



Department for
Energy Security
& Net Zero



Triple Point
HEAT NETWORKS
INVESTMENT MANAGEMENT

GREEN HEAT NETWORK FUND

Scheme Overview

Supporting the commercialisation and construction
of low-carbon heat network projects

Version 5.0

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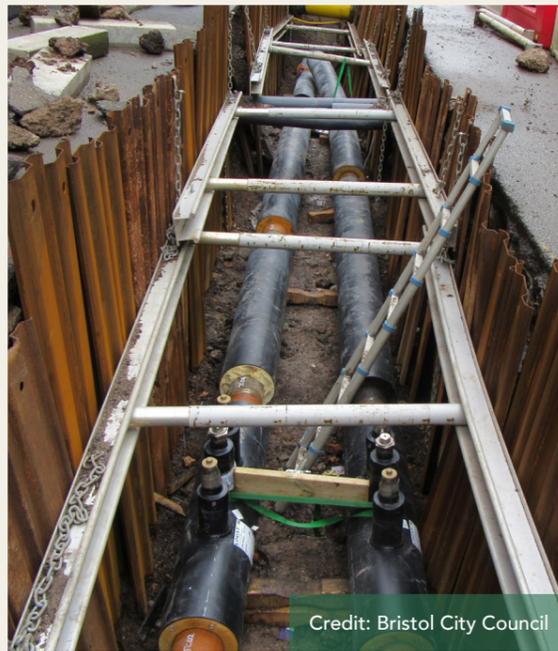
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INTRODUCTION

The Green Heat Network Fund (GHNF) is a capital grant programme that opened to applicants in March 2022. Initially a £288m fund, its popularity has meant further funding has been made available to support organisations in the public, private, and third sectors in England. The additional funding can be drawn down in financial years 2023/24 through to 2026/27.

The GHNF builds on the progress and development made by the Heat Networks Investment Project (HNIP). Supporting the development of low and zero carbon (LZC) heat (and cooling) networks, the GHNF is a core element of the Government's Heat Network Transformation Programme (HNTP), which addresses some of the challenges of decarbonising the UK's heat sector.



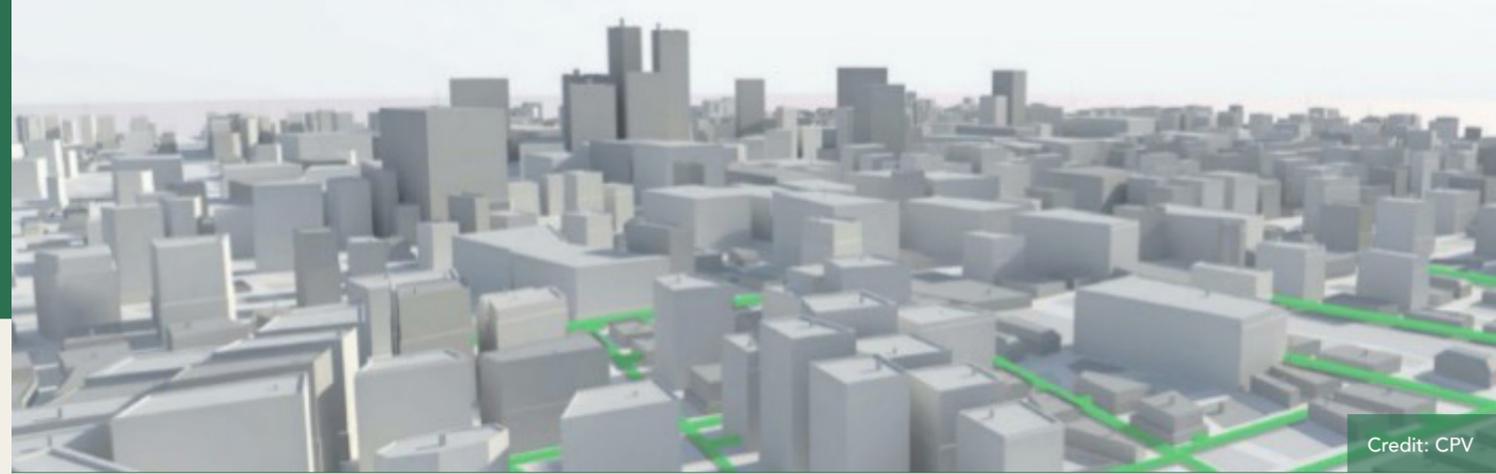
Heat Networks

Heat networks will be vital to making net zero a reality in the UK. They are a proven, cost-effective way of providing reliable, efficient, low carbon heat at a fair price to consumers, while supporting local regeneration. In recognition of their importance to the future energy mix, the Committee on Climate Change have estimated that around 18 per-cent¹ of UK heat will need to come from heat networks by 2050 if the UK is to meet its carbon targets cost effectively.

Heat networks are an established method of distributing heat that can utilise otherwise wasted energy, provide grid balancing services in an increasingly electrified heat market and offer low carbon heat at competitive prices to households and businesses alike.

They are uniquely able to unlock otherwise inaccessible sources of larger scale renewable heat and work within a hydrogen economy at the same time. They can also be used to provide cooling helping UK cities to adapt to climate change and the urban heat island effect.

1 <https://www.theccc.org.uk/publication/net-zero-the-uks-contribution-to-stopping-global-warming/>



THE AIMS AND OBJECTIVES OF THE GHNF

Our vision for the GHNF scheme is to incentivise heat network market transition to low carbon heat sources via targeted financial support, that will help stimulate the increased deployment of low carbon technologies at scale.

The GHNF objectives are to:

- Achieve carbon savings and decreases in carbon intensity of heat supplied.
- Increase the total amount of low carbon heat utilisation in heat networks (both retrofitted and new heat networks).
- Contribute towards market transformations across the investment landscape and supply chain that will better prepare the heat network sector for further decarbonisation.

Through the provision of targeted commercialisation and construction funding, the GHNF will help tackle some of the most prominent barriers to decarbonisation of heat networks. Increased deployment will help bring down the up-front capital costs of low carbon technology due to greater standardisation and supply chain efficiencies. The utilisation of low carbon technology will help bring down operating costs in the long term as well as upscaling the skills and knowledge required to operate them to the benefit of both the customer and network operators.

The upscaling of the supply chain, skills, procurement and increasing the overall competition that will take place as a result of the GHNF are all crucial if the market is to become both self-sustaining and low carbon. The GHNF is therefore critical in order to lay the groundwork for a healthy thriving low carbon heat network industry that is well prepared for the future carbon budgets in the late 2020s and ready to grow even further to meet the carbon budgets in the 2030s.



Credit: Bristol City Council

THE GHNF SCHEME

The Green Heat Network Fund is now open for applications and will provide support to organisations in the public, private, and third sectors in England.

GHNF Delivery Partner

The administration of the GHNF will be delivered by Triple Point Heat Networks Investment Management, a third-party Delivery Partner to DESNZ. The Triple Point Heat Networks Investment Management team will be available to support prospective applicants. To request support, please contact enquiries@tp-heatnetworks.org.

Triple Point Heat Networks Investment Management has been contracted by DESNZ to deliver the Green Heat Network Fund. Led by Triple Point Investment Management LLP, Triple Point Heat Network Investment Management is comprised of the following organisations: Triple Point Investment Management LLP, AECOM Ltd, Amberside Advisers Ltd, Gemserv Ltd, Lux Nova Partners Ltd and Asteros Advisors Ltd.

This overview and other documentation may be updated for subsequent funding rounds. Whilst these changes are likely to concern application and assessment processes and timeframes, the scheme rules and criteria will remain the same. Please contact enquiries@tp-heatnetworks.org if you have any questions.

Information about Triple Point Heat Networks Investment Management can be found at www.tp-heatnetworks.org.

Scope of Support

The GHNF will provide capital grant support for both the commercialisation and construction of new low- and zero-carbon heat networks, along with the retrofitting and expansion of existing ones. Schemes must deliver low carbon heat at a volume of heat that is consistent with our strategic objectives for heat network market growth in England. Operating on a principle-based approach for cost eligibility, the GHNF will set out what it will not fund rather than specifying a list of what is eligible.



Credit: Bristol City Council

Guidance for Applicants

Full details of the support available, the scheme criteria and the application process can be found in the Green Heat Network Fund Guidance for Applicants that is available to download from the documents section of the [GHNF web page on the GOV.UK website](#). Please refer to ANNEX A – Updates to GHNF Guidance in this document, for details of changes made since the two application rounds of the 2021 GHNF Transition Scheme.

GHNF Support for Commercialisation and Construction

GHNF Supported?	
Commercialisation - only support	Yes
Commercialisation + Construction support	Yes
Construction - only support	Yes



Eligible Commercialisation Costs

The GHNF will support the commercialisation costs for both new and existing heat networks. Applicants applying for commercialisation funding only will be required to provide an explanatory note setting out how their construction activities will be funded from non-GHNF sources.

We anticipate that the majority of applications will be for projects that have already undertaken a techno-economic feasibility study and conducted off-taker engagement, potentially with heads of terms in place. An internally approved business case setting out how the project is expected to be procured and financed would also be expected at this stage. Clearly much work would still be ahead of the project before a final investment decision could be made.

Activities such as the following would be expected (but not limited to):

- Final contract negotiation for Energy Supply Agreements;
- Procurement of the heat network delivery, or procurement of the concession that will deliver the network depending on approach;
- Legal, technical, commercial and financial support throughout the procurement process;
- Planning requirements;
- Agreeing utility connections;
- Environmental Impact Assessment and other assessments as necessary for planning and/or licencing;
- Geological surveys and exploratory investigations

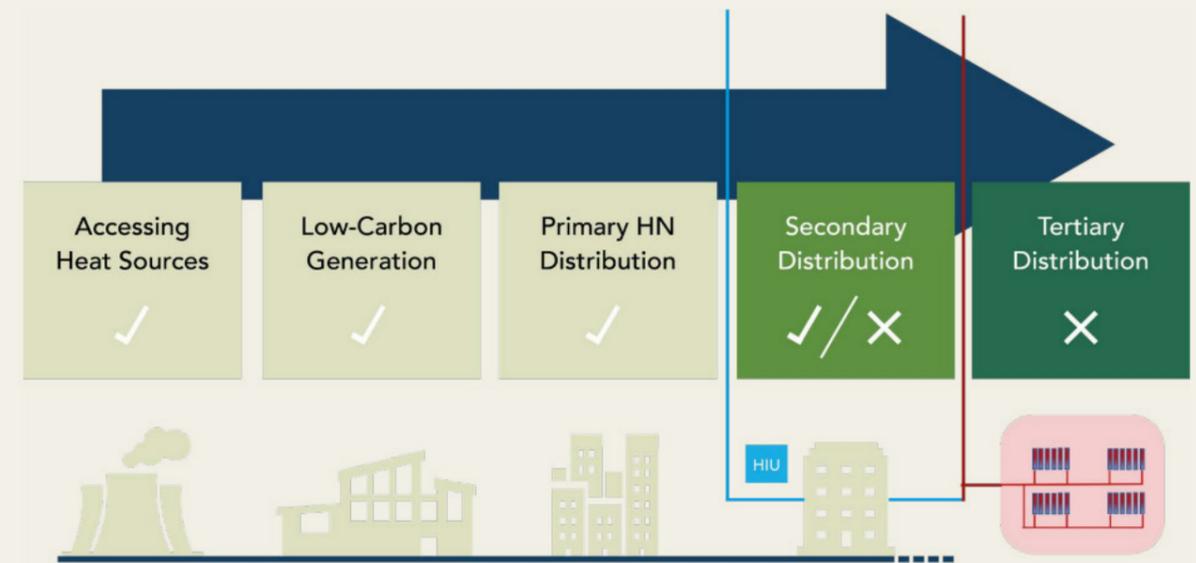
Please refer to section 3.1 of the Guidance for Applicants document for additional details.

As the GHNF is a capital fund, applicants would need to apply at the point where they have a high enough degree of confidence that the project will go ahead and therefore that the Finance Director of the applicant's organisation is comfortable that expenses incurred relating to the project can be capitalised within the applicant's financial accounts.

Eligible Construction Costs

Support for construction will cover all aspects of building a heat network – from accessing sources of low-carbon heat, construction of energy centres and thermal stores, laying of pipes and installation of heat interface units, metering and controls in premises.

The overriding principle that governs eligibility for GHNF support, is that application costs are attributed directly to delivering network operation as per the low carbon design intent. Evidence of the low carbon design intent must be submitted as part of the GHNF application.



EXAMPLES OF SUPPORT OFFERED

Accessing Heat Sources (SUPPORTED) – such as capturing waste heat from an industrial process, energy from waste, wastewater, geothermal, etc.

Low-Carbon Generation (SUPPORTED) – energy centres, low-carbon generation and associated plant, controls, etc.

Primary Heat Network Distribution (SUPPORTED) – distribution pipework – both above and below-ground for transmission and distribution of low-carbon heating and cooling.

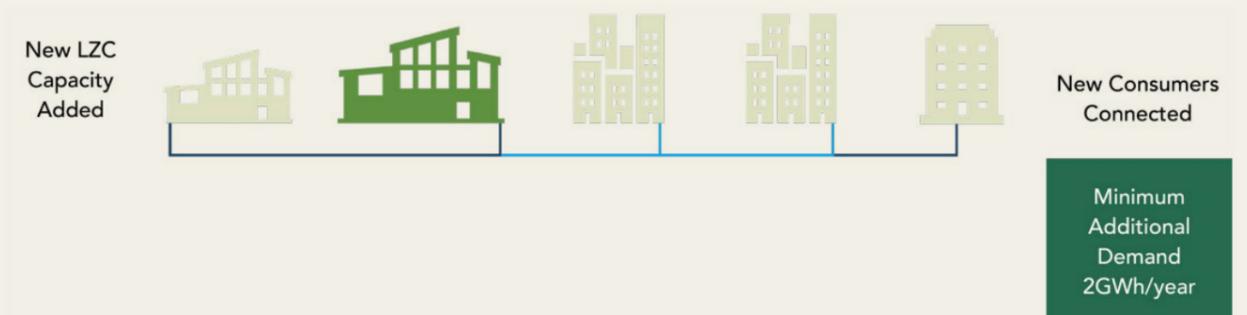
Secondary Distribution (LIMITED SUPPORT) – our support for secondary systems within consumer premises is limited to upgrading existing infrastructure. Please refer to our guidance for further details. For the GHN, HIUs (including metering and controls) are treated as part of the secondary system.

Tertiary Distribution (NOT SUPPORTED) – Tertiary systems (and building fabric upgrades) – such as pipework and radiators – are not supported.

Please refer to section 4.1.3 in the Guidance for Applicants document for further details.

Sleeving of Low-Carbon Heat / Coolth

The GHN can accept applications from existing heat networks where full decarbonisation is not yet possible. With the addition of new, low carbon generation capacity, the GHN enables the 'sleeving' of this thermal energy via the existing network – on the basis that additional consumers are added to meet the Minimum Annual Thermal Demand of 2GWh (or 100 dwellings in a rural, off-gas-grid area). Further details of sleeving can be found in section 2.4.1 of the Guidance for Applicants document.



Assessment Process

A key principle of the GHN's transparent approach is that the applicant, on applying, will be able to self-assess whether the project does or does not meet the scheme's requirements.

The assessment process uses clearly defined gated metrics (see page 11) that include the carbon intensity of heat delivered, consumer detriment, the minimum annual heat energy demand and the applicant project's social Internal rate of return (IRR). Any project having satisfied these key requirements would be eligible for funding, subject to a further assessment by the GHN team on the project's deliverability and a set of final adjustment metrics.

Details of the assessment process and criteria used are provided within section 4.2 of the Guidance for Applicants document.



Credit: Somers Town



Credit: Beacontree



Credit: Cory

WHO CAN APPLY?

The GHNF is open to applicants from organisations in the public, private and third sectors who are responsible for the development of heating and cooling networks in England, that:

- meet the initial GHNF gated metrics covering the carbon intensity of heat delivered, consumer detriment, the minimum annual heat energy demand and the scheme’s social IRR (see section 4.2 of the Guidance for Applicants document);
- are able to provide all supporting documentation (see section 5.3 of the Guidance for Applicants document);
- are legal entities (such as companies or organisations). Public sector organisations such as NHS Trusts and other governmental departments may also apply.

Please Note: Individuals, households and sole traders cannot apply to the fund.

Full Application Required

To be considered for commercialisation + construction grant support, submissions must also include information pertinent to the project’s construction phase at the same time.

CORE GATED METRICS

The GHNF will assess applicant projects using the following core metrics which all applicants must meet in order to be funded. All the metrics listed below are calculated and appraised within the application form itself, once the applicant has entered all required inputs. Greater detail on each is provided within section 4.2 of the Guidance for Applicants document.

Metric	Minimum score
Carbon gate	100gCO ₂ e/kWh thermal energy delivered to consumers
Customer detriment	Domestic and micro-businesses must not be offered a price of heat greater than a low carbon counterfactual for new buildings and a gas/oil counterfactual for existing buildings
Social IRR	Projects must demonstrate a Social IRR of 3.5% or greater over a 40-year period
Minimum demand	For urban networks, a minimum end customer demand of 2GWh/year. For rural (off-gas-grid) networks, a minimum number of 100 dwellings connected.
Maximum capex	Grant award requested up to but not including 50% of the combined total commercialisation + construction costs (with an upper limit of £1million for commercialisation)
Capped award	The total 15-year kWh of heat/cooling forecast to be delivered will not exceed 4.5 pence of grant per kWh delivered (this figure will remain under review)
Non-heat/cooling cost inclusion	For projects including wider energy infrastructure in their application, the value of income generated/costs saved/wider subsidy obtained should be greater than or equal to the costs included.

LEVELS OF SUPPORT

The GHNf will fund up to, but not including 50% of a project's total combined commercialisation and construction costs.

Each application is assessed on its own merits and any potential award will be subject to budget availability. Where the demand for funding in a round is oversubscribed, the GHNf investment committee will prioritise awards competitively based on the application's alignment to the scheme's core metrics.

TIMESCALES

The Green Heat Network Fund (GHNf) opened for applications on the 14th of March 2022. Each funding round will be supported by events and workshops that provide prospective applicants and their supply-chain partners the opportunity to ask questions and receive guidance on the application forms.

To register your interest in attending future GHNf events, you can [subscribe to the mailing list here](#) or complete our contact form on <https://tp-heatnetworks.org/contact/>



Credit: Energetik

GHNf FUNDING ROUNDS

The GHNf operates in funding rounds. Applications need to be submitted ahead of the funding round closure date for consideration by the Investment Committee. Following changes to the scheme and to ensure that applicants have sufficient time to prepare an application, the funding round deadlines have changed as outlined below. Final submission dates for subsequent rounds will be confirmed at a later date. Please note that these are subject to further change.

GHNf Application Rounds	Final Submission Date for Inclusion in Round
Round 6	29 September 2023
Round 7	23 February 2024

Drawdown of Funds

Funding requests from successful applicants can span across multiple years within the life of the GHNf scheme. Projects will be allocated their funds according to their project programme and it is important that each financial year's grant allocation is spent within the same year. If not spent, it may result in the loss of that portion of the total grant.

Local authority applicants are able to draw down each financial year's grant allocation ahead of it being spent, whereas private sector applicants will need to provide evidence of spend at pre-agreed milestones. Full details of this can be found in section 8 of the Guidance for Applicants document.

Further Information

Should you or a colleague wish to join the GHNf mailing list and be kept up to date as to latest announcements, news and events – such as the workshops detailed above – please email the GHNf team via: enquiries@tp-heatnetworks.org or visit www.tp-heatnetworks.org/contact.

