



Department
of Energy &
Climate Change

Heat Networks Delivery Unit

Manchester LEEN Event

November
2014



Aim of Presentation

To provide you with a better understanding of:

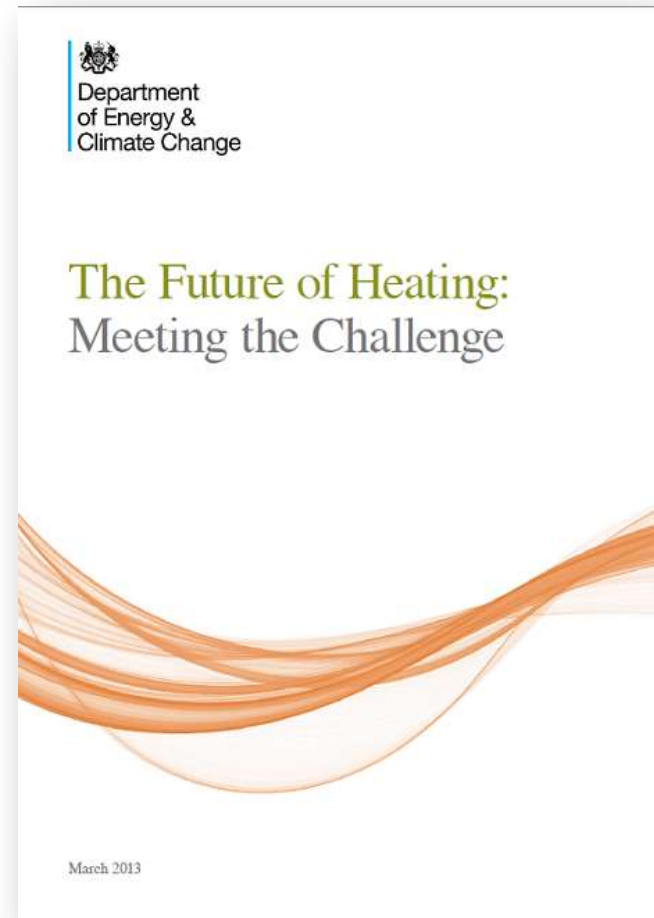
- Background to HNDU
- Stages of heat network development
- Support and guidance
- Progress to date

HNDU creation 2013

‘Future of Heating Meeting the Challenge’, published in March 2013, established Heat Networks Delivery Unit (HNDU) to;

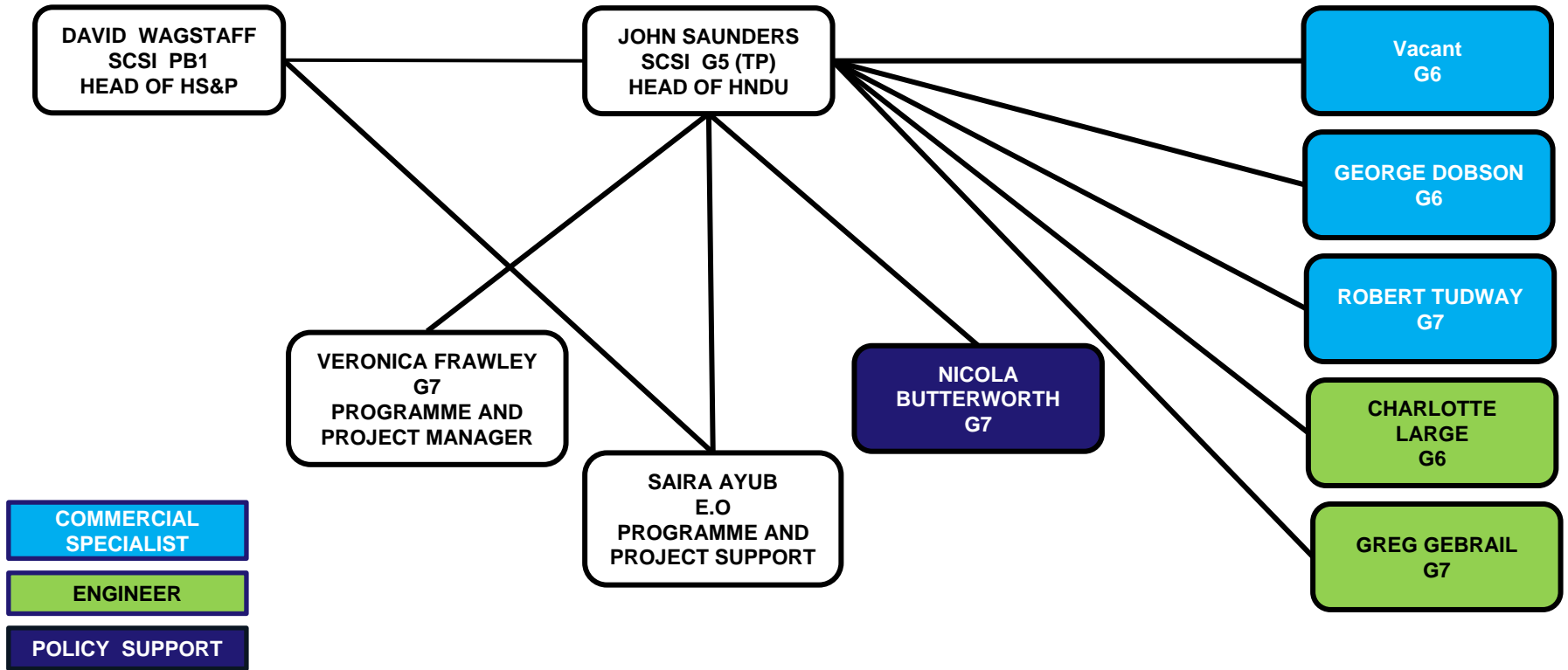
“encourage and enable Local Authorities in England and Wales to undertake the development stages of heat networks”.

HNDU support = grant funding + guidance





HNDU team



Heat network development stages

1. Heat mapping

2. Energy masterplanning

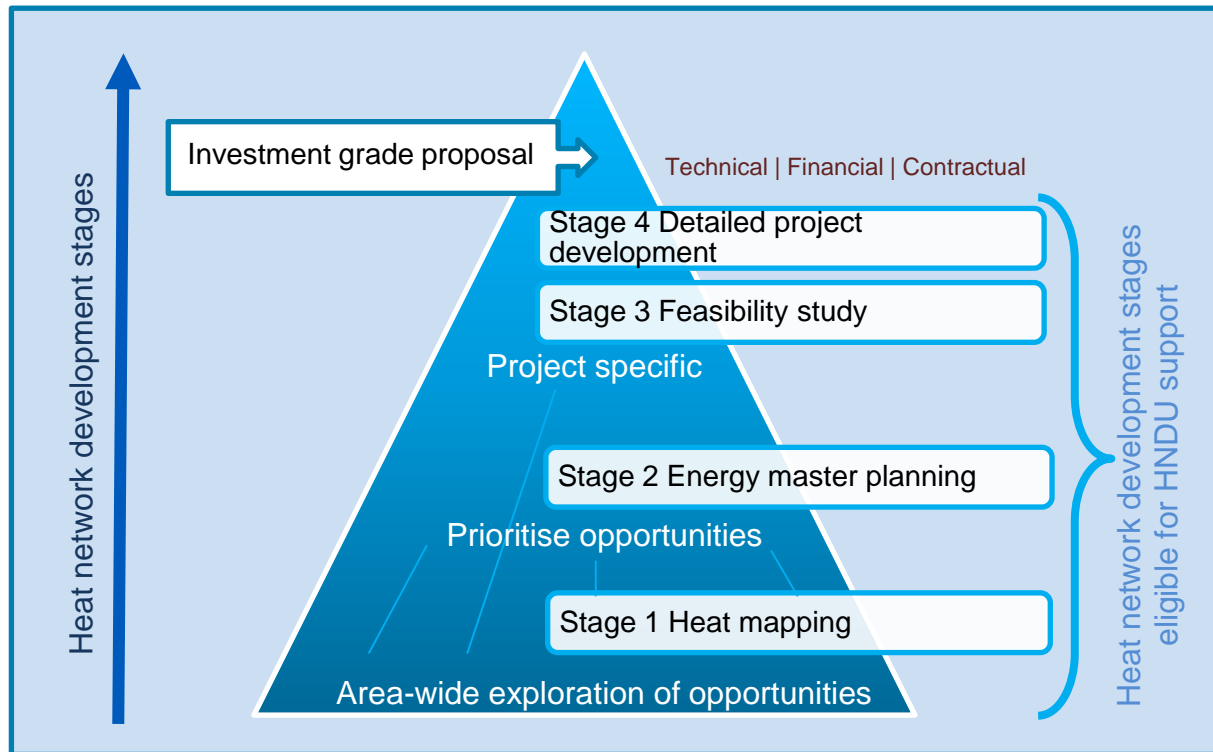
3. Feasibility studies

4. Detailed project development

Area-wide exploration, identification and prioritisation of heat network project opportunities

Project specific - An increasingly detailed investigation of the technical feasibility, design, financial modelling, business modelling, customer contractual arrangements and delivery approach, leading to investment grade project proposal(s)

HNDU support for Local authorities





How and who can HNDU help?

- **Local Authorities** in England or Wales
- Grant funding up to **67%** of total eligible external costs provided under Section 31 of Local Government Act and confirmation that 33% (or greater) funding is secured



But it's not just about the money

Supported projects also receive guidance from HNDU

HNDU Project Leads have the following expertise:

- Project scoping and management
- Engineering and technical standards
- Consumer protection
- Governance models and contractual structures
- Financial – sources and structuring
- Policy – compliance and opportunities
- Public sector procurement
- Managing stakeholders
- Risk management



huddle™



Guidance from HNDU Project Leads

Guidance provides points for consideration (as opposed to advice which advocates a course of action)

- **Initial contact** recommendations from application assessment, identify support needs
- **Inception meeting** and site visit
- Review and provide points for consideration on:
 - draft **specifications and tender documents** (inc example tender specs)
 - to **tender responses**
 - **key project outputs** (consultancy report drafts)
- Possibility to attend initial and subsequent **key meetings with appointed consultants**
- Regular contact including to discuss monthly **progress reports**



Successful local authorities remain responsible for all project aspects

and HNDU project leads cannot...

- Undertake specific pieces of work for the local authority
- Create heat network project documents for local authority
- Provide financial advice or any other advice
- Participate actively in local authority procurement

Successful local authorities must...

- Agree to share documentation created with HNDU grant funding
- Ensure State Aid and procurement rules are complied with



HNDU cannot fund

- Heat sources only projects, where supplying network isn't primary function
- Work already commissioned at the time of this application
- Capital or operational costs of heat networks
- Funding for local authority staff or seconded staff costs
- Funding for accommodation
- Funding for stakeholder events or workshops.

HNDU will only fund more than one stage in logical groupings. It will not fund more advanced stages without clear evidence that the early stages have been undertaken, and it will not normally fund all project stages in a single application, as early stages might conclude that there is not a viable project or that a very different project is preferable to pursue.



Application forms

Application description – one page:

- Summary of the heat network opportunities (including, locations and where available, heat sources, heat demand and heat connections/customer types)
- Why exploring the opportunities for heat networks (aims and benefits) and what has triggered this work
- What grant funding and guidance is being sought from HNDU – which development stages does this cover and what barriers would HNDU support help to address

Application assessment criteria

- **Quality of previously completed heat network development stages**
- Local authority commitment, letter of support from the relevant **Project Sponsor and Councillor** holding the relevant portfolio, and officer capacity
- How strongly does the project link with DECC's **decarbonisation** objectives
- Is the project (or is it likely to become) a **credible prospect** for commercial / financial development



Application forms

Costs, including breakdown, with scope

Stage	Has this stage been completed prior to this application? If so, please indicate in which year	Anticipated <u>overall</u> external cost of work by stage		Support requested in this application Grant funding bid for: maximum 67% of the overall external cost	
		£	£	Bid %	£
Heat Mapping					
Masterplanning					
Feasibility					
Detailed project development					
Total					

Grants to date range from around £10,000 to £250,000.
Match funding any source, but not in-kind.

Application forms

Key findings from work completed to date:

Stage applying for	Section of application form – stages previously completed
Heat Mapping	5.1 Prep
Masterplanning	5.2 Heat mapping
Feasibility	5.3 Masterplanning
Detailed project development	5.3 and 5.4 feasibility <u>or</u> 5.5 development and set out work to undertake

Succinct summary of results of work previously undertaken.
Please attach outputs of this work to your application and provide references.



Application forms

Local authority project team capacity

- Project roles
- Past relevant experience
- Capacity or time allocated to this project (e.g. FTE)

State aid

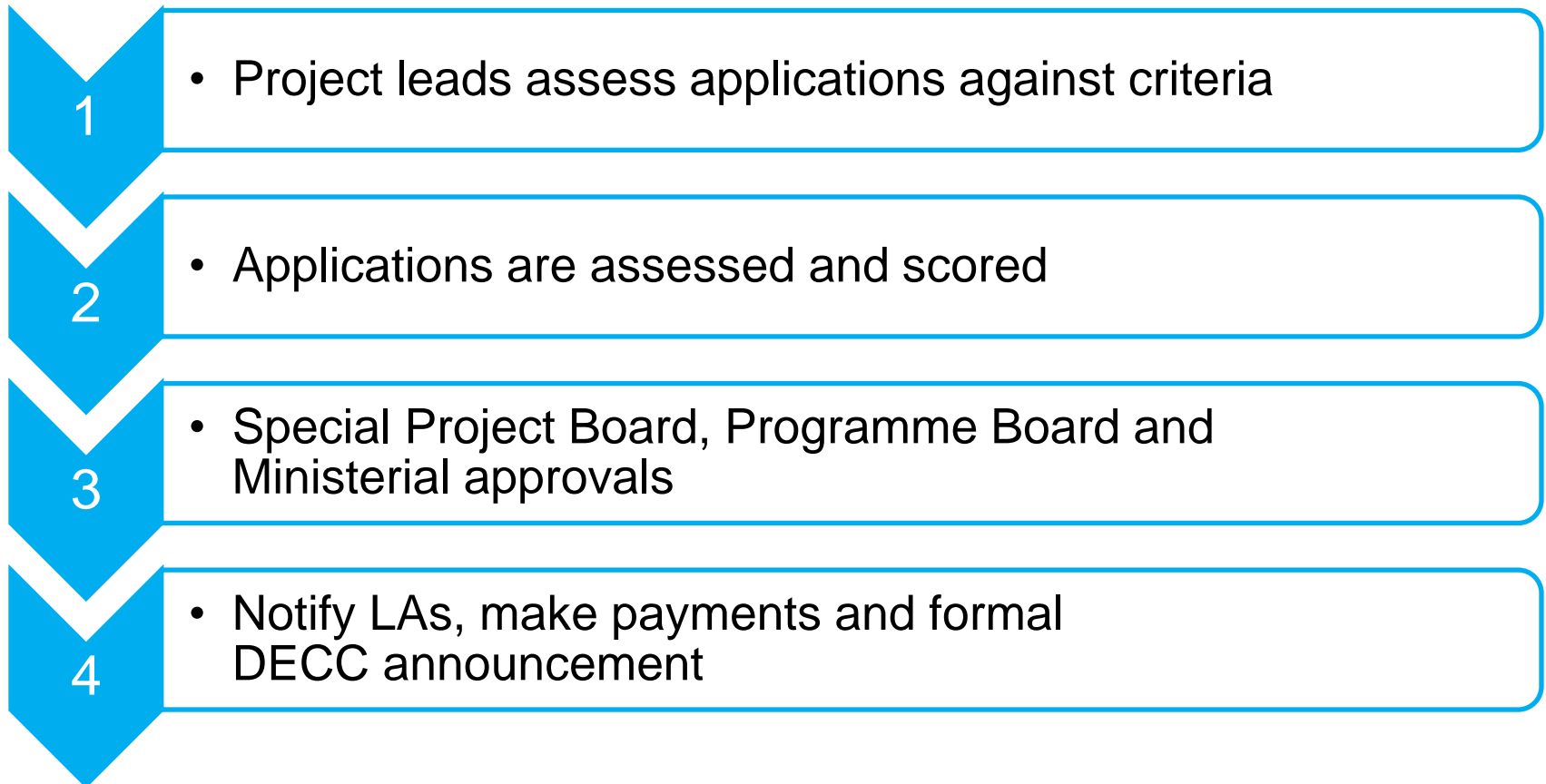
- DECC to LA
- LA into marketplace



Top tips for a great application

- Buy in from all levels within your LA
- Clear objectives
- Project management capacity has been considered
- Please ensure all required documents are included
- Get in touch if you have any queries

Application assessment process





Application deadlines

Round 4 opens on the 16th October;
applications must be received by 5pm
27th November.



The screenshot shows the GOV.UK website page for 'Heat Networks Delivery Unit: funding application'. The page includes a search bar, navigation links for Departments, Topics, Worldwide, and more. The main heading is 'Guidance Heat Networks Delivery Unit: funding application'. Below this, it lists the organization as 'Department of Energy & Climate Change', the page history as 'Updated 12 May 2014, see all updates', and the policy as 'Increasing the use of low-carbon technologies'. A sub-heading reads 'Application guidance for local authorities to gain financial assistance from the Heat Networks Delivery Unit Funding Stream'. Under the 'Documents' section, there are three items: 1. 'Overview of grant funding and guidance available to local authorities developing heat networks' (Ref: HD141, PDF: 109KB, 16 pages). 2. 'Heat Networks Delivery Unit: frequently asked questions' (Ref: HD142, PDF: 273KB, 7 pages). 3. 'Round 1 Successful Local Authorities' (PDF: 17KB, 1 page). Each document item includes a small icon and a note: 'This file may not be suitable for users of assistive technology. Request a different format.'



Progress to date – funding allocation



Successful LAs from rounds 1 & 2



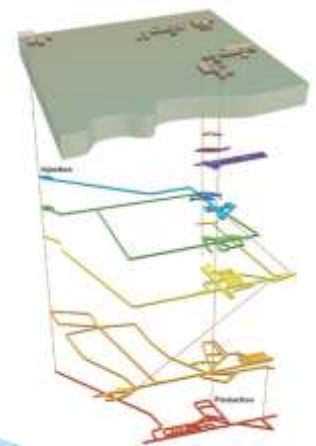
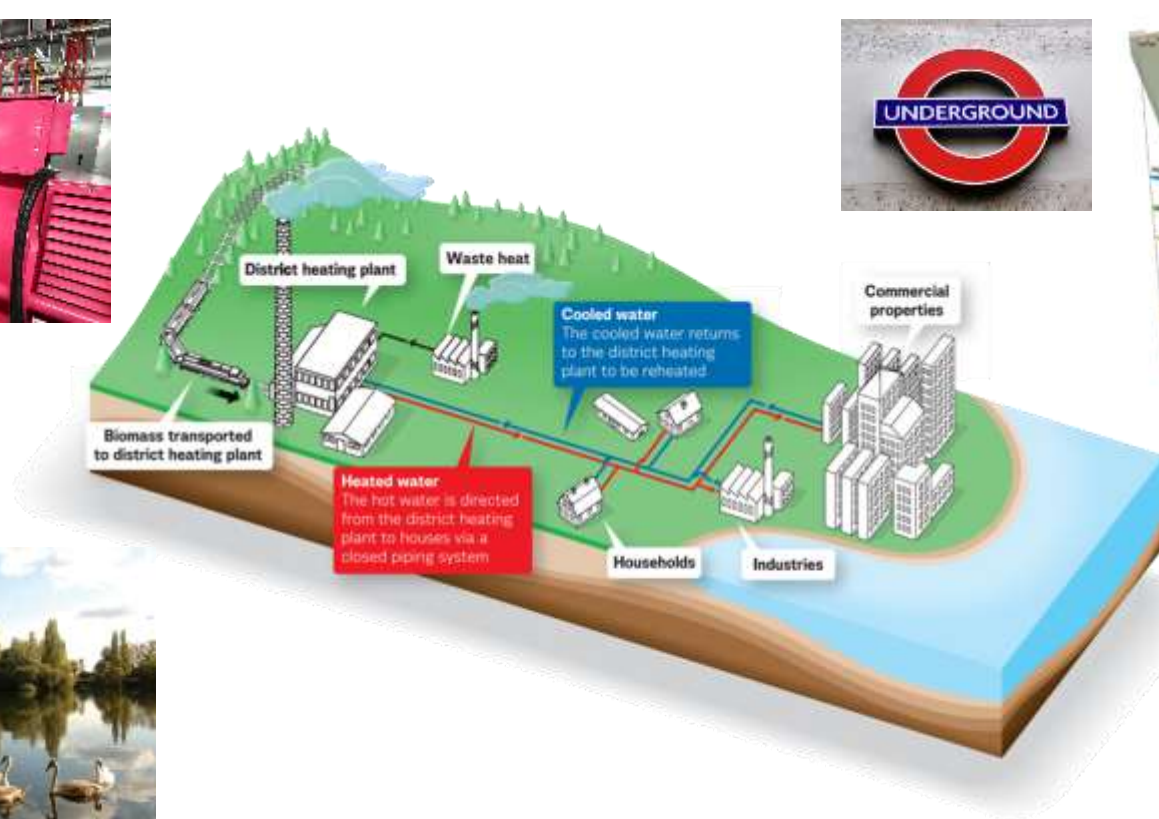
Round 3 applications

Since its inception in September 2014 HNDU has awarded support to 122 projects in 91 LA including just under £7 million of grant funding

... will your LA be added to this list?



Progress to Date - range of project types & sizes





For further information please contact:

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T: 0300 068 8125

Or visit: <https://www.gov.uk/government/publications/heat-networks-funding-stream-application-and-guidance-pack>