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Date: 06 September 2024

Dear WALES & WEST UTILITIES LIMITED,

SIF Project Direction ref: WWU/NEXTGEN ELECTROLYSIS – WASTEWATER TO GREEN HYDROGEN /SIFIESRR/RD2 Beta

WALES & WEST UTILITIES LIMITED submitted NEXTGEN ELECTROLYSIS – WASTEWATER TO GREEN HYDROGEN (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 our¹ SIF funding decision issued on 06 September 2024, we selected the Project² for conditional funding and as a result we are now issuing this SIF Project Direction to implement that decision.

WALES & WEST UTILITIES LIMITED 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.

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

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

The Project previously received SIF Funding for the Discovery Phase³ and Alpha Phase⁴ of round 2, and submitted an Application for the Project to be considered for SIF 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 Document⁵ 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.⁶
- 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.⁷
- Where applicable, set out conditions (such as Project stage gates) linked to milestones and deliverables, which Projects must meet.⁸
- 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.⁹
- Set out the Project budget that the Funding Party must report against and how variations in the Project budget will be reported.¹⁰

³ 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>.

⁴ 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>.

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

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

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

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

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

¹⁰ 'Annex 1 – Project Budget.

- Where applicable, set out special information sharing requirements applicable to the Project.¹¹
- Set out the mechanism for the Funding Party receiving the SIF Approved Amount as set out in the SIF Funding Direction.¹²

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 Project¹³.

This SIF Project Direction constitutes notice pursuant to section 38A (Reasons for decisions) of the Gas Act 1986.

Marzia Zafar

Deputy Director, Decentralisation & Digitalisation

For and on behalf of the Authority

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

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

¹³ 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: WWU/NEXTGEN ELECTROLYSIS – WASTEWATER TO GREEN HYDROGEN/SIFIESRR/RD2_Beta

Application number: 10123593

Project title: NEXTGEN ELECTROLYSIS – WASTEWATER TO GREEN HYDROGEN

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

Project start date: 01 October 2024

Project end date: 31 October 2028

SIF Approved Amount for SIF Funding: £5,866,292

2. PREAMBLE

This SIF Project Direction is issued by the Gas and Electricity Markets Authority (the “Authority”) to WALES & WEST UTILITIES LIMITED (the “Funding Party”) pursuant to the SIF Governance Document issued pursuant to Special Condition 9.13 of the Gas Transporter Licence (the “Licence”). It sets out the conditions to be complied with in relation to NEXTGEN ELECTROLYSIS – WASTEWATER TO GREEN HYDROGEN (the “Project”) as a condition of it being funded under the SIF Funding Mechanism.¹⁴

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.

¹⁴ The SIF Funding Return Mechanism is defined in the SIF Governance Document.

Table 1. Project Partners

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|--|
| NATIONAL GRID ELECTRICITY DISTRIBUTION PLC |
| DWR CYMRU CYFYNGEDIG |
| HYDROSTAR EUROPE LTD |

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 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 Kick Off Meeting, the Project must suggest a suitable timeline for an additional stage gate to be added related to the functional performance of the electrolyser as there is an inherent technical risk due to the novelty of the electrolyser.

4. COMPLIANCE

The Funding Party must comply with Special Condition 9.13 of the Gas Transporter Licence (the “Licence”), the SIF Governance Document and with this SIF Project Direction.

5. SIF APPROVED AMOUNT

The SIF Approved amount of £5,866,292 (as detailed under Section 1: Project details of this Project Direction) will be recovered by National Gas Transmission from GB customers and transferred to the Funding Party. The Funding Party is responsible for notifying National Gas Transmission 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 Gas Transmission, the reverse applies. The Funding Party must provide bank account details to National Gas Transmission 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)¹⁵ and DPA (Data Protection Act) 2018¹⁶. 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.

¹⁵ https://ec.europa.eu/info/law/law-topic/data-protection/data-protection-eu_en

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

Table 3. Project milestone¹⁷

| Reference | Project milestone | Deadline | Overall objectives and key tasks | SIF Funding Request |
|-------------|--|------------|--|---------------------|
| Milestone 1 | Contracting and procurement | 31/08/2028 | <ol style="list-style-type: none"> 1. Preparation and signing of contracts between project partners 2. Site surveys for blending tee installation 3. Yeo Valley land agreement 4. Welsh Water land agreement 5. Procurement and tendering events for suppliers of core equipment and civils | £151,321 |
| Milestone 2 | Planning, permitting, HSE and stakeholder engagement | 31/03/2025 | <ol style="list-style-type: none"> 1. Site planning consultations with local authorities (Yeo Valley) 2. Site Quantitative Risk Assessment (Yeo Valley) 3. Site Quantitative Risk Assessment (Welsh Water) 4. Permitting with Environment Agency and planning easements for pipeline (Yeo Valley) 5. Permitting with Environment Agency/NRW and planning easements for pipeline (Welsh Water) 6. Legal and regulatory compliance for site installations 7. Consultation with HSE on safety cases including physical security (Yeo Valley) | £51,455 |

¹⁷ As outlined in in the Application or Project Plan appendix.

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|-------------|--------------------------------|------------|---|----------|
| | | | <p>8. Consultation with HSE on safety cases including physical security (Welsh Water)</p> <p>9. Key stakeholder engagement -- Natural Resource Wales and Local Councils</p> | |
| Milestone 3 | Project Management & Reporting | 30/09/2028 | <p>1. Establish baseline Project Management Plan (PMP)</p> <p>2. Risk Management</p> <p>3. Reporting and Documentation</p> | £659,889 |
| Milestone 4 | Media and Communications | 30/09/2028 | <p>1. Development of communications plan for project updates and results</p> <p>2. Compilation of project materials for media releases</p> <p>3. Sharing of key information in accessible formats for wide audience reach</p> <p>4. Sharing of specific technical information for key stakeholders</p> | £45,709 |
| Milestone 5 | Exploitation and Dissemination | 30/09/2028 | <p>1. IP identification and management</p> <p>2. Economic assessments and techno economic modelling of network benefits</p> <p>3. Recyclability and end of life study</p> <p>4. Dissemination activities - Ofgem/councils/businesses/key stakeholders visiting centralised showcase unit</p> <p>5. Dissemination activities - Preparation of white papers by universities</p> <p>6. Dissemination activities - Other network operators (GDNs, Electricity Networks, Water Networks)</p> | £36,313 |

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|-------------|--|------------|--|----------|
| Milestone 6 | IP and patenting | 30/09/2028 | <ol style="list-style-type: none"> 1. Basic core patent research 2. Draft patents with all relevant or required claims 3. Final reviews of patents for submission | £63,763 |
| Milestone 7 | Large scale demonstrator unit designs | 31/03/2025 | <ol style="list-style-type: none"> 1. 3D CAD drawings of Alpha modular and easily integrated 10kW electrodes for non saline water 2. Rapid prototypes generated (risk reduction strategy) 3. Containerised system internal designs (electrolyser layouts, workshop, internal safety doors etc) 4. Containerised system external design (branding, cladding, mounted solar etc) 5. Specific electrode designs for electrodes to consume saline water (high salt content) 6. 3D CAD drawings of modular and easily integrated 10kW electrodes for saline water | £113,858 |
| Milestone 8 | Designs of pipework, blending tee and boiler system (Yeo Valley) | 31/03/2025 | <ol style="list-style-type: none"> 1. Design of pipeline route (2D/3D CAD drawings) 2. Design and sizing of pressure reduction instrumentation 3. Blending Tee location, housing and instrumentation 4. Finalisation of blending tee operational parameters | £9,000 |
| Milestone 9 | Designs of pipework and boiler system (Welsh water) | 31/03/2025 | <ol style="list-style-type: none"> 1. Design of pipeline route (2D/3D CAD drawings) 2. Design and sizing of pressure reduction instrumentation 3. Design of boiler retrofit 4. Finalisation of hydrogen boiler operational parameters | £12,950 |

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|--------------|--|------------|--|----------|
| Milestone 10 | Centralised showcase and laboratory hub designs | 31/03/2025 | <ol style="list-style-type: none"> 1. Choice of specific location for showcase to optimise stakeholder engagement 2. Design of internal layout to incorporate technology demonstrations, lab tests, stakeholder meetings etc 3. Specific demonstration unit designs (small scale resilient electrode setups) 4. Design of external layout (branding, cladding, mounted solar etc) | £43,494 |
| Milestone 11 | Balance of plant and control system development for continuous operation with wastewater | 31/10/2025 | <ol style="list-style-type: none"> 1. Expansion of AI control system to integrate multiple 10kW electrode setups including data acquisition 2. Design of solar layout to deliver high current and low voltage 3. Development of rapid sensing system to map wastewater input from technical and safety perspectives 4. Electrolyte model build to automatically calculate optimal blend of electrolyte for the wastewater input 5. Water settlement system designs to automatically remove solids and achieve continuous operation 6. Oxygen capture systems for testing of colocation benefits 7. Water capture and delivery systems from onsite waste sources to electrolyser 8. Electrolyser balance of plant (pipework, drying, rectifier, distribution, purging system etc) | £276,017 |

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|--------------|---|------------|---|------------|
| Milestone 12 | Component purchasing (HydroStar) | 31/06/2025 | <ol style="list-style-type: none"> 1. Electrode component purchasing (Yeo Valley) 2. Electrode component purchasing (Welsh Water) 3. Showcase hub component purchasing 4. Balance of plant equipment purchasing (Yeo Valley) 5. Balance of plant equipment purchasing (Welsh Water) | £2,161,068 |
| Milestone 13 | Component purchasing (WWU) | 28/02/2025 | <ol style="list-style-type: none"> 1. Blending tee and balance of plant equipment purchasing (Yeo Valley) 2. Hydrogen boiler and balance of plant equipment purchasing (Welsh Water) | £387,000 |
| Milestone 14 | Yeo Valley site equipment assembly, installations and commissioning | 31/06/2026 | <ol style="list-style-type: none"> 1. Ground work, civils and site preparation for electrolyser containers and blending tee 2. WWU -- Changes to onsite gas infrastructure, blending tee installation, safety testing 3. HydroStar -- Container installation (250kW), BOP, cabling, process water supply, oxygen outflow 4. HydroStar -- Connections to onsite power source, safety testing 5. Electrolyser, blending tee and BOP systems integration (hardware/software systems) 6. Initial whole system operability tests, system response for data acquisition and safety testing 7. System tuning from operability tests and captured data | £276,963 |

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|--------------|--|------------|---|----------|
| Milestone 15 | Welsh Water site equipment assembly, installations and commissioning | 31/06/2026 | <ol style="list-style-type: none"> 1. Ground work, civils and site preparation for electrolyser containers and 100% hydrogen boiler 2. WWU -- Changes to onsite gas infrastructure, boiler installation, safety testing 3. HydroStar -- Container installation (250kW), BOP, cabling, effluent supply, oxygen outflow 4. HydroStar -- Connections to onsite power source, safety testing 5. Electrolyser, hydrogen boiler and BOP systems integration (hardware/software systems) 6. Initial whole system operability tests, system response for data acquisition and safety testing 7. System tuning from operability tests and captured data | £194,688 |
| Milestone 16 | Centralised showcase hub construction, installations and commissioning | 28/02.2026 | <ol style="list-style-type: none"> 1. Ground work, civils and site preparation for installation of showcase hub 2. Installation of containers for showcase hub layout 3. Preparation of internal layout (doors, walls, worktops, screens, carpets etc) 4. Installation of laboratory equipment and micro demonstrator unit 5. Partner branding and dissemination material installations 6. Official opening of showcase hub ready for stakeholder demonstrations | £76,119 |
| Milestone 17 | Yeo Valley site intensive and long term testing phase | 31/07/2028 | <ol style="list-style-type: none"> 1. Long term testing -- Hydrogen purity from different water types (borehole, rain, process, river) 2. Long term testing -- Hydrogen production rate from fluctuating renewables and different duty cycles | £349,368 |

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|--------------|--|------------|---|----------|
| | | | <p>3. Long term testing -- Blending tee response to different hydrogen production rates</p> <p>4. Long term testing -- Degradation rate of electrodes under different operational levels</p> <p>5. Long term testing -- Response to network requirements (increased/decreased production)</p> <p>6. Data analysis of captured data from electrolyser systems and blending tee</p> <p>7. Optimisation of systems based on data results (system tuning)</p> <p>8. Reporting and documentation of system network benefits</p> | |
| Milestone 18 | Welsh Water site intensive and long term testing phase | 31/07/2028 | <p>1. Long term testing -- Hydrogen purity from different water types (effluent, seawater, rainwater)</p> <p>2. Long term testing -- Hydrogen production rate from fluctuating renewables and different duty cycles</p> <p>3. Long term testing -- 100% hydrogen boiler response to different hydrogen production rates</p> <p>4. Long term testing -- Degradation rate of electrodes under different operational levels</p> <p>5. Long term testing -- Response to network requirements (increased/decreased production)</p> <p>6. Data analysis of captured data from electrolyser systems and 100% hydrogen boiler</p> <p>7. Optimisation of systems based on data results (system tuning)</p> | £366,358 |

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|--------------|------------------------------------|------------|--|----------|
| | | | 8. Reporting and documentation of system network benefits | |
| Milestone 19 | Site decommissioning (Yeo Valley) | 31/08/2028 | 1. Development of decommissioning plan for electrolyser infrastructure 2. Development of decommissioning plan for gas blending infrastructure 3. Notification of relevant regulatory bodies of site decommissioning including permit closing 4. Termination of land lease and supply agreements to Yeo Valley (and project close down activities) 5. Disconnection of hydrogen infrastructure from onsite demands 6. Removal of physical plant from Yeo Valley site 7. Recovery of all possible plant, with waste documentation and proper disposal of relevant materials 8. Return of sites to original state in line with land agreements 9. Reporting and documentation of site decommissioning | £124,011 |
| Milestone 20 | Site decommissioning (Welsh Water) | 31/08/2028 | 1. Development of decommissioning plan for electrolyser infrastructure 2. Development of decommissioning plan for 100% hydrogen boiler infrastructure 3. Notification of relevant regulatory bodies of site decommissioning including permit closing 4. Termination of land lease and supply agreements to Welsh Water (and project close down activities) | £70,011 |

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|--------------|--|------------|---|----------|
| | | | <ul style="list-style-type: none"> 5. Disconnection of hydrogen infrastructure from onsite demands 6. Removal of physical plant from Welsh Water site 7. Recovery of all possible plant, with waste documentation and proper disposal of relevant materials 8. Return of sites to original state in line with land agreements 9. Reporting and documentation of site decommissioning | |
| Milestone 21 | Evaluation of testing results, modelling to wider network scale and end of project reporting | 30/09/2028 | <ul style="list-style-type: none"> 1. Documentation of testing and optimisation results from testing at both sites 2. Application of results to wider WWU network -- Sensitive user requirements analysis 3. Application of results to wider WWU network -- Flow direction and injection modelling for security of hydrogen supply 4. Application of results to wider WWU network -- Resilience of supply to distributed nodes of the network 5. Economic analyses of network scale implementation 6. End of project reporting -- Project management, risks and governance perspective 7. End of project reporting -- Technical results and lessons learnt 8. End of project reporting -- Economic and financial analyses 9. Integration of all reporting into comprehensive Beta Phase report | £396,937 |

14. USE OF LOGO

The Funding Party and the Project Partners, External Funders and Project Supporters or subcontractors¹⁸ 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.

¹⁸ 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 9.13 of the Gas Transporter 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 9.13 of the Gas Transporter 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 38A (Reasons for decisions) of the Gas Act 1986.

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 | £ 2,752,982 |
| Materials | £ 2,926,700 |
| Subcontracting | £ 441,000 |
| Travel and subsistence | £ 51,924 |
| Other costs | £ 622,453 |
| Total | £ 6,795,059 |

| Project Partner | Total project costs (£) | Project contribution (£) | Total SIF Funding requested (£) | Project contribution (%) |
|--|-------------------------|--------------------------|---------------------------------|--------------------------|
| WALES & WEST UTILITIES LIMITED | £1,683,798 | £168,380 | £1,515,418 | |
| DWR CYMRU CYFYNGEDIG | £86,739 | £8,674 | £78,065 | |
| HYDROSTAR EUROPE LTD | £4,985,210 | £747,781 | £4,237,429 | |
| NATIONAL GRID ELECTRICITY DISTRIBUTION PLC | £39,312 | £3,932 | £35,380 | |
| Total | £6,795,059 | £928,767 | £5,866,292 | 16% |

ANNEX 2 TO SCHEDULE: TEMPLATE OF BANK ACCOUNT DETAILS TO BE PROVIDED TO EITHER NGGT (BOX.GSOSETTLEMENTS@NATIONALGRID.COM) OR 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)