HYDROGEN SUPPLY
PHASE 1

Q&A

November 2018
This document covers a few of the questions that prospective applicants have asked about Phase 1 of Hydrogen Supply Competition.

1. **What is incubation support?**

To help ensure that successful companies achieve maximum commercial impact from the Hydrogen Supply Contract, BEIS also contracts industry specialists to provide additional incubation support to some SME. Incubation support includes helping companies prepare commercial plans and actions that will increase the chance of successfully bringing the innovation to market or reduce the time to market.

2. **What are the payment arrangements?**

BEIS may fund up to 15% of eligible project costs (in consideration of detailed project plans) to the successful projects at project initiation. We will pay quarterly (against the financial year) with at least 10% of costs held back for the final payment.

3. **Are companies that are academic institutions allowed to apply?**

Academic, research, public, third sector or community organisations must work as part of a project consortium with private sector organisations – they cannot be sole applicants to this competition.

4. **How many applications can one company make?**

An individual organisation may submit more than one application so long as the subject and content are materially different. Similarly a company can partner on more than one project.

5. **Please explain the difference as far as the application is concerned between a partner or a sub-contractor?**

A partner will bid jointly for the requirement as a main supplier whereas a sub-contractor will work directly to the main supplier. The sub-contractor will not work directly to BEIS but to the awarded supplier if this is agreed by the main supplier bidding and added into the proposal.

6. **Can the product developed as part of Hydrogen Supply Competition be installed and tested outside the UK? Can a part of the total project expenditure be spent outside UK, and if so, is there a minimum threshold for expenditure within the UK?**
The Guidance Notes state that the project activities “must be conducted largely in the UK (and the majority, over 50%, of the eligible project costs must be incurred in the UK).” This does not preclude elements of the project, e.g. testing, from being conducted outside of the UK. Part of the project costs can be spent outside of the UK; however, it would be for you to justify that within your application.

7. Could you confirm whether the fund is limited to UK based companies?

Non-UK companies can apply. However, the activities for any feasibility study or demonstration project procured in this Competition must be conducted largely in the UK (and the majority, over 50%, of the eligible project costs must be incurred in the UK). Provided this can be demonstrated, your application would be eligible.

8. How should we calculate overhead rates?

Hydrogen Supply overhead rates are paid as percentages applied to salary costs. You should calculate your overhead rate based on the overheads incurred in your last financial year. For larger, more complex organisations you should include only those overheads which are relevant to the delivery of the project. BEIS will not fund overheads which do not relate directly to the delivery of the project. You must show clear calculations within the Finance Form to demonstrate how the percentage calculation has been reached. If you do not provide a calculation, then BEIS may award overheads at 0% as there is no evidence that overheads claimed relate to the project activity. In this respect, BEIS is different from other funding streams, such as Innovate UK or research councils.

9. Do we need to send 2 finance forms since the project will be a collaboration (e.g. between two or more companies, a company and a university, etc.) or should everything be included into 1 finance form?

Costs relating to a partner must be incorporated into a single project Finance Form. Specifically, a partner’s staff costs should be entered on the Staff costs tab alongside the lead partner’s staff costs (though identifying which is which is necessary), etc.

10. We are a collaborative application and need to submit a Heads of Terms for our eventual collaboration / partnership agreement. What should we include in this?

The contents of the Heads of Terms is at your discretion. However the Heads of Terms could outline the main relevant issues and could include, for example:

- Roles and responsibilities of each collaborator / partner
- Agreed response times / deadlines for each collaborator / partner in respect of queries or information needed for claims or queries on the same
- Milestones and deadlines for activities
• Treatment of IP, confidentiality, etc.
• Dispute resolution
• Handling of risks and liabilities between the partners
• Financial reimbursement terms

N.B. BEIS will require a final draft of a collaboration agreement for the partnership before a Contract can be issued.

11. **Could you please clarify whether the Phase 1 Feasibility funding is a grant funding i.e. 100% or if this is a part funding.**

This is not a grant scheme. BEIS will fund 100% of the project costs up to the maximum value for each Lot (Lot 1 and 2 £500k+VAT, Lot 3 and 4 £250k+VAT).

12. **Who would own any capital items purchased for this competition?**

BEIS will not own any capital equipment at the end of the project but will only pay the depreciation on the capital equipment (and any eligible operating costs) over life the project.

13. **Are applicants to Lot 2 expected to describe how their proposal is capable of supplying 100,000 Nm3/h?**

The aim of the programme is to provide bulk production of hydrogen which could supply hydrogen to the system for a number of end users, this may require multiple units (the units do not have to be located at the same site), it is important that the applicant explains how these units could work together to provide hydrogen at the required rate. We would not expect the phase 2 demonstration project to produce hydrogen at the counterfactual rate, just to demonstrate the feasibility to do so or take a development step towards doing so.

14. **Please advise whether we would be required to charge VAT on invoices submitted to BEIS for reimbursement under the Programme.**

VAT is recoverable and should be included.

15. **Is the Counterfactual for Lot 2 a steam methane reformation (SMR) process with CCS, as per Lot 1?**

The counterfactual for both Lot 1 and 2 is a steam methane reformer with CCS as highlighted in Annex 2 of the Guidance note.

What should be included in the CAPEX costing?
The capital cost is expected to include engineering, procurement and construction. It excludes costs such as financial, legal and insurance costs etc.

16. **Will BEIS accept minor amendments to the terms and conditions included in the Guidance document?**

You may wish to raise contractual comments in an appendix however BEIS position is proposals submitted should not amend the T's and C's set out in the ITT.

17. **Are references (e.g. to market research, scientific literature) required in the application form? If yes, how and where should these be formatted?**

You can use appendices for information you think will support your bid.

18. **Which Lot do process that convert waste to hydrogen sit?**

For applications that are aiming to convert waste to hydrogen please justify which Lot you think is most applicable for your long-term plans for your process. BEIS will hold the rights to move the application to a different Lot if it is considered a better fit.

19. **What is meant by detailed design for phase 1 feasibility?**

This is for your discretion to enable applications for the second phase to be assessed and delivered.

20. **If a project includes low cost, low carbon hydrogen generation as well as a storage and distribution mechanism including a hydrogen carrier, should the project apply under both Lots 2 and 4?**

Applicants can apply for whichever Lot they feel is relevant.

21. **Please confirm who should sign Declaration 3. Given the phrasing it appears to be an individual declaration rather than a corporate one and it requires nil returns.**

In the event of a nil return - the relevant authority from the lead bidder should sign. Equally, if there is a conflict of interest, the lead bidder should sign and provide an explanation.

22. **Please confirm that Part 3 of Declaration 4 only needs to be completed by ourselves as lead partner and not by our consortium partners.**

Yes - we can confirm that the lead bidder only needs to complete and sign this document.

23. **Declaration 5, please confirm who should sign it and where?**

This needs to be signed by the lead bidder. There seems to be an error in the ITT – the signature part of the ITT is not included. Therefore I suggest to advise that a signature should be written under the text: ‘I understand that the Department has the right to inspect
our procedures and practices against the requirements of the Code of Practice, and that I may be asked to provide documentary evidence of our working practices or provide access and assistance to auditors appointed by the Department.'

24. What is meant by “lead contact for a group of economic operators”?

The ‘Lead contact for a group of economic operators’ means the lead for the consortium or supplier that wishes to sub-contract work. Section 5, is not about consortiums or suppliers that wish to sub-contract. It is requesting details of a parent company or bank that could guarantee the sustainability of this contract. Section 5 does need to be completed. However, Section 5.1-5.3 does not apply if you do not have a parent company.

25. There are a number of declaration questions which only have Yes/No answers but which only need to be completed if they are relevant. I assume we should leave these blank as they non-applicable. Please confirm.

Section 4.2 as the ITT does not state the minimum level of economic and financial standing required, this is not applicable and can be left blank.

Section 9.1c if you have answered yes to 9.1 b, the answer to 9.1c is not applicable and you can leave this blank.

Section 9.1d is to cover where a supplier has failed to obtain a certificate however they have addressed the problem and gives an opportunity to the supplier to state what remedy they have applied to the issue. If is not applicable to your situation then please leave this section blank.

26. The Small Business Research Initiative (SBRI) pre-commercial procurement process is being used to deliver this competition. Does this preclude for-profit companies of a particular size from competing for award funding?

Companies of any size are eligible to apply.

27. In the guidance notes (page 32) you ask for a “UK-wide, irrevocable, royalty-free, non-exclusive licence, together with the right to grant sub-licences, to use or publish information, data, results, outcomes or conclusions which are created in performing the project, for its internal non-commercial purposes” however this does not align with the terms and conditions particularly 27(3) to 27(6)?

We note the contradiction, however please be reassured that we intend to use the results for internal non-commercial purposes subject to meeting the requirements of clause 28 around commercial exploitation.

28. In the guidance notes on deliverables (page 22) you ask for a “Alongside the report, suppliers will need to deliver fully accessible copies of any models used,
with appropriate explanations of the analysis undertaken and the raw data used.”
Can you confirm this?

We note that provision of the model used in some cases will be impractical (due to size or software used). Therefore, instead suppliers will need to deliver appropriate explanations of the analysis undertaken and the raw data used. The report will require a log of assumptions made when conducting the feasibility study, along with an assessment of the impact that gaps in the data may have on viability of the project. This is subject to meeting the requirements of clause 28 around commercial exploitation.