

SCOTTISH POWER ENERGY NETWORKS HOLDINGS LIMITED  
(SP ENERGY NETWORKS: MANWEB PLC)  
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Date: 06 September 2024

Dear SP MANWEB PLC,

**SIF Project Direction ref: SPMW/D-SUITE/SIFIESRR/RD2 Beta**

SP MANWEB PLC submitted D-SUITE (the Project) to be considered for funding through the Beta Phase of the Strategic Innovation Fund (SIF). As explained in greater detail below, this Project previously received SIF Funding and completed a Discovery Phase and Alpha Phase for round 2 of the SIF. In our<sup>1</sup> SIF funding decision issued on 06 September 2024, we selected the Project<sup>2</sup> for conditional funding and as a result we are now issuing this SIF Project Direction to implement that decision.

SP MANWEB 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.

The Project previously received SIF Funding for the Discovery Phase<sup>3</sup> and Alpha Phase<sup>4</sup> of round 2, and submitted an Application for the Project to be considered for SIF Funding

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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> The Project Directions for round 2 of the Discovery Phase are available at:  
<https://www.ofgem.gov.uk/publications/strategic-innovation-fund-discovery-projects-approved-funding>.

<sup>4</sup> The Project Directions for round 2 of the Alpha Phase are available at:  
<https://www.ofgem.gov.uk/publications/strategic-innovation-fund-round-2-alpha-projects-approved-funding>.

through the Beta Phase of round 2 of the SIF. As stated above, the Project has been selected to receive SIF Funding for the Beta Phase of round 2.

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

As per Chapter 1 of the SIF Governance Document<sup>5</sup> the role of UKRI is to deliver the SIF in line with the SIF Governance Document - administering the funding programme, 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, 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>6</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>7</sup>
- Where applicable, set out conditions (such as Project stage gates) linked to milestones and deliverables, which Projects must meet.<sup>8</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>9</sup>
- Set out the Project budget that the Funding Party must report against and how variations in the Project budget will be reported.<sup>10</sup>
- Where applicable, set out special information sharing requirements applicable to the Project.<sup>11</sup>
- Set out the mechanism for the Funding Party receiving the SIF Approved Amount as set out in the SIF Funding Direction.<sup>12</sup>

<sup>5</sup> <https://www.ofgem.gov.uk/publications/sif-governance-document>

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

<sup>7</sup> 'Project specific conditions' detailed under Point 3 – 'Condition President' of this SIF Project Direction.

<sup>8</sup> 'Project specific conditions' detailed under Point 3 – 'Condition President' of this SIF Project Direction.

<sup>9</sup> 'SIF Funding Amount' detailed under Point 5 – 'Condition President' of this SIF Project Direction.

<sup>10</sup> 'Annex 1 – Project Budget.

<sup>11</sup> 'Project specific conditions' detailed under Point 3 – 'Condition President' of this SIF Project Direction.

<sup>12</sup> 'SIF Funding Amount' detailed under Point 5 – 'Condition President' of this SIF Project Direction.

All SIF Project Direction requirements are detailed in the Schedule to 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>13</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>13</sup> The meaning 'Eligible SIF Project' is described in Chapter 2 of the SIF Governance Document.

## Schedule to SIF Project Direction

### 1. PROJECT DETAILS

SIF Project Direction reference: SPMW/D-SUITE/SIFIESRR/RD2\_Beta

Application number: 10117774

Project title: D-SUITE

Innovation Challenge/Project Phase: Improving Energy System Resilience and Robustness / Beta Phase round 2

Project start date: 02 September 2024

Project end date: 01 September 2029

SIF Approved Amount for SIF Funding: £8,065,746

### 2. PREAMBLE

This SIF Project Direction is issued by the Gas and Electricity Markets Authority (the "Authority") to SP MANWEB 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 D-SUITE (the "Project") as a condition of it being funded under the SIF Funding Mechanism.<sup>14</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 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**

NEWCASTLE UNIVERSITY
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<sup>14</sup> The SIF Funding Return Mechanism is defined in the SIF Governance Document.

UK POWER NETWORKS (OPERATIONS) LIMITED INTEGRATED POWERTECH LIMITED
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***Condition 2 – financial contribution***

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 – Meeting arrangements***

The Funding Party must participate in all meetings related to the Project that they are invited to by Ofgem, UKRI and DESNZ during the Beta Phase.

***Condition 4 – Stage gate scoping***

The Funding Party must, with support from Innovate UK/UKRI and, where applicable Ofgem, scope the requirements and success criteria for each stage gate, as set out in the project management plan within a Project at the quarterly reporting meetings ahead of any stage gate. These will be used to determine what criteria a Project must meet in order to pass a stage gate, and whether any additional information, such as a report, must be produced as part of the stage gate.

***Condition 5 – Impact monitoring***

As part of the end of Project Phase report, the Funding Party must produce a Project Impact Monitoring and Evaluation Plan. This plan must outline how the Project plans to monitor and evaluate the delivery of benefits outlined in the Beta Phase Application following the end of the Beta Phase. The plan must also include the methodology that will be utilised for quantifying and qualifying benefits realisation and how the Funding Party plans to report this to Ofgem 1, 3, 5 & 10 years post-Beta Phase completion. Further details on how to approach the development of this plan may be provided by Ofgem or IUK.

***Condition 6 – SIF Community Forums***

The Funding Party and all Project Partners must make reasonable attempts to attend, participate and/or contribute at SIF Community Forum events occurring during the Project delivery. We anticipate there being approximately one event per year.

### ***Condition 7 – Policy, regulatory and standards barriers***

The Funding Party must provide verbal updates at each quarterly meeting on any regulatory, policy and standards barriers and any change requirements which may impact delivery of the Beta Phase activities. The Funding Party must also include as an attachment to each of its annual progress report an update on any regulatory, policy and standards barriers which may require derogations and articulation of any proposed regulatory, policy and standards changes which would be necessary in deployment. The Funding Party must also provide an as an attachment to its end of Project Phase report a summary of the Project's findings on regulatory, policy and standards barriers, including any considerations for future work, and where applicable, where specific regulatory, policy and standards changes would be required for deployment.

### ***Condition 8 – Updated 60-second videos***

The Funding Party must provide within the first three months of signing contracts with its Project Partners an updated 60-second video. If the Project is greater than two years (longer than 24 months) in length, an updated video must also be provided at the Project's mid-point meeting. All Projects must also provide an updated 60-second video as part of their end of Project phase report. Innovate UK can share its guidance for 60-second videos with the Funding Party, if necessary.

### ***Condition 9 – Post-Beta Phase roadmap***

The Funding Party must provide to the monitoring officer within six months of it signing contracts its Project Partners a roadmap for activities post-Beta Phase. This can build on the Project's Application question (question 11) and must focus on how and when the proposed solution will become business as usual within your network and across the other GB gas or electricity networks.

As part of this, the Funding Party must include consideration for:

- I. any steps the Project will take to ensure its innovation has suitable business as usual adoption;
- II. the Funding Party's strategy for adoption of the innovation or proposed solution, giving consideration to potential investment, ongoing costs and third-party involvement and;
- III. any early indication of interest from other networks in adopting the innovation.

The Funding Party must provide an update on all the above at every two quarterly monitoring meetings (i.e. every six months) and must include a final update of this roadmap as attachment to its end of Project Phase report.

### ***Condition 10 – Commercialisation strategy***

The Funding Party must provide at every second quarterly monitoring meeting (i.e. every six months) an update on its commercialisation strategy. This can build on the Project's Application question (question 12) and must focus on what considerations have the Project consortium made for the commercialisation of the proposed solution or innovation, and how the Project provides support for non-network partners to move towards commercialisation. As part of this, the Funding Party may wish to include consideration for:

- I. who the primary customer segment is beyond the Funding Party; the customer value proposition;
- II. if identified, the outline of the route to market and potential new partnerships;
- III. any additional Project Partner capital requirements in order to commercialize the innovation and;
- IV. how this product, process or service could be scaled across the GB network and taken to new markets.

The Funding Party must also include a final update of its strategy as an attachment to its end of Project Phase report. Ofgem and/or Innovate UK may issue a template for the final update as part of the end of Project Phase report.

### ***Condition 11 - Data Best Practice and Digital Strategy and Action Plan Guidance alignment***

The Funding Party must provide at its second monitoring meeting (i.e. quarter one) a summary of how it intends to comply with Ofgem's Data Best Practice Guidance, and Digitalisation Strategy and Action Plan Guidance. Additionally, a part of its year 1 annual progress report, the Funding Party must provide a written update to the monitoring officer on its incorporation and application of data best practices to date in the Project, including its presumed open data policies, and data triaging methodology.

### ***Condition 12***

As part of the quarterly review meetings, the Project must provide comprehensive and detailed explanations on the material cost, deployment plan, and impacts on consumers. This should also be provided as part of the updates to the quantitative analysis of their costs and benefits.

#### **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 £8,065,746 (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.

The Funding Party must submit an end of Project Phase report to UKRI monitoring officers for the Beta Phase. 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 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)<sup>15</sup> and DPA (Data Protection Act) 2018<sup>16</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 submit its end of Project Phase report to its 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.

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<sup>15</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>16</sup> <https://www.legislation.gov.uk/ukpga/2018/12/contents/enacted>

**Table 3. Project milestone<sup>17</sup>**

Reference	Project milestone	Deadline	Overall objectives and key tasks	SIF Funding Request
Milestone 1	Work Package 1: Detailed Design & D-Suite Design Tool	19/05/2028	<ol style="list-style-type: none"> <li>1. LV Design Layer Module Development (External Development for Integration)</li> <li>2. Protection and Failure Mode and Effects Analysis - Specification</li> <li>3. Final Ideal Form Factor CBA and Technical Review</li> <li>4. PNDC &amp; HiL Testing Platform Development</li> <li>5. Development and drafting of NLCS and D-Suite PED procurement documents.</li> </ol>	£2,296,907
Milestone 2	Work Package 2: Procurement, Installation and Commissioning	05/01/2029	<ol style="list-style-type: none"> <li>1. NLCS and D-Suite PED Supplier Design Standards Review.</li> <li>2. NLCS cybersecurity assessment.</li> <li>3. NLCS and D-Suite PED Supplier Design stakeholder review.</li> <li>4. D-Suite PED manufacture.</li> <li>5. D-Suite PED site preparation</li> <li>6. NLCS and D-Suite PED acceptance testing.</li> <li>7. NLCS and D-Suite site installations.</li> <li>8. NLCS and D-Suite commissioning.</li> </ol>	£5,098,230

<sup>17</sup> As outlined in in the Application or Project Plan appendix.

Milestone 3	Work Package 3: Trail and Operational Performance	03/08/2029	1. Data Collection. 2. Analysis 3. Operation Performance Report Drafting	£333,978
Milestone 4	Work Package 4: BaU Integration	06/07/2029	1. Operational Policy Development. 2. Monitoring and performance Policy. 3. PED on equipment register.	£178,628
Milestone 5	Work Package 5: Project Management, Stakeholder Engagement and Dissemination	20/08/2029	1. Risk Register reviewed weekly and updated monthly using all stakeholder feedback. 2. Project program reviewed weekly and updated monthly using all stakeholder feedback. 3. Document Register reviewed weekly and updated monthly using all stakeholder feedback. 4. Conferences papers prepared and written annually on average. Minimum of 3 over project 5. Webinars prepared and written annually on average. Minimum of 3 over project. 6. Annual reports prepared and disseminated annually. 7. Annual steering board meetings at a minimum. 8. Regular stakeholder engagement meetings.	£158,003

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

The Funding Party and the Project Partners, External Funders and Project Supporters or subcontractors<sup>18</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 disseminating 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>18</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 (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, 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

Cost Category	Total Project costs (£)
Labour	£ 2,675,966
Materials	£ 5,142,900
Subcontracting	£ 1,022,800
Travel and subsistence	£ 101,880
Other costs	£ 19,500
<b>Total</b>	<b>£ 8,963,046</b>

Project Partner	Total project costs (£)	Project contribution (£)	Total SIF Funding requested (£)	Project contribution (%)
SP MANWEB PLC	£6,860,680	£686,068	£6,174,612	
INTEGRATED POWERTECH LIMITED	£994,000	£100,000	£894,000	
Newcastle University	£909,821	£91,377	£818,444	
UK POWER NETWORKS (OPERATIONS) LIMITED	£198,545	£19,855	£178,690	
<b>Total</b>	<b>£8,963,046</b>	<b>£897,300</b>	<b>£8,065,746</b>	<b>11%</b>

**ANNEX 2 TO SCHEDULE: TEMPLATE OF BANK ACCOUNT DETAILS TO BE PROVIDED TO EITHER NGGT ([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)