



Department for
Energy Security
& Net Zero

Heat Pump Investment Accelerator Competition

Scheme Guidance

September 2023



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1. Scheme objectives

The Department for Energy Security and Net Zero (the 'Department') is launching the Heat Pump Investment Accelerator Competition (HPIAC) ('the Competition') to incentivise the manufacturing of heat pumps and their components in the United Kingdom (UK). The Competition will award non-repayable grant funding for eligible capital costs ('Grant Funds'), relating to either the construction of new factories, or the expansion, retooling or reworking of existing factories, to produce heat pumps and/or their components, such as heat exchangers, compressors, evaporators, control systems or thermal storage.

This Competition is critical to growing the heat pump market in the UK. Limited investment in heat pump and component manufacturing capacity, together with increased demand from Europe, has resulted in increased reliance on imports of heat pumps and their components. This leaves the UK vulnerable to product shortages, long lead times and increasing costs, thereby risking the UK's energy security and net zero ambitions. Boosting UK manufacturing of heat pumps will help diversify heat pump supply chains and increase our energy resilience.

The Competition will support the UK government's commitment to deliver **Net Zero** greenhouse gas emissions by 2050, as set out in the British Energy Security Strategy. Heat pumps are a critical technology for the decarbonisation of heat and buildings under all pathways to Net Zero, including in all scenarios where hydrogen plays a major role in meeting demand for heat. The required Building Sector emissions reductions for Carbon Budget 5 (2028-2032) and 6 (2033-2037) require the UK heat pump market to build up to 600,000 installations per year by 2028 and to further grow to meet our aim to install up to 1.9m heat pumps per year by 2035.

The Competition supports the Department's objectives in relation to **Levelling Up**, as heat pump manufacturing and the related supply chain present a significant economic growth opportunity in many areas of the UK. The UK currently imports around 70% of the heat pumps installed domestically, whereas the majority of oil and gas boilers installed in the UK are manufactured domestically. Increasing our domestic heat pump manufacturing capacity will help create sustainable long-term employment in the UK, as we transition away from fossil fuel heating.

The Competition also supports the Department's objectives regarding **Strengthening the UK Union**, being open to bids from across the UK. By enabling the UK to position itself as a world leader in the manufacturing and installation of heat pumps this would create opportunities for innovation, leading to more efficient and easier to install heat pumps that are more suited to the UK market.

2. Scope of the competition

A project seeking funding under the Competition must be for the construction of a new heat pump (or related components) factory, or the extension, expansion, retooling, refurbishing or reworking of an existing building. It must involve the manufacture of heat pumps and/or heat pump components, such as heat exchangers, compressors, evaporators, control systems or thermal storage.

The Competition is open to a wide range of technologies, however potential applicants should note that air to air and water heating only, whilst allowable, will attract lower scores under part of the [strategic alignment criteria](#) compared with hydronic heat pumps and their components.

As an accelerator scheme, projects that apply must have a realistic chance of commencing manufacturing activities by no later than **31 March 2026**. It is expected that all payments of Grant Funding will be made by **31 March 2026**. In exceptional circumstances, this may be extended where it is deemed necessary.

Applicants' projects will be monitored for a period of up to **7 years** after construction has completed and the factory is in operation to ensure that the project delivers in line with the application made to the Competition.

3. Approach

Applicants will have a fixed bid window in which to submit their proposals. This will allow for a like-for-like comparison of bids. Applications will first be assessed against the eligibility criteria and mandatory and discretionary exclusion criteria. Upon passing these criteria, applications will be assessed in line with the methodology set out in this Guidance Document. Any final decisions to offer public funding will be made at the discretion of ministers, based on the information, scores and ranking arising from the Competition process.

All information relating to the application, such as supporting attachments or evidence must be received by the Department by the close of the application window, by **3pm on Wednesday 18 October 2023**. Any information submitted after this date, except for those in response to the Department's queries, will not be considered as part of the application.

This Guidance Document and its annexes set out how to make an application. It should be read alongside all other materials published for this competitive process, which are available at GOV.UK.

4. Sources of support and advice

After the Competition window opens, the Department will host 2 webinars to explain the application process and answer any questions from interested parties. Interested parties can register for one of these sessions by emailing heatpumpaccelerator@energysecurity.gov.uk by **Friday 14 July 2023**. We expect to host these sessions in the week commencing 24 July 2023.

If applicants have any clarification questions, applicants should email heatpumpaccelerator@energysecurity.gov.uk with the subject heading 'Heat Pump Investment Accelerator Competition [Project Title]' by no later than **5pm on Friday 22 September 2023**. Clarification questions received after this date may not be answered.

The Department will respond to clarifications through email directly to the applicants within 10 working days of receipt. If the clarifications are deemed to be of material relevance to other potential applicants, the question and answer may be made available to others. The Department will collate questions and answers of material relevance to other potential applicants, and publish a Questions and Answer document on GOV.UK, which will be updated on a weekly basis.

If an applicant considers that their clarification is confidential, they should make such confidentiality **expressly clear in the subject title of their email** – a standardised confidentiality statement within an email signature will not be sufficient. Marking a clarification as confidential does not mean that the Department will not make the clarification and response available to others – it simply means that the Department may redact or edit the clarification, such that only relevant information may be disclosed.

5. Useful contacts

Applicants may seek independent support for their bid submissions. A range of organisations may also be able to offer support, some of which are listed below.

- **Local Enterprise Partnerships:** There are 38 Local Enterprise Partnerships across England, www.lepnetwork.net.
- **Scottish Enterprise:** For businesses based or investing in Scotland, business support is available from Scottish Enterprise, www.scottish-enterprise.com.
- **Trade and Invest Wales:** For businesses based or investing in Wales, business support is available from Trade and Invest Wales, <https://tradeandinvest.wales>.
- **Invest Northern Ireland:** For businesses based or investing in Northern Ireland, business support is available from Invest Northern Ireland, www.investni.com.
- **Department for Business and Trade:** General advice for UK or international businesses looking to invest, www.gov.uk/government/organisations/department-for-business-and-trade.

6. Important points to note

- There are word limits on most of the questions in the application form. Applicants should stick strictly to these limits as any part of the response which exceeds this limit will be disregarded and the response scored only on the section that is within the word limit.
- Except for where requested within a particular part of the application form, annexes should only be used to provide charts or pictures which support an answer, for example organograms, reporting structures or diagrams. Annexes should not be used as additional text responses to questions that have word limits, and where this is the case, the Department will only assess the response that is within the word limit of the question.
- Applicants must be a UK registered business or, where an applicant is a non-UK registered company, set up an active UK registered business, in order to undertake the project. Successful applicants must provide details of being a UK registered company before any funding will be issued. Grant funding will only be paid to the UK registered company.
- Grant payments will be provided to applicants without tax deducted. Applicants may need to include this payment in their tax return if they are a UK taxpayer. For further advice, please visit: www.gov.uk/government/organisations/hm-revenue-customs/contact/self-assessment.
- Applications should be for individual and clearly separate projects. If an applicant is seeking funding for multiple projects, these should be submitted as individual applications to the Competition. If multiple projects are dependent upon one another, for example a larger project broken down into several phases, this should be submitted as one application and set out clearly. Projects of this type will be limited to a maximum of 5 phases/strands, which will be assessed individually, and the Department may approve all, some or none of the phases based on these assessments.
- This competitive process is an 'open competition'. This means that any person or entity may apply (in line with the procedures set out in this Guidance Document) for a grant representing a portion of the available funds ('The Competition Fund'). Applications will be assessed fairly on a like-for-like basis using the criteria outlined in this document, with decisions made in a single block on a specified date, once all applications have been received and assessed and short-listed applications have undergone due diligence.
- The Department will allocate funding in line with the Competition assessment criteria. However, the Department reserves the right, at its absolute discretion, to increase or decrease the size of the Competition Fund at any time and for any reason. The launch of this Competition does not guarantee the availability of any funding.
- Notwithstanding the criteria set out here, awards from the Competition Fund are entirely at the Department's discretion. Applications that do not meet the eligibility criteria set out in this Guidance Document will not be taken forward for assessment. Furthermore, even where an application does satisfy the criteria there is no automatic entitlement to an award of funding of any amount. The Department reserves the right to take account of reputational risks when considering whether to award funding to an applicant. This includes risks arising from the applicant being or the possibility of them becoming

associated with any situation, activity or 3rd party which in the Department's opinion risks having a negative effect, or reflecting unfavourably, on the reputation of the Department or any aspect of its work (including this Competition).

- Applicants are required to set out the minimum amount of grant funding necessary to enable their project to proceed and why this is the case. The Department reserves the right to make an offer that is a lower amount, at its absolute discretion. A non-exhaustive list of reasons why the Department may make a lower offer than the amount requested includes ensuring compliance with the UK's prevailing subsidy control regime, ensuring legal compliance, and ensuring the efficient use of public funds and value for money for taxpayers.
- Applications will be subject to an in-depth appraisal. This could include (but is not limited to) scrutiny by the Department's experts, the Department for Business and Trade (in relation to due diligence), His Majesty's Treasury (HMT) and the independent Industrial Development Advisory Board. The information provided by applicants will be treated as strictly confidential by all those involved in reviewing the applications.
- When a notification of completing any stage of the assessment is made, it will not (of itself) release funding or entitle the applicant to funding. Any funding will remain subject to due diligence, which will verify evidence provided in any application to the Department's satisfaction, ministerial approval, compliance with subsidy control and an agreement to the Department's proposed form of Grant Offer Letter.
- The Department may attach conditions to any Grant Offer Letter (including imposing stages in respect of release of funds) and those conditions will depend on the Department's view of the successful project(s). Until a Grant Offer Letter is agreed to, the Department will not be responsible for, nor will the Department make any commitment in respect of, costs that applicants may incur.
- Grant funding could be partially or entirely rescinded or clawed back, if significant discrepancies are identified, during construction or operation, compared with the application.
- The Department will not be responsible for any costs incurred in the preparation of any application, whether or not it is successful.
- The Department reserves the right not to accept any application or make any grant award and reserves the right to cancel the Competition before it has completed or at any time before any Grant Offer Letter is agreed to.
- The Department reserves the right not to consider an application further if an applicant refuses to, or is unable to, disclose information requested at all or within the specified time periods.
- This is a discretionary grant. In determining whether an application is successful, the Department will take into account information obtained through the Competition (including, where relevant, that received from the Industrial Development Advisory Board) as well as any other context sensitive information that impacts on the objectives of the Competition.

- The Department reserves the right to reject or disqualify any application where grant funding would be (for any reason) unlawful or not compliant with its statutory powers.
- When submitting an application, be aware that the 'Additional Information', which is set out in [Annex A](#) of this Guidance Document, applies to the Competition.

7. Application process

The Competition is open to applications until **3pm on Wednesday 18 October 2023**. The Department retains the right to extend this date if it deems it necessary. Applicants should complete all sections of the Application Form and provide all Accompanying Documentation to the level of detail requested as soon as possible and by a date not later than the deadline date. Applications should be submitted electronically via email to heatpumpaccelerator@energysecurity.gov.uk.

Awards from the Competition are expected to be made in Spring 2024, following an internal bid assessment, due diligence process and approval by ministers. Assessments may be undertaken as and when applications are received, however all applications will be ranked against one another as detailed in [section 14](#) of this guidance.

The Department will accept Accompanying Documents in Microsoft Office or PDF document formats, provided that they are searchable. Images may be provided in .jpg or .png format where appropriate. The Department can normally accept a variety of other formats (such as Open Document & Rich Text), however please contact heatpumpaccelerator@energysecurity.gov.uk in advance to check compatibility.

On submission applicants should receive a confirmation email from the Department within 3 working days. If you do not receive this, please contact heatpumpaccelerator@energysecurity.gov.uk.

8. Eligible costs, projects, and components

The total funding available for the Competition is fixed at up to £30 million, with the maximum amount available for any single project capped at **£15 million** (applicants from, or linked to, Northern Ireland will be limited to €15 million per project).

Grant Funding may **only** be used to contribute towards eligible costs of the project. The intervention rate will be assessed on a case-by-case basis, however the amount of Grant Funding requested should be the minimum amount required for the project to proceed.

Eligible costs are defined as being capital expenditure (as defined in FRS 102¹) that is relevant to and facilitates the project.

¹ FRS 102 is the principal accounting standard for companies in the UK. It was introduced by the Financial Reporting Council (FRC) in 2013.

Eligible Costs will comprise plant and machinery costs, such as conveyor belts, casing, robotic arms, transportation modules, cutting equipment, brazing equipment, and testing chambers. Similarly, expenditure on fixtures and fittings will likely be eligible, such as for storage racks, lighting, alarm systems, work benches, computers, and other IT equipment.

Eligible Costs also include building costs that facilitate the project, such as foundations, walls, access roads, framing, flooring, windows, and roofing. This could also include non- 'bricks and mortar' costs that can be capitalised under FRS 102, such as statutory fees, consultancy fees and insurance.

Similarly, the costs for the general design, development and management of a project will fall within the scope of Eligible Costs, so long as they meet the definition of capital expenditure under FRS 102. This means that more speculative design costs might be excluded, or the internal cost of senior personnel who might be advising on the project (such as directors).

In the case of a hybrid boiler/heat pump factory, eligible costs will be pro-rata of the expected value of the heat pump units and/or heat pump components production against the value of the total production of the factory up to 2030.

Heat pump installer training, as well as research and development costs, are **not** within the scope of eligible costs, as these are already supported under other government schemes. However, any installer training and research and development activity included within the project (and any potential benefits they generate) will be considered as part of the scoring process for assessing applications.

The total sum of eligible costs claimed must not be more than the minimum amount required for the project to go ahead. Applicants will be required to provide their own substantial contribution to the investment costs of their project. The Department must see significant evidence that the applicant's commercial interest is aligned with the use of public funds, more details of what is required are provided under the Strategic Alignment Assessment criteria.

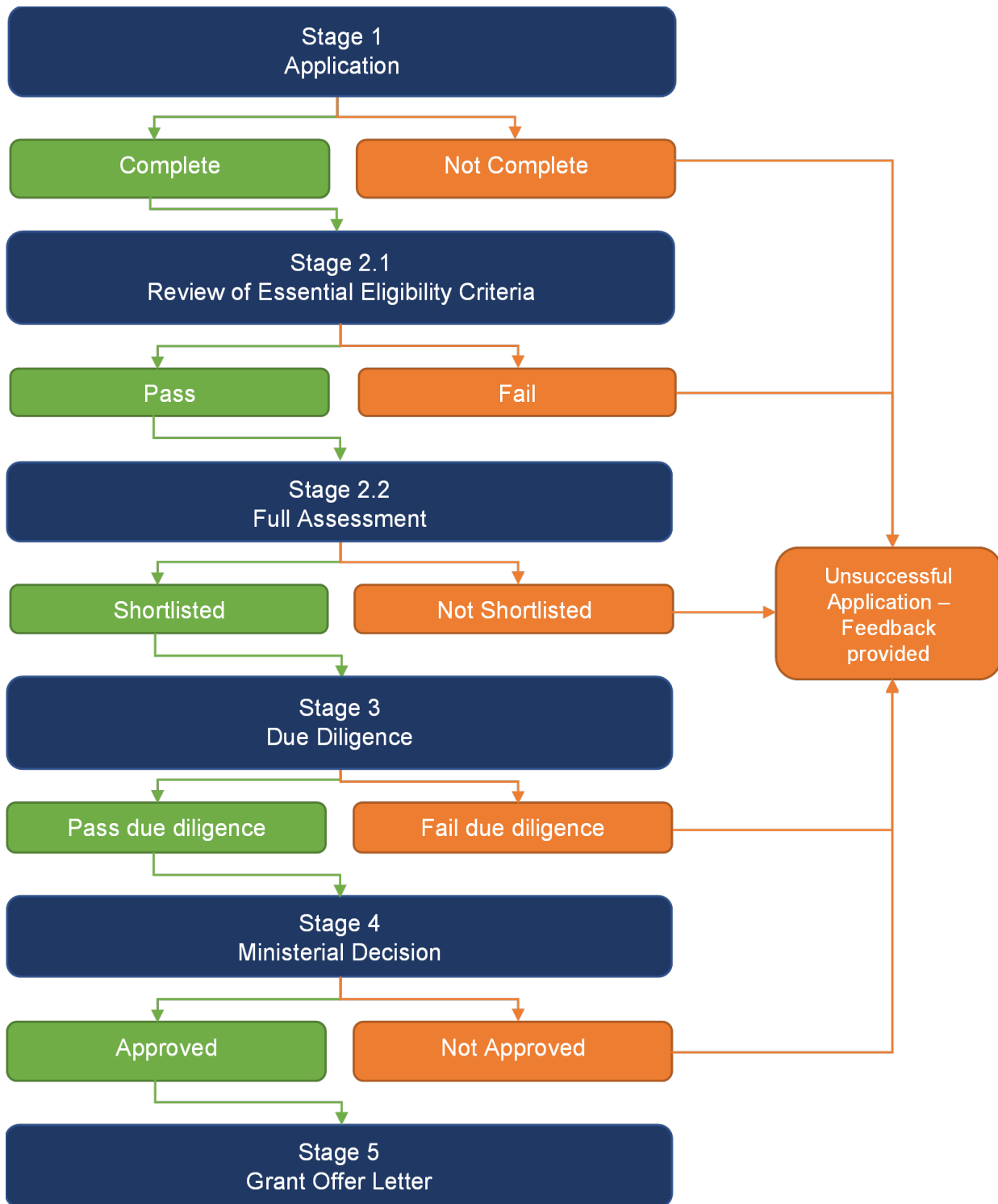
In the event of multiple projects requesting grant funding through the Competition in the same product category (i.e. manufacturing thermal storage), the Department retains the option to award funding across different product categories, in order to align with wider strategic objectives. Projects across all different product categories will still need to meet all of the criteria of the Competition and have scored above the minimum requirements.

9. Assessment and decision-making

The Department will assess individual applications in accordance with the process set out in this Guidance Document. This process is as follows, however the timings should be considered as indicative as the application window may be extended:

- **Stage 1:** Application – Competition bid window **4 July 2023 to 3pm on Wednesday 18 October 2023**
- **Stage 2:** Review of application form and assessment of application – October to December 2023
- **Stage 3:** Due Diligence – December 2023 to February 2024
- **Stage 4:** Ministerial decision – March 2024
- **Stage 5:** Grant Offer Letter – April 2024

Figure 1: Competition Process



Stage 1: Application (4 July 2023 to 3pm on Wednesday 18 October 2023)

The Department will first consider whether an application is complete (with all required Accompanying Documentation).

At this stage (and throughout the process set out below) the Department may, at its sole discretion, contact applicants to clarify any applications (or parts thereof) which are unclear, contain genuine mistakes, gaps or omissions. However, the Department is not under any obligation to do this. Where any application is not complete or is inconsistent, vague, or ambiguous, one or more of the following courses of action, which are not necessarily mutually exclusive, may be taken:

- The Department reserves the right to consider an application on the basis of the interpretation or meaning that is the most adverse; and
- The Department reserves the right to consider an application is not compliant with the rules of the Competition and to reject/disqualify the application.

A complete application must include the following:

- A fully completed Application Form.
- All requested accompanying documentation.
- Any additional information which may be pertinent to the application.

Further details are set out in the Application Form. Relevant documents must be completed, as set out in this Guidance Document, and in accordance with any other documentation produced by the Department related to this competition.

Stage 2: Review of application form (October to December 2023)

At this stage the Department will review responses to the Application Form in full. The application form comprises the following sections:

- **Part A:** Applicant and Project Information
- **Part B:** Grounds for Exclusion
- **Part C:** Essential Eligibility Criteria
- **Part D1:** Strategic Alignment assessment
- **Part D2:** Economic assessment
- **Part D3:** Deliverability assessment
- **Part D4:** Case for Assistance assessment
- **Part E:** Subsidy Control questionnaire
- **Part F:** Further Information Required

The specific details and requirements of each of these sections is set out in [sections 11 to 20](#) of this guidance document.

Stage 2.1: Review of Essential Eligibility Criteria

The applications must pass all the requirements of parts A, B and C of the application form. Where applications do not meet the requirements of these 3 sections, the Department will consider that the application is not compliant with the rules of the competition and reject/disqualify the application.

Applicants who are unsuccessful at this stage will be notified and provided with feedback.

Stage 2.2: Full assessment

Following on from this initial sift, the Department may request further details in relation to applications, and it is essential that these requests are responded to within the time specified (which will be set out in each request). Failure to do so may result in an application being rejected or the response being inadmissible as evidence, resulting in a lower score.

Further requests may cover a range of topics and may include a request to supply executive decision-making documents supporting the proposed project. For example, demonstrating the approval of authorised individuals to submit an application to the fund.

As part of the assessment, the Department will assess (amongst other things) economic factors and value for money, in line with [Green Book guidance](#). This guidance is aimed at public servants and sets out an approach to appraising policies, programmes, and projects, including models and methods to support the provision of advice to clarify the social – or public – welfare costs, benefits, and trade-offs of alternative implementation options for the delivery of policy objectives. There is no requirement on applicants to ensure compliance with these approaches – however, as the Green Book guidance and principles will be used in assessing applications, it can be a useful point of reference for applicants developing the business case for their projects.

The scoring generated by the assessment process will be used to produce a short list of applicants to proceed to due diligence. In the event of multiple projects requesting grant funding through the Competition in the same product category (i.e. manufacturing thermal storage), the Department retains the option to shortlist across different product categories, in order to align with wider strategic objectives. Unsuccessful applicants will be notified and provided with feedback.

Final funding decisions are at the discretion of the Department in order to maximise the strategic benefits of the fund, which may include not utilising the full amount of Grant Funding if the Department deems it appropriate or investing in projects across different product categories.

Stage 3: Due Diligence (December 2023 to February 2024)

Those projects short listed will be informed that they are proceeding to Due Diligence. [Section 19](#) provides further information on what applicants can expect during this phase.

Successful completion of due diligence is a requirement to proceed to a Grant Offer Letter being issued by the Department. Successful completion of due diligence does not (of itself) release funding or entitle the successful applicant to funding. The Competition's Project Board will consider the outcome of the due diligence and then make recommendations to ministers under Stage 4.

Stage 4: Ministerial decision (March 2024)

Following the completion of the assessment and due diligence process, ministers will take a decision on whether to proceed to making Grant Offer Letters.

Stage 5: Grant Offer Letter (April 2024)

Where an application has reached this final stage, applicants will be contacted by their Case Officer to advise on what (if any) level of support the Department is prepared to offer. The offer presented by the Department will be based on the assessment detailed above. The offer will take the form of a grant award only and is non-negotiable.

Where the successful applicant does not agree the Grant Offer Letter within the specified time (usually 5 working days), the Department reserves the right to remove or cancel the offer and approach the next best ranked application(s). Further information about the form of the relevant Grant Offer Letter is set out in [Section 25](#) of this Guidance Document.

The Department reserves the right to discuss (prior to the making of an offer and Stage 5) the amount of grant that the Department may offer to an applicant. Any such discussion will not impact the criteria applied under this Guidance Document but may allow the Department to demonstrate its thinking to an applicant and allow applicants to make relevant representations which may be considered (where consistent with the criteria set out herein).

10. Funding and awards

The Department expects the funding sought by applicants to be an accurate representation of the funding requirement for their projects and that this figure is the **minimum necessary to bring them forward**.

Any offer made by the Department to an applicant will be informed by the Strategic Alignment, Economic, Deliverability and Case for Assistance assessments. Notwithstanding that, applicants must (as part of their application) request a specific amount of funding; there is no guarantee that this will be the amount offered and the Department reserves the right to make a different offer to the amount requested.

Payments will be milestone based and paid 30 days in arrears once the milestone has been agreed as achieved. It is expected that all payments of Grant Funding will be made by **31 March 2026**. In exceptional circumstances, this may be extended where it is deemed necessary. A payment schedule will be agreed which will be based upon invoiced costs for completed work, which may be inspected by the Department prior to payment.

The milestones used for the payment of Grant Funding will be determined on a case-by-case basis depending on each project. These details will be set out in the respective Grant Offer Letter(s).

11. Applicant and Project Information (Section A)

Applicants will be required to complete all information in Section A of the Application Form in respect of themselves and any other person who has powers of representation, decision, or control in respect of the applicant.

If an applicant is a Consortium, full details of the Consortium and its Consortium Members must be provided, and a Lead Applicant identified. Where the relevant Consortium is proposing to create a separate corporate entity, they should provide details of the actual or proposed percentage shareholding of the Consortium Members within the Consortium. If a Consortium is not proposing to form a corporate entity, full details of alternative proposed arrangements should be provided.

Where any information is required throughout this process in respect of an applicant, the Department may require such information to be provided by all Consortium Members.

In the case of a Consortium, the Department will only contract with, and make grant payments to, the lead consortium member, who will be responsible for the dispersal of funds through the consortium.

Applications should be for individual and clearly separate projects. If an applicant is seeking funding for multiple projects, these should be submitted as individual applications to the Competition. If multiple projects are dependent upon one another, for example a larger project broken down into several phases, this should be submitted as one application and set out clearly. Projects of this type will be limited to a maximum of 5 phases/strands, which will be assessed individually, and the Department may approve all, some or none of the phases based on these assessments.

12. Grounds for Exclusion (Section B)

Section B of the Application Form sets out certain legal requirements, with responses considered on a **'pass/fail'** basis.

Section B1 relates to Mandatory Exclusion Criteria, whilst section B2 relates to Discretionary Exclusion Criteria. These are pass/fail requirements.

The document [Exclusion Grounds: Public Procurement](#) should be referred to before completing these questions.

The Department will exclude an applicant if they fail to fully and accurately complete the questions in the mandatory exclusion section.

If the Department considers there are grounds for exclusion, the Department may at its absolute discretion, grant an opportunity for the applicant to explain the background and any measures they have taken or will take to rectify the situation ('self-cleaning'), which must be provided within 10 working days of the Department notifying of the grounds for exclusion. Applicants are also entitled to submit any evidence of their self-cleaning measures, if they answer one of the questions in these sections negatively, for the Department to consider in relation to both mandatory and discretionary grounds for exclusion.

The Department will consider any self-cleaning information provided by the applicant in relation to the Mandatory Exclusion Criteria and where it deems it acceptable, may allow applicants to proceed within the Competition. Where no self-cleaning information is provided, or that information is not considered acceptable by the Department, applicants will be informed that they have 'Failed' and will not be taken forward for further consideration.

Projects which do not meet all of the discretionary exclusion criteria may or may not be taken forward at the Department's discretion having considered the supporting information provided.

Consortia shall ensure that Section B of the Application Form is completed by all Consortium Members.

13. Essential eligibility criteria (Section C)

Section C of the Application Form sets out minimum '**pass/fail**' criteria, which are the basic attributes which will be required to be considered for funding under this Competition.

Any applicant that cannot answer yes to all of the questions in Section C and provide any required supporting evidence will be rejected/disqualified from the process and will not be considered further.

The essential eligibility criteria are:

- The project must be in the UK.
- The project must be for the construction of a new manufacturing factory, or the expansion, retooling, refurbishing or reworking of an existing building.
- The project must involve the manufacture of heat pump units and/or heat pump components. There are no restrictions to the list of eligible components, which could include heat exchangers, compressors, evaporators, control systems or thermal storage. In the case of hybrid boiler/heat pump factories, only the production of the heat pump units and heat pump components are eligible for support.

- The project should involve some degree of manufacturing (not just assembly) at the project location. Manufacturing is defined as the practice of putting raw or unfinished materials/components through a process to create a finished product or part. Whereas assembly involves combining different parts to form a finished product.
- The project must have a realistic chance of commencing manufacturing activities by no later than March 2026.

A project can request Grant Funding where, for example, the project is for building a new factory on the same site as an existing factory, which is also proposed to be converted to heat pump manufacturing.

14. Assessment

Applications will be assessed against 4 criteria:

- Strategic Alignment
- Economic
- Deliverability
- Case for Assistance

The Strategic Alignment and Deliverability sections will be awarded a **score of 1 to 5**, based on the information provided in each section, and a wider consideration of the application as a whole.

The Economic assessment will be assessed on a pass / fail basis, with any applications that fail this assessment not being eligible to be short listed for grant funding under this Competition.

Case for Assistance will be assessed on a minimum score basis, with any applications that fall below this, not being eligible to be short listed for grant funding under this Competition.

Once the application has been assessed across all criteria, the Strategic Alignment and Deliverability scores will be combined into a final assessment figure that will be used to rank all applications against one another.

The ranking will be determined by the following formula:

$$\text{Strategic Alignment Score} \times \text{Deliverability Score} = \text{Ranking Score}$$

The ranking score will be used to form a short list for projects to be taken forward to Due Diligence. The final decision to award funding will be based on the merits of each application that is short listed and how well it aligns with the Competition's wider objectives. This may include the Department deciding to award funding across different product categories.

Where there is a tie between 2 or more applications to be short listed, the Department will further review the applications and will consider how well each application supports the

Competition's objectives as set out in the Strategic Alignment Assessment section, and the proposed amount of equity being invested, in percentage terms.

Applications that are given this internal view to be short listed will be notified that they have progressed to the next stage, and that they are moving forward to Due Diligence. Applications that do not proceed to Due Diligence will also be notified and provided with feedback.

Short listing and notification of assessment will not (of itself) release funding or entitle the applicant to funding and any funding will remain subject to a final decision by the Department, HM Treasury, due diligence, ministerial decision and agreement to the Department's proposed form of Grant Offer Letter. Until the Grant Offer Letter is signed with a successful applicant the Department reserves the right to cancel this Competition and withdraw funding.

Subsidy Control will be considered throughout the application process and the Department will only offer applicants an amount of grant funding that is compliant with Subsidy Control, which may be different to the amount requested by the applicant.

15. Strategic Alignment assessment (Section D1)

Applicants will be assessed based on how well their project fulfils the Competition's strategic objectives:

- Projects should demonstrate highly efficient manufacturing processes which produce large volumes of high-quality heat pumps units and/or heat pump components that result, over their whole lifecycle, in cost savings for consumers and/or other improved consumer or environmental outcomes.
- The projects should assist in strengthening UK supply chains and the UK's energy security, contributing to government targets in relation to both Net Zero and Levelling Up.

The Competition is open to a wide range of technologies, however potential applicants should note that air to air and water heating only, while allowable, will only be able to score a maximum of 3 on the qualitative component of the Strategic Alignment assessment.

The Strategic Alignment assessment comprises both a quantitative and qualitative component scored separately, each using a 1 to 5 scale which will be averaged to provide the score for the Strategic Alignment criteria. However, there is a minimum score requirement for the qualitative section of this criteria. If the application scores less than 3 on the qualitative section, the application will not be eligible to proceed in the competition.

a. Strategic Alignment Criteria – Quantitative component scoring

The Strategic Alignment quantitative component is based on:

- 'A' = The value added from the manufacture of the heat pump units and/or heat pump components that will be produced up to 2030; and
- 'B' = The amount of government support requested from this Competition and other public funding sources already secured or being requested, if applicable.

In order to determine 'A', applicants should use the **Strategic Assessment template**, which contains worked examples of the data to be provided. The template requests information from financial year 2024 if this is applicable for your application, however the quantitative assessment will be based upon the output from 2026 onwards. The added value of the heat pump units and/or heat pump components will be calculated using the manufacturer's cost of producing each unit less the cost of the material inputs required multiplied by the number of each units forecast to be produced up to 2030.

The **Strategic Assessment template** should be completed by breaking down the key components of the product or component that you are producing:

- For applications that are for **heat pumps**, please provide information on the top 10 components/parts, by value, that make up the heat pump and then include all other parts required as a single line item.
- For applications that are for **components**, please provide information on the top 6 sub components/parts, by value, that make up the main component and then include all other parts required as a single line item.

The Strategic Alignment quantitative component score will be determined using the following approach:

- 'A' will be divided by 'B'. The result will be 'C'.
- The application(s) with the highest result for 'C' will get a score of 5.
- All other applications' 'C' value will be divided against the highest 'C' score to give them a score out of 5 as follows: $5 \times \{ \text{'C' score of project} / \text{Highest 'C' score of all application(s)} \}$.

Example:

Project	A value	B Value	C value = A/B	Score out of 5
Project 1	£500m	£15m	33.3	2.5
Project 2	£1,000m	£15m	66.7	5
Project 3	£160m	£7.5m	21.3	1.6
Project 4	£75m	£3m	25.0	1.875

Grant funding could be partially or entirely rescinded or clawed back, if significant discrepancies are identified during construction or operation in relation to the 'A' value provided in an application, indicating possible exaggeration in the application.

b. Strategic Alignment Criteria – Qualitative component scoring

The Strategic Alignment qualitative component is based on answering the following questions:

- Please explain what type and number of heat pump units and/or heat pump components the project will produce and what proportion of this will be manufactured on site, as opposed to assembled. If the components are being supplied by other UK businesses, please provide as much information as possible (maximum of 1,000 words).
- Please explain how the project will deliver highly efficient manufacturing processes and facilities (maximum of 1,000 words).
- Please explain what impact your project will have on the overall cost of the heat pumps it will produce or contribute to produce including transportation, installation (such as improving the ease of installation of a heat pump), operation, maintenance and disposal (maximum of 1,000 words).
- Please explain what impact your project will have on improving non-cost outcomes for consumers, such as products with reduced environmental impacts, improved or simpler servicing etc (maximum of 1,000 words).
- Please explain what scope there is for future expansion, improvements, and diversification for this project in the UK (maximum of 1,000 words).
- Please explain what training activities or research and development is involved in your project, and to what extent other partners and the supply chain are involved (and how such knowledge might disseminate) (maximum of 1,000 words).
- Please explain what your planned route to market is, including what proportion of the factory output you expect to provide to the UK market and how you intend to increase your UK market presence (maximum of 1,000 words).

Note that if the responses to the first 2 questions are considered to be poor this could lead to the rejection of the application irrespective on how well the application scores on other criteria and questions.

The Strategic Alignment criteria qualitative score will be based on the responses provided to the questions above and the application as a whole and scored in line with the table below.

Table 1: Strategic Alignment Criteria – Qualitative Scoring

Score	Guidance
5	Comprehensive responses to all questions, with evidence providing a high level of confidence of sustainable success and that the project will assist in achieving all or almost all the objectives of the Competition.
4	Comprehensive responses to all questions, with evidence providing a high level of confidence of sustainable success and that the project will assist in achieving most of the objectives of the Competition.
3 (Minimum Score)	Complete responses to all questions, with evidence providing confidence of sustainable success in achieving some of the objectives of the Competition.
2	Complete responses to all questions with some evidence provided of the likely sustainable success of the project.
1	Incomplete responses to one or more questions. Limited evidence provided of the likely sustainable success of the project.

Projects scoring less than 3 on the Qualitative Strategic Alignment criteria will not be eligible for an award and will be considered to have failed their application.

16. Economic assessment (Section D2)

In the Economic assessment, applicants will need to demonstrate their proposal represents value for money, in order for the Department to deliver value for the UK taxpayer and ensure suitable accountability for the use of public funds.

The purpose of the Economic assessment is not to score answers against each relevant question or part of an application, but rather to establish whether the project provides overall value for public money and determine what level of grant funding, if any, is appropriate for an applicant's project.

As part of the Economic assessment, the Department will consider:

the Application as a whole (and in particular, relevant Accompanying Documentation and Sections D through to F of the Application Form)

- responses to any further information the Department may request.

The assessment will be assisted by information provided about:

- The number, and salaries and wages, of jobs created and safeguarded by the project.
- Plans to upskill employees that result in increased salaries or wages.
- Level of public funding requested from the Competition and any other public funding sources.

This data should be provided through the **Economic Assessment template**, which includes worked examples of the data to be included.

The Economic Assessment will be scored as a pass or fail as to whether, in the Department's view, the application represents value for money, taking into account the information provided in the Economic Assessment template and the application as a whole. If an application is assessed as not representing value for money, it will have failed this section and no longer proceed in the competition and will be ineligible to receive funding from the Competition.

17. Deliverability assessment (Section D3)

Applicants will be assessed on how deliverable their project is expected to be, i.e. is the applicant able to demonstrate the capability of managing a project of this type and scale, respond to any complications or risks, and deliver the expected benefits and production volumes of the proposed project.

In order to assess this, applicants are expected to provide:

- **A full business case** – the **Deliverability Assessment (Business Case) template** has an illustrative structure of this. Your business case should be no longer than 25 pages.
- **A project plan** – the **Deliverability Assessment (Project Plan) template** has an illustrative structure for this.
- **A financial model for the project's duration** – the **Deliverability Assessment (Financial Model) template** has an illustrative structure for this.
- **A project team structure**, showing reporting structures and areas of responsibility.
- **Evidence of financial decision-making board approval** of the project (and any supporting analysis you are able to share that informed this decision), plus details on approvals yet to be received.
- **A schedule of relevant industry accreditations** that you hold (e.g. ISO standards).
- **A schedule of land and buildings** already owned and/or those to be acquired for the project if already known.

The submitted documentation should be consistent with any used for internal review and approval.

Applicants will also be required to answer the following questions:

- **Experience:** Please provide details of any experience you have of delivering similar projects (maximum of 1,000 words).
- **Capability:** Please provide details of the capability of your teams/key individuals in delivering comparable projects (maximum of 1,000 words).

- **Delivery approach, project management approach:** Please explain your approach to delivering this project, including management of risk, your approach to project management, and the tools and mechanisms you will use (maximum of 2,000 words).
- **Delivery approach, managing supply chain risks:** Please explain what your procurement strategy for plant and equipment for this project is, and how you intend to manage supply chain bottlenecks that are currently affecting the industry and business as a whole (maximum of 1,500 words).
- **Delivery approach, managing economic risks:** Please explain how you expect to deal with economic risks (e.g., inflation, interest rates, macroeconomic changes) over the lifetime of the project (maximum of 1,500 words).
- **Delivery approach, use of subcontractors:** Where subcontractors will be used, please explain their roles, necessary skills and experience, how they are essential to the project, and mechanisms in place (or to be set) to ensure they fulfil their obligations, including whether they are specialist contractors from outside of the UK. Please also set out what controls you plan to or already have in place for the appointment of appropriate subcontractors, any change of subcontractors and how their use of sub-contractors will be managed (maximum of 1,000 words).

The Deliverability Assessment will be scored from 1 to 5, with 5 representing the highest score. This will be based on the documents provided by the applicants and the responses to the questions above. There will be a minimum score requirement of 3 for an application to proceed to the next stage.

Table 2: Deliverability assessment scoring

Score	Guidance
5	<p>The project estimates, such as production volumes, project benefits and construction timescales etc. are considered to be realistic and supported by comprehensive evidence.</p> <p>AND</p> <p>Comprehensive evidence provided that the applicant is capable and has extensive experience of delivering projects of the type and scale stated in the application. The applicant has demonstrated that appropriately skilled people and resources are or will be in place to manage this project.</p> <p>AND</p> <p>There are strong project and risk management strategies in place, setting out the tools and mechanisms to control the project and risks.</p>
4	<p>As above but one or several of the following statements are considered to better apply instead of one or several of the statements mentioned above (for scoring 5):</p> <ul style="list-style-type: none"> • The project estimates, such as production volumes, project benefits and construction timescales etc. are considered to be realistic and supported by reasonable evidence. • Comprehensive evidence provided that the applicant is capable but does not have extensive experience of delivering projects of the type and scale stated in the application. The applicant has demonstrated that appropriately skilled people and resources are or will be in place to manage this project. • There are reasonable project and risk management strategies in place, but the tools and mechanisms to control the project and risks could contain more depth.
3 (Minimum Score)	<p>As above but one or several of the following statements are considered to better apply instead of one or several of the statements mentioned above (for scoring 4):</p> <ul style="list-style-type: none"> • The project estimates, such as production volumes, project benefits and construction timescales etc are considered to be realistic but the evidence provided in the application is weak in places without being considered to compromise the application. • Some evidence provided that the applicant is capable but does not have the experience of delivering projects of the type and scale stated in the application. Some evidence provided that people and resources are or will be in place to manage this project. • There are project and risk management strategies in place but the tools and mechanisms to control the project and risks have some weaknesses, although they are not considered to be significant.
2	<p>As above but one or several of the following statements are considered to better apply instead of one or several of the statements mentioned above (for scoring 3):</p> <ul style="list-style-type: none"> • There is some doubt that the project estimates, such as production volumes, project benefits and construction timescales etc are realistic and the evidence provided in support is weak.

Score	Guidance
	<ul style="list-style-type: none"> Limited evidence provided that the applicant is capable, or has experience, of delivering a project of the type and scale stated in the application. Limited evidence provided that the people and resources are or will be in place to manage this project. There are project and risk management strategies in place but the tools and mechanisms to control risks have significant weaknesses and may be inadequate to control the project and risks.
1	<p>As above but one or several of the following statements are considered to better apply instead of one or several of the statements mentioned above (for scoring 2):</p> <ul style="list-style-type: none"> The production estimates are not considered to be realistic (because of inconsistency with financial information, lack of evidence, comparison to known projects etc). No evidence provided that the applicant is capable or has experience of delivering projects of the type and scale stated in the application. No evidence provided that the people or resources are or will be in place to manage this project. There are no project or risk management strategies in place or the one in place is considered to have significant weaknesses that are inadequate to control the project and risks.

18. Case for Assistance (Section D4)

Applicants will be assessed on the extent to which the project takes place as a result of the funding provided by the Competition.

In order to demonstrate this, applicants will need to provide information showing the following:

- The minimum amount of Grant Funding support required to facilitate the applicant's project, and/or the amount of activity brought forward (and by how much time), as a result of the Grant Funding.
- A detailed breakdown of what the Funding will be spent on.
- If not already included in the business case, the funding approach for the applicant's project.

In addition to the above, applicants will be required to provide answers to the following questions:

- Please explain how the amount of requested funding was determined and is the minimum amount necessary to either bring about the project or bring it forward (maximum of 1,000 words).
- Please provide any evidence you have that demonstrates the Grant Funding you have requested will bring about investment in the UK that may not otherwise happen or how the grant will bring forward investment in the UK earlier than it otherwise may have been. The **Case for Assistance Assessment template** includes illustrative examples that applicants might use to support this answer (maximum of 1,000 words).

- Please provide details of any significant front-end payments that have been made to date for the project. This does not include any payments relating to the preparation of the bid and only relates to any payments you have already made that relate to your eligible costs for the application – for example having already purchased machinery. (maximum of 500 words).

There may be costs incurred in preparing the bid in order to demonstrate the deliverability of the proposal – for example initial surveys or investigations into the likelihood of receiving planning permission for a new location would not be considered as a front-end payment, however purchasing of machinery or the building would.

As part of this assessment, the Department may conduct initial checks on the financial viability of each applicant in respect of the applicant and the sources of funding being mentioned.

The Case for Assistance Assessment will require a minimum score of ‘Moderate’ to pass this section. This assessment will then be considered as part of the Economic Assessment as to whether the application represents value for money.

Table 4 Case for Assistance Assessment

Score	Guidance
Very High	A clear demonstration, with strong supporting evidence, of what would likely happen to the project benefits in the absence of support. Evidence strongly suggests that the project is very unlikely to proceed at all in the absence of support or would be very significantly scaled back, delayed or reconfigured in a way which delivers lower benefits, or proceed outside of the UK.
High	A demonstration, with reasonably good supporting evidence, of what would likely happen to the project in the absence of support. Evidence suggests that the project is unlikely to proceed in the absence of support or would be scaled back, delayed or reconfigured in a way which delivers lower benefits or proceed outside of the UK.
Moderate (Minimum Score)	Limited evidence to suggest that, in absence of support, the project is unlikely to proceed, or would be scaled back, delayed or reconfigured in a way which delivers lower benefits, or proceed outside of the UK.
Low	Little or no evidence to support assertions around what would happen in the absence of funding from the Competition.
Very Low	The information provided strongly suggests that the project, as proposed, will go ahead without any funding from the Competition.

19. Subsidy Control (Section E)

An important part of the review of any application will be how the application complies with subsidy control rules. To do this, applicants are required to answer a number of subsidy control questions that are included within Section E of the Application Form.

Applications that we judge to be in breach of subsidy control rules might be excluded from the Competition before an award decision is made, and might not be awarded Grant Funding or allowed to draw down their Grant Funding on this basis.

Applicants also have a responsibility to notify the Department of any information that might affect their subsidy control compliance position. It is important to stress that:

- The Department reserves the right to make relevant judgements as to the subsidy control compliance of any particular application, and will not substitute its view for that of the applicant.
- The Department reserves the right to impose conditions (whether precedent or subsequent) on any Grant Offer Letter to ensure subsidy control compliance.
- Where the Department has concerns that what is proposed is unlikely to comply with the subsidy control regime in place, information may be requested about an Applicant's consideration as to how the proposed approach is compliant or is likely to be so.
- Where the Department considers an application will not be subsidy control compliant, it reserves the right to disqualify or reject an application or to not make a Grant Award.
- Considerations on subsidy control will include any and all uses of UK public funds, which includes any funding provided by UK national, devolved or local government for the project in the application
- The Grant Offer Letter will include, amongst other grounds, as an event of default enabling clawback:
 - A court, tribunal or independent body or authority of competent jurisdiction requiring any grant paid to be recovered by reason of breach of the UK's obligation under the EU-UK Trade and Cooperation Agreement ('TCA') or the terms of any UK subsidy control legislation; and
 - The European Commission or the Court of Justice of the European Union requiring any grant paid to be recovered by reason of a breach of State Aid Law through its application under Article 10 of the Northern Ireland Protocol ('NIP').

Therefore, even though the Department will make a determination as to the amount of funding that may be awarded, subsidy control compliance represents a continuing risk to applicants, and they should be sure what they propose is, and will continue to be, subsidy control compliant as they will receive no warranty to this effect from the Department.

For any applications that fall within the scope of the NIP, the EU's General Block Exemption Regulation ('GBER'), Article 41 applies. Under this, aid intensity (i.e., the amount of grant funding being received as a proportion of a project's total eligible costs) for the Competition is restricted to 45%, although it can increase by:

- 10 percentage points if granted to medium-sized undertakings;
- 20 percentage points if granted to small undertakings;
- 15 percentage points for investments located in assisted areas where the standard of living is abnormally low or where there is serious underemployment (as per the EU's Article 107(3)(a)); and
- 5 percentage points for investments located in assisted areas where such aid does not adversely affect trading conditions to an extent contrary to the common interest (as per the EU's Article 107(3)(c)).

However, under GBER, the absolute maximum grant funding that can be provided is capped at €15m and so while an applicant may qualify for a higher aid intensity, the actual aid intensity may be lower due to this cap or if the Department decides to offer a lower amount than requested.

Under GBER, a small undertaking is defined as an enterprise that employs fewer than 50 people and whose annual turnover and/or balance sheet does not exceed €10m. A medium undertaking is an enterprise that employs fewer than 250 people and whose annual turnover and/or balance sheet does not exceed €50m.

For applications that do not fall within the scope of the NIP, the Subsidy Control Act (SCA) 2022 will apply. The SCA does not contain any specified aid intensity thresholds as GBER does, however one of its 7 principles² is in relation to proportionality, which states that a subsidy should be "*proportionate to their specific policy objective and limited to what is necessary to achieve it*". The Department has therefore decided that in order to achieve this principle, the aid intensity for applications from Great Britain will be subject to the same aid intensity rates as those applicants from Northern Ireland, which is 45%, although this can be increased by:

- 10 percentage points if granted to medium-sized undertakings;
- 20 percentage points if granted to small undertakings

However, applicants should be aware that whilst these are the maximum intensity rates allowable, applicants will need to ensure that they only request the minimum amount of funding necessary to take the project forward rather than focusing on the maximum amount under subsidy control or State Aid that could be requested.

² The 7 principles are shown in Schedule 1 to the Subsidy Control Act: www.legislation.gov.uk/ukpga/2022/23/schedule/1/enacted

20. Further Information Required (Section F)

In order to ensure that no potentially significant matters are excluded from the assessment process, applicants will also be required to provide the following further information:

- Group structure for the group in which the legal entity undertaking the project operates.
- An organisational chart for the legal entity undertaking the project.
- Management accounts for the legal entity undertaking the project for the last 2 financial years and current year to date.
- Statutory accounts for the legal entity undertaking the project for the last 2 financial years.
- Financial forecast for the legal entity undertaking the project for the current year to go/complete, and the next 2 financial years.
- Details (if any) on whether the company or ultimate parent company has been approached for merger or acquisition over the past 3 years (or whether currently in process) (maximum of 1,000 words).
- Details (if any) on any companies that the company or ultimate parent company is considering (or in the process of) acquiring (maximum of 1,000 words).
- Details on any cybersecurity strategy relating to the protection of the products being produced, relating to both the production facilities/process and the components/units themselves (if applicable) (maximum of 1,000 words).
- Please explain how you have or will consider current and potential impacts from your project on age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, or sexual orientation (and, if any issues identified, how mitigated). Please also provide details on your organisations approach to preventing modern day slavery (maximum of 1,000 words). Please include a copy of your Equality, Diversity and Inclusion policy (or non-UK equivalent if applicable).

21. Notification

Applicants will be informed by email whether their application is progressing to the next stage at each point:

- **Stage 1:** Application
- **Stage 2:** Review of Essential Eligibility Criteria and Full Assessment
- **Stage 3:** Due Diligence
- **Stage 4:** Ministerial Decision
- **Stage 5:** Grant Offer Letter

The Department may wish to publicise the results of the Competition, which would include engagement with the media. At the end of the application and assessment process, the Department may issue a press release or publish a notice on its website. These may, for example, outline the result of the Competition and describe the projects to be funded.

Applicants are not to publish any outcome of this Competition without the Department's express permission. Where an applicant does so, it may jeopardise their continued role in the process, and the Department's reserves the right to disqualify or reject any applicant that breaches this requirement.

22. Right of appeal and feedback

Applicants who submit non-compliant applications (whether in relation to the mandatory exclusion criteria, discretionary exclusion criteria, or the essential eligibility criteria) will be notified by email.

Applicants that are taken forward to be assessed and are ultimately unsuccessful will be provided with summary feedback based on the assessment of their proposals, which will be in a constructive form. Comments in the feedback will not, however, constitute a fixed or comprehensive checklist of points which must be answered or argued in a resubmitted application. The Department's decision regarding any application is final and no appeal process is in place.

23. Notification after assessment

Applicants who have passed the assessment process will receive a notification of moving to the due diligence stage of the Competition. Moving to this next stage of the Competition does not commit the Department to funding the project, nor does it guarantee any amount of Grant Funding.

The notification and completion of due diligence does not (of itself) release Grant Funding or entitle the applicant to funding, and any funding will remain subject to Ministerial Decision and agreement to the Department's proposed form of Grant Offer Letter. Until the Grant Offer Letter is signed with a successful applicant, the Department absolutely reserves the right to cancel the Competition and not to make any funding available.

Once an applicant has received notification of moving to the due diligence stage, they must confirm within 5 working days (or such other time as the Department reasonably requires) whether they will proceed with their project. Failure to do so can result in the offer being retracted by the Department.

24. Due diligence

Due diligence regarding the applicant will be undertaken following notification of progressing from the assessment stage. Due diligence may require review of a number of matters to the Department's satisfaction, which will be project dependent. Due diligence is likely to include (without limitation) verification of a number of aspects of the project – as well as further technical, commercial, financial, and legal due diligence on matters relevant to the Department before it elects to offer grant funding. A critical part of due diligence will be ensuring the applicant's project remains (and on closer inspection is) viable.

The Due Diligence will be undertaken by a specialist function within the Department for Business and Trade, which was previously part of the Department for Business, Energy and Industrial Strategy.

An appointed Case Officer from the Department and/or from the Department for Business and Trade will coordinate the due diligence and act as initial point of contact throughout the process. During the due diligence period, the Case Officer may request further details and it is essential that these requests are responded to as quickly as feasibly possible. The Department reserves the right to exclude an applicant if there are significant delays in providing requested information. Alternatively, the Department might elect to amend an applicant's assessment score (which could affect their ranking) to reflect the least favourable interpretation of the project the due diligence is seeking to clarify.

The Department reserves the right to exclude an applicant if the due diligence identifies any challenges to the viability of the project (in the view of the Department) and/or any discrepancies with information provided in the application that are deemed unacceptable.

The notification of completing assessment and the completion of due diligence will not (of themselves) release funding or entitle applicants to funding and any funding will remain subject to agreement to the Department's proposed form of Grant Offer Letter. Until the Grant Offer Letter is signed by an applicant the Department absolutely reserves the right to cancel this Competition and not to make any funding available.

At the beginning of the due diligence phase, the Department may set out a number of conditions precedent or subsequent to making the draft Grant Offer Letter available to the successful applicant – this may include provision by the applicant's ultimate parent company of a parent company guarantee in a form acceptable to the Department.

Any grant awarded under the Competition will contain provisions which gives the Secretary of State for Energy Security and Net Zero the right to vary, withhold payments or to recover money already paid to beneficiaries of the Competition where they do not deliver on the obligations of their award.

Due diligence will require (but is not limited to) the following additional information:

- Demonstration of the approval of the project by relevant internal stakeholders (e.g., board of directors).
- Evidence of purchase of land / buildings.
- Evidence of costs of leasing / renting as part of the capital investment.
- Evidence to support capex for fitting out land / buildings.
- Evidence to support repairs and maintenance to maintain capital investment.
- Details of accounting policies for PPE and investment appraisal framework.
- Details on alternative investment decision in absence of grant funding.
- Cashflow / working capital forecasting.
- Details of what costs the grant will be used for to ensure the project's viability.
- Prior year approved budgets / forecasting.

25. Grant Offer Letter

A Grant Offer Letter will be issued to successful applicants where due diligence results are satisfactory and ministerial agreement received. The value of Grant funding will be agreed through the signing of these documents. These should be signed and returned to the Department quickly, and if possible, within 5 working days of receipt. The applicant will need to ensure compliance with conditions contained in the Grant Offer Letter to receive the Grant Funding.

The Grant Offer Letter will be drafted in line with Cabinet Office's 'Model Grant Funding Agreement' guidelines, the standard terms and conditions for which are attached as a separate annex to this Scheme Guidance. The terms of the Grant Offer Letter are not negotiable. The Department reserves the right to adapt the terms of the Grant Offer Letter for its needs in respect of the relevant project and this may include (amongst other things) a requirement to satisfy a number of conditions defined in the Grant Offer Letter to release any part of the relevant funding. This may include (amongst other things) a requirement for the applicant's accountant to confirm verifications as to the expenditure at certain key project milestones. The Department may also include or mandate certain deliverables.

In the event an applicant refuses to agree to the terms of the Grant Offer Letter, or unduly delays the process, the Department reserves the right to withdraw the Grant Offer Letter and the applicant's application will be deemed to have been rejected/disqualified from the Competition process.

26. Post-award monitoring

A Monitoring Officer from the Department will be appointed to successful applicants for the duration of the pre-construction, construction and commissioning of their respective project, to help ensure that projects progress in line with the project submitted to the Competition. Guidance documents for grant recipients will be provided to successful applicants. These will explain the monitoring requirements, which will be in line with '[Managing Public Money](#)' guidance, available on the GOV.UK. Grant recipients will typically need to complete and provide various monitoring reports on a quarterly basis (or more regularly where the Grant Offer Letter sets this out).

Where an applicant's project is due for completion after the final grant payment is made, for example where the factory will be completed in March 2026 whilst the final grant payment is made in September 2025, milestone monitoring may continue until the point this, or another suitable, point to ensure the project is completed as agreed. There will be further monitoring of all successful applications up until 2030 to ensure it is delivering the stated benefits and outcomes.

Annex A: Additional information

The following points to note apply throughout this process and to all responses and information provided by the Department.

Accuracy

The information in the documents provided as part of this process has been prepared by the Department in good faith but does not purport to be comprehensive or to have been independently verified. Applicants should not rely on the information and should carry out their own due diligence checks and verify the accuracy of the information.

To the greatest extent permissible by law, neither the Department, its technical, financial, legal or other advisors, nor the directors, officers, partners, employees, other staff, agents or advisors of any such person:

- makes any representation or warranty (expressed or implied) as to the accuracy, adequacy, reasonableness or completeness of the information set out in these documents provided as part of this process or any part of them; or
- accepts any responsibility for the information provided in these documents provided as part of this process or in subsequent communication (written or verbal), or for the fairness, accuracy or completeness of such information,
- nor shall any of them be liable for any loss, damage or expenses (including legal expenses) in contract, tort, or under statute, or otherwise (other than in respect of fraudulent misrepresentation) arising as a result of reliance on any information provided in these documents provided as part of this process or subsequent communication (written or verbal).

Nothing in these documents provided as part of this process is or shall be a promise or representation as to the Department's future conduct. The subject matter of these documents provided as part of this process shall only have contractual effect when and to the extent it is contained in the express terms of an executed Grant Offer Letter between the Department and any successful applicant. Nothing contained in the documents provided as part of this process or any other communication in relation to it shall be construed as creating a partnership or as a contract of employment between the Department and the applicant.

Applicants will be deemed for all purposes connected with their application, to have carried out all research, investigations and enquiries which can reasonably be carried out and to have satisfied themselves as to the nature, extent, volume and character of any matter which may affect its application.

Conflicts

Any applicant (and in the case of an applicant that is a Consortium, any Consortium Member) who, in connection with this process:

- offers any inducement, fee or reward to any member or officer of the Department or any person acting as an advisor for the Department in connection with the Contract;
- does anything which would constitute a breach of the Bribery Act 2010; or
- contacts any officer of the Department prior to the Grant Offer Letter being awarded about any aspect of the process in a manner not permitted by documents,

may be rejected/ disqualified at the Department's absolute discretion (without prejudice to any other civil remedies available to the Department and without prejudice to any criminal liability which such conduct by an applicant may attract).

Freedom of Information and Data Protection

The Department is subject to the requirements of data protection law (as enshrined in the UK), the Freedom of Information Act 2000 ('FOIA'), the Environmental Information Regulations 2004 ('EIR'), the subordinate legislation made under the FOIA/EIR and any guidance and/or codes of practice issued (from time to time) in relation to such legislation. Applicants should be aware of the Department's obligations and responsibilities under data protection law, FOIA and/or EIR to disclose, on written request, recorded information held by them. Information provided by applicants in connection with this process, or with any Grant Offer Letter that may be awarded as a result of this process, may therefore have to be disclosed by the Department in response to such a request, unless the Department decides that one of the statutory exemptions against disclosure applies.

In certain circumstances, the Department may consider it appropriate to ask applicants for their views as to the release of any information before a decision on how to respond to a request is made. In dealing with requests for information under the FOIA or EIR, the Department must comply with a strict timetable and the Department would, therefore, expect a timely response to any consultation within 2 working days.

Applicants may provide information to the Department in connection with this process, which is commercially sensitive and confidential in nature and which applicants may wish to be held in confidence. Applicants must clearly indicate where this is the case in their applications by highlighting specific text, figures and diagrams, etc, which parts of their application are to be considered commercially sensitive and confidential and why they are considered to be so, along with the time period for which they will remain confidential in nature. The use of blanket protective markings such as 'commercial in confidence' will not be acceptable. In addition, marking any material as commercially sensitive and confidential or equivalent should not be taken to mean that the Department accepts any duty of confidentiality by virtue of such marking. It should be noted that even where applicants have indicated that information is

confidential the Department may be required to disclose it under the FOIA and/or the EIR if a request is received.

The decision as to which information will be disclosed is reserved to the Department notwithstanding any consultation with applicants.

Application costs

Each applicant will bear its own costs of application.

The Department reserves its position as to whether or not it will enter into any Grant Offer Letter whatsoever and the submission of any application or applications is entirely at the applicant's risk.

The Department shall bear no liability whatsoever for the outcome of the process and shall not be liable for the applicant's costs associated with the preparation of any application or applications, including but not limited to preparation costs, cost of advisers, the costs of continuing with the process, due diligence, clarification, nor shall the Department be liable for any losses incurred or suffered by the applicant, including any loss of profit, loss of opportunity/chance or other economic loss incurred or suffered by the applicant as a result of or arising in relation to this process whatsoever.

Glossary of terms

- **Accompanying Documentation:** the documentation set out in the ‘Accompanying Documentation checklist’ in the Application Form that must be provided to the fullest extent possible as part of an application to The Competition
- **Applicant:** the registered company(ies) that is/are responsible for delivering the project for which Competition Funds are being sought
- **Application Form:** the form titled ‘Heat Pump Investment Accelerator Competition application form’, which Applicants must complete and submit in order for their project to be considered for the awarding of Competition Funds
- **Case Officer:** the Department employee(s) who will be assigned to managing queries for specific Applicants
- **Competition / The Competition / HPIAC:** The Heat Pump Investment Accelerator Competition
- **Competition Fund / The Competition Fund:** the £30m of funds that are available to award to applicants at the Department’s discretion as part of the Competition
- **Consortium:** a group of 2 or more Applicants (led by a Lead Applicant) who are jointly submitting an application to the Competition for a single project
- **Consortium Members:** Applicants that are part of a Consortium
- **Discretionary Exclusion Criteria:** the criteria set out in Section B2 of the Application Form
- **the Department:** The Department for Energy Security and Net Zero
- **Essential Eligibility Criteria:** the criteria set out in Section C of the Application Form
- **GB:** Great Britain (England, Wales and Scotland)
- **GBER:** General Block Exemption Regulation
- **Grant Funds:** the specific amounts awarded to Applicants from the Competition Fund as set out in a Grant Offer Letter
- **Guidance Document:** this document titled ‘Heat Pump Investment Accelerator Competition Guidance’
- **Grant Funding Agreement:** document issued by the Department setting out the legal conditions for the receipt and potential clawback of Grant Funds
- **HMT:** His Majesty’s Treasury
- **IDAB:** Industrial Development Advisory Board
- **ISO:** International Organization for Standardization
- **KPI:** Key Performance Indicator
- **Lead Applicant:** the Applicant that has primary responsibility for the delivery of a project submitted as part of a Consortium

- **Mandatory Exclusion Criteria:** the criteria set out in Section B1 of the Application Form
- **NIP:** Northern Ireland Protocol
- **PPE:** Property, plant and equipment
- **Project:** the activities and assets that the Applicant(s) plan(s) to develop and create that are managed within a single framework, and that will result in the manufacture of heat pumps, components and/or groups of components
- **Spring:** 1 March to 31 May
- **TCA:** EU-UK Trade and Cooperation Agreement
- **UK:** The United Kingdom of Great Britain and Northern Ireland
- **Winter:** 1 December to 28/29 February

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