

Southern Gas Networks Plc
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Date: 22nd September 2025

Dear Southern Gas Networks PLC,

Southern Gas Networks PLC submitted Green Gas Access (the Project) to be considered for funding through the Discovery Phase of Round 5 of the Strategic Innovation Fund (SIF). In our¹ SIF Funding Decision issued on 22nd September 2025, we selected the Project² for conditional funding for the Round 5 Discovery Phase and as a result we are now issuing this SIF Project Direction to implement that decision.

Southern Gas Networks 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 respectively.

Role of UK Research & Innovation (UKRI)

As per Chapter 1 of the SIF Governance Document³ 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

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.

³ <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.⁴
- 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.⁵
- Set out the Project budget that the Funding Party must report against and how variations in the Project budget will be reported.⁶
- Where applicable, set out special information sharing requirements applicable to the Project.⁷
- Set out the mechanism for the Funding Party receiving the SIF Approved Amount as set out in the SIF Funding Direction.⁸

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 Project⁹.

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

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

⁶ 'Annex 1 – Project Budget.

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

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

⁹ 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 1986.

Marzia Zafar

Deputy Director, Decentralisation & Digitalisation

For and on behalf of the Authority

Schedule to SIF Project Direction

1. PROJECT DETAILS

Application number: 10168466

Project title: Green Gas Access

Innovation Challenge/Project Phase: Green / Discovery Phase Round 5

Project start date: 1 September 2025

Project end date: 28 February 2026

SIF Approved Amount for SIF Funding: £147,705

2. PREAMBLE

This SIF Project Direction is issued by the Gas and Electricity Markets Authority (the "Authority") to Southern Gas Networks PLC (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 Green Gas Access (the "Project") as a condition of it being funded under the SIF Funding Mechanism.¹⁰

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

DNV SERVICES UK LIMITED

¹⁰ The SIF Funding Return Mechanism is defined in the SIF Governance Document.

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 £147,705 (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)¹¹ and DPA (Data Protection Act) 2018¹². 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.

¹¹ https://ec.europa.eu/info/law/law-topic/data-protection/data-protection-eu_en

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

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 milestones¹³

Reference	Project milestone	Deadline	Overall objectives and key tasks	SIF Funding Request
Milestone 0	Work package 0: Project Management and Governance	31 st November 2025	<p>Overall objective: The overall objective of this WP is to establish programme governance, mobilise the team and finalise the requirements backlog with a foundation to kick start each WP with speed and efficiency.</p> <p>Key tasks: 1. Project kick-off meeting - to confirm scope, roles and responsibilities and other arrangements 2. Bi-weekly progress meetings 3. Final report delivery - consolidate all the chapters from WP1-6 into a final report 4. Project close meeting</p>	-
Milestone 1	Work package 1: Current GDN Landscape and Capability Review	31 st November 2025	<p>Overall objective: The objective of this work package is to establish a comprehensive understanding of the current capabilities, limitations, and future potential of the UK's gas distribution networks (GDNs) in accommodating increasing volumes of green gas. This includes:</p> <p>-Mapping the existing software, modelling tools, and operational processes used by GDNs for network planning,</p>	£23,263.00

¹³ As outlined in in the Application or Project Plan appendix.

			<p>reinforcement, and control.</p> <ul style="list-style-type: none"> -Evaluating how current systems support capacity assessment, flexibility, and day-to-day balancing, particularly in the context of decentralised green gas injection. -Identifying bottlenecks and constraints in the network and exploring reinforcement strategies such as intra-tier compression, advanced pressure control, and storage solutions. -Assessing the impact of green gas on control room operations, including forecasting, real-time monitoring, automation, and digitalisation. -Ranking and grouping identified gaps and challenges to inform targeted Alpha Phase development. -Exploring opportunities for integrating AI/ML and linking with other relevant initiatives (e.g. SGN's Intelligent Gas Grid project). <p>The findings will form the foundation for defining future innovation scopes and will directly inform scenario modelling, assurance, and stakeholder engagement activities in subsequent work packages.</p> <p>Key tasks:</p> <ol style="list-style-type: none"> 1. Review existing software, modelling tools, and operational processes used by GDNs. In co-operation with SGN. 2. Assess capabilities for network capacity, flexibility, and reinforcement planning. 3. Identify gaps, limitations, and opportunities for improvement. 4. Write up of finding into discovery report 	
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Milestone 2	Work package 2: Business Process and Policy Review	31 st November 2025	<p>Overall objective:</p> <p>This work package aims to assess and define how existing business processes, regulatory frameworks, and industry standards must evolve to support the efficient and scalable integration of green gas into the UK's gas distribution networks. The objectives are to:</p> <ul style="list-style-type: none"> -Review current green gas connection processes, including application, approval, and commissioning procedures. -Evaluate the suitability of existing gas industry standards and the Uniform Network Code (UNC) in the context of decentralised, variable green gas supply. -Identify policy, regulatory, and procedural barriers to green gas uptake and propose areas for reform. -Explore the role of common information modelling and digitalisation in streamlining processes and improving transparency. -Provide recommendations for Alpha Phase projects that address identified gaps and enable more agile, inclusive, and future-ready business processes. <p>Key tasks:</p> <ol style="list-style-type: none"> 1. Evaluate current green gas connection processes, standards, and codes. 2. Identify changes needed to support increased green gas integration. 3. Explore the role of common information modelling in enabling digitalisation. 4. Write up of finding into final discovery phase report 	£24,216.00
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Milestone 3	Work package 3: Green Gas Supply Case Studies	31 st November 2025	<p>Overall objective:</p> <p>This work package aims to develop a series of representative case studies that illustrate the end-to-end processes, data flows, and stakeholder interactions involved in connecting and operating green gas supplies. These case studies will:</p> <ul style="list-style-type: none"> -Represent a range of green gas supplier personas (e.g. small-scale farm-based-AD, industrial Bio, community energy projects). -Represent a range of stakeholder personas (e.g. control room operators, GDNs salesman trying to attract new green gas suppliers). -Map the technical, commercial, and regulatory journey of each persona from planning, injection and management for all aspects covered by the personas. -Identify key challenges, data requirements, and decision points/outputs required across the lifecycle of a green gas connection. -Support the identification of gaps in current systems, tools, and processes. -Inform the scoping of Alpha Phase projects by grounding innovation needs in real-world examples. <p>Key tasks:</p> <ol style="list-style-type: none"> 1. Develop representative case studies for different green gas supplier personas. 2. Map data, processes, and stakeholder relationships. 3. Use case studies to inform Alpha Phase project scoping. 4. Write up of finding into final discovery phase report 	£32,069.00
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Milestone 4	Work package 4: Assurance of Green Gas Supply	31 st November 2025	<p>Overall objective:</p> <p>This work package aims to define the requirements for assuring the reliability, sustainability, and long-term viability of green gas supplies entering the gas distribution network. The objectives are to:</p> <ul style="list-style-type: none"> - Assess the availability and sustainability of feedstocks used in biomethane and Bio production. - Identify the technical and business assurance needs for green gas suppliers to support long-term contractual arrangements. - Review existing schemes (e.g. Green Gas Support Scheme) and standards relevant to green gas production and injection. - Explore how suppliers can be classified or characterised based on their reliability and operational maturity. - Evaluate current standards and practices for infrastructure reliability and maintenance. - Do GDNs need systems and processes to be able to assess the companies ability to operation. If so what would be useful? - Provide recommendations for how assurance frameworks can support network planning, system security, and supplier development in future phases. <p>Key tasks:</p> <ol style="list-style-type: none"> 1. Assess feedstock availability, sustainability, and societal benefits. 2. Review existing schemes (e.g. GGSS) and long-term supply reliability needs. 3. Develop classifications for suppliers classified characterised 	£27,173.00
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			based on their reliability and operational maturity. (if required) 4. Write up of finding into final discovery phase report	
Milestone 5:	Work package 5: Scenario Modelling and Real-Time Operations	31 st November 2025	<p>Overall objective: This work package aims to consolidate the findings of previous work packages to define the requirements for advanced scenario modelling and real-time operational tools that enable GDNs to manage the integration of green gas under dynamic and uncertain supply and demand conditions. The objectives are to:</p> <ul style="list-style-type: none"> -Assess current modelling tools and real-time systems used by GDNs for forecasting, balancing, and operational control. (using outputs from WP1) -Identify gaps in capabilities for simulating seasonal, diurnal, and real-time supply-demand scenarios involving green gas. (using outputs from WP1) -Explore the potential of AI/ML and data-driven approaches to enhance forecasting, anomaly detection, and system optimisation. -Propose a concept architecture and functional requirements (using WP3-personas as inputs) for future tools that support pressure management, injection coordination, and system stability. (using outputs from WP2 and 4) -Provide a foundation for Alpha Phase projects focused on digital tools for operational planning and control. <p>Key tasks:</p>	£40,984.00

			<ol style="list-style-type: none">1. Review existing forecasting, simulation, and control room tools used by GDNs.2. Identify gaps in real-time visibility, automation, and system balancing capabilities.3. Explore the potential of AI/ML for predictive modelling and anomaly detection.4. Define requirements for scenario-based planning tools and visualisations that simulate:<ul style="list-style-type: none">- Seasonal and diurnal supply-demand variations.- Injection coordination and pressure management.- Network reinforcement and flexibility options.5. Write up of finding into final discovery phase report.	
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2. USE OF LOGO

The Funding Party and the Project Partners, External Funders and Project Supporters or subcontractors¹⁴ 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.

¹⁴ 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 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

SIF Project Direction costs	
Cost Category	Total Project costs (£)
Labour	£164,858
Materials	-
Subcontracting	-
Travel and subsistence	-
Other costs	-
Total	£164,858

Project Partner	Total project costs (£)	Project contribution (£)	Total SIF Funding requested (£)	Project contribution (%)
SOUTHERN GAS NETWORKS PLC	£38,322.00	£4,106.00	£34,216.00	
DNV SERVICES UK LIMITED	£126,536.00	£13,047.00	£113,489.00	
Total	£164,858.00	£17,153.00	£147,705.00	12%

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