

Scottish Hydro Electric Power Distribution PLC
Inveralmond House,
200 Dunkeld Road,
Perth,
PH1 3AQ

Direct Dial: 020 7901 7295

Email: Marzia.Zafar@ofgem.gov.uk

Date: 26 May 2025

Dear Scottish Hydro Electric Power Distribution PLC,

SIF Project Direction

Scottish Hydro Electric Power Distribution PLC submitted VERIFY - Vulnerability Evaluation for Resilience Investment and Flexibility (the Project) to be considered for funding through the Beta Phase of Round 3 of the Strategic Innovation Fund (SIF). As explained in greater detail below, this Project previously received SIF Funding and completed a Round 3 Discovery and Alpha Phase for of the SIF. In our¹ SIF Funding Decision issued on 26 May 2025, we selected the Project² for conditional funding for the Round 3 Beta Phase and as a result we are now issuing this SIF Project Direction to implement that decision.

Scottish Hydro Electric Power Distribution 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 Innovation Challenge issued for each Round will state if a Project can apply directly to Alpha or Beta, without the requirement to have progressed through Discovery and Alpha.

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 Round 3 Discovery and Alpha Phase³ and submitted an Application for the Project to be considered for SIF Funding for the Round 3 Beta Phase of the SIF. As stated above, the Project has been selected by Ofgem to receive SIF Funding for the Round 3 Beta Phase .

Role of UK Research & Innovation (UKRI)

As per Chapter 1 of the SIF Governance Document⁴ 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.⁵
- 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 Application.⁶
- Where applicable, set out conditions (such as Project stage gates) linked to milestones and deliverables, which Projects must meet.⁷
- 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.⁸
- Set out the Project budget that the Funding Party must report against and how variations in the Project budget will be reported.⁹

³ The Project Directions for Round 3 of the Discovery Phase are available at:

<https://www.ofgem.gov.uk/decision/strategic-innovation-fund-round-3-alpha-funding-decision>

⁴ <https://www.ofgem.gov.uk/sites/default/files/2025-04/SIF%20governance%20document%20version%203.1.pdf>

⁵ 'Project specific conditions' detailed under Point 3 – 'Condition President' of this SIF Project Direction.

⁶ As above

⁷ As above

⁸ 'SIF Funding Amount' detailed under Point 5 – 'Condition President' of this SIF Project Direction.

⁹ 'Annex 1 – Project Budget.

- Where applicable, set out special information sharing requirements applicable to the Project.¹⁰
- Set out the mechanism for the Funding Party receiving the SIF Approved Amount as set out in the SIF Funding Direction.¹¹

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 Project¹².

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

¹⁰ 'Project specific conditions' detailed under Point 3 – 'Condition President' of this SIF Project Direction.

¹¹ 'SIF Funding Amount' detailed under Point 5 – 'Condition President' of this SIF Project Direction.

¹² The meaning 'Eligible SIF Project' is described in Chapter 2 of the SIF Governance Document.

Schedule to SIF Project Direction

1. PROJECT DETAILS

Application number: 10157283

Project title: VERIFY - Vulnerability Evaluation for Resilience Investment and Flexibility Innovation Challenge/Project Phase: Novel technical, process and market approaches to deliver an equitable and secure Net Zero power system/ Round 3 Beta Phase

Project start date: 1 September 2025

Project end date: 31 August 2028

SIF Approved Amount for SIF Funding: £5,331,569

2. PREAMBLE

This SIF Project Direction is issued by the Gas and Electricity Markets Authority (the "Authority") to Scottish Hydro Electric Power Distribution 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 VERIFY - Vulnerability Evaluation for Resilience Investment and Flexibility (the "Project") as a condition of it being funded under the SIF Funding Mechanism.¹³

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.

¹³ The SIF Funding Return Mechanism is defined in the SIF Governance Document.

Table 1. Project Partners

SCOTTISH HYDRO ELECTRIC POWER DISTRIBUTION PLC
CGI IT UK LIMITED
CENTRE FOR SUSTAINABLE ENERGY
SMART DCC LIMITED
SOUTHERN GAS NETWORKS PLC
QUARRIERS
E.ON NEXT ENERGY LIMITED
ABERDEEN NHT 2014 LLP
SMITH INSTITUTE

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 on the Innovation Funding Service (IFS).

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 Department for Energy Security and Net Zero during the Beta Phase.

Condition 4 – Stage gate scoping

The Funding Party must, with support from Innovate UK 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 Innovate UK.

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 review 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 (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 with 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 the network concerned 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 second quarterly review meeting (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 review meeting (i.e. every six months) an update on its commercialisation strategy. This can build on the Project's Application (question 11) and must focus on what considerations has the Project consortium made for the commercialisation of the proposed solution or innovation, and how the Project provides support for non-network Project 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 commercialise 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

The Project must present to the Monitoring Officer at least every second Quarterly Review Meeting, an outline plan and updates on activities it is undertaking to ensure the scale up of the Project to other Networks including and beyond the Project Partners. This could be included in the Post Beta Roadmap activities.

Condition 12

At each Quarterly Review Meeting, the Funding Party must present to the Monitoring Officer a stakeholder engagement and dissemination plan. Stakeholder engagement

should include consideration for other DNOs, GDNs, Energy Suppliers, and consumer groups.

Condition 13

Dissemination planning should include consideration for the software and analytical outputs, such as the work package details, the methodologies used, and results, of the VERIFY solution that will be published and disseminated through the Project.

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 £5,331,569 (as detailed under Section 1: Project details of this Project Direction) will be recovered by National Energy System Operator from GB customers and transferred to the Funding Party. The Funding Party is responsible for notifying National Energy 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 Energy System Operator, the reverse applies. The Funding Party must provide bank account details to National Energy 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) complete the Project on or before the Project completion date as detailed under Section 1 of the Schedule of this SIF Project Direction, and
- (ii) 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. An End of Phase template is available and can be requested from UKRI.

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 regard 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)¹⁴ and DPA (Data Protection Act) 2018¹⁵. 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 2, based upon details contained within Question 7 in the Funding Party's Application.

¹⁴ https://ec.europa.eu/info/law/law-topic/data-protection/data-protection-eu_en

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

Table 2. Project milestone¹⁶

Reference	Project milestone	Deadline	Overall objectives and key tasks	SIF Funding Request
Milestone 1	WP1 - Project Management and dissemination	30/09/2028	<ol style="list-style-type: none"> 1. Coordination of deliverables and monitoring performance of project; 2. Risk and Barrier management and monitoring; 3. Weekly sessions and Face-to Face meeting management; 4. Management of end of stage reviews and reports; 5. UKRI Engagement; 6. Transition to BAU; 7. Assist Project Partners with outputs, as required; 8. Orchestrating publicity and promotion of the Project. 9. Working to support other DNOs progress VERIFY in ED3 	£ 421,555.00
Milestone 2	WP2 - Pilot Area (Aberdeen City) Service Delivery	31/10/2026	<ol style="list-style-type: none"> 1. Instantiated and support restart of the VIVIS system and run test data. 2. Import available Aberdeen data 3. Develop working algorithms 4. Incorporate SSEN's PSR process to the system. 	£ 881,891.00
Milestone 3	WP3 - Network and property data inclusion	31/05/2028	<ol style="list-style-type: none"> 1. Incorporate related property, network and gas data. 	£ 790,009.00

¹⁶ As outlined in in the Application or Project Plan appendix.

Milestone 4	WP4 - Local Authority and third sector data, benefits, and inclusion	30/06/2028	<ol style="list-style-type: none"> 1. Expand Aberdeen City Council data from Alpha to other ACC areas; 2. Expand on additional Quarriers data to supplement Alpha progress; 3. Provide insight, engagement, community involvement and digital inclusion; 	£ 347,593.00
Milestone 5	WP5 - VERIFY DNO service extension	30/06/2028	<ol style="list-style-type: none"> 1. Implement SSEN VERIFY scoring environment in SSEN environment and link VIVID service (WP2) with new VERIFY scoring environment. 2. Develop a DNO scoring criteria with SSEN and refine overall vulnerability scoring with ACC, Quarriers, SGN, and SSEN; 3. Design and deliver training 	£ 748,405.00
Milestone 6	WP6 - Feedback, continuous evaluation and improvement	30/06/2028	<ol style="list-style-type: none"> 1. Full circle learning from engagement and community involvement; 2. Building recommendations based on the learnings; 3. Technical reporting 	£ 825,307.00
Milestone 7	WP7 - Data governance and regulation	30/06/2028	<ol style="list-style-type: none"> 1. Deliver a Smart Meter data access governance and regulation roadmap report 2. Carry out an AI assurance and deliver a learnings report. 	£ 846,929.00
Milestone 8	WP8 - Expansion and fast follow enablement	30/06/2028	<ol style="list-style-type: none"> 1. Enable VERIFY for use within SSEN's DNO boundaries; 2. Design and deliver training 3. Carry out project dissemination 	£ 469,880.00

2. USE OF LOGO

The Funding Party and the Project Partners, External Funders and Project Supporters or subcontractors¹⁷ 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.

3. 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 outlined in Chapters 3 and 6 of the SIF Governance Document, we require the Funding Party to work collaboratively with other Networks and third-party innovators to disseminate the learnings and data from Projects and ensure that these are publicly available. This includes taking part in annual events.

4. 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.

5. 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:

¹⁷ As detailed in the Application.

- (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.

6. 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 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

SIF Project Direction costs	
Cost Category	Total Project costs (£)
Labour	4,877,853
Materials	96,027
Subcontracting	148,039
Travel and subsistence	48,810
Other costs	802,193
Total	5,972,922

Project Partner	Total Project costs (£)	Project contribution (£)	Total SIF Funding requested (£)	Project contribution (%)
SCOTTISH HYDRO ELECTRIC POWER DISTRIBUTION PLC	1,302,547	130,255	1,172,292	
ABERDEEN NHT 2014 LLP	234,496	23,496	211,000	
CENTRE FOR SUSTAINABLE ENERGY	132,242	18,193	114,049	
CGI IT UK LIMITED	2,250,329	226,745	2,023,584	
E.ON NEXT ENERGY LIMITED	143,266	14,327	128,939	
QUARRIERS	500,780	50,078	450,702	
SMART DCC LIMITED	412,103	72,682	339,421	
SMITH INSTITUTE	737,115	79,577	657,538	
SOUTHERN GAS NETWORKS PLC	260,044	26,000	234,044	
Total	£5,972,922.00	£641,353.00	£5,331,569.00	12%

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