

Lloyds Court, 78 Grey Street, Newcastle Upon Tyne, NE1 6AF

Direct Dial: 020 7901 7295

Email: Marzia.Zafar@ofgem.gov.uk

Date: 1st February 2026

Dear NORTHERN POWERGRID (NORTHEAST) LIMITED,

NORTHERN POWERGRID (NORTHEAST) LIMITED submitted Project VOLT (the Project) to be considered for funding through the Alpha Phase of Round 4 of the Strategic Innovation Fund (SIF). In our SIF Funding Decision issued on 1st February 2026, we selected the Project for conditional funding for the Round 4 Alpha Phase and as a result we are now issuing this SIF Project Direction to implement that decision.

NORTHERN POWERGRID (NORTHEAST) 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.

The Project previously received SIF Funding for the Round 4 Discovery Phase and submitted an Application for the Project to be considered for SIF Funding for the Round 4 Alpha Phase of the SIF. As stated above, the Project has been selected by Ofgem to receive SIF Funding for the Round 4 Alpha Phase.

Role of UK Research & Innovation (UKRI)

As per Chapter 1 of the [SIF Governance Document](#) 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.
- 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 (such as Project stage gates) 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.
- Set out the Project budget that the Funding Party must report against and how variations in the Project budget will be reported.
- Where applicable, set out special information sharing requirements applicable to the Project.
- Set out the mechanism for the Funding Party receiving the SIF Approved Amount as set out in the SIF Funding Direction.

All SIF Project Direction requirements are detailed in the Schedule to this SIF Project Direction.

Decision

Provided the Funding Party complies with the SIF Governance Document and with the Schedule to this SIF Project Direction, the Project is deemed to be an Eligible SIF Project.

This SIF Project Direction constitutes notice pursuant to section 49A (Reasons for decisions) of the Electricity Act 1992.

Marzia Zafar

Deputy Director, Decentralisation & Digitalisation

The Office of Gas and Electricity Markets

Commonwealth House, 32 Albion Street, Glasgow, G1 1LH Tel 020 7901 7000

www.ofgem.gov.uk

SRO for the Strategic Innovation Fund

For and on behalf of the Authority

Schedule to SIF Project Direction

1. PROJECT DETAILS

Application number: 10179071

Project title: Project VOLT

Innovation Challenge/Project Phase: Faster network development/ Round 4 Alpha Phase

Project start date: 1st February 2026

Project end date: 30th September 2026

SIF Approved Amount for SIF Funding: £496,123

2. PREAMBLE

This SIF Project Direction is issued by the Gas and Electricity Markets Authority (the "Authority") to NORTHERN POWERGRID (NORTHEAST) LIMITED (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 Project VOLT (the "Project") as a condition of it being funded under the SIF Funding Mechanism, as defined in the SIF Governance.

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

EDF ENERGY R&D UK CENTRE LIMITED
WALES & WEST UTILITIES LIMITED
LANE CLARK & PEACOCK LLP

PULSANT LIMITED Newcastle University NORTHERN GAS NETWORKS LIMITED

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

Condition 4

The Project will be allowed a flexible start date and duration within the 8-month period from the date the Project Direction is issued. The Project must tell the monitoring officer the start date and end date of 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 £496123 (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 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 to Beta Phase and, if the Funding Party submits an Application for the Project for Beta 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 5 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 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 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 the Data Best Practice Guidance issued by Ofgem 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 \(General Data Protection Regulation\)](#) and [DPA \(Data Protection Act\) 2018](#). 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 WORK PACKAGES

The Funding Party must provide an outline in its end of Project Phase meeting with its UKRI monitoring officer that verifies the Project work packages have been achieved or explains why they have not.

Project Work Packages are outlined below in Table 2, based upon details contained within Question 7 and Appendix Question 9 in the Funding Party's Application.

Table 2. Project Work Packages¹

Reference	Project Work Packages	Deadline	Overall objectives and key tasks	SIF Funding Request
WP1	Project Management	31/07/2026	<p>Work package 1 will manage the project deliver to ensure compliance with Ofgem's Strategic Innovation Fund (SIF) delivery requirements while managing project deliverables, risks and ensuring successful outcomes. The project management team will be overseen by a Project Steering Committee (PSC), which consists of Senior representatives from Northern Powergrid, NESO, NGN, LCP Delta, Newcastle University, Wales & West Utilities and NESO</p> <p>The key tasks of this work package are:</p> <ul style="list-style-type: none"> · Manage day-to-day project operations, ensuring adherence to timelines and project objectives. · Track project progress, risks, and dependencies, reporting to the PSC. · Facilitate collaboration across workstreams and partner organisations. · Ensure implementation of best practices in project management and governance. · Identify, assess, and prioritise project risks, including regulatory, technical, and commercial risks. · Develop and oversee risk mitigation strategies. · Monitor risk exposure and escalate major concerns to the PSC for resolution. · Implement a structured change control process to assess and approve 	£104,236.00

¹ As outlined in in the Application or Project Plan appendix.

Reference	Project Work Packages	Deadline	Overall objectives and key tasks	SIF Funding Request
			<p>modifications to project scope, budget, or timelines.</p> <ul style="list-style-type: none"> · Record and implement lessons learned and best practices for future scalability. · Manage the delivery of a robust closure report and recommendations for wider industry adoption of multi-vector microgrids. 	
WP2	Stakeholder engagement	31/07/2026	<p>Work package 2 will develop a comprehensive stakeholder engagement strategy and gather customer and stakeholder insights to shape I&C multi-vector microgrid solution development to support the delivery of an innovation trial or BAU project.</p> <p>The key tasks of this work package are:</p> <ul style="list-style-type: none"> * Define stakeholder engagement strategy, outlining objectives, target stakeholders, communication channels and activities for ongoing engagement. Including other commercial and industrial customers to engage with and seek feedback and any relevant industry bodies or stakeholders not already onboard or engaged with the project * Develop communication plans and design feedback collection, including interviews, questionnaires, etc * Identify any gaps in information or knowledge * Engage with key stakeholders and customers to obtain insights and feedback and document findings in a report 	£51,365.00
WP3	Multi vector Microgrid design and	31/07/2026	<p>Work package 3 will develop blueprint designs and operational processes for multi-vector microgrids that can be developed and built on customer sites. The aim is to progress towards a microgrid innovation trial at a</p>	£80,866.50

Reference	Project Work Packages	Deadline	Overall objectives and key tasks	SIF Funding Request
	operational process		<p>project customer partner's site or a combined trial with simulation testing or BAU project development.</p> <p>The key tasks of this work package are:</p> <ul style="list-style-type: none"> * Classification of customer needs and priorities * Microgrid design and configuration * High-level operational process mapping and coordination across networks * Impact and connection to the grid * Implications for the energy supplier and flexibility service providers * Align the microgrid design and operational process with the planning processes, including RESP, SSEP and business planning frameworks. * Development of a site assessment framework which can be used across GB, to ensure sites are suitable for microgrid deployment 	
WP4	Future market, policy, regulation and technology	31/07/2026	<p>Work package 4 will develop solutions to address any policy or regulatory challenges and /or barriers identified at Discovery phase. Develop a deeper understanding of the future market and technology challenges/ barriers. Develop a deliverability roadmap that will describe a route to market for the microgrid designs and replicability for implementation in GB for different customer classifications, for either an innovation trial phase or BAU project development.</p> <p>The key tasks of this work package are:</p> <ul style="list-style-type: none"> * Identify and develop solutions to address challenges 	£114,449.00

Reference	Project Work Packages	Deadline	Overall objectives and key tasks	SIF Funding Request
			<ul style="list-style-type: none"> * Identify preferred options and assess the deliverability of each option * Assess the replicability of microgrid configurations in other geographical and geological surroundings * Provide recommendations to support the overall route to market * Deliverability roadmap: what needs to change and how * Technology readiness review to assess the microgrid technology maturity. Identifying challenges and barriers * Assess tariff options and fuel alternatives, including a review and benchmarking of existing tariff schemes and identification of a viable tariff structure that supports the deployment of microgrids and facilitates resilience and reliability of the network 	
WP5	Benefits for each stakeholder	31/07/2026	<p>Work package 5 will identify and quantify the benefits of microgrid implementation for networks, customers, and other key stakeholders, and develop a framework and case studies that define clear value propositions. Insights and feedback from stakeholders will be included:</p> <ul style="list-style-type: none"> * Network companies, Northern Power Grid NPG (both DSO and DNO), Northern Gas Network (hydrogen future), NGET (for wider upstream impacts at the distribution and transmission interface) * Project customer sites, including Newcastle International Airport, Port of Tyne, Severfield and Pulsant * NESO; and * North East Combined Authority and other relevant local authorities * Generators / Flex providers– e.g. Renewables, Nuclear, Biomass, Storage, Flexibility providers 	£40,725.00

Reference	Project Work Packages	Deadline	Overall objectives and key tasks	SIF Funding Request
			<p>The key tasks of this work package are:</p> <ul style="list-style-type: none"> * Stakeholder mapping and engagement to understand priorities, value drivers, and risk profiles * Detailed quantitative and qualitative assessment of benefits (e.g., cost savings, resilience, carbon reduction) * Develop benefit frameworks tailored to stakeholder types (I&C customers, DNOs, gas networks, developers) * Validating the potential and limitations of business model options with the customer sites and other relevant stakeholders (e.g., energy-as-a-service provider, utilities). For example, this might include identifying any concerns or risks related to shifting asset ownership to a 3rd party or developing the tariff structure for a Microgrid-as-a-Service offering. * Align benefits with business models, design and operational processes to optimise value. * Case study development to illustrate stakeholder-specific benefits 	
WP6	Flexibility potential	31/07/2026	<p>Work package 6 will assess and quantify the flexibility potential of the project customer partners if a multi-vector microgrids was installed. Identify barriers, and develop blueprint flexibility commercial and operational processes to support trials and BAU projects, that can be replicated for other high-demand customers and are aligned with the Clean Flexibility Roadmap 2025.</p> <p>The key tasks of this work package are:</p>	£76,351.00

Reference	Project Work Packages	Deadline	Overall objectives and key tasks	SIF Funding Request
			<ul style="list-style-type: none"> * Identify the flexibility potential from large demand customers with microgrids as well as the barriers. * Operational mapping for FSPs and suppliers, including quantifying benefits for those working with C&I customers within a microgrid. * Simulation/modelling to quantify the flexibility contributions under different scenarios * Understand which service is most beneficial for NESO vs customer and if new or updated products and services are required to unlock the full value 	
WP7	Wider system coordination and benefits	31/07/2026	<p>Work package 7 will evaluate the wider system-level benefits of deploying multiple microgrids within a region, focusing on enhancing resilience, accelerating decarbonisation, and supporting new low-carbon connections, with integration into NESO and DSO planning frameworks. There will be active engagement with Northern Power Grid NPG (both DSO and DNO), Northern Gas Network (hydrogen future), NGET (for wider upstream impacts at the distribution and transmission interface).</p> <p>The key tasks of this work package are:</p> <ul style="list-style-type: none"> * Assess technical feasibility and operational value of multiple microgrids within a region to coordinate and support wider grid resilience, security and decarbonisation including black start and UPS-enabled microgrids * Identify coordination mechanisms with NESO and DSOs for resilience planning * Develop scenarios to test wider system benefit under outage or stress 	£26,329.50



Making a positive difference
for energy consumers

Reference	Project Work Packages	Deadline	Overall objectives and key tasks	SIF Funding Request
			conditions considering different configurations and geographies and topologies.	

The Office of Gas and Electricity Markets

Commonwealth House, 32 Albion Street, Glasgow, G1 1LH Tel 020 7901 7000

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14. USE OF LOGO

The Funding Party and the Project Partners, External Funders and Project Supporters or subcontractors, as detailed in the Application, 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 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.

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.

17. AMENDMENT OR REVOCATION

As set out in Chapter 7 of the SIF Governance Document, this SIF Project Direction may be amended or revoked under the following circumstances:

- (i) if the Funding Party considers that there has been a material change in circumstance that requires a change to the SIF Project Direction, and the Authority agrees; or

- (ii) to reflect amendments made to the Licence.

18. HALTING OF PROJECTS

This SIF Project Direction is subject to the provisions contained in Chapter 7 of the SIF Governance Document relating to the halting of Projects. By extension, this SIF Project Direction is subject to any decision by the Authority to halt the Project to which this SIF Project Direction relates and to any subsequent relevant SIF Funding Direction issued by the Authority pursuant to Special Condition 9.9 of the Electricity Distribution Licence.

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 1992.

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	£546,755
Materials	£-
Subcontracting	£-
Travel and subsistence	£4,496
Other costs	£-
Total	£551,251

Project Partner	Total project costs (£)	Project contribution (£)	Total SIF Funding requested (£)	Project contribution (%)
NORTHERN POWERGRID (NORTHEAST) LIMITED	£26,796	£2,680	£24,116	
Newcastle University	£163,335	£16,334	£147,001	
EDF ENERGY R&D UK CENTRE LIMITED	£84,592	£8,460	£76,132	
LANE CLARK & PEACOCK LLP	£255,555	£25,555	£230,000	
NORTHERN GAS NETWORKS LIMITED	£11,571	£1,159	£10,412	
PULSANT LIMITED	£1	£0	£1	
WALES & WEST UTILITIES LIMITED	£9,401	£940	£8,461	
Total	£551,251	£55,128	£496,123	11%

**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)