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Date: 22<sup>nd</sup> September 2025

Dear Northern Gas Networks Limited,

Northern Gas Networks Limited submitted Knapton H2 Storage for H2P (the Project) to be considered for funding through the Discovery Phase of Round 4 of the Strategic Innovation Fund (SIF). In our<sup>1</sup> SIF Funding Decision issued on 22<sup>nd</sup> September 2025, we selected the Project<sup>2</sup> for conditional funding for the Round 4 Discovery Phase and as a result we are now issuing this SIF Project Direction to implement that decision.

Northern Gas Networks 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. 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 respectively.

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

As per Chapter 1 of the SIF Governance Document<sup>3</sup> the role of UKRI is to deliver the SIF in line with the SIF Governance Document - administering the funding programme, monitoring the delivery of Projects, collating data from Projects on benefits, making recommendations to Ofgem on operational matters, supporting third-party innovators

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

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

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

and, where possible, supporting successful Projects to become 'business as usual' activities. To support the success of the Projects and the SIF programme, we expect that the Funding Party and Project Partners collaborate with Ofgem and UKRI.

### **SIF Project Direction**

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

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

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>9</sup>.

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

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

<sup>6</sup> 'Annex 1 – Project Budget.

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

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

<sup>9</sup> The meaning 'Eligible SIF Project' is described in Chapter 2 of the SIF Governance Document.

This SIF Project Direction constitutes notice pursuant to section 38A (Reasons for decisions) of the Gas Act 1988.

**Marzia Zafar**

**Deputy Director, Decentralisation & Digitalisation**

**For and on behalf of the Authority**

## Schedule to SIF Project Direction

### 1. PROJECT DETAILS

Application number: 10167733

Project title: Knapton H2 Storage for H2P

Innovation Challenge/Project Phase: Accelerating toward Net Zero energy networks/

Discovery Phase Round 4

Project start date: 01 September 2025

Project end date: 28 February 2026

SIF Approved Amount for SIF Funding: £149,701

### 2. PREAMBLE

This SIF Project Direction is issued by the Gas and Electricity Markets Authority (the "Authority") to Northern Gas Networks Limited (the "Funding Party") pursuant to the SIF Governance Document issued pursuant to Special Condition 5.7 of the Gas Transporter Licence. It sets out the conditions to be complied with in relation to Knapton H2 Storage for H2P (the "Project") as a condition of it being funded under the SIF Funding Mechanism.<sup>10</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**

British Geological Survey
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<sup>10</sup> The SIF Funding Return Mechanism is defined in the SIF Governance Document.

CENTRICA STORAGE LIMITED
GRAVITRICITY LIMITED
THIRD ENERGY ONSHORE LIMITED
University of Edinburgh

### **Condition 2**

The Funding Party must report on the financial contributions made to the Project as set out in its Application. Any financial contributions made over and above that stated in its Application should also be reported and included on the Innovation Funding Service (IFS).

### **Condition 3**

The Funding Party must make reasonable endeavours to participate in all meetings related to the Project that they are invited to by Ofgem, UKRI and the Department for Energy Security and Net Zero during the Discovery Phase.

### **Condition 4**

The Discovery phase will last for a period of up to five months from the date the Project Direction is issued; the Project will be allowed a flexible start date within the five-month period. The Project must provide the monitoring officer with the start date of the Project and must be completed before the end of the five-month period.

## **4. COMPLIANCE**

The Funding Party must comply with Special Condition 5.7 of the Gas Transporter Licence, the SIF Governance Document and with this SIF Project Direction.

## **5. SIF APPROVED AMOUNT**

The SIF Approved amount of £149,701 (as detailed under Section 1: Project details of this Project Direction) will be recovered by National Gas from GB customers and transferred to the Funding Party. The Funding Party is responsible for notifying National Gas 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, the reverse applies. The Funding Party must provide bank account details to National Gas 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 is to 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.

As set out in Chapter 6 of the SIF Governance Document, the Funding Party may be required to submit an end of phase report to the UKRI monitoring officer within six months of the Project ending, if the Project is not planning on submitting an Application into the Alpha Phase, or if the Funding Party submits an Application for the Project into the Alpha Phase but is not successful. Within this report, the Funding Party must submit information related to questions on Project delivery as detailed in Chapter 6, table 6 of the SIF Governance Document. An end of phase report 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 with 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 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 the Data Best Practice Guidance issued by Ofgem in 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, the 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>11</sup> and DPA (Data Protection Act) 2018<sup>12</sup>.

<sup>11</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>12</sup> <https://www.legislation.gov.uk/ukpga/2018/12/contents/enacted>

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 that 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 Appendix Question 9 in the Funding Party's Application.

**Table 2. Project milestones<sup>13</sup>**

Reference	Project milestone	Deadline	Overall objectives and key tasks	SIF Funding Request
Milestone 1	Work package 1: Project Management	31 <sup>st</sup> December 2025	Overall objective: NGN will undertake day to day project management of the overall project, including facilitation of meetings, tracking of progress, risks and cost.  Key tasks: 1. Day to day project management 2. Organising of meetings, minutes, actions, risks, costs. 3. Tracking and monitoring of progress	£37,425.25
Milestone 2	Work package 2: Hydrogen Storage Technical Evaluation	31 <sup>st</sup> December 2025	Overall objective: To evaluate a diverse array of hydrogen storage technologies within the area of interest, including:	£37,425.25

<sup>13</sup> As outlined in the Application or Project Plan appendix.



			<p>Clustered silos, lined rock shafts and caverns, salt caverns, hydrocarbon fields (Vale of Pickering) and saline aquifers.</p> <p>Key tasks:</p> <ol style="list-style-type: none"> <li>1. Map land use zones suitable for hosting silos and dedicated pipelines</li> <li>2. Map geological formations suitable for lined rock shafts and caverns (working closely with Gravitricity).</li> <li>3. Map the proximity to known salt deposits.</li> <li>4. Initially rank the four Vale of Pickering hydrocarbon fields using first-order assessment criteria: well count, estimated capacity, pressure/temperature conditions, data availability (e.g. dynamic models), etc. (working closely with Third Energy to understand how appropriate this is for their assets in the region).</li> <li>5. Map saline aquifer closures.</li> <li>6. Storage optioneering evaluation</li> </ol>	
Milestone 3	Work package 3: Hydrogen Demand & System Integration	31 <sup>st</sup> December 2025	<p>Overall objective:</p> <p>Analyse the demand profile for hydrogen production, end use and storage in the region. Explore other potential customers and end users in the region for future</p>	£37,425.25

			<p>growth of hydrogen ecosystem. Review of energy system integration, which would include proximity to key infrastructure including pipelines, hydrogen production, and potential network connections, and hydrogen demand profiles.</p> <p>Key tasks:</p> <ol style="list-style-type: none"> <li>1. Analysis of regional hydrogen demand.</li> <li>2. Spatial mapping of hydrogen production.</li> <li>3. Review of the gas and electricity infrastructure through geospatial analysis.</li> <li>4. Investigation of regional water resources and wastewater treatment facilities.</li> <li>5. Integration of geological storage and infrastructure into a high-level business case for local hydrogen storage.</li> </ol>	
Milestone 4	Work package 4: Stakeholder Engagement, Project Dissemination and Future Planning	31 <sup>st</sup> December 2025	<p>Overall objective:</p> <p>Working closely with NGN, Centrica will be utilising data from previous WP's, to engage with key stakeholders (e.g. DESNZ, EA, NESO) on possibility of hydrogen storage in region.</p> <p>Disseminate project findings and plan next steps for the project for Alpha and Beta phases.</p>	£37,425.25

			<p>Key tasks:</p> <ol style="list-style-type: none"> <li>1. Identification of key stakeholder groups, mapping their interests and impacts on the project.</li> <li>2. Engagement with relevant stakeholders on the possibility of regional storage.</li> <li>3. Dissemination of project findings to stakeholders through an event showcasing recommendations and next steps for Alpha and Beta phases.</li> </ol>	
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## **2. USE OF LOGO**

The Funding Party and the Project Partners, External Funders and Project Supporters or subcontractors<sup>14</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.

## **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.

## **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.

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>14</sup> As detailed in the Application.

## **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:

- (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 5.7 of the Gas Transporter 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 5.7 of the Gas Transporter 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 1988.

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	£166,547
Materials	-
Subcontracting	-
Travel and subsistence	£8,755
Other costs	£6,011
<b>Total</b>	<b>£181,313</b>

Project Partner	Total project costs (£)	Project contribution (£)	Total SIF Funding requested (£)	Project contribution (%)
NORTHERN GAS NETWORKS LIMITED	£9,640.00	£7,140.00	£2,500.00	
British Geological Survey	£59,433.00	-	£59,433.00	
CENTRICA STORAGE LIMITED	£15,000.00	£14,999.00	£1.00	
GRAVITRICITY LIMITED	£34,618.00	£3,462.00	£31,156.00	
THIRD ENERGY ONSHORE LIMITED	£2,500.00	-	£2,500.00	
University of Edinburgh	£60,122.00	£6,011.00	£54,111.00	
<b>Total</b>	<b>£181,313.00</b>	<b>£31,612.00</b>	<b>£149,701.00</b>	<b>21%</b>

**ANNEX 2 TO SCHEDULE: TEMPLATE OF BANK ACCOUNT DETAILS TO BE PROVIDED  
TO EITHER NGT ([BOX.GSOSETTLEMENTS@NATIONALGRID.COM](mailto:BOX.GSOSETTLEMENTS@NATIONALGRID.COM)) OR NESO  
([REVENUE.INVOICE@NATIONALENERGYSO.COM](mailto:REVENUE.INVOICE@NATIONALENERGYSO.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)