

09.30-10.15

Heat: Getting the cold shoulder?

The launch of the 2018 Heat Report on the effective decarbonising of heat: challenges, opportunities; solutions

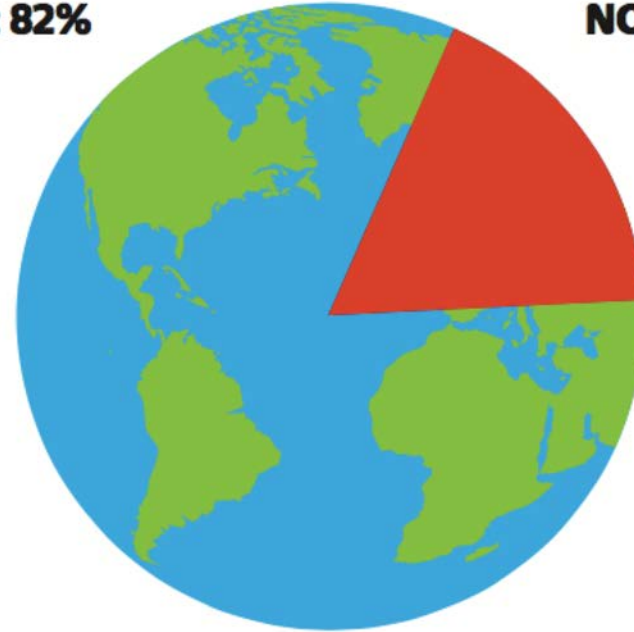




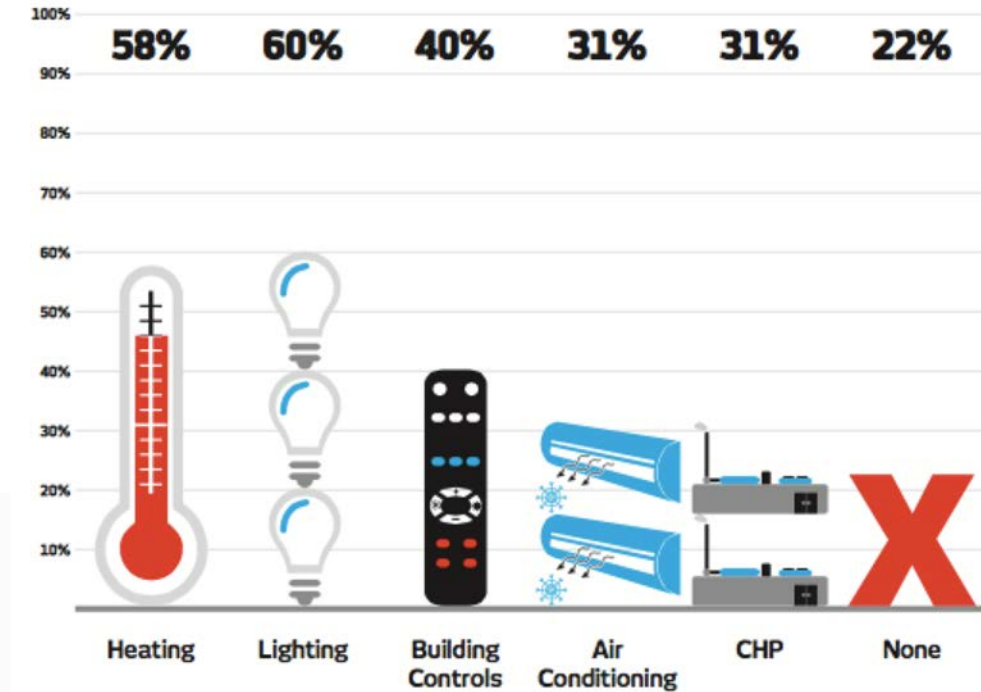
Is your organisation
looking at low
carbon methods of
heating?

YES: 82%

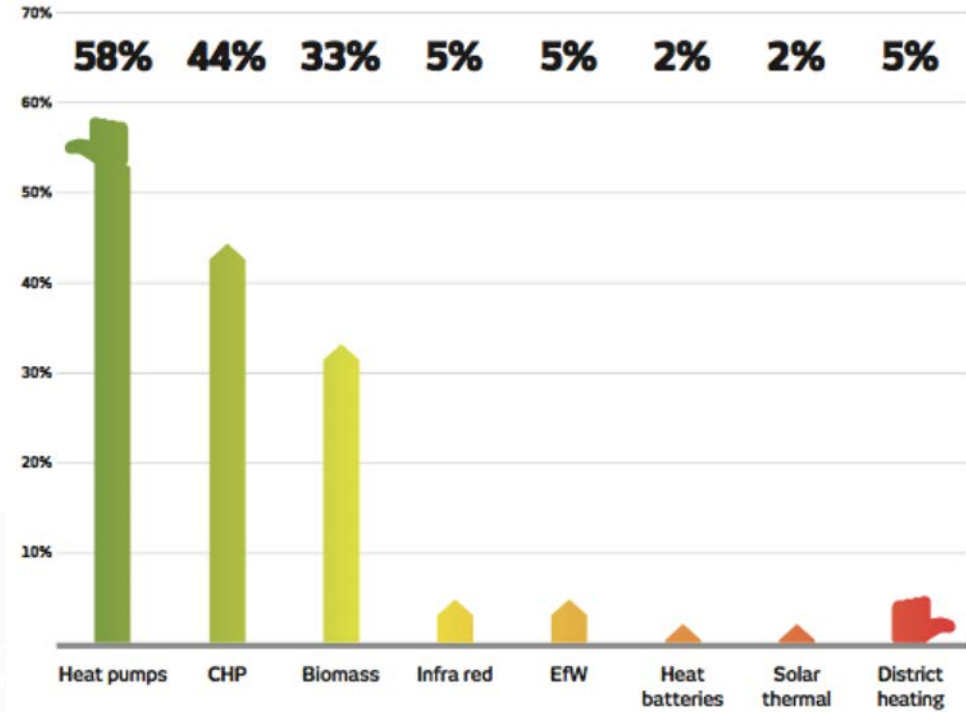
NO: 18%



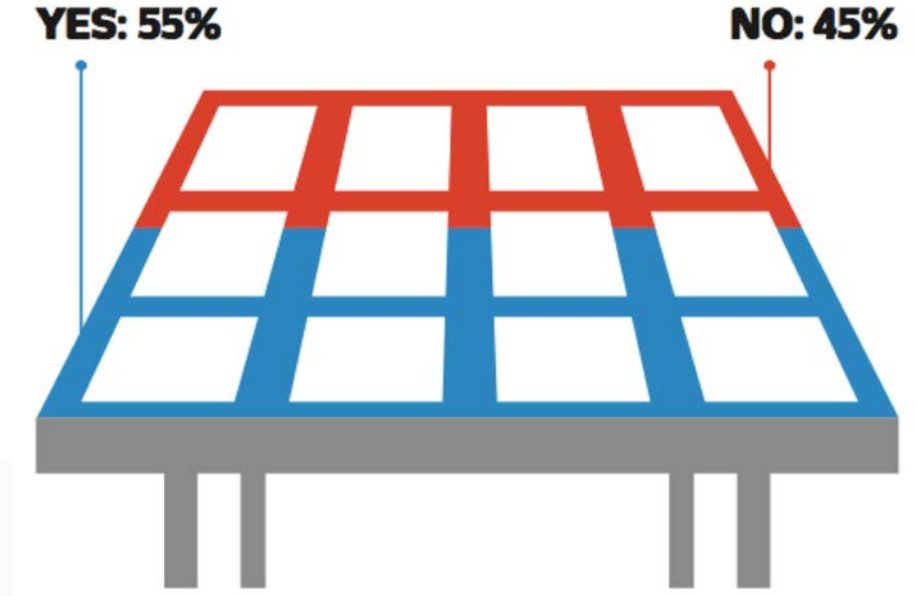
Which low carbon technologies have you installed in your building?



Which technologies
are/would you
consider deploying?

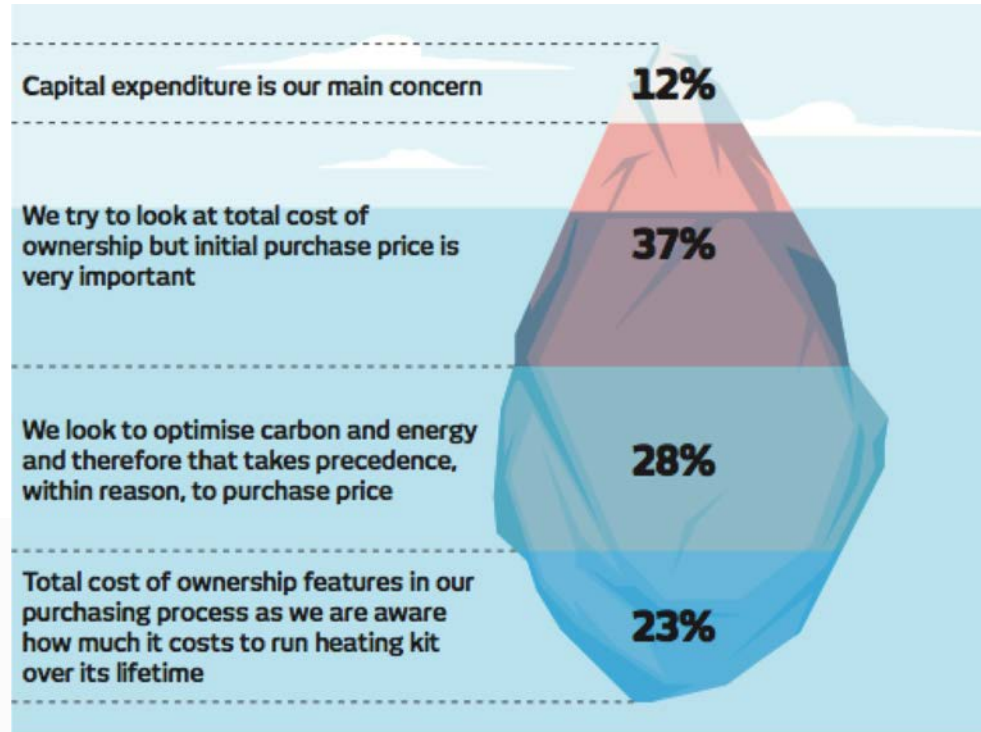


Has the RHI been an
effective tool for
encouraging renewable
sources of heating?

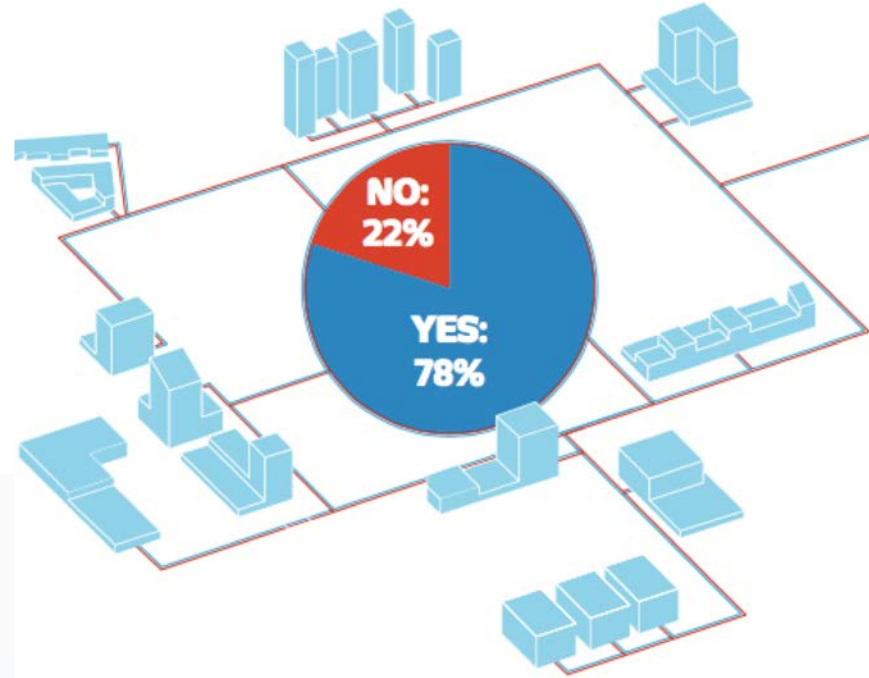




When purchasing heating equipment, what are your key criteria (capex/opex/totex)

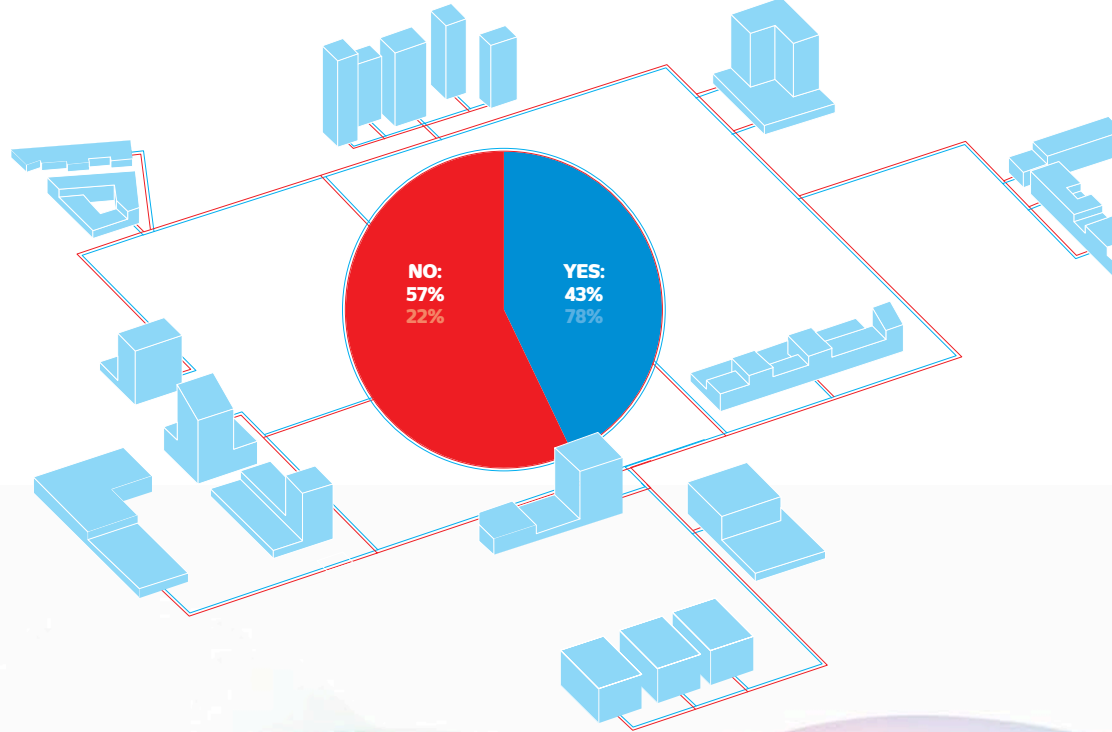


Are heat networks part
of the decarbonisation
solution in the next five
years?





Heating
engineers less
convinced heat
networks are
part of solution





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Heat: Getting the cold shoulder?

Anna Livesey, Ecuity

A heat networks update: Where are we now and what's coming down the pipe?



Heat Networks Investment Project - an overview

Anna Livesey, Senior Consultant
17th April 2018



Evidence based influence



Focus

A team of policy specialists dedicated to connecting the energy sector with policymakers



Reputation

Our evidence based approach is respected by policymakers and opinion formers across Whitehall, Westminster, Brussels, devolved nations and regions



Expertise

Experts in bringing business and government together in a way that makes energy policy work. We have helped over 100 companies develop their strategy for the energy sector



Diverse skill base

Diverse skill base including economics, research, analysis, strategy, communications and engineering

Tackle key business issues



Unknown risks in future
policy



Unexpected change to
current policy



Government intervention
driving poor quality
competition



Regulatory non-
compliance



Lost revenue through
unknown policy
opportunity



Poor customer
experience and low
consumer engagement



Delays to policy
implementation



Barriers to technology
commercialisation

Experience and partners

Low Emission Vehicles

Air Quality

Domestic Heating

Commercial Heating &
Ventilation

Energy efficiency

Smart Electricity Systems, IOT
and Smart Homes

Retail energy supply

Off-grid energy

Renewable Generation

Hydrogen

Energy Storage

Product and Installation
Standards

Technology Innovators



Contractors & Supply Chain



Fuel Suppliers



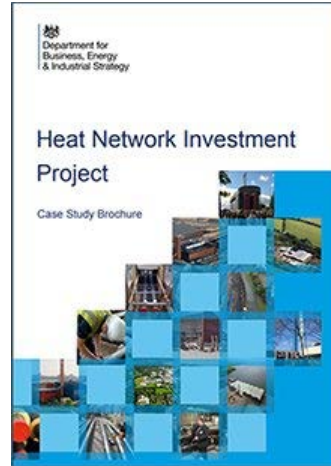
NGOs, Trade Associations & Govern



Utilities



Working with BEIS



Background to BEIS heat network support

The Heat Networks Delivery Unit (HNDU)

- Established in 2013 to address the capacity and capability challenges which local authorities identified as barriers to heat network deployment in the UK.
- The Unit provides funding and specialist guidance to **local authorities** who are developing heat network projects.
- Since inception:
 - has run six funding rounds
 - awarding £14 million in total – and is currently running Round 7.
 - Over 200 unique projects have so far been supported across 139 local authorities.
- Mapping, master planning, feasibility, project planning and early commercialization.

Local authorities supported by the Heat Networks Delivery Unit in rounds 1-6:



Background to BEIS heat network support

Heat Networks Investment Project (HNIP)

- The [Heat Networks Investment Project](#) is delivering £320m of capital investment support to increase the volume of heat networks built, deliver carbon savings for carbon budgets, and help create the conditions for a sustainable market that can operate without direct government subsidy.
- The pilot phase of the Heat Networks Investment Project ran for six months and awarded £24m to nine successful Local Authority projects in March 2017.

HEAT NETWORKS INVESTMENT PROJECT SCHEME OVERVIEW

April 2018

<https://www.gov.uk/government/publications/heat-networks-investment-project-hnip-scheme-overview>

The long term objective of the HNIP is to help create a self-sustaining heat networks market that does not require direct Government subsidy by:

- **Increasing the volume** of strategic, optimised and low carbon heat networks built, by providing central Government funding which will draw in significant additional investment.
- **Improving the quality** of heat networks that meet local infrastructure needs and consumer needs
- **Building capability of project sponsors** and the supply chain to develop systems of the right type and quality.

HNIP Pilot Scheme Outcomes

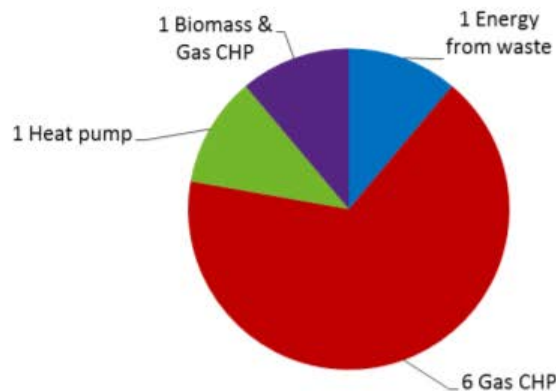
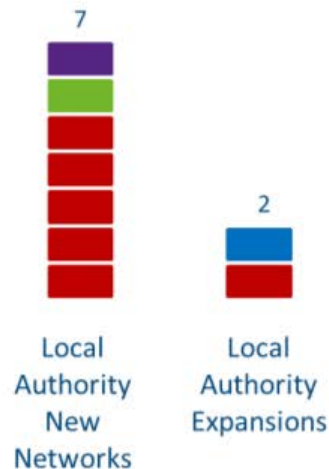
£

£24m government investment

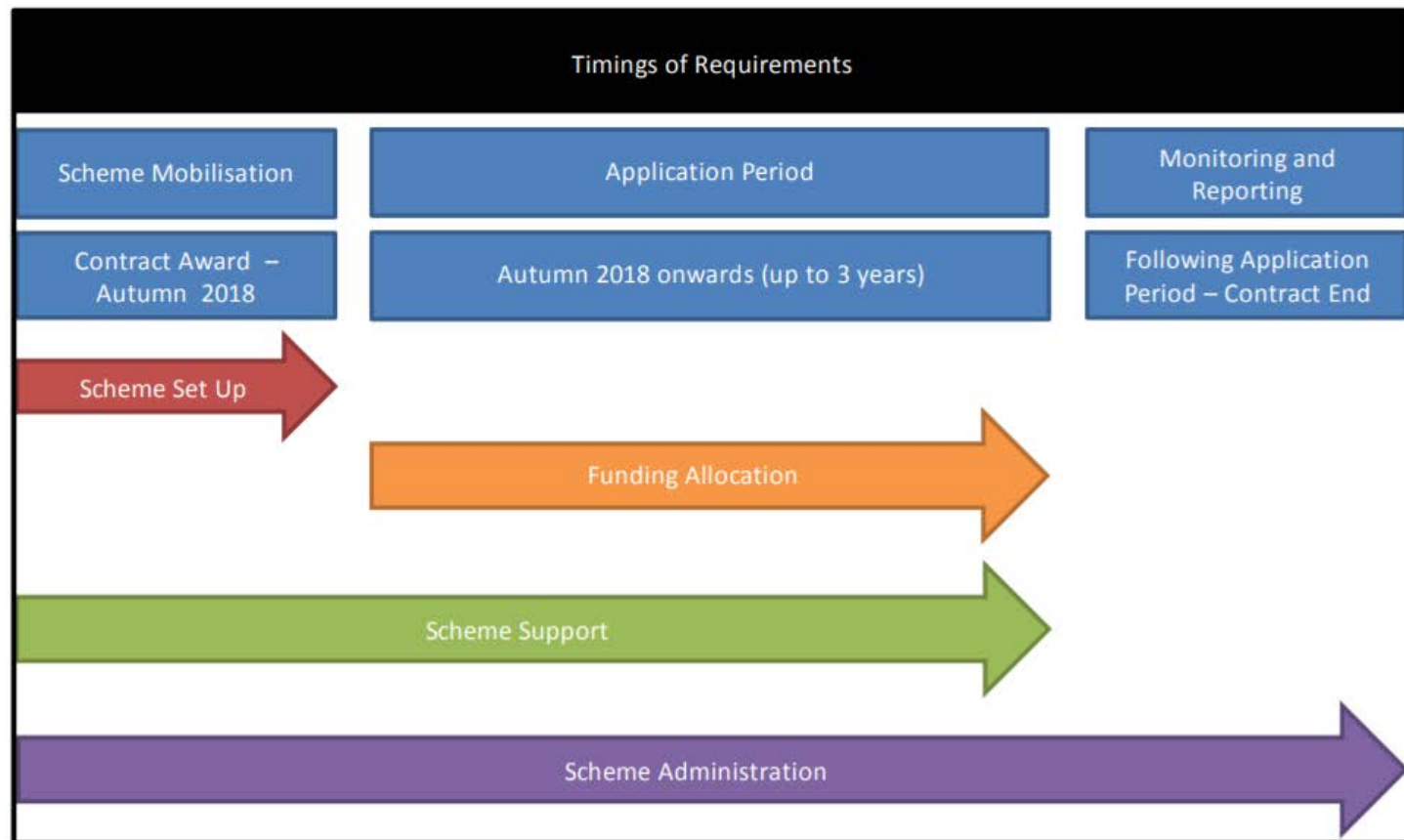
£74m total capex

£2m average grant; range £1m - £3.5m

£4.25m average loan; range £3.5m - £5m



Box 2: Summary of HNIP Pilot Scheme Outcomes



Box 3: Indicative timeline for scheme delivery and Delivery Partner functions



Scheme Set-up

- Contract Mobilisation
- Knowledge Transfer
- Finalise Scheme Processes
- Production of scheme products
- Set up Governance Structures

Scheme Support

- Stakeholder Engagement
- Applicant Support
- Developing the Investor Potential of Heat Networks

Funding Allocation

- Assessment of applications
- Funding Awards

Scheme Administration

- Monitoring of successful HNIP applications
- Financial administration of successful HNIP applications
- Managing and reporting scheme data
- Publication of Scheme Documents
- Managing Risk

Box 4: Key roles of the Delivery Partner in delivering HNIP

Application process

26. The application and assessment process will be agreed with the Delivery Partner. It is expected to be broadly based on the system used in the pilot phase¹⁸ with the exception of additional measures to bring in 3rd party finance.

1. Pre-application submitted
2. Pre-qualification assessment, including basic eligibility check
3. Full application submitted
4. Determination of investability for third party funds
5. Deliverability assessment, scoring against scheme objectives & ranking
6. Decision on funding by Investment Committee
7. Feedback to unsuccessful projects
8. Issue offer letters and draft funding agreements to successful projects

BEIS - HNIP scheme overview

Principles and methodological approach

27. When projects bid for HNIP funding, they will be evaluated both on *an individual merits basis* and a *relative merits basis*. Projects receiving funding are required to meet the criteria, parameters and metrics set out below. This is ensure that HNIP delivers value for money by supporting strategic, optimised and low carbon schemes of the highest quality.

28. The **high level principles** that have guided our thinking and which underpin the design and evaluation parameters are:

1. Projects must demonstrate financial viability
2. Projects must demonstrate sufficient economic and social benefit
3. Projects must demonstrate that they offer genuine carbon savings relative to a counterfactual scheme option
4. Projects must design a future-proofed offer to ensure that carbon savings can continue to be made during their expected lifetime

29. **Project-level data requirements** will be developed by the Delivery Partner and agreed with BEIS in order to meet the project objectives. Applicants will be required to submit project data.

BEIS - HNIP scheme overview

- A. Who will be eligible to apply directly for HNIP capital funding?**
- B. What will HNIP provide capital funding for?**
- C. What funding mechanisms will HNIP offer?**
- D. What decision-making criteria will be used to assess the capital funding applications for HNIP?**
- E. Monitoring of HNIP**

BEIS - HNIP scheme overview

- A. Who will be eligible to apply directly for HNIP capital funding?**
- B. What will HNIP provide capital funding for?**
- C. What funding mechanisms will HNIP offer?**
- D. What decision-making criteria will be used to assess the capital funding applications for HNIP?**
- E. Monitoring of HNIP**

A. The scheme will be open to all applicant types - public, private and third sector, except central Government Departments.

BEIS - HNIP scheme overview

- A. Who will be eligible to apply directly for HNIP capital funding?**
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- E. Monitoring of HNIP**

B. England and/or Wales; new or existing networks; commercialisation phase and construction costs; works to access recoverable heat

Cannot be used for energy generation plant support through Renewables obligation, Contracts for Difference or the RHI. But can be used to fund costs for HN infrastructure connected to the generation plant.

BEIS - HNIP scheme overview

- A. Who will be eligible to apply directly for HNIP capital funding?**
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- E. Monitoring of HNIP**

C.

- Grants (£0 to £5million)
- Corporate loans (with specific features) (£25,000 to £10 million)
- Project loans (with specific additional features) (£25,000 to £10 million)

BEIS - HNIP scheme overview

- A. Who will be eligible to apply directly for HNIP capital funding?**
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- E. Monitoring of HNIP**

D. Applicants will need to demonstrate their projects satisfy minimum eligibility criteria e.g. eligible type, technical/customer requirements (Heat trust)

Demonstrate would not have gone ahead without government funding through two additionality test.

Full list of supporting documents likely to similar to the pilot this is good starting point.

Learning from the Pilot

✓ Do



Read the application guidance and scheme requirements carefully.



Ensure that it's the right scheme for your project and that you're eligible to apply.



Bear in mind that, if successful, the amount and type of financial support you are offered may differ from those for which you applied.



Take the time to get your application right. Make sure it addresses the requirements of the scheme.



Ensure that you are able to provide as much solid technical, financial and commercial data in support of your application as possible and that the bases and assumptions for all projections and e.g. financial models are clearly set out.



Set out all sources of funding – confirmed and potential – in your application. If you have been offered funding or have documented evidence of e.g. potential loads or private wire deals, then these should be clearly identified.



Refer to the pilot results presentation on the Salix website, which has examples of evidence and evidence gaps in pilot applications, set against the requirements.

Learning from the Pilot



Integrated Solutions
Solutions to energy management's perennial problems
in a converging energy landscape

X Don't



Apply with a project that just isn't ready. There are rolling funding rounds in HNIP so you will have the time to develop your project to a more mature state before you apply.



Assume that evidence produced for another purpose answers all of the requirements for HNIP. Information provided e.g. for an internal approval or for an application to another funding stream might meet the requirements but check against the HNIP guidance and provide additional information if needed.



Forget to include important information e.g. financial data, milestone dates, confirmation of other sources of funding, or contracts/heads of terms.



Forget to take all public-sector funding for your project into account when you apply. If you have other public funding e.g. from the local authority, ERDF, RHI, these all count towards the State Aids threshold and may impact on your ability to take HNIP funding.

The table below sets out some of the previous and forthcoming events and indicative timings for the scheme. Anyone interested in attending one of our workshops is welcome to contact us at heatnetworks@beis.gov.uk

EVENTS	
Delivery Partner Supplier Day, London	14/03/2018
Commercial Value in Heat Networks Event	13/04/2018
HNIP – South East Regional Workshop	10/05/2018
HNIP – Wales Regional Workshop	May 2018
HNIP – North West Regional Workshop	June 2018
HNIP – Midlands Regional Workshop	July 2018
HNIP – North East Regional Workshop	July 2018
Application Training Workshops	Oct-Dec 2018

Box 6: Indicative timeline for application and assessment

SCHEME TIMINGS	
Delivery Partner Contract Award	July 2018
HNIP Scheme Launch	Autumn 2018
First Applications Received	Autumn/Winter 2018
First round of successful bidders announced (subject to contract)	Spring 2019
Funding allocated to first batch of projects	Spring 2019

it's perennial problems
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