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Date: 8th October 2026

Dear ELECTRICITY NORTH WEST LIMITED,

ELECTRICITY NORTH WEST LIMITED submitted Net Zero Terrace (the Project) to be considered for funding through the Beta Phase of Cycle 6 of the Strategic Innovation Fund (SIF). In our (The terms 'we', 'us', 'our' refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority) SIF Funding Decision issued on 1 October 2026, we selected the Project for conditional funding for the Cycle 6 Beta Phase and as a result we are now issuing this SIF Project Direction to implement that decision.

This Project Direction is issued pursuant to the Special Condition 9.9 of the Electricity Distribution Licence and the SIF Governance Document and sets out the SIF Approved Amount and any Project-specific or Special Conditions applicable to the Project that ELECTRICITY NORTH WEST LIMITED must comply with to receive funding.

Role of UK Research & Innovation (UKRI)

As per Chapter 1 of the [SIF Governance Document](#) UKRI administers the funding programme, monitor Projects, collate data from Projects, make recommendations to Ofgem on operational matters, support third-party innovators and, where possible, support 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.

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 1989.

Marzia Zafar

Deputy Director, Strategy Energy Systems Management & Security

SRO for the Strategic Innovation Fund

For and on behalf of the Authority

Schedule to SIF Project Direction

1. PROJECT DETAILS

Application number: 10205981

Project title: Net Zero Terrace

Innovation Challenge/Cycle: Consumer-centric grid expansion/ Cycle 6

Project start date: 1 December 2026

Project end date: 1 September 2030

SIF Approved Amount for SIF Funding: £7,188,365

2. PREAMBLE

This SIF Project Direction is issued by the Gas and Electricity Markets Authority (the "Authority") to ELECTRICITY NORTH WEST 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 Net Zero Terrace (the "Project") as a condition of it being funded under the SIF Funding Mechanism.

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

The Funding Party must comply with all requirements detailed in the SIF Governance Document and the relevant SIF Funding Direction. 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.

Project Partners

- Northern Powergrid (Northeast) Limited
- Buro Happold Limited
- UK Power Networks (Operations) Limited

- Centre for Energy Equality Ltd
- Looped Energy Communities CIC
- Greater Manchester Combined Authority

Condition 2 – Ofgem Stage gate scoping

The Funding Party must, with support from Innovate UK and, where applicable Ofgem, scope the requirements and success criteria for each Ofgem Stage Gate, as set out in the Project management plan 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 3

At its first anniversary, the Project shall produce a new CBA which should specifically review the use of electric boilers as the counter factual heating system.

Condition 4

On a six-monthly basis (at every other quarterly review meeting, starting with review meeting 02), the Project must present to the monitoring team a summary of its current learning on what is working or not working in relation to community-based approaches.

Condition 5

The Project shall create a working group or utilise an existing working group or communication structure to create a local authority community of learning relating to insights on the community-based approaches being trialled in the Net Zero Terrace project. The Project shall present a plan for this to the monitoring team at the first quarterly review meeting.

Condition 6

The Project shall create a working group or utilise an existing working group or communication structure to share learning on the interface with Net Zero Terrace and the DSO control room to include sharing of learning with Ofgem and DESNZ. The Project shall present a plan for this to the monitoring team at the first quarterly review meeting.

Condition 7

At the kick-off meeting, the Project shall present to the monitoring team a set of KPIs that it will use to monitor the uptake of the Net Zero Terrace measures as part of the demonstrator. The KPIs shall be set to ensure that there are enough of the right participants in the demonstrator to ensure that the Project fully demonstrates statistical significance in findings and proves learnings for both the operation of the physical and digital infrastructure and makes a viable case for DNOs, including alignment with DNO priorities.

Condition 8

On a six-monthly basis (at every other quarterly review meeting, starting with meeting 03) the Project must present how it is engaging with the Energy Digitalisation Framework (or equivalent frameworks if it ceases to exist).

Condition 9

The Project shall specifically share its learnings on the design of the Net Zero Terrace digital interface and its use by vulnerable customers. It shall present its intermediate findings from previous funding stages at the beginning of the Project, again at the Project mid-point and finally as part of the end-of-phase dissemination. The exact timing and mechanism for disseminating these learnings can be agreed with the monitoring team.

Condition 10

At the kick off meeting, the Project must present to the Monitoring Team an update on its approach to contingency planning, consumer engagement risks, protection for participating households, and resilience to delays in key Project dependencies.

Condition 11

Within a month of the formal project kick-off meeting, the Project shall commit to a further introductory meeting with Ofgem policy and engineering leads who wish to stay involved in the Project, to answer questions and agree an appropriate route to ongoing engagement throughout the Project lifespan.

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 £7,188,365 (as detailed under Section 1: Project details of this Project Direction) will be recovered by NESO from GB customers and transferred to the Funding Party. The Funding Party is responsible for notifying NESO 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 NESO, the reverse applies. The Funding Party must provide bank account details to NESO 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 as set out in Table 3 in Chapter 8 of the SIF Governance Document.

7. PROJECT IMPLEMENTATION

The Funding Party must undertake the Project in accordance with the commitments it has made in the Application and with the conditions of this SIF Project Direction. These include (but are not limited to) the following:

- (i) undertake the Project in accordance with its Application,
- (ii) complete the Project on or before the Project completion date as detailed under section 1 of the schedule of this SIF Project Direction, and
- (iii) disseminate the learning from the Project at least to the level described in chapter 3 of the SIF Governance Document. Dissemination of learning must be carried out whether the Project was concluded successfully or otherwise.

8. REPORTING

As set out in Table 3 in Chapter 6 of the SIF Governance Document, the Funding Party, are required to report on various information at set points through the lifecycle of the Project. Ofgem and UKRI may issue guidance (and amend it from time to time) about the structure and content of the Project reporting required. The Funding Party must follow this guidance in preparing the reports.

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 and Innovation

Lead. 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.

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 \(General Data Protection Regulation\)](#) 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 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 the Funding Party's Application.

Table 1. Project milestones

Reference	Project milestone	Deadline	SIF Funding Request
Milestone 1	Work package 1: Project Management	1 September 2030	£985,326
Milestone 2	Work package 2: Design & Development	1 September 2030	£2,179,680
Milestone 3	Work package 3: Trials & Testing	1 September 2030	£811,565.
Milestone 4	Work package 4: Regional Development Strategy	1 September 2030	£571,804

Reference	Project milestone	Deadline	SIF Funding Request
Milestone 5	Work package 5: Customer & Community Engagement	1 September 2030	£476,988
Milestone 6	Work package 6: In Home Demonstrator	1 September 2030	£661,055
Milestone 7	Work package 7: Analysis & Insights	1 September 2030	£782,686
Milestone 8	Work package 8: Commercialisation	1 September 2030	£719,261

14. USE OF LOGO

The Funding Party and the Project Partners, External Funders and Project Supporters or subcontractors must not use the Innovate UK/UKRI and/or Ofgem logo for purposes associated with the Project in any circumstances. For additional guidance, refer to the SIF handbook.

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 4 and 8 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.

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 4 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.

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, 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	£6,966,349
Materials	£139,420
Subcontracting	£459,824
Travel and subsistence	£101,600
Other costs	£319,880
Contingency	£0
Total	£7,987,073

Project Partner	Total project costs (£)	Project contribution (£)	Total SIF Funding requested (£)	Project contribution (%)
ELECTRICITY NORTH WEST LIMITED	£704,243	£70,425	£633,818	
BURO HAPPOLD LIMITED	£2,283,211	£228,321	£2,054,890	
CENTRE FOR ENERGY EQUALITY LTD	£1,893,293	£189,329	£1,703,964	
Greater Manchester Combined Authority	£137,307	£13,731	£123,576	
LOOPED ENERGY COMMUNITIES CIC	£2,842,569	£284,257	£2,558,312	

NORTHERN POWERGRID (NORTHEAST) LIMITED	£80,900	£8,090	£72,810	
UK POWER NETWORKS (OPERATIONS) LIMITED	£45,550	£4,555	£40,995	
Total	£7,987,073	£798,708	£7,188,365	10%

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

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)