

# **Energy Storage Component Research and Feasibility Study Support Scheme**

**Call for Proposals – Guidance Notes**

October 2012

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## **Introduction**

This Call for Proposals Guidance document sets out the scope and criteria for applications to the DECC Energy Storage Technology Demonstration Scheme.

**Note: Applications to this scheme may be made at any time from 19 October 2012 up until 12pm on 27 March 2013.** DECC will assess the bids in two tranches, depending on when they are submitted. If there is a very high uptake of funding for bids submitted in the first assessment tranche, reduced funding may be available for projects applying in the second tranche.

To be assessed in the first tranche, bids must be received by DECC by:

**12pm, 6 December 2012.**

To be assessed in the second tranche, bids must be received by DECC by:

**12pm, 27 March 2013.**

**All applications must be received by DECC in electronic form by 12pm on one of the deadlines listed above. A signed hard copy of the completed application form must be received within 10 working days of submitting the electronic application** (see the final section of this document for details of how to apply).

## **Pre-Submission Briefing Event and Contact for Enquiries**

The contact for enquiries is:

Sally Fenton

Department of Energy and Climate Change

Tel: 0300 068 6503

Email: [s.fenton@decc.gsi.gov.uk](mailto:s.fenton@decc.gsi.gov.uk)

A **briefing and networking event** for this call will be held in **London on 6 November 2012**, 10.00am to 3.30pm, to provide applicants with further information on the project scope; eligibility and assessment criteria and to answer other questions in relation to this call. This event, organised by DECC and the Energy Generation and Supply KTN will also provide an opportunity for potential applicants to make contact with potential collaborators or partners.

Please register for this briefing event at the following website:

<https://www.eventsforce.net/decces>

## **Context**

The Department of Energy and Climate Change (DECC) supports innovation in low carbon technologies in order to help meet the Department's goal of delivering secure energy on the way to a low carbon energy future. Increasing the use of low carbon but intermittent generating technologies can help the UK to meet its carbon and other greenhouse emission reduction targets (set out in the Climate Change Act of 2008). However, the use of such intermittent technologies and the use of other low carbon technologies, such as electric vehicles, lead to increases in electricity demand and to increases in demand volatility. Electricity storage, which can enable electricity generated at a time of low demand to be stored and used at a later time when electricity demand is high, could offer one way to help meet the projected increases in volatility and demand in the electricity network.

A DECC report - Electricity System: Assessment of Future Challenges<sup>1</sup>, published in August 2012, concludes that the 'need for a more flexible electricity system with more widespread deployment of balancing technologies and a smarter network appears to crystallise in the 2020s, nevertheless it is important that we ensure we are facilitating its development today'. It goes on to note that 'technology development is central to the successful evolution of a flexible electricity system - in terms of delivering key balancing activities (electricity storage and DSR in particular)'.

The Low Carbon Innovation Coordination Group published recently a summary report<sup>2</sup> of the Technology Innovation Needs Assessment (TINA) for Electricity Networks and Storage. The Electricity Networks and Storage TINA concludes that "Electricity networks and storage (EN&S) technologies could play an important enabling role in the future energy system, supporting the deployment of renewable electricity generation, renewable heat, electric vehicles (EVs), and other low carbon technologies."

Furthermore the TINA estimates that innovation in EN&S technologies could save the UK £4-19 billion<sup>3</sup> cumulatively to 2050, with significant possible additional value offered by enabling other system adjustments. Innovation can also help create UK-based business opportunities that could contribute an estimated cumulative £6-34 billion to GDP to 2050. While the TINA

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<sup>1</sup> Electricity System: Assessment of Future Challenges, DECC, August 2012;  
<http://www.decc.gov.uk/assets/decc/11/meeting-energy-demand/future-elec-network/6099-elec-system-assess-future-chall-full.pdf>

<sup>2</sup> Technology Innovation Needs Assessment: Electricity Networks and Storage; Low Carbon Innovation Coordination Group; 2012;  
[http://www.lowcarboninnovation.co.uk/working\\_together/technology\\_focus\\_areas/electricity\\_networks\\_storage/](http://www.lowcarboninnovation.co.uk/working_together/technology_focus_areas/electricity_networks_storage/)

<sup>3</sup> Cumulative savings (for period 2010-2050); range of savings is present discounted values for lowest to highest scenarios.

concludes that private sector investment in innovation can deliver the bulk of these benefits, it recommends targeted public sector support to catalyse the private sector investment and to overcome significant market failures.

The market failures and barriers currently limiting commercial development of energy storage include: market arrangements – there are significant risks and uncertainties associated with future revenues from storage and no clear route at present for technology developers to capture the value of storage; high upfront capital costs; uncertain future demand – due to uncertainty over future levels of intermittent renewable technology and the level of deployment of alternative non-generation approaches to balancing.

A report published in July 2012 by Imperial College London<sup>4</sup> for the Carbon Trust also concludes that “energy storage can bring benefits to several sectors in electricity industry, including generation, transmission and distribution, while providing services to support real-time balancing of demand and supply, network congestion management and reduce the need for investment in system reinforcement”.

On the potential for further innovation and development in storage technologies, the Imperial College report notes that there are a “number of important unknowns in grid scale energy storage, in particular relating to the cost and lifetime of energy storage technologies when applied to real duty cycles within the power network, across a range of power and energy scales, and as a function of location within the network. As such it is essential to demonstrate and evaluate a range of storage technology types to understand how the duty cycle and control strategy impact the performance and lifetime of the storage systems.”

Given the potential future role for storage to contribute to public sector climate change and energy aims, the scope for further innovation and cost reduction in storage technologies, and the need for public sector innovation, DECC has identified storage as one of the specific technology areas which should be supported with energy innovation funding.

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<sup>4</sup> Strategic Assessment of the Role and Value of Energy Storage Systems in the UK Low Carbon Energy Future; Imperial College London report for Carbon Trust; June 2012; <http://www.carbontrust.com/media/129310/energy-storage-systems-role-value-strategic-assessment.pdf>

## **Scheme Details**

### ***Overview***

The Department of Energy and Climate Change (DECC) has launched an innovation grant scheme for Energy Storage Component Research and Feasibility Study to support:

- \* component level research for technologies to improve particular components or materials within an energy storage system which could be deployed to meet grid-scale storage needs in the UK electricity network; or
- \* development and demonstration of technologies needed to enable deployment and integration of energy storage systems into the UK electricity network; or
- \* system level feasibility studies to investigate deployment issues and operational aspects of electricity storage systems, including integration of storage systems into the UK electricity network.

Grants will be awarded on a competitive basis and grant funding will only be available on a joint funding basis – i.e. successful applicants will be required to secure a significant private sector funding contribution to the total eligible project costs (see the section below on *Funding levels* for details).

### ***Aims and Objectives***

The aims of the DECC Energy Storage Component Research and Feasibility Study Innovation Support Scheme are to:

- secure cost reduction in future electricity storage systems;
- facilitate deployment of energy storage systems in the future UK electricity network (e.g. from 2020 onwards) or in major industrial applications.

The scheme is also expected to generate learning and practical experience which will:

- improve confidence in electricity storage systems; and
- help stimulate further private sector investment in electricity storage systems.

## ***Scheme Scope***

This option will provide support for:

- \* component level research and development for storage technologies to improve particular components or materials within an energy storage system which could be deployed to meet grid-scale storage needs in the UK electricity networks; or
- \* development and demonstration of technologies needed to enable deployment and integration of energy storage systems into the UK electricity network; or
- \* system level feasibility studies to investigate deployment issues and operational aspects of electricity storage systems, including integration of storage systems into the UK electricity networks.

Projects must contribute to the cost reduction, more efficient deployment or wider deployment of energy storage systems which can meet storage needs in the UK electricity networks.

Research and development projects must demonstrate innovation and all projects must apply to storage systems where there is a realistic chance of future deployment.

Any projects supported by this scheme must fall within the EU definition of '***experimental development***' or within the EU definition of '***industrial research***': The two EU definitions<sup>5</sup> are set out in Annex 1 for reference.

The potential commercialisation of the innovation is one of the selection criteria for the scheme and so partnership or engagement with others who can maximise the uptake of the innovation (e.g. the UK DNOs or TSO; or potential industrial customer) is strongly encouraged. **All applicants will be expected to demonstrate a strong understanding of the operational constraints and potential applications of their proposed technology or studies.**

### General requirements for bidders

DECC welcomes individual bids and collaborative bids from private sector or research organisations or consortia of these organisations, including those which are not currently established within the UK. However, the grant is only available for projects taking place primarily within the UK.

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<sup>5</sup> Article 30 of the EU General Block Exemption Regulation contains definitions of experimental development and industrial research; [http://ec.europa.eu/competition/state\\_aid/reform/gber\\_final\\_en.pdf](http://ec.europa.eu/competition/state_aid/reform/gber_final_en.pdf)

## ***Intellectual Property***

Any intellectual property gained prior to or arising from a Project supported by this scheme will reside with the participating company or consortia.

## ***Budget***

This Energy Storage Scheme has a capital budget of up to £3m – though DECC may choose to allocate less than or more than £3m depending on the quality of applications.

Grant awards for component research and development projects or feasibility studies are expected to be in the range £200k to £1m. In exceptional circumstances, DECC will consider the allocation of a capital grant above or below this range.

Only capital funding is available and as such the funding may only be spent on expenses consistent with that definition<sup>6</sup>.

Funding under this Scheme is only **available until 31st March 2015**. Whilst projects may continue past this date (for up to one year), all grant-supported expenditure must be incurred by 31st March 2015.

Whilst projects may incur cost throughout this period, DECC may choose to prioritise projects with some planned spend in the 2013-2014 financial year (1 April 2013 to 31 March 2014). Applicants will be expected to provide a robust costed delivery plan as evidence of delivery in the timescales.

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<sup>6</sup> Grants from government to the private sector, which are used by the recipient to acquire a capital asset, are classified as capital grants. Capital assets can include development expenditure, i.e. expenditure on scientific or technical activity in order to “produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the start of commercial production or commercial applications, or to improve substantially those already produced or installed” (definition taken from HM Treasury Capital Classification Document: [http://www.hm-treasury.gov.uk/d/capital\\_classification\\_paper.pdf](http://www.hm-treasury.gov.uk/d/capital_classification_paper.pdf) ).



## **Funding Levels and Funding Requirements**

Grants awarded under this Call will be awarded under Article 31 of the EU State Aid General Block Exemption Regulation<sup>7</sup> (“the Block Exemption”), as Experimental Development (as defined under Article 30).

The terms of any grant award will be designed to reflect the requirements of the Block Exemption, and companies will need to be aware that a failure to comply with those terms may result in DECC, the European Commission or a court requiring the grant to be repaid together with interest. In particular, applicants will wish to note the following:

### ***Eligible Costs***

Companies may only use the grant to cover eligible costs within the meaning of Article 31(5) of the Block Exemption (these are listed in Annex 2 of this document) and subject to the additional restrictions on eligible costs set out below). Companies should note that the grant may not be used to subsidise commercial activities and that where DECC awards a grant for the purpose of the development of commercially usable prototypes or pilot projects any revenue generated from such commercial use will be deducted from the grant (and, where the grant has already been paid, will be required to be returned to DECC).

### ***Public funding***

When considering levels of aid intensity (described below), public funding includes the grant and all other funding from, or which is attributable to, other government departments, UK public bodies, other Member States or the EU institutions. Such funding includes grants or other subsidies made available by those bodies or their agents or intermediaries (such as grant funded bodies).

In applying to this Call you must state if you are applying for, or expect to receive, any funding for your project from public authorities (in the UK or in other Member States) or the EU or its agencies. Any other public funding will be cumulated with DECC funding to ensure that the public funding limit and the aid intensity levels are not exceeded.

### ***Aid intensity***

DECC grants awarded under this scheme may only fund a percentage of the total eligible costs incurred on the project. The maximum percentage of public funding that can be provided for the project is summarised in the table below.

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<sup>7</sup> [http://ec.europa.eu/competition/state\\_aid/reform/gber\\_final\\_en.pdf](http://ec.europa.eu/competition/state_aid/reform/gber_final_en.pdf)

Applicants should note, however, that whilst these are the maximum allowable funding intensities, since DECC is seeking to maximise the impact of government funding, **projects looking for public funding intensities that are lower than the applicable maximum are likely to be marked higher in the appraisal process.**

Given the aid intensity rules, it is necessary that applicants demonstrate evidence of private funding to cover the balance of the eligible costs. Such funding may come from a company's own resources or external private sector investors, but may not include funding attributable to any public authority or EU institution.

Research Category	Size of Enterprise	Maximum amount of aid towards eligible Project Costs
<b>Experimental Development - Single Companies</b>	Small	45%
	Medium	35%
	Large	25%
<b>Experimental Development - Collaborations (either Business to Business or between Business and research organisations)</b>  Note: certain conditions must be fulfilled for collaboration (See Article 31(4) of the Block Exemption <sup>8</sup> )	Small	60%
	Medium	50%
	Large	40%

<sup>8</sup> [http://ec.europa.eu/competition/state\\_aid/reform/gber\\_final\\_en.pdf](http://ec.europa.eu/competition/state_aid/reform/gber_final_en.pdf)

Research Category	Size of Enterprise	Maximum amount of aid towards eligible Project Costs
<b>Industrial Research - Single Companies</b>	Small	70%
	Medium	65%
	Large	50%
<b>Industrial Research - Collaborations (either Business to Business or between Business and research organisations)</b>  Note: certain conditions must be fulfilled for collaboration (See Article 31(4) of the Block Exemption <sup>9</sup> )	Small	80%
	Medium	80%
	Large	65%

### ***Other Requirements***

Further details about the grant funding process are set out in Annex 3 of this document.

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<sup>9</sup> [http://ec.europa.eu/competition/state\\_aid/reform/gber\\_final\\_en.pdf](http://ec.europa.eu/competition/state_aid/reform/gber_final_en.pdf)

## **Application & Assessment Process**

### ***Overview***

Applicants are asked to complete an Application Form detailing their proposed project and the grant being applied for.

Completed Application Forms must be received in electronic form by DECC by 12pm on the 6 December 2012 or by 12pm on 27 March 2013. See 'How to Apply' Section at the end of this document for full details.

Incomplete applications and any containing incorrect or false information will very likely be rejected. However, DECC will consider applications which have provided enough project and technical information to make the initial assessment, and may, at its discretion, request clarification or additional data before making a final decision. However, please note that every effort must be made to submit applications in full and complete form, as DECC may not necessarily seek any missing information from applicants.

### ***Selection Process***

Applications that meet the 'Requirements on Applicants' and the 'Project Eligibility Criteria', detailed below, will be assessed by an Assessment Panel which will comprise DECC and several independent advisers. The final decision as to whether to award a grant will be made by DECC.

Where necessary DECC or its representatives may contact applicants – to discuss details of shortlisted applications, to request additional information and/or to propose changes to aspects of the project – before the final decision is made.

The underlying rationale behind the assessment process is that it should be as objective as possible. Provided the project meets the requirements on applicants and the project eligibility criteria it will be considered against all other applications. Successful projects will be those that best fit the overall objectives, as set out in this Scheme Guidance document, and score highest against the Selection Criteria.

### ***Timetable***

The applications will be assessed in two tranches, depending on when bids are received:

- Deadline for first tranche assessment: **12pm on 6 December 2012;**
- Deadline for second tranche assessment: **12pm on 27 March 2013.**

Applicants should be aware that if there is very high funding uptake for projects submitted in the first tranche, less funding may be available for projects submitted for the second tranche of assessment. Applications which fail to secure funding in the first tranche may be eligible to re-

apply in the second tranche. The timetable below indicates key dates for the two assessment tranches.

<b>Activity</b>	<b>Dates</b>
Scheme open to applications	19 <sup>th</sup> October 2012
Briefing event for potential applicants*	6 <sup>th</sup> November 2012
<b>Assessment Tranche 1:</b>	
Tranche 1: Optional notification of intention to apply**	23 <sup>rd</sup> November 2012
Tranche 1: Closing date for applications	12pm on Thursday, 6 <sup>th</sup> December 2012
Tranche 1: Assessment process & clarification of bid information	From mid December 2012
Tranche 1: Due diligence, detailed negotiation and financial close	From early February 2013
Tranche 1: Grant offers awarded	From early March 2013
<b>Subject to funding availability after Tranche 1 selections,</b>	
<b>Assessment Tranche 2:</b>	
Tranche 2: Optional notification of intention to apply*	8 <sup>th</sup> March 2013
Tranche 2: Closing date for applications	12pm on Wednesday, 27 <sup>th</sup> March 2013
Tranche 2: Assessment process & clarification of bid information	From early April 2013
Tranche 2: Due diligence, detailed negotiation and financial close	From early May 2013
Tranche 2: Grant offers awarded	From May 2013

\* Please register for the briefing and networking event at the following website:  
<https://www.eventsforce.net/decces>

\*\* It would be helpful if you could notify DECC by the deadlines indicated (by email to [Innovation@decc.gsi.gov.uk](mailto:Innovation@decc.gsi.gov.uk) ) that you intend to submit an application. However, you are not required to do this and a notification of intention does not oblige you to subsequently submit an application.

## ***Notification of Decisions***

The outcomes of the assessment of individual applications – whether rejection, approval or requests for further information or clarification – will be notified as soon as possible after the assessment process concludes. DECC aims to make at least some grant awards by early March 2013.

If an application is successful, DECC will carry out the following steps:

1. Write to the applicant informing them that their application has been successful – highlighting, if necessary, any areas that require further clarification, discussion or revision.
2. If necessary – arrange a discussion with the applicant to explore and agree any amendments, prior to a grant offer.
3. Issue a Grant Offer Letter to the successful applicant.
4. Arrange a project kick-off meeting between the applicant and DECC.

If an application is unsuccessful, DECC will write to the applicant informing them that their application has not been successful and outlining the reasons for rejection. DECC's decisions are final.

## ***Publication of Results***

DECC wishes to publicise the outcome of the Scheme. Therefore, on or after issuing a Grant Offer Letter to a successful applicant, DECC will publish the following information:

- Identity of the participant and its partners;
- Type of technology involved;
- Summary details of the aims and expected outcomes of the project
- Estimated total eligible project costs;
- The size of the DECC Grant;

In addition, after the grant funded elements of the projects have been completed DECC expect to publish on its website a summary of the funded activities and the outcomes achieved – likely including the project definition, a summary of the technical details and the outputs. DECC may also revisit projects at a later date and publish an evaluation report for the Scheme as a whole.

DECC however recognises the need to maintain the confidentiality of commercially sensitive information. Any IP gained prior to or arising from the Project will reside with the participating company or consortia. DECC will consult applicants about the information to be published, in order to protect commercially sensitive information.

### ***International collaboration***

DECC is exploring opportunities for collaborative innovation projects with other European Union governments. As part of the appraisal process for this Call, DECC will look to identify whether any of the projects that meet the criteria of this Call might be suitable for such collaborations. If any such projects are identified, then DECC will contact the applicant to discuss whether the applicant is interested in exploring that possibility further. There is no obligation on applicants to pursue this opportunity if it arises, and we do not require applicants to specifically address this possibility in their applications.

***Please Note:*** Nothing in this grant Call requires DECC to award any applicant a grant, or to award a grant of any particular amount or on any particular terms. DECC reserves the right not to award any grants, in particular if DECC is not satisfied by the bids received or if the funding assigned to this grant is required for other, unforeseen, purposes. DECC will not, in any circumstances, make any contribution to the costs of bids and applicants accept the risk that they may not be awarded a grant.

## **Requirements on Applicants**

Applicants must meet the following requirements. Applications that fail to show compliance with these requirements may be rejected outright.

- a. Applicants may either be individual companies or consortia. The scheme will be open to businesses or consortia of businesses that are either, legal entities across the EU, or operating through a collaborative agreement.
- b. Consortia proposing to operate through a collaborative agreement must have the collaboration agreement in place at the time they submit their proposal and must furnish a copy of the signed legal agreement with their application. They must also, as part of the application, nominate a lead partner to whom the grant would be paid on their behalf. DECC may require consortia members to accept joint and several liability under the grant award.
- c. Applicants / lead partners must be the legal entities who would hold beneficial ownership of the completed project. This would include equity investors but not financial organisations or individuals lending money to finance a project.
- d. Applicants must provide evidence that they have sufficient technical resources and ability to carry out a project of this nature. This could include, for example, evidence of similar work carried out previously. They should also confirm that they have the legal right to all necessary intellectual property.
- e. All applicants and each partner in any consortium must provide copies of their annual accounts for the last two years. If the latest annual accounts are more than 12 months old, then the organisation must provide management accounts. If the applicant or each partner has been trading for less than two years then they must submit cash flow forecasts and trading forecasts for the next two years.
- f. Applicants may not be Public sector organisations. Proposals involving any public sector organisation, acting on its own or as part of a consortium, are not eligible. Universities are not classified as public sector organisations for the purposes of this call.
- g. Applications from Large Enterprises (as defined in Annex I of the Block Exemption) must establish that the aid will lead to a material increase in either the size, scope or speed of the activity or the total amount spent. The Large Enterprise must submit a credible analysis of the viability of the aided project or activity with and without the aid.
- h. Authorised representatives of the applicant and all its partners must endorse the application before submission to DECC. For applications made on behalf of consortia operating through a joint venture company, an authorised representative of each partner must endorse the application before submission to DECC and a representative of the joint venture company must also endorse the application.
- i. Where an applicant or partner in a consortium is wholly owned by a parent company (within the meaning of the Companies Act 2006), an authorised representative of the parent company must endorse the proposal. In the case of companies within a group,



DECC is likely to require the parent company (or any other company within the group) to provide a parent company guarantee.

- j. Authorised representatives endorsing the application must be the Company Secretary, President, Chairman, Managing Director, Chief Executive, Chief Operating Officer or Finance Director of the organisation concerned.
- k. Each applicant and all the partners in any proposal from a consortium must undertake to proceed with the project if the requested grant is awarded (subject to force majeure).
- l. Applicants(s) must be financial viable. i.e. undertakings must not be subject to an outstanding order from the Commission to recover incompatible aid already granted or in difficulty i.e. rescue and restructuring aid territory.

## **Project Eligibility Criteria**

Proposed projects must meet all of the following criteria:

- i. **Innovation and technology readiness:**
  - Applications should demonstrate that the projects promote innovation (in products, processes or technologies) and have a realistic chance of deployment.
  - Projects must fall within the EU General Block Exemption regulation definitions of industrial research and/or experimental development (set out in Annex 1 of this document).
- ii. **Project Status:** Projects must not have commenced prior to the award of a grant. Projects that have already commenced activity will not be eligible for funding under the Call. Applicants must confirm this in their application.
- iii. **Project Location:** The project's activities must primarily take place in the UK.
- iv. **Additionality/Incentive Effect:** The grant funding requested must have a clear incentive effect, i.e. the grant must lead to new or expanded activities that would otherwise have not taken place - as defined in article 8 of the Block Exemption regulation<sup>10</sup>.
- v. **Aid Intensity including Cumulation:** The funding levels applied for must be consistent with the appropriate Block Exemption aid intensity levels (including consideration of the cumulative effect of other forms of state aid) and costs must be consistent with the eligible cost criteria (set out in Annex 2).
- vi. **Grant size:** For small-scale component research or feasibility studies, the total requested grant should be in the range £200k to £1m. In exceptional circumstances, DECC will consider the allocation of a capital grant above or below this range.
- vii. **Permissions and consents:** (If applicable to your project.) Before your project can take place you may require a number of statutory consents and it is the responsibility of the applicant to identify and carry out all actions needed to obtain these consents.

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<sup>10</sup> [http://ec.europa.eu/competition/state\\_aid/reform/gber\\_final\\_en.pdf](http://ec.europa.eu/competition/state_aid/reform/gber_final_en.pdf)

## **Project Selection Criteria**

Applications that meet the ‘Requirements on Applicants’ and the ‘Project Eligibility Criteria’ (see above) will then be assessed against the following Selection Criteria. The relative weighting of each criterion is listed as a guide to their relative importance but a successful application will need to demonstrate some impact against all 5 criteria. The information provided in the application will also be used to assess the overall cost-benefit ratio of each project which will also be a factor in the final decision.

<b>Criterion 1</b>	<b>The project’s expected contribution to cost reduction or deployment of energy storage systems</b>
Weighting	30%
Guidance	<p>Applicants should provide details of the impact that their proposed component research or system feasibility study would have on:</p> <ul style="list-style-type: none"> <li>• the lifetime cost of an energy storage system; and/or</li> <li>• the efficiency or ease of deployment of an energy storage system.</li> </ul> <p>Applicants should provide evidence to support the claims for cost reduction or impact on deployment and explain any key assumptions used.</p>
Scoring	Highest marks will be awarded to projects that can demonstrate that they expect to result in significant cost reduction of an energy storage system or expect to lead to wider deployment of energy storage systems or multiple functions from a single deployment of a storage system.

<b>Criterion 2</b>	<b>The likelihood of successful project delivery</b>
Weighting	20%
Guidance	<p>In assessing this criteria we will consider a range of factors that might impact on successful delivery of the projects goals – these will include but are not limited to factors such as:</p> <ul style="list-style-type: none"> <li>• the completeness and quality of the proposed plans;</li> <li>• the appropriateness and realism of the milestones and stage payments;</li> <li>• appropriate consideration of health and safety and other regulatory requirements;</li> <li>• the track record of the team(s) involved in the project;</li> <li>• the project’s access to the necessary skills and facilities;</li> <li>• the quality of risk assessment and contingency planning.</li> </ul>
Scoring	Highest marks will be awarded to applicants that the panel considers have taken all reasonable steps to maximise the likelihood of successfully delivering

	<p>the projects aims (whilst recognising the innate technical risk in any innovation project). High scoring applications will, for example:</p> <ul style="list-style-type: none"> <li>• present a well thought-out, robust, credible, project plan;</li> <li>• show a realistic and robust approach to risk management;</li> <li>• have a strong delivery team with proven experience of successfully delivering comparable projects;</li> <li>• demonstrate that match funding and any other necessary resources will be available when needed;</li> <li>• guarantee access to any necessary specialist facilities, operational knowledge and skills required to execute the project;</li> <li>• show the strong commitment of all participating organisations;</li> <li>• not be heavily dependent for success on external factors beyond the project's direct control.</li> </ul>
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<b>Criterion 3</b>	<b>The suitability of the project's financing i.e. its materiality, leverage, and affordability</b>
Weighting	20%
Guidance	<p>In assessing this criterion we will consider:</p> <ul style="list-style-type: none"> <li>• the materiality of the proposed project given the level of grant funding applied for, i.e. is the project and funding sufficient to deliver the impacts sought;</li> <li>• the degree of leverage that the project will deliver i.e. an evidence-based assessment of the level of private sector funding and in-kind activity that grant funding applied for will enable.</li> <li>• the fit with the available funding profile. DECC may choose to prioritise projects with the majority of spending planned for the 2013-14 financial year (1 April 2013 to 31 March 2014).</li> </ul>
Scoring	Highest marks will be awarded to projects that can demonstrate that: the funding will have a material effect; the leverage levels will exceed the minimum levels defined by state aid regulations on grant intensity; the funding plans for the project fit well with the Scheme's funding profile.

<b>Criterion 4</b>	<b>The likelihood of subsequent commercial application &amp; contribution to wider economic activity</b>
Weighting	20%
Guidance	In assessing this criterion we will consider how likely the outcomes of the project are to be commercialised and deployed by reviewing the applicant's post-project plans for the further development, commercialisation and exploitation of the research or feasibility study. Evidence of a credible

	<p>commercialisation or exploitation plan might, for example, include collaboration or close engagement with the DNOs or TSO and/or with key industrial partners where energy storage could address a clear need.</p> <p>Applicants should also identify the number of jobs likely to be created and/or retained if the project is successful and the innovation is subsequently commercialised.</p>
Scoring	Highest marks will be awarded to applicants who: demonstrate a clear understanding of the potential market for their technology; have a clear considered plan for the commercialisation of the innovation; can credibly deliver that plan; and where commercialisation is likely to secure wider economic benefits.

<b>Criterion 5</b>	<b>The contribution of the project to wider understanding of energy storage systems</b>
Weighting	10%
Guidance	<p>In assessing this criterion we will consider the effect that a successful project outcome is likely to have on the energy storage industry and supply chain more widely, looking at factors such as:</p> <ul style="list-style-type: none"> <li>• the extent to which the project, if successful, will broaden or strengthen understanding of the benefits, potential applications, challenges and limitations of energy storage systems;</li> <li>• the extent to which learning from the project will be shared.</li> </ul>
Scoring	Highest marks will be awarded to those projects that are likely to result in a strengthening of the energy storage industry and its supply chain.

## **How to Apply**

Application forms for the two support options are available to download from the website of the Department of Energy and Climate Change, at [www.decc.gov.uk/innovation](http://www.decc.gov.uk/innovation) .

Applicants must return the completed application form as a Word document to [innovation@decc.gsi.gov.uk](mailto:innovation@decc.gsi.gov.uk) with “Energy Storage Scheme – Lead Applicant Name” in the subject line. The **completed application form and the supporting documents specified in the application form must be submitted by 12pm on 6 December 2012 or by 12pm on 27 March 2013.**

Please also provide one signed hard copy of the application to the following address within 10 working days of submitting your electronic application:

**Sally Fenton,  
Innovation Delivery Team  
Department of Energy & Climate Change  
Floor 6E, 3 Whitehall Place  
London, SW1A 2AW**

You must provide your answers within the application form, and in the specific additional documents requested.

Small graphical appendices that support the answers in the Application Form (e.g. site layout maps) may be appended to the end of the form, embedded in the text, or attached to the email.

Please also include a list of all attachments in the body of the email. Do not put any further information relating to your application in the text of the email.

The maximum size email you can send is 10MB. If your application email is larger than 10MB, break the submission down into smaller sizes and ensure the subject line of each additional email takes the following format “Energy Storage Scheme - Lead Applicant Name – email x of y”.

Electronic copies of relevant supporting documents are preferred. If electronic copies are not available please send hard copies (not originals) to Sally Fenton at the address above.

Please send the application form as a Word or pdf document. Appendices can be submitted in other common file formats. Any spreadsheets attached should be saved using the file format .xls rather than any more recent format.

You will receive a response by email letting you know that your email has been received.

**Note: DECC may in response to enquiries provide additional information or clarification on its website. Potential applicants are therefore strongly advised to check DECC’s innovation pages periodically for any additional information.**

## **Annex 1 – Definitions of Experimental Development and Industrial Research**

Any projects supported by this scheme must fall within the EU definition of '**experimental development**' or within the EU definition of '**industrial research**': The two EU definitions<sup>11</sup> are set out in Annex 1 for reference:

EU definition of '**experimental development**':

“The use of existing scientific, technological, business and other relevant knowledge and skills gained from research and practical experience to produce new, altered or improved products, processes or services.

Activities undertaken may include:

- the production of drafts, drawings, plans and other documentation for new, altered or improved products, processes or services provided that they are not intended for commercial use;
- the development of commercially usable prototypes and pilot projects where the prototype is necessarily the final commercial product and where it is too expensive to produce for it to be used only for demonstration and validation purposes. (In case of a subsequent commercial use of demonstration or pilot projects, any revenue generated from such use must be deducted from the eligible costs.)
- the experimental production and testing of products, processes and services shall also be eligible, provided that these cannot be used or transformed to be used in industrial applications or commercially.

Experimental Development shall not include the routine or periodic changes made to products, production lines, manufacturing processes, existing services and other operations in progress, even if such changes may represent improvements.”

EU definition of '**industrial research**'

“industrial research means the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of components parts to complex systems, which is necessary for the industrial research, notably for generic technology validation, to the exclusion of prototypes”

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<sup>11</sup> [http://ec.europa.eu/competition/state\\_aid/reform/gber\\_final\\_en.pdf](http://ec.europa.eu/competition/state_aid/reform/gber_final_en.pdf)

## **Annex 2 – Eligible Costs**

In addition to the requirements of the EU Block Exemption Regulation, DECC will only provide the grant to cover eligible costs incurred and defrayed in the period between acceptance of the DECC grant and the deadline specified in the grant offer letter for completion of the project.

The definition of eligible costs includes the applicant's own costs, eligible costs incurred by consortium members and eligible costs incurred by companies connected to any of these. The cost of work contracted to connected companies, to consortium members or to companies connected to consortium members should be on the basis of eligible costs.

Costs must be denominated in GB pounds. Applicants should indicate where conversion has been made to GB pounds from other currencies and indicate the rate and assumptions used.

### List of Eligible Costs

Under Article 31(5) of the EU Block Exemption Regulation, eligible costs are defined as the following:

- i. personnel costs (researchers, technicians and other supporting staff to the extent employed on the research project);
- ii. costs of instruments and equipment to the extent and for the period used for the research project. If such instruments and equipment are not used for their full life for the research project, only the depreciation costs corresponding to the life of the research project, as calculated on the basis of good accounting practice, shall be considered as eligible;
- iii. costs for buildings and land, to the extent and for the duration used for the research project. With regard to buildings, only the depreciation costs corresponding to the life of the research project, as calculated on the basis of good accounting practice shall be considered as eligible. For land, costs of commercial transfer or actually incurred capital costs shall be eligible;
- iv. cost of contractual research, technical knowledge and patents bought or licensed from outside sources at market prices, where the transaction has been carried out at arm's length and there is no element of collusion involved, as well as costs of consultancy and equivalent services used exclusively for the research activity;
- v. additional overheads incurred directly as a result of the research project;
- vi. other operating expenses, including costs of materials, supplies and similar products incurred directly as a result of the research activity.

### List of Non-eligible Costs

Under no circumstances can the grant be claimed or used:

- i. for activities of a political or exclusively religious nature;
- ii. in respect of costs reimbursed or to be reimbursed by funding from other public authorities or from the private sector;



- iii. in connection with the receipt of contributions in kind (a contribution in goods or services as opposed to money);
- iv. to cover interest payments (including service charge payments for finance leases);
- v. for the giving of gifts to individuals, other than promotional items with a value no more than £10 a year to any one individual;
- vi. for entertaining (entertaining for this purpose means anything that would be a taxable benefit to the person being entertained, according to current UK tax regulations);
- vii. to pay statutory fines, criminal fines or penalties; or
- viii. in respect of VAT that you are able to claim from HM Revenue and Customs.

## **Annex 3 – Grant Funding Process**

### ***Funding Arrangements***

The grant will be offered on the basis of reimbursement of costs against satisfactory completion of agreed milestones. Payments will be made on receipt of reports describing the work undertaken and evidence provided that milestones have been satisfactorily completed (and that the project remains on track), including detailed evidence that the costs have actually been incurred, together, where required, with an auditor's report certifying that the reported costs are true and accurate and the grant conditions have been complied with.

Applicants should note that grant payments will not be paid unless the company provides evidence that it has actually spent the money claimed on the relevant eligible costs. It will not be sufficient for the company to have entered into a contractual obligation if, by the milestone deadline, it does not have further evidence of actual spend.

Requests for increases to the grant (either the percentage or the absolute value in pounds) will not be considered.

Entitlement to support under the scheme ceases on change of control (within the meaning of section 1124 of the Corporation Tax Act 2010 or any take-overs, merger and de-merger of the grantee). Such entitlement will also cease in the case of any change within the constituent membership of a consortium. In these cases, the grant payments will cease and any grant already paid will become repayable together with interest. DECC may, however, at its absolute discretion, and by notification in writing, continue payment of the grant, where it considers this appropriate.

### ***Grant Offer Letter***

Any offer of a grant under this Call will be made in the form of a DECC Grant Offer Letter and will be subject to the company agreeing to the terms and conditions set out in that letter and thereafter complying with them. Any grant offer must be accepted within 1 month of offer date.

The terms and conditions within that letter will include an entitlement for DECC to monitor the project, as well as reflecting the requirements of the General Block Exemption. It will also include a condition entitling DECC to require repayment of the grant, together with interest, in certain circumstances including (but not limited to): breach of the grant terms and conditions; on grounds of EU law relating to State Aid; and risk or jeopardy to the project.

Applicants will be expected to provide a robust costed delivery plan with delivery and payment milestones, which will be referenced in the Grant Offer Letter.

The grant will be payable in instalments on the achievement of specific project milestones.

DECC will withhold final payment of a grant (in the region of 10%) until a satisfactory final report has been submitted to DECC, and may also withhold grant payments in reasonable circumstances.

For the agreed payment milestones, there is scope to move (by mutual agreement) a milestone within the financial year (1st April to 31st March) to which it has been assigned, but not over a boundary into a subsequent financial year.

### ***Post Project Evaluation***

Any successful applicants to this Call will be expected to participate in an evaluation of the scheme to assess whether funds have been used effectively. Evaluation may take place up to several years after completion of the project. The terms of the grant offer letter will include a requirement to this effect.

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**URN 12D/342**