporting third-party innovators and, where possible, supporting successful Projects to become 'business as usual' activities. To support the success of the Projects and the SIF programme, we expect that the Funding Party and Project Partners collaborate with Ofgem and UKRI.

### **SIF Project Direction**

Paragraph 5.14 of the SIF Governance Document states that a SIF Project Direction will:

- Set out the Project-specific conditions, to which the Funding Party is committing in accepting SIF Funding.<sup>4</sup>
- Require the Funding Party to undertake the Project in accordance with the commitments made in the Application. Where appropriate, the SIF Project Direction may therefore include extracts from the Application or refer to specific sections of the SIF Application.<sup>5</sup>
- Where applicable, set out conditions (such as Project stage gates) linked to milestones and deliverables, which Projects must meet.<sup>6</sup>
- Set out the SIF Approved Amount for the Project, that will form part of the calculation contained in the SIF Funding Direction issued by the Authority under chapter 7 of the SIF Governance Document.<sup>7</sup>
- Set out the Project budget that the Funding Party must report against and how variations in the Project budget will be reported.<sup>8</sup>
- Where applicable, set out special information sharing requirements applicable to the Project.<sup>9</sup>
- Set out the mechanism for the Funding Party receiving the SIF Approved Amount as set out in the SIF Funding Direction.<sup>10</sup>

All SIF Project Direction requirements are detailed in the Schedule to this SIF Project Direction.

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<sup>4</sup> 'Project specific conditions' detailed under Point 3 – 'Condition Precedent' of this SIF Project Direction.

<sup>5</sup> 'Project specific conditions' detailed under Point 3 – 'Condition Precedent' of this SIF Project Direction.

<sup>6</sup> 'Project specific conditions' detailed under Point 3 – 'Condition Precedent' of this SIF Project Direction.

<sup>7</sup> 'SIF Funding Amount' detailed under Point 5 – 'Condition Precedent' of this SIF Project Direction.

<sup>8</sup> 'Annex 1 – Project Budget.

<sup>9</sup> 'Project specific conditions' detailed under Point 3 – 'Condition Precedent' of this SIF Project Direction.

<sup>10</sup> 'SIF Funding Amount' detailed under Point 5 – 'Condition Precedent' of this SIF Project Direction.

## **Decision**

Provided the Funding Party complies with the SIF Governance Document and with the Schedule to this SIF Project Direction, the Project is deemed to be an Eligible SIF Project<sup>11</sup>.

This SIF Project Direction constitutes notice pursuant to section 49A (Reasons for decisions) of the Electricity Act 1989.

**Marzia Zafar**

**Deputy Director, Decentralisation & Digitalisation**

**For and on behalf of the Authority**

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<sup>11</sup> 'Eligible SIF Project' is a defined term in the SIF Governance Document. See also, paragraph 5.13 of the SIF Governance Document.

## Schedule to SIF Project Direction

### 1. PROJECT DETAILS

SIF Project Direction reference: NPgN/Cross Vector Energy

Hub/SIFWSPFAR/Rd3\_Discovery

Application number: 10107060

Project title: Cross Vector Energy Hub

Innovation Challenge/Project Phase: Whole system planning and utilisation of networks to facilitate faster and cheaper network transformation and asset rollout / Discovery Phase round 3

Project start date: 01 March 2024

Project end date: 31 May 2024

SIF Approved Amount for SIF Funding: £117,305

### 2. PREAMBLE

This SIF Project Direction is issued by the Gas and Electricity Markets Authority (the "Authority") to Northern Powergrid (Northeast) PLC (the "Funding Party") pursuant to the SIF Governance Document issued pursuant to Special Condition 9.9 of the Electricity Distribution Licence. It sets out the conditions to be complied with in relation to Cross Vector Energy Hub (the "Project") as a condition of it being funded under the SIF Funding Mechanism.<sup>12</sup>

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

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

### 3. PROJECT SPECIFIC CONDITIONS

In accepting funding for the Project, the Funding Party is subject to the following Project-specific conditions:

#### **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.

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<sup>12</sup> The SIF Funding Return Mechanism is defined in the SIF Governance Document.

**Table 1. Project Partners**

SMARTER GRID SOLUTIONS LIMITED
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**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 make reasonable endeavours to participate in all meetings related to the Project that they are invited to by Ofgem, UKRI and DESNZ during the Discovery Phase.

**Condition 4**

Prior to the start of the Discovery Phase the Funding Party must provide an updated dissemination plan to the Monitoring Officer, to provide more information and clarity on how benefits will be articulated to the consumer.

**Condition 5**

Prior to the start of the Discovery Phase the Funding Party must provide an updated methodology to the Monitoring Officer, to provide a stakeholder engagement plan for understanding of the coordination between gas and electricity networks as well as ensuring that the Project will engage with sufficient expertise from the gas and/or hydrogen industry.

**4. COMPLIANCE**

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

**5. SIF APPROVED AMOUNT**

The SIF Approved amount of £117,305 (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) To undertake the Project in accordance with its Application,
- (ii) To complete the Project on or before the Project completion date as detailed under Section 1 of the Schedule to this SIF Project Direction, and
- (iii) To 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.

As set out in chapter 6 of the SIF Governance Document, the Funding Party may be required to submit an end of Phase report to the UKRI monitoring officer for the round 3 Discovery Phase. An end of Phase report is required for the round 3 Discovery Phase if the Project is not planning on submitting an Application to the round 3 Alpha Phase and, if the Funding Party submits an Application for the Project for the round 3 Alpha Phase but is not successful. Within this report, the Funding Party must submit information

related to questions on Project delivery as detailed in chapter 6, table 6 of the SIF Governance Document.

## **9. MONITORING**

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

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

## **10. EVALUATION**

The Funding Party has acknowledged when it submitted its Application for this Project, that reporting information and data gathered during the Project's timescales (as detailed in Section 1 of the Schedule to 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 Data Triage 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 General Data Protection Regulation<sup>13</sup> and Data Protection Act 2018<sup>14</sup>.

Protection of computer systems from unauthorised access or being otherwise damaged or made inaccessible must be in place alongside effective working practices. These must be maintained in line with the Funding Party's IT Management Strategies and policies.

## **13. PROJECT MILESTONES**

The Funding Party must provide an outline in its end of Project Phase meeting with its UKRI monitoring officer that verifies the Project milestones have been achieved or explains why they have not.

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

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<sup>13</sup> [https://ec.europa.eu/info/law/law-topic/data-protection/data-protection-eu\\_en](https://ec.europa.eu/info/law/law-topic/data-protection/data-protection-eu_en)

<sup>14</sup> <https://www.legislation.gov.uk/ukpga/2018/12/contents/enacted>

**Table 3. Project milestone<sup>15</sup>**

Reference	Project milestone	Deadline	Overall objectives and key tasks	SIF Funding Request
Milestone 1	Work package 1: Multi-Vector Energy Hub: Solution Definition	31 May 2024	<p>Overall objective: WP1 will build of a full definition of the Multi-Vector Energy Hub Solution, reviewing state-of-the art from other multi-vector, resilience, and capacity release innovation projects, identifying key gaps. WP1 will full define the Use Cases that will be delivered through the solution and performing initial specification of the technology components that are required to deliver the Use Cases.</p> <p>Key tasks:</p> <ol style="list-style-type: none"> <li>1. Review of State-of-the-Art</li> <li>2. Definition of Multi-Vector Energy Hub Use Cases</li> <li>3. Assessment of Technology Options &amp; Completion of Energy Hub Solution Definition Report</li> </ol>	£21,850
Milestone 2	Work package 2: Energy Hub	31 May 2024	Overall objective: WP2 will deliver a high-level design for the modelling & analysis techniques that will provide the crucial foundation onto which the value case and feasibility of multi-	£26,260

<sup>15</sup> As outlined in in the Application or Project Plan appendix.

	Modelling Approach		<p>vector Energy Hub and grid capacity release use cases can be assessed. WP2 will establish the overall objectives for modelling, and define the recommended data inputs, analytical models and toolsets applied to the study of the proposed solution. WP2 will present a high-level design which is to be demonstrated (with trial validation) in the (later) project Alpha phase</p> <p>Key tasks:</p> <ol style="list-style-type: none"> <li>1. Whole-System Energy Hub Solution Modelling: Concept, Objectives and Outputs</li> <li>2. Modelling Components: Data Sources, Technology and Toolset Requirements</li> <li>3. Whole System Modelling: Roadmap Definition</li> <li>4. Modelling Solution: High Level Design Reporting</li> </ol>	
Milestone 3	Work package 3: Regulation & Commercial Review	31 May 2024	<p>Overall objective: WP3 will review and assess the regulatory and market context for roll-out of enhanced multi-vector solutions, particularly the application of multi-vector energy exchange for electrical grid resilience and capacity management applications. WP3 will identify the potential regulatory/commercial barriers to wide-scale BaU deployment of the multi-vector solution, informing areas that must be addressed in further stages (alpha, beta) of innovation delivery.</p>	£20,635

			<p>Key tasks:</p> <ol style="list-style-type: none"> <li>1. Regulatory Review: Define Regulatory Context</li> <li>2. Review Commercial Arrangements</li> <li>3. Assessment of Challenges and Opportunities</li> <li>4. Regulatory and Commercial Review Report</li> </ol>	
Milestone 4	Work package 4: Value Case	31 May 2024	<p>Overall objective: WP4 will perform high-level modelling of the use cases defined in WP1, utilizing Northern Powergrid network datasets and energy conversion models of the proposed technology components. The modelling will approximate the emergence (frequency) of grid constraint or outage events that necessitate application of the identified Multi-Vector Use Cases, and study the overall value and energy conversion efficiency of different methods. WP4 will approximate the cost of solution implementation and operation, feeding this through a Cost-Benefit Analysis to derive benefit of overall solution. The CBA will be mapped to the proposed Alpha-Phase deployment site (Low Thornley, North East England) however extrapolation will assess prospective value with wider BaU roll-out across Great Britain.</p> <p>Key tasks:</p>	£26,710

			<ol style="list-style-type: none"> <li>1. Multi-Vector Solution Modelling: Quantifying the Value Case and Counterfactual</li> <li>2. Multi-Vector Solution Modelling: Cost Approximation</li> <li>3. Solution Cost-Benefit Assessment &amp; Extrapolation of Value Case</li> <li>4. Value Case Reporting</li> </ol>	
Milestone 5	Work package 5: Trial Design	31 May 2024	<p>Overall objective: Building on finding from all other Work Packages, WP5 will establish a design for the continued trial of the Multi-Vector Energy Hub solution. Trial objectives will be informed by learning of the technological, regulatory and market/commercial gaps that act as a blocker to BaU deployment of the solution. WP5 will deliver a report of recommendations for further trial and demonstration of both the Modelling and Technology Solution concepts that will accelerate realisation of the Use Cases defined in WP1.</p> <p>Key tasks:</p> <ol style="list-style-type: none"> <li>1. Trial Design: Objectives and Site Assessment</li> <li>2. Trial Design: Technology Components and Testing</li> <li>3. Trial Design: Recommendations Report</li> </ol>	£21,850

#### **14. USE OF LOGO**

The Funding Party, Project Partners, External Funders and Project Supporters including any of their subcontractors<sup>16</sup> must not use the Innovate UK/UKRI and/or Ofgem logo for purposes associated with the Project in any circumstances.

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

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

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

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

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

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

#### **16. COLLABORATION**

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

The Funding Party must collaborate with other parties and with UKRI to organise an annual conference in a format appropriate to enabling the building of consortiums and the dissemination of learning widely. The conference may be a single event for gas and electricity, or more than one event, as appropriate.

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<sup>16</sup> As detailed in the Application.

## **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.

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, 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 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

<b>SIF Project Direction costs</b>	
Cost Category	Total Project costs (£)
Labour	131,350
Materials	0
Subcontracting	0
Travel and subsistence	400
Other costs	0
<b>Total</b>	<b>131,750</b>

Project Partner	Total Project costs (£)	Project contribution (£)	Total SIF Funding requested (£)	Project contribution (%)
Northern Powergrid (Northeast) Ltd	8,400	1,750	6,650	20.83
Smarter Grid Solutions Ltd	123,350	12,695	110,655	10.29
<b>Total</b>	<b>131,750</b>	<b>14,445</b>	<b>117,305</b>	<b>10.96</b>

**ANNEX 2 TO SCHEDULE: TEMPLATE OF BANK ACCOUNT DETAILS TO BE PROVIDED TO EITHER NGT ([BOX.GSOSETTLEMENTS@NATIONALGRID.COM](mailto:BOX.GSOSETTLEMENTS@NATIONALGRID.COM)) OR NG ESO ([revenue.invoice@nationalgrideso.com](mailto: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)