Contents

01 / Executive summary

03 / Scheme overview

03 / 2.1 What is a heat network?

04 / 2.2 What is the Heat Networks Investment Project?

05 / 2.3 What are the aims and objectives of the HNIP scheme?

05 / 2.4 How will HNIP operate?

07 / Eligibility criteria overview

08 / 3.1 Eligibility criteria explained

11 / 3.1.7. Positive social net present value or strategic

11 / 3.1.8. Potential to expand

11 / 3.1.9. Metering and billing

11 / 3.1.10. Applicant uses the Code of Practice

11 / 3.1.11. No customer detriment

11 / 3.1.12. Adherence to Heat Trust or equivalent standards

11 / 3.1.13. Positive project returns before HNIP support

11 / 3.1.14. Requires support (Additional Test)

11 / 3.1.15. Does not exceed State Aid limits

11 / 3.1.16. Holding a project in a separate vehicle

11 / 3.1.17. Applicants only apply for eligible costs

21 / Business Development Managers and pre-application support

03 / 3.1.1. Type of applicant

03 / 3.1.2. Location in England and / or Wales

03 / 3.1.3. Meeting the definition of a heat network

03 / 3.1.4. Scheme size

03 / 3.1.5. Low carbon heat source

03 / 3.1.6. Delivers carbon savings

05 / 3.1.7. Positive social net present value or strategic

05 / 3.1.8. Potential to expand

05 / 3.1.9. Metering and billing

05 / 3.1.10. Applicant uses the Code of Practice

05 / 3.1.11. No customer detriment

05 / 3.1.12. Adherence to Heat Trust or equivalent standards

05 / 3.1.13. Positive project returns before HNIP support

05 / 3.1.14. Requires support (Additional Test)

05 / 3.1.15. Does not exceed State Aid limits

05 / 3.1.16. Holding a project in a separate vehicle

05 / 3.1.17. Applicants only apply for eligible costs
22 / Finance and investment approach

22 / 5.1 HNIP Funding Mechanisms
24 / 5.2 Commercialisation and construction funding
24 / 5.3 Funding structures and on-investing
25 / 5.4 HNIP annual budgets and scoring spend
26 / 5.5 Project funding gap (Additionality test)
27 / 5.6 Funding gap evidence
28 / 5.7 Non-HNIP funding
29 / 5.8 Third-party funding and the Funding Panel
30 / 5.9 Funding from other Government schemes
30 / 5.10 Standardised of documents

31 / State Aid compliance

31 / 6.1 Applicants are responsible for State Aid compliance
32 / 6.2 Applicants will be required to self-certify that they are State Aid compliant
32 / 6.3 Award of funding – Funding Agreement
33 / 6.4 State Aid exemptions available for district heating
35 / Applying for HNIP funding

36 / 7.1 Application process flow
37 / 7.2 Application process
37 / 7.3 Application Form
38 / 7.4 Fraud and Gaming
38 / 7.5 Data protection
39 / 7.6 Pre-application stage
40 / 7.7 Full application Stage
41 / 7.8 Application assessment and scoring
47 / 7.9 Financial and Economic Assessment Model (FEAM)
47 / 7.10 Application documentation checklist

51 / Application Outcome – agreements and release of funds

52 / 8.1 Successful applicants
54 / 8.2 Unsuccessful applicants

55 / Monitoring and reporting requirements

56 / 9.1 Construction and commissioning
56 / 9.2 Operational
56 / 9.3 Evaluation of HNIP
56 / 9.4 Improving supply chain visibility

57 / Queries, complaints and review process

57 / 10.1 Queries
57 / 10.2 Complaints
58 / 10.3 Review of an HNIP decision

60 / Appendix A: State Aid detailed guidance
70 / Appendix B: State Aid Process
71 / Appendix C: Standardised Due Diligence Set
79 / Appendix D: Funding Plans
83 / Appendix E: Financial model specifications
90 / Appendix F – Glossary
Executive summary
On 16th October 2018, the Heat Networks Investment Project (HNIP) was launched. Triple Point Heat Networks Investment Management (TP Heat Networks) has been appointed by the Department for Business, Energy & Industrial Strategy (BEIS) as its Delivery Partner for the HNIP scheme. Heat networks offer a substantial opportunity to assist the UK in achieving a clean and cost-effective transition towards a low carbon economy. This guidance document will enable applicants to understand the application process from start to finish, including how the scheme will operate, the eligibility criteria, how applications are to be made and how they will be scored and assessed.

Key areas applicants should be focussed on include the application process itself and how this will function. TP Heat Networks has set up a two-stage application process, first a pre-application to ensure projects applying for funding meet the HNIP eligibility criteria and then secondly the full application. Only successful pre-application projects will be eligible to submit a full application. It is therefore essential for applicants to fully read Section 3 – Eligibility criteria overview – of this document to fully understand the eligibility criteria for HNIP funding.

Experienced Business Development Managers (BDMs) will be available to support applicants prior to and during the pre-application stages of the application process and further information can be found in Section 4 – Business Development Managers and pre-application support.

In addition, Section 5 - Finance and investment approach provides detail on the types of funding available and how the funding is to be used for the various stages of the project, i.e. commercialisation and/or construction of the heat network.

Applicants will be responsible for their own compliance with State Aid rules. This applies:

- to any HNIP Funding that the applicant might be awarded, together with any other support they receive from state resources;
- throughout the application process; and
- if they are awarded HNIP funding then, as an ongoing obligation, as a fundamental condition of the Funding Agreement that they will be required to enter into.

As a result, applicants must ensure they have sought their own professional advice in relation to State Aid as part of submitting a pre and full HNIP application. Section 6 – State Aid compliance, sets out the guidance for applicants with regards to State Aid.

The overall HNIP application process is set out in Section 7 – Applying for HNIP funding. This also includes details about how funding rounds will work on a quarterly basis. Further detail is also provided about how applications will be scored and assessed; including what evidence will be required from applicants and the role of the HNIP Investment Committee. Where full HNIP applications are assessed and scored against the HNIP criteria, they will then be put forward to the HNIP Investment Committee with all other applications received in that funding round who have also been successful with their full HNIP application. Therefore, even if a project scores highly, there is no guarantee of funding being awarded by the HNIP Investment Committee.

Section 8 – Application outcome – agreements and release of funds – provides detail on the steps that will be taken once HNIP funding has been awarded. These centre on putting in place a funding agreement with the successful applicant for the award of the HNIP funding. Additionally, applicants will be expected to provide evidence in line with the funding agreements at the time the HNIP funding is to be drawn down.

As part of HNIP, successful applicants will also be required to agree to the monitoring and reporting requirements that will be set out as part of their funding agreements. Section 9 – Monitoring and reporting requirements – sets out at a high level the expected monitoring and reporting requirements for applicants.

In addition to this applicant guidance, further information on completing an application can be found in the application form itself which can be downloaded from the HNIP website. We will publish the date at which applications can begin to be submitted on HNIP website.
2.1 WHAT IS A HEAT NETWORK?

The Heat Networks (Metering and Billing) Regulations 2014\(^2\) defines a district heat network as ‘the distribution of thermal energy in the form of steam, hot water or chilled liquids from a central source of production through a network to multiple buildings or sites for the use of space or process heating, cooling or hot water’. Varying in size, scope, and heat source; a heat network could service the heat requirement of just two buildings or an entire city. By supplying multiple buildings with heat from the same centralised source, heat networks avoid the need for individual boilers or electric heaters in every building. Heat network pipe infrastructure is heat source and fuel agnostic.

Please note that:

- The distribution of thermal energy at any temperature and using any fluid is eligible under HNIP. This includes ambient temperature networks.
- Communal heating, where there is a single heat source within a single multi-tenanted property, does not meet this definition and is not eligible under HNIP.
- Heat networks supplied by multiple heating and cooling sources are eligible under HNIP.

In this guidance document, when we refer to heat in the context of a heat network, we mean heating and cooling.

2.2 WHAT IS THE HEAT NETWORKS INVESTMENT PROJECT?

Heat networks offer a substantial opportunity to assist the UK in achieving a clean and cost-effective transition towards a low carbon economy. In addition to the installation of new infrastructure, heat networks offer an investment opportunity to renew vital infrastructure and support the economic renewal of towns, cities and rural areas.

The Government is committed to developing a self-sustaining heat networks market in the UK that can operate in the long-term without direct Government subsidy. The Department for Business, Energy and Industrial Strategy (BEIS) has launched the Heat Networks Investment project (HNIP) - a major Government project which will invest up to £320m of capital funding in heat network projects. HNIP will ensure that the schemes of the highest quality – delivering both carbon savings and consumer benefits – will be incentivised to apply for HNIP funding. HNIP funds are specifically offered as ‘gap funding’ through a combination of grants and loans and will be offered to eligible projects from April 2019. The scheme will be open for applications for a period of up to three years.¹

Funding offered through HNIP seeks to leverage around £1bn of private sector and other investment to support the commercialisation and construction of heat networks. Together with the Government’s funding, this investment will deliver a step change in the development of the heat networks market.

TP Heat Networks has been appointed by BEIS to be the Delivery Partner for HNIP, and as such TP Heat Networks is responsible for delivering HNIP for BEIS. The BEIS Heat Networks team is responsible for developing policy to support a self-sustaining heat networks market. The BEIS team also includes the Heat Networks Delivery Unit (HNDU) which was established in 2013 to address capacity and capability challenges, helping to develop projects towards a business case and early commercialisation, which local authorities identified as barriers to heat network deployment in the UK. The Unit provides funding and specialist guidance to local authorities who are developing heat network projects. The BEIS Heat Networks team will work closely with TP Heat Networks to ensure the smooth and successful delivery of HNIP.

¹An HNIP pilot scheme has already offered £18.5m of funding support to 8 projects.
2.3 WHAT ARE THE AIMS AND OBJECTIVES OF THE HNIP SCHEME?

The aim of HNIP is to create the conditions for a self-sustaining heat network market that contributes to the decarbonisation of the UK energy system at the lowest cost to the economy by 2050 by:

- Increasing the volume of strategic, optimised and low-carbon heat networks built through provision of central Government funding which will draw in significant additional investment;
- Improving the quality of heat networks that meet local infrastructure and consumer needs; and
- Building the capability of project sponsors and the supply chain to develop heat networks of the right type and quality.

TP Heat Networks is working with BEIS to deliver affordable and dependable low-carbon heat across the country. Using a mix of Government and private sector funding, our approach will build a self-sustaining and transformative heat energy market for the future. We define a self-sustaining market as a market in which a sufficient volume of strategic, optimised and low-carbon heat networks is economically attractive without direct Government subsidy and are operated with no consumer detriment.

2.4 HOW WILL HNIP OPERATE?

HNIP will be operated by TP Heat Networks across quarterly funding rounds each financial year. The dates of when the funding rounds will take place will be readily updated and made available on the HNIP website. Applicants will be able to apply for the first funding round in Q4 of the 2018/19 financial year for the first possible release of funds from April 2019. Funding will be available for up to three years.

HNIP will be continuously reviewed and evaluated by TP Heat Networks and BEIS to allow us to enhance the design of the scheme and improve its effectiveness from each funding round to the next.

Funding rounds will take place on a quarterly basis. However, when the scheme opens for applications in Q4 of the 2018/19 financial year, prospective applicants can pre-apply to TP Heat Networks to confirm their eligibility as a qualifying project (the pre-application stage) at any time. Only qualifying projects will then be able to progress to the full application to apply for HNIP funding for the next available quarterly funding round. As detailed in the HNIP application form (See Section 7 – Applying for HNIP funding), there will be a pre-application set of questions to be completed. This will enable TP Heat Networks to carry out the pre-application check to ensure the heat network project requesting funding meets the HNIP eligibility criteria as set out in Section 3 – Eligibility criteria overview.

Prior to and during the pre-application stage, BDMs will be available to support applicants, see Section 4 – Business Development Managers and pre-application support for more detail.

Once a project has passed the pre-application check it will then be eligible to submit a full application form to enable a more detailed assessment to be undertaken by TP Heat Networks. The full set of application questions is contained within the same application form so that applicants have sight of the pre-application and full application questions they must complete as part of the application process. Applicants will also be expected to submit detailed project documentation in addition to their completed application form to provide evidence to TP Heat Networks of the responses they have submitted. Once qualifying projects have completed the full application form and submitted this to TP Heat Networks, it will then be assessed and scored against set HNIP criteria. More detail on the criteria to be applied during assessment can be found in Section 7.8 – Application assessment and scoring.

The outcome of the assessment process will then be submitted to the HNIP Investment Committee for a final decision on which applications are to be awarded funding within that funding round. The HNIP Investment Committee will convene for each funding round to appraise and consider applications received in the preceding period to ensure fair competition.
Applications will be awarded funding on a competitive basis to maximise value for money. As such even if an application meets all the eligibility criteria and scores well, there is no guarantee of a funding award. This process is governed by the ‘Investment Mandate’, a statement of aims and investment policy, including without limitation, any applicable limits on investment that may be made by the HNIP Investment Committee. This is outlined in more detail in Section 7.8 – Application assessment and scoring. Projects that fall outside the Investment Mandate parameters (outlined below) or that have a negative direct Social Net Present Value (SNPV) – see Section 3.1.7 – may be referred to BEIS for ultimate funding decision. Awarding funding to these projects will be entirely at BEIS’ discretion, but a decision to fund these projects will consider the project’s SNPV, strategic characteristics, scoring and ranking.

The Investment Mandate establishes the parameters on which Triple Point Heat Networks Investment Management has delegated authority to act on behalf of BEIS to award HNIP funding. These parameters are outlined below.

1. Any HNIP award per project must be within the following limits:
   a. Grants between £0 and £5 million;
   b. Loans between £25,000 and £10 million; and
   c. If a combination of grant and loan is awarded as well as complying with points 1(a) and 1(b) the total award must also not exceed a Gross Grant Equivalency of £5 million.

2. HNIP awards must be less than 50% of the capital expenditure to be incurred for the construction of the project.

3. Forecast investor returns must be limited as follows:
   a. Any individual investor return, in any form, may not exceed the HNIP Internal Rate of Return (IRR) Ceiling;
   b. All other things being equal where alternative financing structures are proposed for an application, the HNIP Investment Committee must choose the structure that leads to the lowest Gross Grant Equivalent contribution by HNIP.

4. The Delivery Partner cannot provide an award where the Project SNPV plus the project’s contribution towards the Portfolio Social Net Present Value is less than Zero.*

5. For local authority-controlled projects where the project capex is greater than £2.4m the project must be off the National Accounts, such as through the use of a special purpose vehicle (SPV).

6. No award can be made for transactions which are novel or contentious.

Once funding has been awarded to a project, funding agreements will be signed with applicants (see Section 8 – Application outcome – agreements and release of funds for further detail). Prior to the release of funds to applicants, evidence will need to be submitted to ensure the release of funds is to be used as intended at the time of the application being assessed and funds being allocated.

Following release of the awarded funds, projects will also be required to carry out monitoring and reports will need to be provided by applicants. This is to enable TP Heat Networks and BEIS to monitor the short, medium and long-term impact of the HNIP scheme. Further detail on monitoring and reporting can be found in Section 9 – Monitoring and reporting requirements.

---

This section sets out the conditions which determine whether a project is eligible for HNIP funding or not, and the related limitations that may affect applications.

The eligibility criteria are listed below and then each is described in more detail in the subsequent sections.

- Type of applicant
- Location in England and/or Wales
- Meeting the definition of a heat network
- Scheme size
- Low carbon heat source
- Delivers carbon savings
- Positive Social Net Present Value (SNPV) or a strategic heat network
- Potential to expand and decarbonise
- Metering and billing
- Applicant uses the Code of Practice for Heat Networks6
- No customer detriment
- Adherence to Heat Trust or equivalent standards
- Positive project returns before HNIP support (Additionality test)
- Requires support (Additionality Test)
- Does not exceed State Aid limits
- Holding a project in a separate vehicle
- Applicants only apply for eligible costs

Further details of which costs are eligible for HNIP funding are outlined in Section 3.2.

---

6https://www.cibse.org/knowledge/knowledge-items/data?id=ab7a0000000000MYHAAZ
3.1 ELIGIBILITY CRITERIA EXPLAINED

3.1.1 Type of applicant

Applicants can be any type of public, private or third sector organisation in England and Wales apart from Central Government Departments. The type of finance that different types of organisations can receive is discussed in Section 5 – Finance and investment approach.

Applicants must be either heat network sponsors and/or owners who may also have a role in operation. Entities that are operators only and have therefore been contracted by the owners are not eligible to apply directly for funding.

Project sponsor - Entity that initiates a heat network project. They may or may not decide to own or operate the heat network.

Owner/Operator - Entity that both owns and operates a heat network.

Applicants will identify their organisation type in the pre-application part of the application form to determine eligibility. This will be confirmed at full application stage.

3.1.2 Location in England and/or Wales

Heat network projects must be physically located in England and/or Wales. The location is defined by the postcode of the proposed energy centre.

Applicants will identify the scheme location in the pre-application part of the application form to determine eligibility. This will be confirmed at full application stage.

3.1.3 Meeting the definition of a heat network

Funding can only be provided to heat networks. For the purposes of HNIP eligibility, heat networks are defined by the Heat Networks (Metering and Billing) Regulations 2014. These regulations state that district heat network means ‘the distribution of thermal energy in the form of steam, hot water or chilled liquids from a central source of production through a network to multiple buildings or sites for the use of space or process heating, cooling or hot water’. Varying in size, scope, and heat source; a heat network could service the heat requirement of just two buildings or an entire city. By supplying multiple buildings with heat and or cooling from the same centralised source, heat networks avoid the need for individual boilers or electric heaters in every building. Heat network pipe infrastructure is heat source and fuel agnostic.

Please note that:

- The distribution of thermal energy at any temperature and using any fluid is eligible under HNIP. This includes ambient temperature networks.
- Communal heating, where there is a single heat source within a single multi-tenanted property, does not meet this definition and is not eligible under HNIP.
- Heat networks supplied by multiple heating and cooling sources are eligible under the HNIP.

Funding can support the construction of new heat networks, or some of the costs of the refurbishment, expansion or interconnection of existing heat networks that are connecting new or existing buildings with domestic or non-domestic customers.

Applicants will state that their scheme meets the definition in the pre-application part of the application form to determine eligibility. This will be confirmed and checked at full application stage.

3.1.4 Scheme size

Applicants will be asked to confirm that the network will deliver a minimum of 2 GWh/per year of heat and/or cooling, when the project is built out.

A minimum funding threshold of £25,000 has been set for loans. There is no minimum set for grants. The minimum funding threshold has been set due to the cost of administering the loan.

Applicants will include their scheme size and type in the pre-application part of the application form to determine eligibility. This will be confirmed at full application stage.

3.1.5 Low carbon heat source

To be eligible for HNIP funding, the network must take sufficient heat from low carbon heat sources. All heat networks must meet one of the following heat source requirements:

- 75% of the heat from Combined Heat and Power (CHP) (which can include non-renewable fuels)
- 50% of the heat from a renewable source
- 50% recovered heat or
- 50% of the heat from any combination of renewable/recovered heat and non-renewable fuelled CHP

---

7 The exclusion applies to any organisation classified to Central Government by the Office for National Statistics, so Ministerial and Non-ministerial Departments plus Executive Agencies but not Non-Departmental public bodies etc.

At full application stage, compliance with the heat source requirements will need to be demonstrated. Applicants should use the following metric – heat generated by the heat network over the period when the initial primary heat source(s) are operating at full capacity. This is shown graphically in Figure 2.

This must be calculated for the project for which HNIP funding is sought (i.e. not future expansions or changes in heat source which are not part of this HNIP application). Figure 3 illustrates the difference between the project envelope and future expansions or changes in heat source. In this example project, the heat generated will be calculated using low carbon heat source (within the larger dotted area) which is the initial primary heat source. It is this heat source that must meet the above requirements. The project for the purposes of the application will encompass the heat requirement from the near-term connections to the network. In the below example, this includes the leisure centre, the high-density housing site, the mixed used development and the commercial buildings. Future expansion opportunities include a proposed new housing development and a new anchor load (a hospital). In addition, there is a potential new low carbon heat source that could be utilised in the future (labelled low carbon heat source 2). These future expansion, connection and heat source opportunities will form part of the future decarbonisation and expansion calculations discussed in Section 7.8 – Application assessment and scoring.
Where the chosen heat source is CHP applicants must confirm that this will operate as ‘good quality’ CHP through the Combined Heat and Power Quality Assurance Programme (CHPQA) accreditation9.

Applicants will state that their scheme complies in the pre-application part of the application form to determine eligibility. This will be confirmed, and evidence checked at full application stage.

3.1.6 Delivers carbon savings

The project must result in a carbon saving when compared to appropriate counterfactual technologies for the project, over its first 15 years of operation.

At pre-application stage, applicants will need to self-declare that their scheme will deliver carbon savings.

At the full application stage, TP Heat Networks will quantify the carbon savings from the scheme, based on project details provided in the application form. Details of how carbon savings will be quantified can be found in Section 7.8 – Application assessment and scoring.

Where the chosen heat source is CHP applicants must confirm that this will operate as ‘good quality’ CHP through the Combined Heat and Power Quality Assurance Programme (CHPQA) accreditation9.

Applicants will state that their scheme complies in the pre-application part of the application form to determine eligibility. This will be confirmed, and evidence checked at full application stage.

3.1.6 Delivers carbon savings

The project must result in a carbon saving when compared to appropriate counterfactual technologies for the project, over its first 15 years of operation.

At pre-application stage, applicants will need to self-declare that their scheme will deliver carbon savings.

At the full application stage, TP Heat Networks will quantify the carbon savings from the scheme, based on project details provided in the application form. Details of how carbon savings will be quantified can be found in Section 7.8 – Application assessment and scoring.

9https://www.gov.uk/guidance/combined-heat-power-quality-assurance-programme

Where the chosen heat source is CHP applicants must confirm that this will operate as ‘good quality’ CHP through the Combined Heat and Power Quality Assurance Programme (CHPQA) accreditation9.

Applicants will state that their scheme complies in the pre-application part of the application form to determine eligibility. This will be confirmed, and evidence checked at full application stage.

3.1.6 Delivers carbon savings

The project must result in a carbon saving when compared to appropriate counterfactual technologies for the project, over its first 15 years of operation.

At pre-application stage, applicants will need to self-declare that their scheme will deliver carbon savings.

At the full application stage, TP Heat Networks will quantify the carbon savings from the scheme, based on project details provided in the application form. Details of how carbon savings will be quantified can be found in Section 7.8 – Application assessment and scoring.

9https://www.gov.uk/guidance/combined-heat-power-quality-assurance-programme
3.1.7 Positive social net present value or a strategic heat network

Social net present value

Social net present value (SNPV) is used by government\textsuperscript{10} as a metric to assess the economic viability of a project. It assesses the costs of a scheme (CAPEX and OPEX) and monetises, where possible, the benefits to society such as carbon saving and avoided air quality damage. Where the benefits of a project outweigh the costs, a project is said to be ‘value for money’ or economically viable (i.e. a project has a positive SNPV).

It is the relationship between costs and benefits which determines the size of the SNPV rather than specifically lower costs or higher benefits. For example, a project which has higher carbon savings, but also higher costs, will have a lower SNPV than a project that has the same carbon savings but lower cost. This SNPV is termed the project’s ‘direct SNPV’.

It is expected that each project will also contribute to the wider market of heat networks through:
1. learning-by-doing effects leading to cost reductions in the building of heat networks; and
2. by increasing understanding of the risk profiles of heat networks.

This will boost the growth rate of the heat networks market after the HNIP project has finished, leading to more heat networks being built than would otherwise have occurred without the HNIP project. These benefits are called the ‘portfolio benefits’ of HNIP. Each project will have a pro-rated portfolio benefit (based on volume of heat) added to their direct SNPV to give a total SNPV for each project.

The calculation of the SNPV will be carried out by TP Heat Networks using the Financial and Economic Assessment Model (FEAM). More information on the FEAM can be found in Section 7.9.

In those situations where a project has a negative project/direct SNPV it must also meet the definition of strategic.

It is not expected that an applicant will carry out a SNPV appraisal of their scheme for submission to HNIP and therefore an applicant may not know if their project has a positive direct SNPV or not. Applicants who wish to know if they have a positive SNPV can ask for an estimate of their SNPV before making their full application. The applicant would need to provide all of the numerical inputs for the FEAM, which will allow TP Heat Networks to carry out the SNPV calculation. It is important to note that the final outcome may be different if any of the inputs change as a result of the applicant changing their inputs or challenge to values used during the assessment of the full application stage. This pre-test may be important for applicants who are not able to deem themselves strategic.

To request this input please contact apply@tp-heatnetworks.org

Strategic

Where a project has a positive direct SNPV, assuming it meets all other eligibility criteria, it will always be considered for funding by the Investment Committee. Projects that have a negative direct SNPV are subject to being referred to BEIS for funding consideration. The considerations will take into account how strategic a project is as well as how the project ranks with the scored criteria.

Applicants will select the relevant elements of the strategic definition at the pre-application part of the application form to determine eligibility. This will be confirmed, and evidence checked at full application stage. Applicants do not need to calculate SNPV but may request a pre-application check.

A project will be defined as strategic if it can demonstrate that it meets at least one of the following criteria or characteristics:
1 | Innovation,
2 | Increased Organisational Capacity,
3 | Future Expansion Design,
4 | Developing the Supply Chain.

These criteria are described in full below.

1) INNOVATION

The incorporation of technologies and processes that are new, or new to the UK market.

To demonstrate innovation applicants must show they are adopting innovative technologies, processes or a combination of both by reference to the following list of excluded technologies and processes.

The following features are NOT considered innovative and will not lead to a scheme passing the innovation criteria.

Heat Generation:
- Fossil fuel boilers
- Fossil fuel reciprocating CHP
- Fossil fuel turbine CHP
- Biomass boilers

Heat Delivery:
At a level commensurate with conventional (i.e. current third generation ) industry norms i.e.:
- Network heating supply temperatures above 75°C (measured at the energy centre)
- Network heating return temperatures at 45°C or above (measured at the energy centre)
- Pre-insulated ridged single steel pipe
- Pre-insulated ridged single plastic pipe with 90°C maximum temperature limit
- Pre-insulated flexible steel, aluminium or copper pipe
- Pre-insulated flexible plastic pipe with 90°C maximum temperature limit

Control approach:
- Variable volume flow
- Single low carbon technology optimised to maximise heat use

Thermal storage:
- Above ground water storage

Examples of technologies or approaches that might well be considered innovative today (note that this list is not exhaustive and other features would be considered) include the following:
- Commercial scale large scale heat pumps
- Bio-fuel boilers
- Bio-fuel CHP
- Industrial waste heat recovery
- Geothermal - shallow, deep or mine workings
- Hydrogen fuel heat generation
- Innovation in electrical power production or sales
- Very low temperature or ambient temperature distribution system
- High temperature and/or pressure plastic pipes
- Use of phase change materials in thermal storage
- Non-H2O working fluid (minor additives do not count)
- Variable temperature combined with variable volume flow
- The combination of both thermal and electrical storage with optimisation controls
- Demand side management and active network management (digitisation)
- Innovation in installation processes that reduce costs of retrofitting
- Advanced system controls (e.g. automated remote management of thermostatic valves for live operating performance enhancements)
- Tariffs to incentivise better system efficiency (e.g. seasonal tariffs)
- Sharing civil engineering costs with other utilities and evidencing the process such that others may replicate the approach.

The strategic worth of innovation notwithstanding, it’s importance is secondary to the desire for deployment of heat networks and as such, applicants should note that the amount of HNIP funding that will be made available to projects that have a negative direct SNPV and are considered strategic on grounds of innovation alone, may be subject to limits.

These lists may change in future as technology use evolves.

Applicants will be asked to confirm the basis on which they believe their scheme is innovative on the application form, and if this becomes relevant to the application then the basis will need to be clear from the design documentation.

http://vbn.aau.dk/files/280710833/1_4gph_progression_revised_may2018.pdf
2) INCREASED ORGANISATIONAL CAPACITY

The potential to grow networks by being a catalyst project for the applicant, the developer, the project sponsor or any key investor. This means it will build capacity in an organisation that has clear potential to expand into the creation of a larger heat network or role out a portfolio of heat networks. This is linked to the HNIP objective of ‘Building the capability of project sponsors and the supply chain to develop systems of the right type and quality’.

Applicants will be required to evidence all of the following:

1. Is this the first project of its type for the organisation(s) involved?
2. How and why is the project a catalyst for further expansion and/or projects?
3. What opportunities have been identified for increased capacity (expansion or further projects), and that the scale of these is large enough?
4. How have the opportunities been identified (e.g. master planning)?
5. What is the strength of the case for these projects?
6. Are there concrete plans in the organisation to roll these out on the back of the initial project?
7. What is the commitment within the organisation(s) to develop further heat networks off the back of the learning and/or the level of confidence this catalyst project brings?

3) FUTURE EXPANSION DESIGN

Projects may be considered to be strategic if they incorporate design characteristics which would serve to be cost-efficient enablers of significant future expansion in the short or medium term. These projects would need to demonstrate design elements above and beyond what would normally be included (e.g. what is covered by the requirement to be able to expand). They also need to demonstrate that the expansion that the future proofing relates is likely to go ahead. Examples might include crossings of railways or major roads within a project where there is a time bound opportunity to do so and no immediate loads to connect to that require the connection. For a project to be strategic on grounds of Future Expansion Design only, it will be expected that the project would have benefitted from a positive direct SNPV but for the cost burden of the additional features. This means that additional work will be needed to calculate the SNPV with and without these features. The applicant will need to provide additional information to TP Heat Networks who will carry out the additional calculations of SNPV values when needed.

4) DEVELOPING THE SUPPLY CHAIN

The development of the supply chain may be supported by applicants who engage with market entrants or existing suppliers undertaking new roles, at a substantive, key level. To that end, projects would be considered to have met this strategic definition if they enter into contracts with a value of not less than £1m with a:

- lead or prime contractor
- civil engineer (e.g. for trenching works)
- mechanical or electrical systems (e.g. for the design, configuration and installation of heat network systems)
- pipework specialists (e.g. pipe manufacturers, pipe laying or welding)
- heat network specific mechanical and electrical equipment (e.g. HIUs or specialist controls)

and applicants are able to evidence that the service or function being delivered is a first (in England or Wales) for the organisation concerned.
3.1.8 Potential to expand

Heat networks must have no technical, contractual or excessive economic impediment to expansion of the network and decarbonisation of its heat sources. This is to support the policy aim that networks will grow and interconnect over time to form large scale networks serving significant parts of a town or city.

Applicants will need to confirm that should expansion and decarbonisation opportunities arise in the future:

— The contractual arrangements do not prohibit connection / expansion / decarbonisation; and
— The technical specification of the network means that it would not be impossible or economically unfeasible to expand / interconnect.

Applicants will state that their scheme complies in the pre-application part of the application form to determine eligibility. This will be confirmed and evidence checked at full application stage.

3.1.9 Metering and billing

All projects must comply with the Heat Networks (Metering and Billing) Regulations 2014 (as amended from time to time). This includes submitting a notification to BEIS (please note that it is the applicant’s duty to report to BEIS). For more information on how to do this, please visit the BEIS website. BEIS reserves the right to pass data on to Office for Product Safety and Standards (OPSS) if compliance is in doubt for enforcement action.

Applicants will state that their scheme complies in the pre-application part of the application form to determine eligibility. This will be confirmed at full application stage.

3.1.10 Applicant uses the Code of Practice

Applicants will need to confirm that the preparation and briefing, feasibility and design sections of the CIBSE ADE Heat Network Code of Practice CP1:2015 (CoP) were used in the design process. In exceptional circumstances, if this is not the case, applicants may need to explain how equivalent performance has been achieved. Applicants are required to commit to using CP1 for all stages of their project (including construction and commissioning) or demonstrate how they will achieve equivalent standards.

Applicants will state that their scheme complies in the pre-application part of the application form to determine eligibility. This will be confirmed at full application stage.

3.1.11 No consumer detriment

HNIP funded heat networks should cause no consumer detriment in comparison to the likely alternative heat supply. A tariff regime needs to be included that will result in no increase in the average price paid for heat. This will be calculated within the FEAM, and will apply across the network for domestic and small businesses, and as compared to a counterfactual heat price.

Applicants will state that their scheme complies in the pre-application part of the application form to determine eligibility. This will be confirmed and checked within the FEAM at full application stage.

3.1.12 Adherence to Heat Trust or equivalent standards

The Heat Trust provides protection to customers of heat networks, particularly those in the domestic sector. By joining, or committing to join the Heat Trust, or adhering to equivalent standards, applicants will be helping to ensure that customers will be treated in a reasonable way once the scheme is in operation.

Consumer protection:

A | Existing heat network operators are required to be a member of Heat Trust or commit to becoming a member of Heat Trust by the time the HNIP-funded work (expansion, interconnection or refurbishment) is operational or, if the project is beyond the scope of the Heat Trust, they must commit to offering equivalent standards to domestic and micro-business customers

B | New heat network operators must commit to becoming a member of the Heat Trust by the time the first domestic and/or micro-business customers are supplied or, if the project is beyond the scope of the Heat Trust, they must commit to offering equivalent standards to domestic and micro-business customers.

Applicants will state that their scheme complies in the pre-application part of the application form to determine eligibility. This will be confirmed and checked at full application stage.

---

12https://www.gov.uk/guidance/heat-networks
3.1.12 Positive project returns before HNIP support

Applicants applying for HNIP funding are expected to show that the heat network would have positive project returns without any HNIP support. For example, the financial returns from the project are greater than zero and the project is profitable overall, but the financial returns are too low to attract the full amount of funding required to deliver the project. Applicants will need to confirm this at the pre-application stage and evidence it at full application stage.

If the applicant has concerns that the project will fail the positive project returns test, they are advised to get in touch with one of the BDMs to discuss this aspect by contacting enquiries@tp-heatnetworks.org

3.1.14 Requires support (Additionality Test)

Applicants must be able to demonstrate that their project could not go ahead without HNIP support. The amount of HNIP funding for which each project is eligible to apply is known as the project’s “funding gap” and is individual to each project. This is shown graphically in Figure 4.

Figure 2: Illustrative example of how a gap funding requirement is calculated

The method for calculating of the funding gap depends on which of the two Additionality Tests set out in Section 5.5 – Project funding gap (Additionality Test is applied after test). Additionality Test 1 relates to new heat networks not initiated through planning. Additionality Test 2 relates to either existing heat networks that want to incorporate additional future-proofing / best practice technical or commercial features, or to new heat networks that are initiated through planning and that want to incorporate additional network features which are over and above those required to meet the mandated planning obligations. At pre-application, applicants will need to indicate which of the Additionality Tests is relevant to their project.

Applicants will state the amount of funding requested in the pre-application part of the application form to determine eligibility. This will be confirmed and checked at full application stage.
3.1.15 Does not exceed State Aid limits
Applicants must confirm at each stage that they understand they are responsible for ensuring they do not exceed State Aid limits as a result of any funding they may receive.

As HNIP is a central Government intervention in the heat network market, it must comply with European rules on State Aid. In order to provide funding below market rates, in a way that is compliant with these rules on State Aid, HNIP funding will be awarded in accordance with General Block Exemption Regulation (GBER) Article 46 ‘Investment aid for energy efficient district heating and cooling’. Guidance on this is provided in Section 6 – State Aid compliance – and within Appendix A. Applicants are reminded that all public funding - wherever it comes from – should be included in their State Aid calculations.

Applicants will confirm their understanding of this in the pre-application part of the application form to determine eligibility. This will be confirmed at full application stage, noting that the applicant retains responsibility for compliance.

3.1.16 Holding a project in a separate vehicle
Local authority controlled projects seeking HNIP funding with a total project capital expenditure above £2.4m that are controlled by a local authority must be held in a separate vehicle (e.g. a local authority company, Joint Venture or Partnership).

Applicants that this applies to must confirm, in the application form, that they have made such arrangements. TP Heat Networks may ask for evidence, e.g. the contractual arrangements, and any other evidence TP Heat Networks deem necessary to verify the applicant’s eligibility for the scheme.

Applicants will confirm this in the pre-application part of the application form to determine eligibility. This will be confirmed and checked at full application stage.

3.1.17 Applicants only apply for eligible costs
Applicants will be asked at pre-application to confirm they are applying for a contribution only to eligible costs, see Section 3.2 – Eligible costs below.

Applicants will confirm this in the pre-application part of the application form to determine eligibility. This will be confirmed and checked at full application stage.

---

14 If a project is classified to be in public or private control is set out by the Office for National Statistics (ONS paragraph 3.1.1. “Is the unit public or private?” https://www.ons.gov.uk/methodology/classificationsandstandards/economicstatisticsclassifications/aleconomicstatisticssectorsandtransactionclassifications/theclassificationprocess) and is based on the 2010 European System of Accounts (ESA 2010 paragraph 2.38 “The institutional sectors” https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-02-13-269) it is essential in order to produce the National Accounts accurately.
3.2 ELIGIBLE COSTS

Applicants must confirm that the costs they have included in their calculations are eligible investment costs.

All future capital costs required to build the heat network are eligible, with the clarifications and exceptions set out below. The applicant may define a smaller boundary of the heat network (i.e. where they are applying for a capital contribution to pipes only). HNIP is not able to consider capitalised costs already committed at the time of application.

Secondary and tertiary network costs may be eligible for funding in full or part, depending on the specifics of the scheme. Applicants are advised to discuss this aspect with a BDM. When considering which aspects to include in the request for HNIP funding, applicants should be aware that the amount of funding requested will impact on the project’s score.
Commercialisation

Commercialisation will only be eligible for funding as part of a construction funding support application. The term ‘commercialisation’ is used to describe the heat network development stage in which the project sponsor contractually secures investment and future revenues, procures and appoints contractors, obtains relevant permissions and permits, and makes any technical changes required as an outcome of the interplay between the financial and contractual negotiations set out above. This may include detailed design, if delivery were to be contracted as a build (and operate). This would be evidenced through transition from Outline Business Case to Full Business Case, or equivalent to move to financial close and commence construction. The technical, financial and legal ‘transaction’ costs are part of the eligible investment costs that can be included in an HNIP application. Commercialisation costs must be capitalised in order to be eligible.

Design, construction and commissioning

Primary network and energy centre: The boundary of HNIP eligible costs is defined as the energy centre(s) (e.g. land, building, plant, controls, thermal stores and ancillaries) and the primary distribution network, including connection to buildings. There are, however, some exceptions as set out below:

- Construction of heat sources where the primary function is not to supply the heat network are ineligible for HNIP funding. These include:
  - Construction of an energy from waste facility; and
  - Construction of manufacturing, industrial or other pieces of infrastructure from which heat is to be recovered.

Secondary systems are defined as the part of the network within a building which connects the primary network and the customer. This is up to and including the hydraulic interface unit and individual customer heat meter and excluding any tertiary systems. They are primarily the vertical and horizontal distribution within a shared occupancy building.

Tertiary systems are defined as the heating and hot water systems installed after the hydraulic interface unit and individual customer heat meters. They are the primarily the components of a wet heating system (pipes, radiators and domestic hot water storage).

Only the extra costs to enable the building to connect to the heat network are eligible costs for system upgrades. This does not include the proportion of costs that would have been spent otherwise e.g. to make a like for like replacement of the existing distribution system (i.e. because it is nearing the end of its life) or upgrades to meet Building Regulations. In new buildings, costs will only be eligible where these costs are demonstrated on a case by case basis to be greater than those for the counterfactual technology.

It is noted that tertiary costs may not be eligible under State Aid rules and this should be taken into account by applicants when considering their State Aid position (see Section 6 – State Aid compliance). The costs of tertiary works may also result in a larger grant application making the application less competitive.
Exclusions:

In addition to the exclusions set out above the following cannot be included as eligible investment costs as part of an HNIP funding application. This list is not exhaustive, and applicants should take advice.

— Any electricity generation-only plant;
— Operating costs and revenues including:
  — Compensation for reduced industrial process efficiency where heat is recovered; and
  — Insurance costs.
— Electricity distribution network operator (DNOs) charges associated with grid reinforcement.

Applicants will be asked at pre-application to confirm they are applying for a contribution only to eligible costs. This will be checked at full application stage when they provide a CAPEX breakdown.
Experienced BDMs will be on hand to provide guidance prior to and throughout the application process.

BDM support will be available to:

- Help projects to understand the scheme’s due diligence, evidence and eligibility requirements;
- Help ensure project documentation is aligned with HNIP requirements including helping applicants identify any gaps and additional information and work that they may need to address;
- Help applicants identify gaps or risks associated with the quality and deliverability of the project in advance of an application;
- Direct applicants to additional sources of funding;
- Help applicants understand the type of HNIP funding on offer and how it could contribute to the project finance;
- Help applicants understand the requirements of the scheme to enable them to make decisions to optimise the commercial structure; and
- Support projects exploring other funding opportunities.

Applicants are actively encouraged to engage with BDMs at the earliest practicable opportunity in order to derive maximum benefit.

For support throughout the application process and to discuss any questions you may have please, contact us:

enquiries@tp-heatnetworks.org

We will be hosting a series of application workshops and can co-ordinate one-on-one sessions with BDMs on request. To receive the most up to date information, please join our mailing list by visiting www.tp-heatnetworks.org/contact/
5.1 HNIP FUNDING MECHANISMS

There are three funding mechanisms available to applicants: grants, corporate loans, and project loans. Subject to Section 5.2 – Commercialisation and construction funding, applicants can apply for a grant, a loan or a combination of the two.

The following are the key parameters of the available funding mechanisms.

**Grants**

Grants will be either under Section 31 of the Local Government Act 2003 (for Local Authorities) or non-Section 31 grants (for all other applicants). Section 31 grants will be disbursed as a single payment once fully approved. Non-Section 31 grants will be disbursed according to pre-agreed milestones linked to work completed.

**Loans (Corporate and project)**

There are two types of HNIP loan available, corporate loans and project loans. The following general features apply to both:

- Loans must be drawn in a single drawdown in the financial year for which funding has been awarded (unless otherwise agreed at the lender’s absolute discretion); HNIP loans can be drawn and spent only once all other sources of funding (including grants) have been fully committed;
- Loans will be at below market interest rates (see the following section on interest rates);
- Principal repayments will be every six months, calculated on an annuity basis, with a fixed interest rate;
- Principal repayments will start on the earlier of the date the project becomes operational or five years from the loan commencement date; but loan interest will not be capitalised and will need to be serviced from the first interest payment date; and
- Loans will rank equally with other senior lenders (but above equity and shareholder loans) on terms to be agreed with any such other lenders.

In addition to the above, project loans have the following features:

- Secured lending direct to a project company (SPV) without recourse; and
- Project loans will include a Connection Delay feature (see below).

**Connection Delay feature:** In the event an anchor load customer fails to connect to the network for reasons beyond the project operator’s control, and project cash flows suffer, the borrower may request an interest and principal grace period for up to a maximum of 3 years. This will be awarded providing which will be awarded providing the borrower can demonstrate to TP Heat Network’s reasonable satisfaction that the project will be able to meet its loan repayments (across all loans) following the grace period. A dividend lock-up will also apply during the grace period and where the Loan Life Cover Ratio falls below 1.2x in the 3 years following the grace period until such point that the LLCR is above 1.2x.

If the Connection Delay feature is used then HNIP loan repayments are recalculated to recover the unpaid principal and interest, but over the remaining loan life.

The Connection Delay feature can only be triggered within the first 10 years of the loan.
Loan Interest Rates

The interest rate applicable on the corporate and project loans are regulated by EU State Aid rules and guidance. HNIP is a State Aid program designed to provide an economic benefit to the recipients of these loans.

The terms of the corporate loan and the project loan will be more favourable than those generally available in the market. This generates a State Aid benefit and is designed to enhance the financial viability of the applicant’s scheme.

The interest rate on loans will be set on the date the loan is signed and fixed for the full term of the loan.

The corporate loan interest rate is 0.25% as at 1 October 2018, and this will periodically change over time for new applicants, in line with movements in the EU Commission published Base Rate for the UK (which is 1.00% as of 1 October 2018), and in line with any changes in the BEIS applied interest rate discount.

The project loan interest rate is 4.00% as at 1 October 2018. This interest rate will normally change with movements in the EU Commission published Base Rate and with the BEIS applied discount.

The published Base Rate will be replaced in the calculations with its successor following the withdrawal of the United Kingdom from the European Union.

Neither loan rate will fall below 0.01%.

Repayment of interest on loans

Loan interest will be repayable in accordance with a schedule set out in the Funding Agreement. Loan interest will not be capitalised and will need to be serviced from the first scheduled interest payment date.

Funding Agreements

The grant and loan funding agreements will be made available shortly on the HNIP website.

The agreements are in an agreed form and are not negotiable.
5.2 COMMERCIALISATION AND CONSTRUCTION FUNDING

HNIP annual budgets are split between grant funding and loan funding. Commercialisation funding will normally be made by way of grant. Projects that receive commercialisation funding, but do not then go on to reach financial close, will not be required to repay the grant providing it can be shown that the failure to reach construction funding was beyond the applicant’s reasonable control (for example, an anchor load customer failing to commit to the project). Where this is not the case, TP Heat Networks reserves the right to claw-back up to 50% of the spent commercialisation funding (it should be noted that any failure to use commercialisation funding for the purpose for which it was given will be a breach of the relevant contract). For clarity, any unspent commercialisation funding at the point at which a project is stopped, must be repaid in full.

Public sector applicants will be able to apply for a grant and/or a loan for construction funding. Private and third sector applicants will be expected to apply for construction funding by way of a loan rather than grant, unless they can show that loan funding is insufficient on its own, to resolve the funding gap (see Section 5.5 – Project funding gap (Additionality Test)), in which case grant funding may also be applied for. In these circumstances, applicants should apply for the minimum level of grant, in addition to the loan, required to resolve the funding gap.

The HNIP Investment Committee reserves the right to offer an alternative funding mechanism to successful applicants e.g. where an applicant applies for a grant, a loan may be offered or where an applicant applies for a loan, a grant may be offered in order to maximise the value for money and impact of the scheme.

5.3 FUNDING STRUCTURES AND ON-INVESTING

It is anticipated that, in some circumstances, applicants may on-invest HNIP funding into either a public sector controlled, or private/third sector controlled SPV. The commercial structure of the heat network in which the HNIP capital will finally be invested is relevant for State Aid purposes (see Section 6 – State Aid compliance).

Where HNIP funding is to be on-invested the funding recipient will be required to ensure that all standards set out in the HNIP application or conditions of award are reflected in appropriate contracts. This means ensuring that the heat network is delivered in accordance with HNIP requirements and ensuring that the SPV or on-invested organisation is contractually obliged to give information, monitoring, evaluation and audit rights to TP Heat Networks, BEIS and other authorised entities. These requirements will apply irrespective of whether the HNIP funding recipient has a controlling interest in the SPV in which HNIP funding is to be invested and will be a ‘condition precedent’ to release of funds.

HNIP funding recipients will need to ensure that the on-investment itself is State Aid compliant, which will require them to undertake a separate State Aid assessment of the on-investment. This will depend, amongst other things, on how they have structured the on-investment and any other State Aid being received by the SPV, since assessment of their effects will be different in the SPV.
5.4 HNIP ANNUAL BUDGETS AND SCORING SPEND

HNIP has fixed annual budgets over the three years 2019/20 to 2021/22 spanning a Spending Review. At award, HNIP funding awards will be allocated to the relevant annual budgets as follows:

- Loans: in the year in which the loan is disbursed.
- Section 31 grants: in the year in which the grant is fully approved.
- Non-Section 31 grants: in the years in which the grant milestone payments are made.

Initially, applicants can only apply for money from one or both of the first two financial years 2019/20 and 2020/21. The final year of funding will be open for application once BEIS has finalised budgets following the Spending Review. The HNIP application form will ask applicants to define whether their application is for grant and/or loan funding and in which financial year the money will be drawn.

Successful applicants will be required to draw down their funding by a pre-agreed date. Failure to draw down the funding to this timeline will result in it being withdrawn.

Funding can only be awarded where there is available budget to do so. Therefore, HNIP funding may not be available for all eligible projects. All applications will be reviewed and assessed against the scored criteria outlined in Section 7.8 – Application assessment and scoring and ranked by overall score. Unsuccessful applicants will be able to re-apply in future application rounds.
5.5 PROJECT FUNDING GAP (ADDITIONALITY TEST)

HNIP will only fund a proportion of total eligible costs and applicants will need to lever in other sources of public, private and third sector funding. Applicants must be able to demonstrate that their project could not go ahead without HNIP intervention support. This is known as the Additionality Test.

The amount of HNIP funding that an eligible project can apply for is known as the project’s funding gap; and is individual to each project. A project funding gap exists where the financial returns from a project, whilst positive, are not attractive enough (without HNIP support) to raise the full amount of funding required to deliver the project. The funding gap is the amount of HNIP capital needed (by grant and/or loan) to increase the project’s financial returns up to the minimum level required to fully fund the project (i.e. for all the funding sources required for the project to commit to funding). This is illustrated in Figure 5.

The method for calculating the funding gap depends on the type of heat network project being procured. Projects should meet one of the following Additionality Tests:

**Additionality Test 1:**
- For new heat network projects, not initiated through planning: the funding gap will be the HNIP capital contribution required to increase the project financial returns up to the minimum level required to fund the whole project;

**Additionality Test 2:**
- For new heat network projects initiated through planning, HNIP will only contribute towards additional network features, which are those features that otherwise would not have been incorporated to meet the planning obligations. Planning obligations might include meeting minimum energy performance requirements in Part L of the Building Regulations, as well as the local planning conditions. Additional network features could be features which deliver additional carbon savings or interconnections, and which are over and above those required to meet the mandated planning obligations. In each case, the applicant will need to demonstrate that the additional network features would not be incorporated without HNIP support.

- For existing heat network projects, HNIP will only contribute where there is the opportunity to incorporate additional future-proofing / best practice technical or commercial features into the heat network that will deliver additional HNIP targeted benefits (see HNIP website for more details on these additional features). The funding gap will be the HNIP capital contribution required to increase the financial returns relating to these additional features only, up to the minimum level required to secure the funding for the additional features.
5.6 FUNDING GAP EVIDENCE

At full application, applicants must provide evidence that they meet one of the Additionality Tests above.

TP Heat Networks will create and run its own model (the FEAM), to calculate the funding gap for each project. The FEAM inputs will be populated using applicant data provided in the completed HNIP application forms. The FEAM is described in more detail in Section 7.9.

Applicants will also be required to submit their own financial models at full application. Applicant financial models should show the financial returns from the project with and without HNIP funding intervention. Applicants will need to explain why they consider the financial returns from the project, without the requested HNIP funding, to be too low to attract the full amount of funding required to deliver the project.

TP Heat Networks recognise that the quality of financial information available to applicants is likely to increase as projects develop. We have, therefore, specified two stages of financial model development, to be provided as follows:

— A simpler Stage 1 Financial Model. This is required at full application stage for projects applying for Commercialisation and Construction funding. It will also be required at full application stage for projects applying for Construction funding, where the project is being delivered in-house (i.e. not through an SPV but where the project is integrated in to the applicant’s business and delivered on balance sheet);

— A more detailed Stage 2 Financial Model. Successful applicants for Commercialisation and Construction funding, who are delivering their projects through an SPV, will be expected to develop a Stage 2 financial model. During the commercialisation stage and prior to drawing HNIP construction funding, it is anticipated that applicants for Commercialisation and Construction funding will include the cost of developing the Stage 2 financial model in their commercialisation budgets. Applicants for Construction funding, who are delivering their projects through an SPV, will need to provide a Stage 2 financial model at full application. A Stage 2 financial model is not required for projects being delivered in-house (i.e. not through an SPV but where the project is integrated in to the applicant’s business and delivered on balance sheet).

Projects delivered through an SPV include those where the applicant is receiving the HNIP funding and on-investing it in to an SPV, and those where the SPV is receiving the HNIP funding directly.

Specifications for the Stage 1 and Stage 2 Financial Models are included in Appendix E – Financial model specifications.

Key outputs of an applicant’s financial model (such as Real Pre-tax project IRR – see Appendix D – Funding plans for more details) will be compared to the outputs from the FEAM. Where there are significant differences, clarification may be sought from the applicant, providing there is sufficient time to do so during the assessment window. If the mismatch cannot be resolved within the assessment window, then the application may be rejected; however, the project can re-apply in a subsequent HNIP funding round.
5.7 NON-HNIP FUNDING

Applicants will need to demonstrate that they can raise the non-HNIP funding required to deliver their projects. Some applicants may have control over this funding, for example where internal cash/reserves are being used to fund the project (such as current/capital reserves, Housing Revenue Accounts (HRA), or Public Works Loan Board (PWLB)), whereas others may need to raise funding from external sources, such as from owner/operators and third party commercial lenders and investors. The applicant will also need to set out all other sources of funding/income where relevant (including s106 grant funding, Community Infrastructure Levy (CIL), connection charges, etc.).

TP Heat Networks will provide support to applicants to help them understand the requirements of the application process regarding non-HNIP funding and, where relevant, to seek offers from third party funders (see Section 5.8). Applicants will be asked to submit funding plans at full application to evidence their ability to raise non-HNIP funding and will be assessed on the credibility of these funding plans.

Applicants for Commercialisation and Construction funding will be required to submit a Stage 1 Funding Plan as part of the full application. The requirements for the Stage 1 Funding Plan are described in more detail in Appendix D but include a description of how the applicant expects to fund the project, the anticipated terms of the funding, and evidence justifying why the returns from the project are too low to attract the funding required for the project.

Applicants for Construction funding only will be required to submit a Stage 2 Funding Plan as part of the full application (see Appendix D for more details). Applicants for Construction funding will be expected to demonstrate a high level of funding deliverability.

All successful applicants will need to evidence (as a condition precedent) that their funding is in place and committed before release of the HNIP construction funding.
5.8 THIRD PARTY FUNDING AND THE FUNDING PANEL

Whilst third party funding may not be appropriate for all projects, TP Heat Networks will support and strongly encourage applicants to test alternative third party funding wherever possible. There are a number of reasons for this:

- Large scale commercial investment will be needed for the heat network market to meet its full potential. Bringing forward investable HNIP projects to third party funders will help support the wider HNIP goal of developing a self-sustaining heat network market;

- At a project-specific level, third party funding can offer a number of benefits to project sponsors. As well as providing additional funding, investors often bring sector-specific experience, for example, on how to successfully structure the commercial aspects of projects. Investors also bring rigour to project due diligence and independent oversight of project delivery and operational performance.

To support applicants, TP Heat Networks will establish a panel or framework of third party funders capable of providing competitive funding to heat network projects (the Funding Panel). The Funding Panel will, in time, be available to:

- Applicants who have been awarded Commercialisation and Construction funding, to test the availability of third party funding during the commercialisation stage; and,

- Applicants for Construction funding, to test the availability of third party funding either before application or during the application assessment process.

The Funding Panel will not be available before the deadline for submission of applications for the first funding round. However, we expect the Funding Panel to be operational in time to allow successful first funding round applicants for Commercialisation and Construction funding to access the Funding Panel during the commercialisation stage.

Where first funding round applicants request support in raising third party funding for their projects prior to the appointment of the Funding Panel, TP Heat Networks will, where possible, help them to seek funding offers from the market.

We will issue guidance on the Funding Panel once it is finalised. The BDMs will then be available to explain to applicants how it operates, including the information that applicants will need to provide in order to seek funding offers.

Whilst third party funding will normally be expected to reduce the funding gap (and consequently the HNIP funding requirement), there may be circumstances in which third party funding could increase the gap. Where this applies for a local authority project, the HNIP Investment Committee will consider the impact of third party funding on both the amount of HNIP funding, and on the amount of total public sector investment, that the project requires.
5.9 FUNDING FROM OTHER GOVERNMENT SCHEMES

Applicants can combine funding from HNIP with other Government or EU funding schemes if there is still a funding gap and this is allowable under relevant scheme rules and compliant under State Aid obligations. However, there are three specific restrictions. HNIP funding cannot be used to fund costs for energy generation plant supported through:

- the Renewables Obligation (RO),
- a Contract for Difference (CfD) or
- the Renewable Heat Incentive (RHI),

However, HNIP funding can be used to fund costs for heat network infrastructure connected to the generation plant that receives the subsidy income streams.

5.10 STANDARDISATION OF DOCUMENTS

Increasing the amount of standardisation of documents used in the heat market and of approach to attracting investment should increase efficiencies (reducing transaction costs) and improve confidence levels for all parties concerned.

**Standardised Operation and Maintenance Set**

There are a range of approaches to drafting the documents needed to set-up heat networks, but many project sponsors do not have ready access to suitable base templates to help them understand what is entailed. Consequently, we will be developing a suite of contracts (the sales, operation and maintenance contract suite (SOMS)) in consultation with stakeholders and publishing these during the course of 2019. These should help reduce the cost and time it takes to develop heat network projects, help to raise standards in the set-up of projects and improve understanding of appropriate risk allocation between parties. Our aim will be to give project sponsors and funders greater confidence that risks have been adequately addressed and help ensure suitable customer protections are embedded into more projects. Once the SOMS have been published, we would expect to see many projects using them, but none will be obliged to.

**Standardised Due Diligence Set**

We will also be developing a standardised due diligence set (SDDS) for attracting third party funders. This will help project sponsors demonstrate that they meet the minimum requirements for funder due diligence, giving them greater certainty over what is required to achieve ‘bankable’ projects, and, over time, helping to reduce the costs of preparing/undertaking project due diligence. Appendix C – Standardised Due Diligence Set (SDDS) sets out some of the key areas of due diligence and the types of questions that the SDDS will cover. TP Heat Networks will look to further develop the SDDS ahead of establishing the Funding Panel. This will improve funder confidence in the sector. The BDMs will be able to work with applicants seeking third party funding to help them understand the due diligence requirements of funders and the types of professional advisers that can provide the due diligence support required.
Funding allocated under HNIP is considered to be ‘State Aid’ and as such subject to the EU rules on State Aid. These rules exist to prevent governments from providing ‘undertakings’ with financial advantages in a way which could distort competition by ensuring subsidies are limited to what is necessary and do not result in overcompensation.

The following paragraphs set out important information about the basis on which State Aid will be addressed in connection with HNIP funding applications.

6.1 APPLICANTS ARE RESPONSIBLE FOR STATE AID COMPLIANCE

First and foremost, applicants will be responsible for their own compliance with State Aid rules.

This applies:

- To any HNIP Funding that the applicant might be awarded, together with any other support they receive from state resources;
- Throughout the application process; and
- If they are awarded HNIP Funding then, as an ongoing obligation, as a fundamental condition of the Funding Agreement that they will be required to enter into.

The following paragraphs and Appendix A to this Guidance provide a helpful explanation of:

- What constitutes State Aid;
- How State Aid rules and exemptions might apply to any heat network scheme;
- Notifications required to claim State Aid exemptions; and
- How State Aid compliance will be addressed in the application and award process.

However, the guidance given here is general guidance only; it is not legal advice. State Aid rules are complex, and applicants will need to take their own expert advice during the development and implementation of their projects and HNIP funding applications.
6.2 APPLICANTS WILL BE REQUIRED TO SELF-CERTIFY THAT THEY ARE STATE AID COMPLIANT

Applicants will be required to self-certify at various stages of their project:

- **At pre-application**: all applicants will be required to acknowledge that HNIP Funding is State Aid, that they are responsible for ensuring compliance with State Aid rules in respect of any funding they receive and any on-funding they make and to confirm that they have taken or will take appropriate State Aid advice;

- **On submitting an application**: what is required will depend on the nature of the funding being requested:
  
  - **Commercialisation and Construction funding**: applicants will be required to repeat the above acknowledgements and to confirm that any costs they are submitting as eligible costs are also eligible for the purposes of Article 46 of GBER16.
  
  - **Construction funding only**: at this stage in the development of the project, structuring of ownership, contracts and funding should be well advanced and a thorough State Aid assessment by the applicant’s advisory team should have been undertaken. Failure to have done so would indicate poor risk management and be taken into consideration in the assessment of deliverability. Consequently, if an applicant does not confirm that they have taken appropriate State Aid advice, their application will be rejected.

Some applicants may be required to provide a State Aid opinion confirming that the applicant has a viable strategy to ensure State Aid compliance, and this will be required in respect of any on-funding. Based on data submitted by applicants in their application, we will make an assessment of high risk indicators of State Aid non-compliance. Given its high-level nature, we will only use this assessment as a health-check on applications. Applicants will be required to submit a State Aid opinion where our own risk assessment identifies the need (see Appendix B for the State Aid process flow diagram). If our risk assessment identifies a ‘red’ level of risk, the State Aid opinion will need to be from a Queen’s Counsel. Any State Aid opinion will need to satisfy certain requirements which will be communicated to affected applicants. Any applications indicating an “amber” or “green” level of risk will be required to submit a State Aid opinion before being able to proceed.

Applicants will be responsible for State Aid compliance, including any notifications required in connection with the State Aid they receive.

6.3 AWARD OF FUNDING – FUNDING AGREEMENT

It will be a fundamental condition of the Funding Agreement that the applicant is and remains State Aid compliant.

This will take the form of a number of obligations, including the following:

- **Representations and warranties that the applicant is compliant**:
  
  - at the date of signing the agreement; and
  
  - again prior to any drawdown of funds (including a representation that the applicant has taken legal advice);

- **An undertaking that they will continue to comply with State Aid rules**;

- **Confirmation that the factual position on which any State Aid opinion was given has not changed**;

- **Obligation to obtain TP Heat Networks’ consent prior to any on-funding (whether equity investment or debt) and to the form of that on-funding, together with a suitable State Aid opinion**;

- **A requirement to self-report any breach**; and

- **A requirement to pay back any funds received/deployed in breach of State Aid rules or in excess of State Aid exemption thresholds, together with interest.**

---

6.4 STATE AID EXEMPTIONS AVAILABLE FOR DISTRICT HEATING.

To ensure compliance, BEIS intends to utilise the General Block Exemption Regulation (GBER) which covers a range of ‘pre-approved’ types of State Aid, including for heat networks, and which does not require individual, prior approval from the Commission.

HNIP funding will be awarded under Article 46 of GBER which permits ‘investment aid for energy efficient district heating and cooling’ as long as the total State Aid given is below the ‘notification threshold’ for specified eligible costs (for heat networks this is €20m) and subject to limits on ‘aid intensity’ (described below). These thresholds limit the total amount of State Aid that a given project can receive from any source, not just HNIP. Accordingly, all the State Aid received by a heat network must be taken into account when calculating whether the threshold has been reached. This adding up of State Aid is referred to as ‘cumulation’ (see Article 8 of GBER).

It is the applicant’s responsibility to notify TP Heat Networks via email apply@tp-heatnetworks.org of any information that might affect the State Aid position e.g. if the project is in receipt of State Aid from other sources for the same eligible costs.

Applicants are responsible for ensuring that their proposed use of HNIP funding (including any onward investment) complies with State Aid requirements.

Permissible State Aid under Article 46 is considered and calculated in two parts: the production plant and the distribution network and these are assessed separately. The eligible costs and aid intensity (the total quantum of permissible funding) for each are summarised below:

1. Production plant: the eligible costs for the production plant shall be the extra costs needed for the construction, expansion and refurbishment of one or more generation units to operate as an energy efficient district heating and cooling system compared to a conventional production plant. The investment shall be an integral part of the energy efficient district heating and cooling system.

The aid intensity for the production plant shall not exceed 45% of the eligible costs. The aid intensity may be increased by 20 percentage points for aid granted to small undertakings and by 10 percentage points for aid granted to medium-sized undertakings. The aid intensity for the production plant may be increased by 15 percentage points for investments located in assisted areas fulfilling the conditions of Article 107(3)(a) of the Treaty and by 5 percentage points for investments located in assisted areas fulfilling the conditions of Article 107(3)(c) of the Treaty.
2. Distribution network: the eligible costs for the distribution network shall be the investment costs. The aid amount for the distribution network shall not exceed the difference between the eligible costs and the operating profit. The operating profit shall be deducted from the eligible costs ex ante or through a claw-back mechanism.

Figure 6: Illustrative example of a State Aid calculation

The full costs of a heat network must be apportioned across either the energy centre/production plant and the distribution network e.g. if total HNIP capital cost is £10m then the total cost apportioned to both parts must also be £10m.

More detail on the State Aid calculation, including the information that applicants will have to provide, can be found in Appendix A – State Aid detailed guidance.
Applying for HNIP funding

This section sets out the overall application process, together with more detail on the two main stages of the application, the pre-application and the full application. This section also covers the scoring and assessment of full applications.

Please note that projects that fall outside the Investment Mandate parameters (outlined in Section 2.4) or that have a negative direct SNPV (see Section 3.1.7) may be referred to BEIS for the final funding approval. Awarding funding to these projects will be entirely at BEIS’ discretion, but a decision to fund these projects will consider the project’s SNPV, strategic characteristics, scoring and ranking. Applicants should be aware that this decision process may take a little longer but that the BDM will be able to provide detail of the likely timescales.
7.1 APPLICATION PROCESS FLOW

Figure 7: Application process flow diagram

START

Download HNIP application form from HNIP

Engage with Business Development Managers for pre-application support.

Submit application form to the Data and Application System (DAS) with completed pre-application questions, saved as an .xlsx Excel Workbook file. The DAS can be accessed here https://das.tp-heatnetworks.org/.

TP Heat Networks acknowledges receipt and assess pre-application and readiness to progress to full application.

Feedback provided. Applications can re-submit in the future.

Eligibility confirmed and invited to submit a full application. Application reference number provided.

Complete all questions on application form.

Submit completed full application form, saved as an .xlsx Excel Workbook file, and supporting documents to the Data and Application System (DAS). The DAS can be accessed here https://das.tp-heatnetworks.org/.

Feedback provided. Applicants can re-submit in the future.

Applicants informed that the project will be put forward to the HNIP Investment Committee.

Project scored against criteria and ranked against other applications submitted in the same funding round.

Funding will be awarded on a competitive basis. Funding decision made by Investment Committee.

Full application assessment completed.

Further information requested from applicant.

No further information required.

TP Heat Networks acknowledge receipt and confirms eligibility.

Information

Feedback provided. Applicants can re-submit in the future.

Applicant informed

If Successful

Issue of offer letters and funding agreements put in place.

If unsuccessful

Consider re-submission at a later date.

Applicants informed that the project will be put forward to the HNIP Investment Committee. Feedback provided. Applicants can re-submit in the future.

No further information required.

Pass

Fail

Application will not be presented to HNIP Investment Committee. Feedback provided. Applicants can re-submit in the future.

Fail

Consider re-submission at a later date.
7.2 APPLICATION PROCESS

Application process

The process for applying for HNIP funding is split into two stages – pre-application and full application. Projects that meet the HNIP minimum requirements set out in the pre-application stage will move on to full application, where the projects will be assessed against the HNIP scored criteria as part of a competitive process. Projects being considered for HNIP funding will be assessed to establish which best demonstrate value for money and contribution to the aims and objectives of the HNIP scheme.

Applications for HNIP funding can be made at any time, so applicants are encouraged to complete their applications as soon as they are ready to. Please note that applications should only be made for projects that are sufficiently developed. The date the application is submitted will determine which funding round the project will be assessed in. Funding rounds will be managed on a quarterly basis and details of the funding rounds, including dates, will be published and regularly updated on the HNIP website. Projects that applied for HNIP Pilot Stage funding but were unsuccessful, may reapply to the full HNIP scheme. An overview of the application process is provided below.

7.3 APPLICATION FORM

Applicants will be required to submit information to TP Heat Networks via the application form. This form is an Excel workbook containing a number of worksheets, including the pre-application sheet, full application sheet and several more for submitting technical data (e.g. FEAM data). Applicants are also required to submit additional information including a financial model, funding plan, reports and other evidence to support their application. It is expected that applications will be accurate and of high-quality and applicants should note that the decision to award funding is a competitive process. TP Heat Networks may request clarifications from applicants, however if fundamental issues are found in a submission it may not be possible to resolve the issue(s) in a timely manner. To help minimise unready submissions, BDM support will be available to applicants prior to a Pre-application submission.

Successful applications will be put forward to the HNIP Investment Committee for the determination of the awarding of funding. The HNIP Investment Committee will convene on a quarterly basis in line with the funding rounds. Unsuccessful applicants are permitted to resubmit further improved and/or more developed applications in future funding rounds.

The HNIP Investment Committee is comprised of a BEIS Senior Civil Servant, a BEIS appointed independent member and TP Heat Networks staff with substantial experience in infrastructure investment and who are registered (in a controlled function) with the Financial Conduct Authority. Projects that fall outside the Investment Mandate parameters (outlined in Section 2.4) or that have a negative direct SNPV (see Section 3.1.7) may be referred to BEIS for the final funding decision. Awarding funding to these projects will be entirely at BEIS discretion, but decision to fund these projects will consider the project’s SNPV, strategic characteristics, scoring and ranking.
Applicants must complete all sheets in the HNIP application form. Submitting an incomplete application form may result in an unsuccessful application. Guidance on how to fill in the template is provided within the HNIP application form. However, further guidance on how to develop quality project development documentation, including an Outline Business Case template, can be provided on request (please email enquiries@tp-heatnetworks.org).

Please see Section 7.1 for a detailed application process flow diagram.

---

7.4 FRAUD AND GAMING

The Department for Business, Energy and Industrial Strategy (BEIS), TP Heat Networks and their advisors take the risk of fraud very seriously and are putting in place measures to identify and act on any suspicious applications. Applicants are therefore required to confirm the accuracy and validity of their applications. Applications found to be fraudulent will be rejected from the application process and further action against the applicant may be taken.

Applicants must complete the application form honestly and as accurately as possible. Their responses should give us a reliable understanding their project. Whilst we recognise that models, projections and estimates cannot be completely accurate, and their reliability will depend on the stage of commercialisation of the applicant’s project, the answers given on the application form must be honest and must not conceal any alternative intention of the applicant. Applicants will be required to certify the honesty of the information they provide at various points through the application process.

7.5 DATA PROTECTION

BEIS and TP Heat Networks will treat all data submitted and stored, including all personal information, in the strictest confidence and will only use it to deliver and evaluate HNIP. Personal data submitted by applicants will be stored and processed in accordance with the General Data Protection Regulation22 (GDPR). For more information on how your data will be used, please refer to our Privacy Policy on our website23. Personal data will be retained for the duration required to review the HNIP application and may be retained by BEIS and/or TP Heat Networks for research purposes for longer. You can access, request correction, erasure and restriction of, or object or opt-out to the processing of your personal data by submitting your request to enquiries@tp-heatnetworks.org.

In addition, information may be subject to publication or disclosure where required by law (the Freedom of Information Act 200024, the Data Protection Act 201825, and the Environmental Information Regulations 200426).
7.6 PRE-APPLICATION STAGE

Applicants should complete the Pre-application worksheet of the HNIP application form. Once completed, please upload your application form to the Data and Application System (DAS), which can be accessed here [https://das.tp-heatnetworks.org/](https://das.tp-heatnetworks.org/). You will need to register as a new user if it is your first time accessing the DAS. Once registered and logged in, click the ‘Start New Application’ button to begin. Please remember to check that you have uploaded:

- the ENTIRE workbook; saved as an .xlsx Excel Workbook file
- any supplementary documentation you wish to submit or that has been requested in the form; and
- a signed HNIP Application Declaration.

TP Heat Networks will assess pre-applications and successful applicants will be provided with a full application reference number that they will need in order to submit their full applications. Applicants must complete the pre-application form correctly for submission as applicants will not be able to amend details once submitted. To make amendments following submission, please contact [apply@tp-heatnetworks.org](mailto:apply@tp-heatnetworks.org) to discuss. Applicants failing the pre-application stage will not be invited to progress to full application; but will be provided with feedback and can resubmit another pre-application.

The key pre-application questions include:

- Primary contact and organisation information
- Key project and project development information to determine the readiness of the project
- Is the organisation eligible to apply? (see Section 3.1 – Eligibility criteria explained)
- Is the heat network of an eligible type? (see Section 3.1.3 - ‘Meeting the definition of a heat network’)
- Are only eligible investment costs included? (see Section 3.2 – Eligible costs)
- Can the heat network demonstrate carbon savings?
- Will the heat price result in no customer detriment?
- Will the applicant be able to provide evidence of a funding gap at full application and pass one of the additionality tests? (see 5.6 - Funding gap evidence)
7.7 FULL APPLICATION STAGE

Upon successfully proceeding through the Pre-application checks, as stated in the section above, applicants will receive an application reference number and be invited to submit their full application. Once a full application has been completed, please upload your fully completed application form to the DAS (https://das.tp-heatnetworks.org) and click “Continue Existing Application”. Select the correct application with the correct unique application number from the list. Please remember to ensure that you have submitted the following:

- a fully complete, ENTIRE workbook; saved as an .xlsx Excel Workbook file.
- all supplementary documentation that has been requested; and
- a signed HNIP Application Declaration.

Whilst completing your application, please be aware that, depending on the answers you provide, additional relevant questions may appear. So, please pay close attention when completing your full application and make sure that you complete all visible questions. Applicants will find guidance notes next to relevant cells in the application form.

Where references to separately submitted documents are requested in this application form, please provide the name of the provided document plus a reference to a location within that document that accurately guides the assessor to the relevant information.

Important Note: If the time between submitting pre-application and full application amounts to more than six months, the applicant must contact TP Heat Networks to discuss any changes to Pre-application responses that may affect eligibility to complete a full application.

Full applications should be completed using the full application form. The questions and data fields in this will allow a full assessment of the project to reconfirm eligibility, and provide additional data, including project specific details that will inform the formal assessment and scoring of the project. Only full applications for deliverable projects with sufficient quality of supporting documentation will enter the assessment process.

Applicants should apply with their single preferred scheme only, and not attempt to include variants in the application form. Where there are options for different design solutions these can be described in supporting reports.

Applicants will be able to review answers to selected non-eligibility questions they provided at pre-qualification when making a full application. If the answers to the eligibility questions from the pre-qualification stage have changed this may affect applicant eligibility. If this is the case please contact TP Heat Networks via email, apply@tp-heatnetworks.org.

Full applications will be ranked against other eligible projects submitted in the same funding round and considered for funding awards under grant or loan funding as appropriate and according to availability of funding.
7.8 APPLICATION ASSESSMENT AND SCORING

There are four scored criteria explained in this section and these will be combined into a single overall score for the project. This total score will be passed on to the Investment Committee alongside a summary of the assessment of the application in order to allow them to make the decision on which projects to fund. Only the highest scoring projects will be funded.

The four criteria which will be used to score projects are:

1 | Volume of heat delivered;
2 | Project carbon savings;
3 | Future decarbonisation and expansion; and
4 | Deliverability.

One of the key scoring parameters is the Gross Grant Equivalent (GGE) of the amount of HNIP funding required by a project to achieve its hurdle investment rate. Where HNIP funding is in the form of a loan, the GGE is approximately 20% of that provided by an equivalent sized grant. More detail and an illustrative example of this calculation can be found at Part 2B of Appendix A: State Aid detailed guidance.

The required GGE is a key figure calculated for the assessment. To achieve a lower GGE, i.e. providing better value for money to the public (or the same project carbon savings and heat delivered but for less public money spending), the project should aim to draw in a higher proportion of private funding depending on the cost of finance and work with the BDM on the optimal arrangements. In the first two scoring criteria (heat delivered and project carbon savings), the resulting numerical value is divided by the amount of the GGE in £ calculated in the FEAM to give the final value that is used in the investment decision making process.

Carbon savings, by definition, must calculate the difference in carbon emissions between the project technology and a counterfactual technology (technology that would have been used in the absence of the heat network). Evaluation of the HNIP pilot indicated that applicants struggled to produce sufficiently detailed, comparable data on the counterfactual scenario. This made making a consistent comparison across projects more difficult. To improve this, as part of the assessment process, we will be using a deemed counterfactual. This means using standard values for the costs and performance of gas boilers and other counterfactual heating technologies within the calculation of carbon savings. Within the application form, the applicant will need to select the counterfactual technology type from a pre-defined drop-down list next to each customer type demand input.

Principles to be applied to calculations

Figure 9 shows the typical development over time of the loads connected to a heat network. The project for which the HNIP application is being made is the bottom section (phase 1) which starts to be served by the heat network from year 1. This contains the building connections set out in the business case for the project, and these define the amount of heat delivered by the project. The carbon saving over 15 years from this system with the initial technology choice is the carbon saving used for the project carbon assessment.

The middle section of the diagram represents additional loads (here referred to as phase 2) which are expected to be connected to the network within the first 15 years of operation. These loads do not form part of the project for which funding is being requested, but part of an early extension to it, and they are included in the calculation of future decarbonisation and expansion (FD&E) described later.

The top section of the diagram (phase 3) represents loads that may be connected to the scheme as it continues to grow beyond year 15. These do not form part of the assessment process for heat delivered, project carbon or FD&E as they are too far in the future.
**Figure 9: Development of heat delivered by a network over time**

**Volume of heat delivered (GWh)**

In this context heat includes both heating and cooling energy delivered. The volume of heat delivered is the increase in heat supplied to customers (such that network losses are not included) over a 15-year period from the start of operation of the defined ‘project’. For an extension to an existing heat network, the increase in heat delivered will be the difference between that which would have been delivered by the existing network and that delivered by the extended network. For a new heat network, the delivered heat is all the heat delivered by the new network to customers. Projects involving interconnecting existing networks are complex and will be considered on an individual basis. If this applies to your project, please contact us to discuss with a BDM by emailing enquiries@tp-heatnetworks.org.

To enable the TP Heat Networks FEAM to calculate the expected heat delivered, the application form asks for the building loads that are to be connected to the network, and the dates when they are due to connect. This allows the calculation of the heat to be delivered over the first 15 years of the scheme. The application form also asks for detailed information about the loads connected by customer type and the sources of the data supplied.

This enables the energy data to be sense-checked, applicants may be asked to confirm data provided and provide evidence of heat loads.

**Project Carbon Savings (tonnes CO₂e)**

Projects will be assessed based on their predicted carbon savings when compared to a counterfactual heating system, as illustrated in Figure 10. The project carbon is assessed over the first 15 years of operation and divided by the GGE to obtain the score included in the overall assessment.

The project carbon savings will be calculated within the FEAM using the inputs provided by the applicant. This calculation uses the applicant’s predicted annual fuel consumption and applies an appropriate annual carbon emission factor to give the carbon emissions for each year for the project. These are then compared to the expected emissions for the connected loads assuming a project specific counterfactual solution based on data provided by the applicant on the application form from a pre-defined drop-down list (for example gas boiler or electric heating). The difference between the two, summed over 15 years gives the carbon saving metric.
The inclusion of the scoring of future decarbonisation and expansion (FD&E) accounts for the predicted carbon savings, beyond those that the project is aiming to deliver. These savings are in addition to the project carbon savings described in the previous section. Such savings could come about through extending the network to connect to more customers and/or a future switch to a different heat generating technology beyond the life of the first technology. As part of this assessment, we will expect to see projects providing robust evidence as described in the application form to demonstrate that there is reasonable confidence that these savings will occur. Based on this evidence a probability weighting will be attached to the future decarbonisation and expansion options.

Applicants should note that they do not need to include both future decarbonisation and expansion in their schemes, as each makes a contribution.

Figure 10 introduced the phases of loads that are included in the calculations, Figure 11 sets out the approach to the calculation of FD&E.

The project carbon saving is calculated over the first 15 years of operation, based on the initial technology proposed. This is indicated by the box marked A on Figure 11. The box marked B indicates carbon that is saved from the loads in Phase 1 as a result of the change to a lower carbon technology, from the date of the change of technology up until the end of year 30. In this diagram this is assumed to take place at year 15, but it could be earlier than this. The carbon savings associated with expansion of the scheme are represented by the boxes marked C and D. Box C includes the carbon saved from the additional loads (phase 2) up to the year 15. Box D identifies the savings from these additional loads after year 15, and up to the end of year 30 of operation. The section shown as Phase 3 is connected after year 15 and is not included in the calculations.

As part of the assessment process, the assessor will review whether the predicted performance of systems is reasonable, and applicants may be required to justify the performance of their proposed equipment.

**Future Decarbonisation and Expansion (tonnes CO₂e)**

The inclusion of the scoring of future decarbonisation and expansion (FD&E) accounts for the predicted carbon savings, beyond those that the project is aiming to deliver. These savings are in addition to the project carbon savings described in the previous section. Such savings could come about through extending the network to connect to more customers and/or a future switch to a different heat generating technology beyond the life of the first technology. As part of this assessment, we will expect to see projects providing robust evidence as described in the application form to demonstrate that there is reasonable confidence that these savings will occur. Based on this evidence a probability weighting will be attached to the future decarbonisation and expansion options.

Applicants should note that they do not need to include both future decarbonisation and expansion in their schemes, as each makes a contribution.

Figure 10 introduced the phases of loads that are included in the calculations, Figure 11 sets out the approach to the calculation of FD&E.

The project carbon saving is calculated over the first 15 years of operation, based on the initial technology proposed. This is indicated by the box marked A on Figure 11. The box marked B indicates carbon that is saved from the loads in Phase 1 as a result of the change to a lower carbon technology, from the date of the change of technology up until the end of year 30. In this diagram this is assumed to take place at year 15, but it could be earlier than this. The carbon savings associated with expansion of the scheme are represented by the boxes marked C and D. Box C includes the carbon saved from the additional loads (phase 2) up to the year 15. Box D identifies the savings from these additional loads after year 15, and up to the end of year 30 of operation. The section shown as Phase 3 is connected after year 15 and is not included in the calculations.
Input requirements

There are two areas of technical input needed for this aspect of the scoring, the proposed longer-term technology to be used and future loads to be connected.

The proposed technology to be applied at the end of life of the initial system needs to be stated. It is expected that some applicants will start their projects with a fossil fuel-based technology (usually gas CHP), with the intention of converting to a lower carbon technology at the time that the initial technology used needs to be replaced. A description of the proposed new system needs to be provided and evidence provided that supports the potential use of that technology. This evidence is expected to be a study showing that the planned low carbon source is likely to be available (e.g. river or ground water) or when heat from an energy from waste plant is becoming available.

For future expansion, the applicant needs to provide details of additional building loads that are being considered for connection beyond the initial scheme. For the initial scheme, particularly for a request for construction funding, it is expected that there will be a commitment from customers to connect. For the future expansion the requirement is lower as it is not likely that customers will commit to a connection in for example 7 years’ time, but the connections must be supported by some evidence. This can include initial surveys of existing buildings, or evidence of the planning status of future developments. Depending on the strength of evidence for these future connections, a percentage weighting will be made on these loads as part of the calculation.
DELIVERABILITY

Deliverability is an assessment of the likelihood of a project being able to use the agreed HNIP funding within the HNIP timescales and to deliver the benefits it is claiming. A deliverable scheme is expected to be more likely to be completed on time and on budget and to have secure future income. The deliverability assessment builds on the readiness assessment made at the pre-application stage which reviews whether a project is sufficiently developed to apply for funding.

The assessment of deliverability is different from the other three scoring criteria as it is not a calculation based only on numerical data. It also includes judgement scores based on the evidence provided in relation to the state of development of the scheme. The purpose of the assessment is to understand how well prepared the proposed project is across a range of stakeholder, design and business development issues. It is therefore a measure of the extent to which the project will be able to be implemented and deliver its expected benefits within the proposed project timescales. The deliverability assessment will take into account the impact of risks on the project’s ability to go ahead. Applicants’ response to these could be evidenced via a risk register and sensitivity analysis.

The application form calls for a number of inputs that will help us to assess the deliverability of your project. In some instances, it calls for you to direct us to where we can find certain information from within your supporting documentation. Only by completing the application form in its entirety, and as accurately as possible can applicants be assured that their project will be scored as positively as possible. Applicants should anticipate that during the assessment process there will be direct contact (probably by teleconference or via the BDMs) to test the engagement in the project of key stakeholders. This engagement with key stakeholders (or the lack of it) was found to be a key risk to successful project delivery in the HNIP Pilot.

Projects that are only applying for construction funding, are expected to be more advanced on many of these deliverability issues and are likely to score more highly. This reflects the project being closer to construction, at which point all issues will need to have been resolved and costs and risks will be much clearer. Projects that include a request for commercialisation in their application will be expected to advance these issues sufficiently during the commercialisation phase to allow the project to proceed and allow the release of HNIP construction funding. Where projects are requesting commercialisation funding all of the deliverability assessments will be re-visited before construction funds can be released. Deliverability is assessed under the following 7 headings:

1 | Stakeholders (revenue related)
This covers the intended customers for the heat network, how secure these are and the uncertainties around income linked to them. To support this assessment information around the expected customers and evidence of the level of commitment from them is required.

Some networks may intend to purchase energy from third parties, such as an existing energy from waste plant, or require supplies of specialist fuels, such as biomass. In these cases, the security of supply will need to be evidenced.

2 | Stakeholders (non-revenue related)
This part reviews the progress made by the applicant in terms of the progress with respect of other stakeholders, including planning, utilities and other bodies. To support this part of the assessment information and supporting evidence on the progress made to date in respect of these issues is requested.

3 | Programme
Whether the planned programme for the project including as necessary project development, design, procurement and works has been sufficiently developed, given the project’s key milestone aims, and is achievable. To support this, a clear project plan with expected dates will be provided by the applicant and we will form a judgement based on this and the planned works

4 | Technical
This part will assess whether the design has been developed to an appropriate stage, that it takes account of necessary features (railways, rivers etc), and that the approaches used are reasonable. It is expected that the evidence for this will be available within the project technical reports and so no additional work will be needed by the applicant.
5 | Cost

The cost assessment will evaluate the extent to which the applicant’s cost plan has been accurately developed, and whether the costs predicted are reasonable with sufficient but not excessive contingencies to address identified risks. In particular, optimism bias will be considered in an appropriate way at each stage of the project. The introduction to the green book guidance summarises this as follows, “Project appraisers have the tendency to be over optimistic. Explicit adjustments should therefore be made to the estimates of a project’s costs, benefits and duration, which should be based on data from past or similar projects and adjusted for the unique characteristics of the project in hand.” It is expected that the optimism bias allowance will reduce over time as issues are resolved.

A cost plan will need to be provided as part of the application, within the application form and as part of the accompanying reports. The cost plan must demonstrate that the project’s plans fit within the timescale for expenditure of HNIP funds.

A structure for costs has been put forward in the application form that is based upon standard quantity surveying principles, so it is expected that applicants will be able to provide this breakdown from the information they have generated in their work to date. It is noted that some applicants may have an ‘all-in’ price from a contractor. In this case less detail may be easily provided but the minimum level of input is still required to enable our assessment to be carried out. Projects that only provide an ‘all-in’ cost will be scored lower as the value for money part of the assessment will not be possible to carry out in the same way.

6 | Finance

This part considers the extent to which the approaches to financing the part of the project that is not funded by HNIP are reasonable and that the commitments from other funders are robust. An explanation of the source of other funding must be provided, along with evidence that this other funding is as secure as can be expected at the stage of development of the project. The stronger the evidence that is provided the higher the score that will be achieved. Further details of funding plans required from applicants are discussed in Section 5 – Finance and investment approach.

7 | Governance

This final part assesses the arrangements in place to govern the construction and operation of the scheme. It considers whether these plans are sufficiently developed and are appropriate to the project being proposed. This will include the development of the legal, management and business structures for which evidence of contractual arrangements will be needed. For example, it would be expected that a Project Manager will have been appointed and is supported by advisors and by a wider management team.

The assessment of deliverability will be based upon the answers to a series of questions within the application form, and supporting evidence provided alongside the application (such as the Funding Plans). The evidence expected is summarised in the next section and detailed in the application form. The assessment of the different aspects of deliverability will be combined into a single score to be included alongside the other scored elements in the Investment Committee decision making process.
7.9 FINANCIAL AND ECONOMIC ASSESSMENT MODEL (FEAM)

Evaluation of the HNIP pilot indicated that applicants struggled to produce detailed, comparable data on the counterfactual scenario. This made making a consistent comparison across projects more difficult. As part of the assessment process we will be using a deemed counterfactual. This means using standard values for the costs and performance of gas boilers and other counterfactual heating technologies within the calculation of carbon savings and financial performance.

As each applicant may reasonably be expected to have different financial consultants (or in-house resource) with different financial models, it was determined that in order to appropriately allocate funds there will be a standardised method for assessing the forecast commercial returns presented. Additionally, all financial models have a risk of error as well as the potential for manipulation. In developing its own FEAM, TP Heat Networks and BEIS aim to mitigate such risks and take control of certain key assumptions that are common across all projects ensuring a more level playing field.

The FEAM input sheets within the application form cover the following elements:

1. FEAM Network Inputs;
2. FEAM Demand Inputs;
3. FEAM Cost Inputs;
4. FEAM Future Decarbonisation and Expansion Demand Inputs; and
5. FEAM Future Decarbonisation and Expansion Network Inputs.

The FEAM will be used by TP Heat Networks for HNIP application appraisal purposes to:

- Establish / confirm the total volume of heat generated by the applicant’s scheme. The total volume of heat will be divided by the GGE to generate this key assessment metric;
- Establish / confirm the total volume of carbon saved when comparing the applicant’s scheme with a standard counterfactual. This counterfactual will be generated by the FEAM based on standard BEIS assumptions and data collected from applicants in the HNIP application form. Project carbon savings divided by the GGE is a key assessment metric;
- Establish / confirm the total volume of carbon saved when comparing the applicant’s scheme with a standard counterfactual. This counterfactual will be generated by the FEAM based on standard BEIS assumptions and data collected from applicants in the HNIP application form. Project carbon savings divided by the GGE is a key assessment metric;
- Establish / confirm the magnitude of any future decarbonisation and expansion opportunity for the scheme – this is one of the four scored elements in the assessment;
- Establish the SNPV of the applicant’s scheme.
- Provide an initial indication of the potential State aid implications of the proposed award;
- Provide a high-level check that on average across the network, consumers will pay no more for their heat delivered from the applicant’s proposed heat network than they would otherwise have paid for their heat; and
- Enable HNIP to assess the appropriate level of support for each application made.

In relation to the application form, it is very important to note:

- The user should always enter VALUES either manually or pasted as values to avoid inadvertently amending cell validation rules or conditional formatting.
- The FEAM sheets within the application form workbook are protected. This is to ensure that the template structure is not amended. If applicants have software that enables them to bypass the workbook’s protection, please ensure that no rows or columns are inserted and that no styles or formats are changed as doing so will cause delays that may result in the rejection of an application.

Further guidance on how to complete the HNIP application form is contained within the form itself.

7.10 APPLICATION DOCUMENTATION CHECKLIST

Applicants should ensure they have the following documentation ready in electronic form as these will be required as supporting documentation if invited to submit a full application. Please note that the list in Table 1 is not exhaustive and evidence requirements may vary between applicants. The application form provides further detail about the documentation needed for each section. If any of this documentation will not be available, please contact enquiries@tp-heatnetworks.org prior to submitting the full application.
<table>
<thead>
<tr>
<th>DOCUMENT</th>
<th>DETAIL TO BE INCLUDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Outline business case or equivalent (to be internally approved before release of funding if successful)</td>
</tr>
<tr>
<td></td>
<td>Strategic rationale, and evidence of senior management/executive/cabinet/board approval and long term commitment to the project.</td>
</tr>
<tr>
<td></td>
<td>Planned commercial structure, on-investing plans and planned year of spend</td>
</tr>
<tr>
<td></td>
<td>Project plan, including commercialisation activities, procurement strategy and implementation plan</td>
</tr>
<tr>
<td></td>
<td>Economic analysis, options appraisal and counterfactual comparison.</td>
</tr>
<tr>
<td>2</td>
<td>Cover document (3-5 pages)</td>
</tr>
<tr>
<td></td>
<td>Funding gap analysis</td>
</tr>
<tr>
<td></td>
<td>Rationale for the project hurdle rate</td>
</tr>
<tr>
<td></td>
<td>Signed statement that all information is true and accurate</td>
</tr>
<tr>
<td>3</td>
<td>Cost plan</td>
</tr>
<tr>
<td></td>
<td>Outline of the costs to be included in the FEAM</td>
</tr>
<tr>
<td>4</td>
<td>Financial model</td>
</tr>
<tr>
<td></td>
<td>Stage 1 or Stage 2 Financial Model</td>
</tr>
<tr>
<td>5</td>
<td>Funding plan</td>
</tr>
<tr>
<td></td>
<td>Stage 1 or Stage 2 Funding Plan</td>
</tr>
<tr>
<td>6</td>
<td>Technical heat network design documentation</td>
</tr>
<tr>
<td></td>
<td>Feasibility studies including options appraisal and rationale for chosen heat network. For the heat network for which application is for:</td>
</tr>
<tr>
<td></td>
<td>- Technical design of chosen option including drawings/schematics, specifications, and evidence of technical feasibility</td>
</tr>
<tr>
<td></td>
<td>- Techno-economic energy modelling including detailed energy assumptions and calculations</td>
</tr>
<tr>
<td></td>
<td>- Carbon savings.</td>
</tr>
<tr>
<td></td>
<td>To be provided in PDF or Microsoft Office format.</td>
</tr>
<tr>
<td>7</td>
<td>Financial status</td>
</tr>
<tr>
<td></td>
<td>For non-public bodies, please provide copies of the last three years accounts</td>
</tr>
<tr>
<td>DOCUMENT</td>
<td>DETAIL TO BE INCLUDED</td>
</tr>
<tr>
<td>----------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>8</td>
<td>Heads of Terms or contracts entered into or at an advanced stage of negotiations for heat connection and supply</td>
</tr>
<tr>
<td></td>
<td>if multiple Heads of Terms or contracts, and these can be grouped into categories (e.g. residential, commercial, social landlord, etc), please supply an example from each category</td>
</tr>
<tr>
<td></td>
<td>where applicants are applying for support for commercialisation and construction, it may be acceptable for there to be no contracts in place and for Heads of Terms to be under negotiation</td>
</tr>
<tr>
<td>9</td>
<td>Any contracts entered into or at advanced stage of negotiation for design, build, operation, maintenance</td>
</tr>
<tr>
<td></td>
<td>where applicants are applying for construction funding only, applicants will be expected to have developed contracts</td>
</tr>
<tr>
<td>10</td>
<td>Any contracts entered into for funding to the project that take any security over any project asset or that restrict any future funder taking any such security</td>
</tr>
<tr>
<td>11</td>
<td>Structure diagram(s)</td>
</tr>
<tr>
<td></td>
<td>Illustrating ownership of all network assets, contracting arrangements for: (i) funding, (ii) property rights, (iii) design, build, operation and maintenance; (iv) heat connection and supply.</td>
</tr>
</tbody>
</table>

If the applicant has engaged with the HNDU during the development of a project then items 1, 2 and 4 will have been produced already although they may need to be updated. If the applicant has not been involved in the HNDU process, then please contact TP Heat Networks for advice on the level of detail that will need to be developed to allow our assessment to take place.
The HNIP Investment Committee will convene every three months to consider applications that have been received and assessed in the preceding quarter. The committee will reflect on the finance structure of each project in line with the Investment Mandate and will identify the risks (and mitigating actions) associated with them before awarding funding to successful applicants. Applicants should be aware that the committee may choose to attach conditions to any award and further, that the amount of funding and the form that funding might take (i.e. loan or grant) may differ from that which was applied for.

BDMs will advise applicants of the decisions made by the committee within two weeks of the committee sitting.

Where an application is outside of the Investment Mandate (for instance, where a loan is sought in an amount greater than £10 million) or negative SNPV then the investment decision will reside with BEIS and not the HNIP Investment Committee. Applicants should be aware that this decision process may take a little longer but that the BDM will be able to provide detail of the likely timescales.
8.1 SUCCESSFUL APPLICANTS

The following steps will need to be undertaken prior to financial closing:

— Successful applicants will be required to enter into a funding agreement, a legal contract setting out the terms and conditions of the award. Applicants should note that they may be required to enter into more than one agreement if funding is provided in different financial years;

— Successful applicants will be notified and informed of any conditions precedent to the award (set conditions which may be different to those identified above that must be satisfied by the applicant prior to funds being released) and will be required to provide comprehensive progress reports and project monitoring information evidencing that they have met those conditions precedent. Among other things, it will be a condition precedent to payment of HNIP funds that projects benefitting from third party investment have those third party funds fully committed;

— It is understood that project plans may be subject to change as they develop and progress. Prior to signing the final funding agreement(s), applicants must inform TP Heat Networks if any information from the original application has materially changed in order that the impact of those changes may be assessed. Applicants should note that such an assessment could affect the outcome or amount of the award.

— Where applicants have been successful in securing an allocation of funding for both commercialisation and construction phases, then they should be aware that the commercialisation work will be reviewed by TP Heat Networks prior to the drawdown of construction phase funding. This is to check whether there have been any significant changes from the initial application that might affect the project. Funding may be reduced or stopped if significant change has taken place.

It should be noted that applicants who have been successful are not precluded from applying in future HNIP funding rounds as long as the application does not seek funding for the same project costs, i.e. they can apply for funding to support new projects or future expansions/interconnection.
**Table 2: The steps to finalise funding and timings**

<table>
<thead>
<tr>
<th>STEP</th>
<th>DESCRIPTION AND FOLLOW UP</th>
<th>TIMINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. HNIP Investment Committee approval received</td>
<td>The committee will make objective decisions on funding (including the amount and funding instrument) based on a project’s score relative to other projects in the same funding round. This is informed by the assessment carried out by the assessment team. Note that where an application is outside of the Investment Mandate, this decision will reside with BEIS.</td>
<td>Quarterly from April 2019</td>
</tr>
<tr>
<td>2. Applicants will be issued a notification letter including any conditions of the HNIP award</td>
<td>Successful applicants will be provided with written confirmation of the positive outcome of their application along with a list of the conditions (if any) attached to the award.</td>
<td>Within two weeks of approval</td>
</tr>
<tr>
<td>3. Conditions compliance</td>
<td>Evidence of compliance with conditions must be provided before funding agreement can be sent out. Not all awards will have conditions attached.</td>
<td>As soon as possible</td>
</tr>
<tr>
<td>4. Funding agreement sent</td>
<td>The funding agreement is in a standard form. Requests to vary the agreement or negotiate the terms in any way will not be entertained.</td>
<td>Within two weeks of (a) the conditions have been satisfactorily met or (b) HNIP Investment Committee approval if no conditions were attached to the award.</td>
</tr>
<tr>
<td>5. Sign funding agreement</td>
<td>Once both parties have signed the funding agreement, a grant/loan claim form and determination form (final confirmation of funding amount and type) will be sent to the applicant.</td>
<td>applicant has two weeks to sign and return the funding agreement from the date of issue.</td>
</tr>
<tr>
<td>6. Satisfying conditions precedent</td>
<td>For specified applicants, this may also include the satisfying of any conditions precedent defined in the funding agreement and/or submission of evidence of on-investment to the private sector.</td>
<td>As soon as possible</td>
</tr>
<tr>
<td>7. The applicant will need to sign and submit the claim form to request the funding</td>
<td>The submitted claim form and evidence of on investment will be reviewed by TP Heat Networks.</td>
<td>At the relevant time.</td>
</tr>
<tr>
<td>8. Funding paid to applicant</td>
<td>Following satisfactory review of claim form and evidence, funding will be paid to the applicant.</td>
<td>Within the requested financial period where HNIP funding has been allocated.</td>
</tr>
</tbody>
</table>
It should be noted that applicants who have been successful are not precluded from applying in future HNIP funding rounds as long as the application does not seek funding for the same project costs, i.e. they can apply for funding to support new projects or future expansions/interconnection.

8.2 UNSUCCESSFUL APPLICANTS

Unsuccessful applicants will receive feedback on their applications as follows:

1 | Applicants failing at the pre-application stage will receive written notification of the outcome explaining the rationale for the decision. This will include notification of the areas of the pre-application where they have failed to meet the eligibility criteria or where it is felt the project is not yet ready to proceed to a full application. Applicants will be encouraged to seek the advice of the experienced BDMs for further support (see Section 4 – Business Development Managers and pre-application support for more information).

2 | Applicants who complete a full application but fail to secure an offer of funding may expect more detailed written feedback to identify areas where the application was less competitive than others in order to help preparation of a revised application for resubmission (if appropriate). Feedback will be provided by a formal written response from TP Heat Networks to the applicant based on the feedback from the HNIP Investment Committee.
Monitoring and reporting requirements for the HNIP scheme are expected to be similar to those detailed in the Pilot Monitoring and Reporting Guidance but additional requirements, specifically in relation to the construction and post-construction period, are likely be required including, but not limited to, those noted below in Sections 9.1 and 9.2 below.

A standalone HNIP Monitoring and Reporting Guidance document will be published in early 2019.

In the standalone guidance document, a pragmatic standardised approach will be taken to ensure that the monitoring and reporting requirements are not overly burdensome on the applicant but are in keeping with good industry practice. To assist successful applicants and ensure that monitoring data is collected consistently, it will be obligatory to provide monitoring reports by completing templates which we will develop alongside Monitoring and Reporting Guidance. Completed reports will need to be submitted electronically to reporting@tp-heatnetworks.org.

Where projects have received third party investment, facilitated by the HNIP scheme, there may be additional reporting requirements, but these are expected to be reasonable and in line with usual industry practice.

Applicants should note that failure to comply with the monitoring and reporting requirements may result in HNIP funding being clawed-back.
9.1 CONSTRUCTION AND COMMISSIONING

During the construction and commissioning of the project the applicant will likely be expected to:

- Attend the project site at least once a week;
- Provide a verbal update to TP Heat Networks along with a written report which should include evidence of progress such as photographs, civil works progress reports, project agreements, and monitoring of the schedule of construction against the overall project programme at least monthly; and
- Maintain detailed records of progress of the construction works which could be shared if requested.

9.2 OPERATIONAL

Operational monitoring and reporting requirements will be required for the life of the project. During operation the applicant will likely be expected to:

- Monitor the performance of the project/plant as needed and keep records of the performance of key operation parameters and maintenance activities and make these records available on request;
- Provide a written report and a verbal update, at least quarterly, that is clear and concise highlighting and including commentary on any key issues regarding the operation of the project;
- Track actual performance against expected and seek to identify any deviation and make recommendations for corrective action by exception;
- Produce a 6 monthly optimisation and enhancement opportunities report with expected cost vs benefit; and
- Produce an annual report that summarises the year’s repairs and maintenance, plant performance and efficiency, availability and reliability factors.

9.3 EVALUATION OF HNIP

Applicants will be required to engage with BEIS lessons learned processes and appointed evaluation experts as a condition of their application for funding. We will seek to minimise the burden on participants, including through the sharing of project management information and monitoring reports. In addition, participants may be required to engage more directly with our evaluation experts, for example in telephone interviews or questionnaires.

9.4 IMPROVING SUPPLY CHAIN VISIBILITY

One of HNIP’s aims is to build on the existing capability of the supply chain to develop systems of the right type and quality by facilitating an open and competitive supply chain.

A condition of receiving HNIP funding for successful applicants will be to submit a report on their project suppliers and the services, skills or equipment these bring to the project. More detail on the information required and format in which this should be submitted will be provided in the Monitoring & Reporting Guidance document to be published in 2019.

We recognise that some information around the supply chain may be confidential and an adequate process will be outlined in the Monitoring and Reporting Guidance.
10.1 QUERIES
For any queries relating to an application please email TP Heat Networks at enquiries@tp-heatnetworks.org

10.2 COMPLAINTS
For any complaints relating to HNIP please contact TP Heat Networks at enquiries@tp-heatnetworks.org
10.3 REVIEW OF AN HNIP DECISION

This section sets out important information for applicants about the basis on which applications are considered and what to do if an application is unsuccessful.

HNIP is a discretionary fund

Applicants must bear in mind that the HNIP Fund and awards from it are discretionary. There is no automatic entitlement to an award of funding in any amount. Assessors will challenge information submitted by applicants they are not clear about, and they will also be expecting applicants to supply detailed project documentation in support of the completed HNIP application form. The purpose of the detailed project documentation is to ensure applicants provide the requisite evidence in support of their application.

Applications must meet the eligibility criteria

Applicants must ensure that the organisation, project and application all meet certain eligibility criteria, explained in this application guidance document. It is the applicant’s responsibility to make sure that all the eligibility criteria are met. See Section 3 – Eligibility criteria overview for more details.

Applications will be assessed on a transparent and objective basis

The assessment process will be run as transparently and objectively as possible. Expert judgements will be made within an agreed framework and all assessments will be subject to internal quality assurance. All projects regardless of the ultimate decision maker (HNIP Investment Committee or BEIS) will be subject to full HNIP assessment process.

Applications that don’t meet the eligibility criteria

Applicants who submit applications that fail to meet the eligibility criteria will be rejected. An explanation from TP Heat Networks will be given as to why the application was rejected which may prove helpful if applicants choose to re-submit an application at a later date. The explanation, however will not seek to fix any deficiencies in the application.

Eligible applications are not guaranteed funding

Even if an application meets all of the eligibility criteria and scores well, it does not guarantee an award of funding. HNIP funding will be allocated on a competitive basis and discretionary basis. All applications submitted in a given period that meet all of the eligibility criteria will be considered by the HNIP Investment Committee. There, the scores awarded to the applications by TP Heat Network assessors will be compared, together with other factors, such as each project’s strategic importance and SNPV. The applications will then be ranked. Some may not be awarded funding because their ranking was lower relative to others. Applications that are successful will be notified accordingly. Applications that are unsuccessful will be notified, together with an explanation of why.

Visibility of Applications compared to others

Every application will contain commercially sensitive information, so it will not be possible to disclose scoring of applications relative to others. Instead, we will aim to draw out themes from successful and unsuccessful applications in each round to help future applicants improve the quality of their applications. We may feed this into future revisions of the Application Guidance, webinars or other published means of disseminating lessons learned.

Re-applying in the future

TP Heat Networks wants to fund high calibre, strategically important projects that require HNIP support. If an application has been unsuccessful, applicants are urged to consider working to improve their project and their application and to submit another application in a future round. Applicants should carefully consider how they could improve their application to meet the eligibility criteria (where their application was rejected) or how they could achieve a higher score (where their application was deemed eligible but was not awarded funding).

Reviewing decisions

TP Heat Networks may review a decision if there is strong evidence that it failed to follow the published assessment processes and that their failure to do so has had a materially adverse impact on the consideration of an application. If an applicant feels that this applies to their application, they are asked to please email enquiries@tp-heatnetworks.org to request a review.

TP Heat Networks will consider the request and tell the applicant if it is felt that it is justified. If, on review, it is found that the application was eligible when it was previously thought it was not, or that it should have been awarded a higher score, applicants can request that their application be re-submitted, unamended into the next funding round where it will compete with other applications in that round. In no circumstance will a review guarantee an award of funding.
Appendices

- **Appendix A**
  State Aid guidance

- **Appendix B**
  State Aid process

- **Appendix C**
  Standardised Due Diligence Set

- **Appendix D**
  Funding Plans

- **Appendix E**
  Financial Model Specifications

- **Appendix F**
  Glossary
Permissible aid under GBER is calculated in two parts: the production plant and the distribution network are assessed separately.

This guidance sets out the following:

- **Part 1:** Maximum aid in respect of the energy centre/production plant;
- **Part 2:** Maximum aid in respect of the distribution network;
- **Part 3:** Aid to third parties.

### Part 1: Maximum allowable aid for the energy centre/production plant

Total allowable aid for energy centre/production plant:

\[
= \text{cost of efficient production plant} - \text{cost of conventional production plant} \times 45\%^{29}
\]

---

29As set out at paragraph 6.8 of the guidance above and in more detail below, the aid intensity may be increased by 20 percentage points for aid granted to small undertakings and by 10 percentage points for aid granted to medium-sized undertakings. The aid intensity for the production plant may be increased by 15 percentage points for investments located in assisted areas fulfilling the conditions of Article 107(3)(a) of the TFEU and by 5 percentage points for investments located in assisted areas fulfilling the conditions of Article 107(3)(c) of the TFEU.

---

The capital cost of the proposed energy centre/production plant will be taken from the information contained in the application.

It will be for applicants to define and estimate the cost of the conventional production plant for their project. This is the cost of installing a new heating solution that:

- Meets the equivalent amount of heating demand as that being met by the efficient production plant / energy centre included in the project; and

- Meets minimum standards required under legislation (e.g., Building Regulations, safety regulations, local Planning requirements or air quality and noise) but not the minimum heat source requirements of HNIP.
The boundary of costs for the energy centre should include all capital costs of the energy centre up to the point of its interface with the distribution network infrastructure. The assumed conventional heat source can build on the information in the business case and will likely vary by type of customer being served. In all cases the cost comparison is between the proposed production plant and an ‘as new’ conventional alternative (not the existing vs proposed system). The boundary of costs of the energy centre/production plant should include all costs needed to construct a viable unit e.g. not just the cost of the unit that will generate the heat but also related costs where they arise. Table 3 gives some illustrative examples in a range of scenarios and the types of costs that should be included in each.

Table 3 - Illustrative examples of efficient production plant and conventional plant comparisons under a range of scenarios

<table>
<thead>
<tr>
<th>Heating and Hot Water Source by Customer Group</th>
<th>Conventional Production Plant/Energy Centre for Purposes of State Aid – The Heat Source That Would Be Installed in the Absence of the Heat Network</th>
<th>Proposed Energy Centre/Production Plant – The Heat Network</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sixteen property units that currently share a communal boiler.</td>
<td>All capital costs of installing a new standard communal gas boiler system up to the point of its interface with the heat pipe network e.g. cost of purchase and installation of standard gas communal boiler and related costs where applicable e.g. monitoring and operating equipment, ancillary plant, costs to house/repurpose location of unit, utility connection, flue construction etc.</td>
<td>Production plant that meets same level of heat demand but also: Comply with the GBER requirements (i.e. 50% renewable, 50% waste heat, 75% CHP or 50% of a combination).</td>
</tr>
<tr>
<td>Three residential tower blocks with electric heating through individual contracts</td>
<td>All capital costs of installing a new electrical heaters or alternative heating system that would otherwise be installed (e.g. individual gas boilers) that meet current building regulations and related costs where applicable e.g. operating equipment, utility connection, flue construction etc.</td>
<td>All capital costs of the energy centre up to the point of its interface with the distribution network infrastructure e.g. not just the heat source such as a CHP unit but also monitoring and operating equipment, the generation plant building, associated equipment, land acquisition, site and landscaping works and related costs where applicable e.g. peaking plant boilers, thermal stores where they are integrated with the energy centre, etc.</td>
</tr>
<tr>
<td>Single commercial property</td>
<td>All capital costs of installing a new electrical heaters or alternative heating system that would otherwise be installed (e.g. gas boiler) that meet current building regulations and related costs where applicable e.g. operating equipment, utility connection, flue construction etc.</td>
<td></td>
</tr>
<tr>
<td>New build development containing a mixture of residential and commercial units</td>
<td>The hypothetical heating and hot water system that would have been installed if the heat network had not been chosen. Depending on local planning requirements and Building Regulations, heat demand and project characteristics the conventional plant could be: individual heating and hot water solutions (commonly gas boilers for individual properties) or a communal heating and hot water solutions for multi-occupancy buildings (commonly building scale gas boiler) or a network scale gas boiler for a heat network.</td>
<td></td>
</tr>
</tbody>
</table>
As outlined above, organisations may be eligible for an uplift of the maximum amount of allowable aid for the energy centre/production plant based on their size or location, further detail is provided below.

**Uplift of maximum aid intensity for production plant by size**

Aid intensity for the production plant may be increased by 20 percentage points for aid granted to small undertakings and by 10 percentage points for aid granted to medium-sized undertakings.\(^30\)

**Table 4 - Small and medium sized undertakings**

<table>
<thead>
<tr>
<th>EMPLOYEES</th>
<th>ANNUAL TURNOVER</th>
<th>ANNUAL BALANCE SHEET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>Less than 50 people</td>
<td>Annual turnover and/or annual balance sheet does not exceed €10m</td>
</tr>
<tr>
<td>Medium</td>
<td>Less than 250 people</td>
<td>Annual turnover does not exceed €50m and annual balance sheet does not exceed €43m</td>
</tr>
</tbody>
</table>

However, please note that when assessing small or medium status, figures from partner enterprises and linked enterprises (e.g. parent companies) may need to be included in the entity’s figures. Companies wholly or majority-owned by public bodies will virtually always be treated as large enterprises.\(^31\)

---


Uplift of maximum aid intensity for production plant by location

The aid intensity for the production plant may be increased by 15 percentage points for investments located in assisted areas fulfilling the conditions of Article 107(3)(a) of the Treaty on the Functioning of the European Union (TFEU) and by 5 percentage points for investments located in assisted areas fulfilling the conditions of Article 107(3)(c) of the TFEU.

To see if you may be eligible for support see Article 2, Paragraph (27), of GBER and Department for Business Innovation and Skills (2014) - An introduction to assisted areas.

Part 2: Maximum allowable aid for the distribution network

Allowable network aid:

- network investment cost – discounted network operating profit over investment lifetime

Figure 13 - Illustrative distribution network maximum aid calculation

To calculate the maximum amount of aid that can be provided for the distribution network, the operating profit that is attributable to the distribution network only over the lifetime of the investment is subtracted from the total investment costs required to build the network. The logic behind the approach is to subtract the profit the network will make over the lifetime of the investment from the network investment cost to calculate a ‘viability gap’ e.g. £7m investment cost - £3m profit = £4m viability gap.

Figure 14 below shows where the revenues from the network over the lifetime of the investment are less than the network investment cost (projects A and C) then network aid is permissible but where network profit over the lifetime of the investment equals or exceeds investment costs no aid can be granted (project B).
Network investment costs

Include all capital costs related to building the distribution network infrastructure which delivers heat from the energy centre/production plant to end customers including the heat exchangers and heat interface units. This should include any network costs including eligible secondary or tertiary works (including customer connections) where they are part of the HNIP application and any thermal stores, pumping and distribution equipment located outside the energy centre/production plant. The capital costs of the distribution network will be taken from information provided in the application.

Figure 14 - Amount of allowable network aid under a range of scenario
Network operating profit

The allocation of the operating profit to the distribution network will depend on whether the management/operation of the network is separated from the heat production plant. If it is separate, the operating profit stems from the management/operation of the heat distribution network.

In many cases a single entity will apply for support from HNIP for the entire heat network (production plant and the distribution network). In this case the allocation of operating profit would be based on ordinary accounting principles which means participants will have to apportion the costs and revenues that arise from operation of the heat network. The guidance provided in this section provides a method to assist those developing their approach to apportioning profit to their network. However, it is not the only approach that could be adopted. It will be the responsibility of applicants to develop the best approach for allocating profit to their network for their projects for this calculation.

### Energy Centre/Production Plant

<table>
<thead>
<tr>
<th>Cost of efficient network alternative</th>
<th>Cost of standard conventional production plant</th>
<th>Network Investment Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>£3m</td>
<td>£1m</td>
<td>£7m</td>
</tr>
</tbody>
</table>

- **Cost of efficient network alternative**
ed. CHP, biomass, heat recovery
- **Cost of standard conventional production plant**
ed. Individual boilers or network gas boilers

- **Network Investment Cost** includes all infrastructure, ancillary and connection costs

- **Discounted network operating profit** over lifetime (e.g. £3m after 40 years)

### Distribution Network

<table>
<thead>
<tr>
<th>Energy Centre/Production Plant</th>
<th>Distribution Network</th>
</tr>
</thead>
<tbody>
<tr>
<td>£3m</td>
<td>£1m</td>
</tr>
<tr>
<td>£2m</td>
<td>£4m</td>
</tr>
</tbody>
</table>

- **Allowable production plant aid** = 45% of difference in cost between a standard system and an efficient alternative system

- **Allowable aid for production plant** £900,000

- **Allowable network aid** = Network Investment Cost minus Network Profit over lifetime

- **Allowable aid for production plant** £4m

- **Total overall allowable aid** is **£4.9m**

(£0.9m production plant + £4m network aid)
Operating profit & discount rate

‘Operating profit’ means the difference between the discounted revenues and the discounted operating costs over the relevant lifetime of the investment, where this difference is positive. The operating costs include costs such as personnel costs, materials, contracted services, communications, energy, maintenance, rent, administration, but exclude depreciation charges and the costs of financing if these have been covered by investment aid.

The revenue and costs singular items for the calculation need to be discounted back to a present value so they are comparable to the investment costs. Please use the discount rate you used in your model for this purpose.

Example methodology:

The definition above states that for operating profit you must ‘exclude, for the purpose of this Regulation, depreciation charges and the costs of financing if these have been covered by investment aid’. Aid for ‘depreciation charges and the costs of financing’ are not being provided for through HNIP Funding.

Inclusion of depreciation means that applicants will need to consider what is an appropriate depreciation rate for the assets in the distribution network and what their residual value might be at the end of the project. Normally these are principally the pipe network and the heat interface units.

For the applicant’s State Aid calculation, the network life is determined by the applicant along with the depreciation methodology. For the State Aid test carried out by TP Heat Networks using the FEAM, we will assume a 25-year timescale.

Allocating revenues and costs

Revenues for the distribution network are received from the production plant to distribute heat to end customers (a Use of System ‘UoS’ charge). This would typically be expressed in pence per kWh. Consider how to set the UoS charge for the distribution network taking into account the allocation of costs and revenues e.g. it might be set to be greater or equal to costs.

Relevant lifetime of investment

Investment lifetime or the ‘relevant lifetime of the investment’ is the project lifetime as defined by the HNIP applicant. This is the period over which revenues and costs have been modelled for the project in developing the business case and the subject of the HNIP application e.g. if the time horizon was 25 years for the business case this same horizon should be used to model costs and revenues for the network.

An illustration of how costs and revenues might be apportioned across a heat network is set out in Figure 16. However, the relevant exemption does not expressly state how the costs should be apportioned and so other approaches might be permissible. applicants should take appropriate advice.
Onward investment of HNIP funds

A range of different commercial structures will be eligible to apply for HNIP support ranging from wholly public sector owned heat networks to applicants on-investing in majority or wholly private sector owned heat networks.

Any entity in receipt of HNIP funding will need to undertake their own assessment to ensure any investments or procurement they undertake, including on-investing, are State Aid compliant. Authorities should carefully consider whether on-investing HNIP funding could result in the conferral of State Aid to another undertaking, for example a partner in a Joint Venture structure or a Special Purpose Vehicle established under a Joint Venture scheme itself. Further information can be found in the State Aid guidance of the Detailed Project Development guidance (see ‘PART C – STATE AID’, pg. 28).

In particular applicants should take care when calculating the gross grant equivalent of any funding on-lent to third parties such as SPVs. The gross grant equivalent of a loan is the difference between the total interest accruing over the lifetime of the loan and the interest which would have accrued had the loan been made at ‘market’ rates, determined in accordance with the European Commission methodology in Communication 2008/C 14/02. This will require a fresh calculation as third parties are likely to attract a higher ‘market’ rate. Table 5 provides examples of the different State Aid effects of on-lending.

---

£1M HNIP CORPORATE LOAN TO A LOCAL AUTHORITY APPLICANT – THE LOAN

<table>
<thead>
<tr>
<th>ACTUAL INTEREST RATE CHARGED</th>
<th>ACTUAL INTEREST PAID (A)</th>
<th>ILLUSTRATIVE ASSESSMENT OF EU REFERENCE RATE (MARKET PROXY)</th>
<th>REFERENCE INTEREST PAYMENT OVER TERM (B)</th>
<th>GROSS GRANT EQUIVALENT (B)-(A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.25%</td>
<td>£32,825</td>
<td>1.6%</td>
<td>£221,172</td>
<td>£188,347</td>
</tr>
</tbody>
</table>

£1M LOAN FROM THE LOCAL AUTHORITY APPLICANT TO ITS SPV – THE ON-LOAN

<table>
<thead>
<tr>
<th>ACTUAL INTEREST RATE CHARGED</th>
<th>ACTUAL INTEREST PAID (A)</th>
<th>ILLUSTRATIVE ASSESSMENT OF EU REFERENCE RATE (MARKET PROXY)</th>
<th>REFERENCE INTEREST PAYMENT OVER TERM (B)</th>
<th>GROSS GRANT EQUIVALENT (B)-(A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illustration 1</td>
<td>£32,825</td>
<td>7.5%</td>
<td>£1,242,767</td>
<td>£1,209,942</td>
</tr>
<tr>
<td>Applicant on-lends at HNIP corporate loan rate: 0.25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Illustration 2</td>
<td>£600,299</td>
<td>7.5%</td>
<td>£1,242,767</td>
<td>£642,468</td>
</tr>
<tr>
<td>Applicant on-lends at HNIP project loan rate: 4.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Please note that the rates quoted above are given as hypothetical examples and are not indicative of acceptable borrowing rates or repayment schedules.
PART 3: STATE AID TO THIRD PARTIES

Where State resources (‘State Aid’) are used to fund infrastructure, access to which is charged at below-market rates, then this has the potential to provide an indirect State Aid to those users which are classified as ‘undertakings’. An undertaking means any organisation engaged in putting goods or services on a market, for example a commercial landowner, or a firm engaged in commercial activity.

Participants should be aware that there is the potential for indirect State Aid to occur to users of HNIP-funded networks where below-market heat prices are sold to undertakings accessing the network. When developing a commercially attractive offer, for example including discounted rates on price, participants should carefully consider the potential indirect benefit that users may receive. In order to minimise the potential for a passing through of aid as a result of below-market rates, participants should consider the following:

1. Ensuring that any ‘undertakings’ using the network are established in an open and non-discriminatory manner founded on the principle of technical feasibility of the project and not on selectivity e.g. based on the results of heat mapping and energy master planning and/or feasibility exercises.

2. Ensuring that where discounted heat is sold to an undertaking, this reflects the incremental costs caused by that user in accessing the heat network as well as a reasonable margin for the network operator.
APPENDIX B: STATE AID PROCESS

Figure 17 – State Aid process flow diagram

Applicant confirms it understands State Aid position and it is responsible for ensuring no illegal State Aid

- Not confirmed
  - Application rejected

Application for

Repeat acknowledgements made at pre-qualification stage

- Not confirmed
  - Application rejected

Commercialisation and Construction funding

- Not confirmed
  - Application rejected

Application assessed

Applicant confirms costs submitted as ‘eligible’ are eligible for purposes of GBER Article 46

- Application rejected

Application measured against high risk indications of non-compliance and categorised as RED, AMBER or GREEN

- GREEN
  - No further action required and application continues
- AMBER
  - Application is accompanied by legal opinion confirming proposals state aid complaint
  - Opinion not
    - Application rejected
  - Opinion provided
    - Application rejected
- RED
  - Application is accompanied by QC opinion confirming proposals state aid
  - Opinion not
    - Application rejected
  - Opinion provided
    - Application rejected

Opinion checked to ensure complies

No further action required and application

Non-compliant
APPENDIX C: STANDARDISED DUE DILIGENCE SET

A key aim of HNIP is to encourage a more efficient approach to the development of heat network projects. Standardisation can help achieve this and should benefit sponsors, developers, funders and the supply chain.

A significant element of standardisation is the creation of a standardised due diligence set (SDDS) for attracting third party funders. This will be used to help project sponsors demonstrate that they meet the minimum requirements for funder due diligence, giving project sponsors greater certainty over what is required to achieve ‘bankable’ projects, and, over time, helping to reduce the costs of preparing/undertaking project due diligence. This will improve investor confidence in the sector.

We have set out below, some of the key areas of due diligence and the typical questions we would expect the SDDS to cover. Investors will expect suitable evidence to be provided in response to these questions.

The SDDS information is not required for the HNIP application. However, it may be relevant to applicants seeking third party funding, as evidence that they have carried out suitable due diligence, and is, therefore, referred to in the Funding Plans in Appendix D which form part of the deliverability assessment.

Technical

<table>
<thead>
<tr>
<th>1</th>
<th>General Design</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Is the design developed in line with the CIBSE Code of Practice (CP1)?</td>
</tr>
<tr>
<td></td>
<td>Is the design developed to at least RIBA stage 3 or equivalent?</td>
</tr>
<tr>
<td></td>
<td>Is the design developed in-line with the relevant regulations?</td>
</tr>
<tr>
<td></td>
<td>Is there an industry-standard energy model which conforms with standard practice and details the anticipated energy flows on at least an hourly basis (this will need to be reconciled with the financial model)?</td>
</tr>
<tr>
<td></td>
<td>Is there adequate provision for load growth and phasing?</td>
</tr>
<tr>
<td></td>
<td>Have all building connections and corresponding wet system modifications been considered to an appropriate level of detail?</td>
</tr>
<tr>
<td></td>
<td>What are the network flow and return temperatures and have they been optimally selected accounting for the requirements of the buildings connecting into the network?</td>
</tr>
<tr>
<td></td>
<td>Review all drawings, specifications and energy models.</td>
</tr>
<tr>
<td></td>
<td>Have adequate ground surveys been carried out and coordinated with the design of the below ground network.</td>
</tr>
<tr>
<td></td>
<td>Has a review of existing utilities been carried out (for example with regards the capacity of existing gas connections and the ability to secure G59 application)?</td>
</tr>
<tr>
<td></td>
<td>Has the design considered operational and commissioning requirements, maintainability, access and egress?</td>
</tr>
<tr>
<td></td>
<td>Are the infrastructure and utilities sized correctly for the anticipated demand and for future growth (these assumptions should be linked to the scenarios in the financial model – it is important that the technical design assumptions align with the investor base case)?</td>
</tr>
<tr>
<td></td>
<td>Has a principle designer been duly appointed under the CDM regulations?</td>
</tr>
<tr>
<td></td>
<td>Has a complete and up to date design risk register been produced?</td>
</tr>
<tr>
<td></td>
<td>Has an assumptions and constraints register been produced?</td>
</tr>
<tr>
<td></td>
<td>Has a fire strategy been developed?</td>
</tr>
</tbody>
</table>
2 | Planning, Consents and Permits

- Is planning permission required for implementation of the project and, if so, has it been granted and what conditions apply to it?

- Under the energy strategy, within the planning permission, what are the operating parameters for the plant in terms of operating hours, carbon targets, heat dump etc?

- Have the necessary EIAs been carried out?

- Have noise and air quality assessments been undertaken and implications factored into the design?

- What utility connections are required for the implementation of the project, have connection offers been made or agreements been entered into for import (power, gas, water) and any intended power export (G59 application)?

- Have the necessary highways authority / rail / transport permissions been received for the civil works?

- Where applicable, have permissions from relevant land owners been obtained for the installation of the underground network and what form do the permissions take (for example wayleave or easement)?

- Where ground works are required for abstraction of water or ground source loops, have necessary studies and consent been given?

- Where local water sources are being utilised has Environment Agency licenses been applied for?

- What other consents and/or permits are required for the works and operations, have they been secured, or can they be secured within the required timescales?

3 | Technology

- What is the technology/technologies proposed to be utilised in this project?

- What technology is proposed and at what level of maturity is it at? Are there other proven installations of this technology for a similar application?

- Is there a robust supply chain for the chosen technology?

- Is there sufficient contractor and operation and maintenance (O&M) expertise to deliver and maintain this technology?

- Are the assumptions on the efficiency of the plant and the overall system realistic?

- Can the plant meet the technical requirements, for example required supply temperatures?

- How has the plant been sized?

- Has the technology been optimally sized factoring in its capital costs, expected run hours and carbon savings?

- Who is supplying the technology, what is their credit-quality and track record, and what warranties are being provided?

- Is the plant capable of managing peak loads and back-up? If not what peak/backup provision is allowed for?

- What are the supply risks and what are the options for managing these?

- What is the expected service life of the selected technology at the temperatures and pressures being proposed? Has provision been made for future-proofing of the network through provision to install low carbon technology at a later stage?

- Has the material selection of pipework and ancillary equipment been appropriately made factoring in the temperature, pressure, water quality etc. requirements?
4 | Primary Distribution system

- What are the expected primary losses from the distribution system and are there contractual obligations on the installer to ensure that the as built losses reflect the anticipated design losses?
- What series of insulation is proposed for the underground network?
- Is there adequate leak monitoring in place?
- Have adequate isolation points been allowed for to ensure the network can be adequately maintained?

5 | Secondary (Building) Distribution system

- What are the customer obligations for water quality on the customer side of the heat exchanger (particularly relevant for bulk supply)?
- Is the installed or proposed pipework suitable for the pressure, flowrate and temperature requirements when connecting to the heat network?
- What are the expected primary losses from the distribution system and are there contractual obligations on the installer to ensure that the as built losses reflect the anticipated design losses?
- What commissioning of the secondary side systems will be carried out to ensure that the anticipated flow/return temperatures are realised?
- Are the regulatory obligations under Billings and Metering being adhered to?
- If HIU’s are being installed have the spatial and access requirements been considered?

6 | Commercial

- Is a fuel contract in place and for what duration?
- What pricing mechanism will be used to establish retail heat price? Does this use only published and externally verifiable indices? Is the heat price a function of costs as well as comparator pricing and indexation?
- How realistic are the electricity price assumptions?
- Will there be a private wire agreement? Is there a minimum supply requirement or minimum off-take on the private wire arrangement?
- What is the cash flow forecast?
- What guarantees will there be for heat take?
- Are there multiple off takers of heat?
- Have the stakeholders been signed up and what is the status of the legal agreements (e.g. heads of terms, full contracts)?
- If not, what is the risk profile for the project?
- If there’s an additional cost of production due to this short fall, how is this funded?
- What are the minimum and maximum heat take requirements (e.g. take or pay with a ceiling)?
- What heat supply obligations does the supplier have (e.g. delivery speed obligations, minimum temperature etc.)?
- Will heat supply agreements be developed for all connections? Will different customers have different terms?
- Are there any penalties for loss of supply being imposed by any of the takers of heat?
- What, if any, customer charter will this scheme use? Will it sign up to the Heat Trust?
- What happens if a heat customer fails to pay (fines, disconnection etc)? Who takes bad debt risk and what assumptions have been made for bad debt?
- What guarantees will there be to ensure low return temperatures?
- Does this project impact on any other contractual arrangements the stakeholders may have?
- Are developer(s), or other significant stakeholders, in procurement for an energy solution which would impact the network, including energy efficiency or other demand reduction measures?
- What are realistic downside scenarios – cost overruns, delays, revenue shortfalls e.g. due to demand, voids, bad debts etc? Who takes risk relating to delays to the development build out programme (for new build schemes)?
- What contingencies costs have been factored in?
- Does the commercial model include all plant and O&M envisaged from the design?
- Does the commercial model factor all of the site activities required to deliver the energy centre and or network?
7 | Procurement

- Has the contractor submitted a price? Has it been validated by a Quantity Surveyor? What is the mark up included by the contractor for OHP, risk premium and contingency?
- Did the project go out for competitive tender and can compliance with EU procurement rules be demonstrated?
- Is there a pre-construction information pack?
- Who is carrying out the work, and do they have a track record in successfully constructing (and if D&B designing) heat networks?
- What is the financial standing/credit assessment of the D&B contractor. Is a guarantor required? What security is being provided?
- Does the construction subcontractor have the skills and resources available for the size, type and length of project?
- What is the construction subcontractor’s supply chain strategy? Have key subcontractors and suppliers been identified and have contracts been agreed?
- Has the subcontractor had the opportunity to propose any value engineering?
- Has subcontractor had the opportunity to clarify the scope of works, and have any exclusions been agreed and confirmed?
- Has a principle contractor been duly appointed under the CDM regulations?
- Have key performance requirements been incorporated into the construction subcontract (for example, on system performance)?

8 | Construction phase

8.1 | Construction programme

- Is the construction programme deliverable, how much float is included?
- Is there project-on-project risk – e.g. where the project is reliant on a new development which could be delayed?
- What are the critical path items for the construction programme? Can elements of the programme be rescheduled without impacting the critical path?
- What are the key construction programme dependencies and are they within the Sponsor’s/subcontractor’s control?
- Are there interfaces with other parties (such as the operator) and how are these being dealt with (e.g. through an interface agreement)?
- Have long lead items been factored into the procurement and construction programme?

8.2 | Construction Costs

- Are the construction cost allowances realistic and within industry norms?
- Is the elemental breakdown of costs realistic?
- Is the profile of spend realistic and does it match the work in the ground?
- Are the overheads and profits a reasonable percentage of the project value?
- Are costs indexed and, if so, how?
8.3 | Construction risk
- Has the risk register been reviewed and mitigations costed?
- Have ground condition surveys been carried out? What are the residual risks?
- Have connection surveys been carried out? What are the residual risks?

8.4 | Commissioning and handover
- Has the plant been commissioned? If not what is the commissioning and witnessing plan
- Has seasonal commissioning been allowed for?
- Has FAT testing of major plant and equipment been allowed for?
- If phased what provision has been made for commissioning at the end of each build-out / occupancy phase?
- Is there an appropriate commissioning plan for the distribution system, including the monitoring equipment?
- Has each building connection been commissioned? Including HIU commissioning and radiator balancing?
- Are meters correctly calibrated and BMS set up for logging readings?
- Has snagging of the plant and network been carried out and all defects made good?
- How will the network heat losses be ascertained and checked against the stated design losses?
- Has the production of the H&S file and O&M documentation been accounted for?
- Are all OE warranty documents provided and in date?

9 | Operations and Post Occupancy
9.1 | Operational costs
- Are the operational cost allowances realistic and within industry norms?
- Are the lifecycle/capital replacement costs and programme realistic and within industry norms?
- How will the asset be managed to ensure the optimal financial performance and how will the operator be incentivised?
- Who is responsible for business rates and has an adequate provision been made?

9.2 | Contracting parties and supply chain
- Who is going to operate the heat network?
- Does the operator have the skills and resources required to operate the size and type of project?
- What is the operator’s supply chain strategy? Have key subcontractors and suppliers been identified and have contracts been agreed?

9.3 | O&M subcontract and method statements
- Does the operator have suitable method statements for operating the plant and network?
- Are the designed performance KPIs and expected SLAs embodied into the O&M contract? What is the service deduction mechanism for poor performance?
- What are the terms for contract termination?
- How is the complaints procedure managed?
- Are there any hand-back requirements for the plant/system and are these reflected in the O&M subcontract?
10 | Legal/Commercial

- Who owns the network assets including generation assets and pipework (e.g. transfer of ownership to the operator versus long term lease)?
- What land rights are needed to implement the project and what land rights have already been secured?
- What is the status of contracts for heat off-take, including anchor loads and additional off-takers?
- If the project involves domestic supply connections, have customer supply contracts been drafted compliant with Heat Trust requirements?
- What is the strategy for heat pricing and is all indexation referable and relevant to externally verifiable indices (with allowance for costs of accessing/publishing these indices as applicable)?
- What structure is to be used for the procurement of project works – is the applicant undertaking these works itself, is it procuring a third party(ies) to undertake these works or is it granting a concession that includes delivery of these works?
- What structure is to be used for the procurement of operational services (including operation, maintenance, plant replacement, billing, metering, customer services, etc) – is the applicant providing these services itself, is it procuring a third party(ies) to provide these services or is it granting a concession that includes the provision of these services?
- Do all works and services contracts (or concession) support a clear understanding of:
  - the allocation of responsibility as between contractors for undertaking design, build, extension, operation and maintenance of each part of the network and through different phases of the project lifecycle?
  - the allocation of responsibility for defects in respect of design and build and for failures in respect of operation and maintenance for each part of the network and through different phases of the project lifecycle?
  - responsibility for obtaining (and risk in not obtaining or delay in obtaining) planning and other consents?
  - costs risk associated with costs overruns, delays, consenting, phasing and other major risks?
  - the rights for the counterparties to terminate?
  - termination liabilities greater than payment for works undertaken and plant/equipment ordered and transferred?
  - limits of liability?
Are all major works and services contracts with strong counterparties and/or supported by performance security (e.g. PCG, performance bond, letter of credit, etc as appropriate)?

What activities are not to be undertaken by contractors?

What risks associated with design and build, or operation and maintenance have not been flowed down to contractors?

If the project involves grant of a concession, does the concessionaire:

- provide finance?
- require capital contributions from the applicant?
- take all risk in design and build?
- take all risk in operation and maintenance?
- to take risk in connections?
- take all volume/demand risk?
- take customer payment default risk?
- agree to register the scheme with the Heat Trust and at least meet Heat Trust standards?

Where the project involves the purchase of heat from any third party heat supplier(s):

- what is the status of negotiations for heat supply?
- does the arrangement address responsibility for undertaking any works of connection and the costs of those works?
- does the arrangement require any of the works associated with connection to be undertaken only during heat production plant down-time?
- does the arrangement include any compensation payable by either party to the other for delays associated with connection?
- does the arrangement impose any take-or-pay obligation on the applicant?
- does the arrangement impose any firm volume delivery commitments on the supplier?
- how is price for heat (and any other services) set and how is it adjusted?

How is the issue of supplier of last resort being addressed?

What funding has already been secured and how is this being or to be provided to the project, on what terms and does that require security to be taken over shares in an SPV, project assets or revenues?

What is the applicant’s strategy to ensure compliance with State Aid rules and is this supported by an appropriate legal opinion?
11 | Financial model

The Financial Model should go through an external model audit such that the opinion confirms:

- The Model is logically constructed, internally consistent, and materially arithmetically correct such that the results are reliable, accurate, complete and consistent with the assumptions contained in the Model.

- The Model materially achieves its objective of generating statements of profit or loss, cash flow and balance sheet projections for the project on the basis of the operational, financial and economic assumptions set out in the base case.

- The Model reflects the definitions stated in the legal agreements, including the funding agreements; the Model reflects the interest calculations, repayment profile, reserve account balances, operational debt cover ratios and that any forecast ratio breaches will be adequately reported.

- The Model’s costs, revenue, factual, technical and other assumptions are materially consistent with the relevant financial and contractual provisions in the project and finance documents (these will vary from project to project).

- The accounting assumptions within the Model are materially consistent with UK GAAP/IFRS.

- The tax assumptions and outputs are materially consistent with current (and foreseen changes to) UK tax legislation (including VAT and VAT cashflows and timing thereof) and the tax; treatment in the Model is consistent with the accounting treatment in the Model.

- The Model produces consistent and meaningful results on the agreed funder sensitivities, to ensure that changes to model forecasts accurately reflect changes to input data.

- The calculations of financing outputs such as internal rates of return, have been calculated in strict accordance with the Finance and Equity Documents.
APPENDIX D – FUNDING PLANS

This appendix sets out the requirements for the Stage 1 and Stage 2 Funding Plans. Applicants for Commercialisation and Construction funding will be required to submit a Stage 1 Funding Plan as part of the full application. Applicants for Construction funding only will be required to submit a Stage 2 Funding Plan as part of the full application.

All successful applicants will need to evidence (as a condition precedent) that their funding is in place and committed before release of the HNIP construction funding.

It is recognised that applicants will have a range of approaches to funding, from internal cash/reserves to raising funding from external sources such as from owner/operators and third party commercial lenders and investors. The responses to the Funding Plan requirements below should reflect this – for example, where a local authority is funding a project with internal reserves, the level of information required is likely to be less than where a project sponsor is raising external third party funding.

Stage 1 | Funding Plan

- Describe the proposed commercial delivery structure (for example, third party ESCO/SPV, Joint Venture ESCO/SPV, project sponsor ESCO/SPV, in-house delivery - further information on these structures can be found in the Grant Thornton August 2018 report titled Financing Heat Networks in the UK). The proposed ownership (where applicable) of any ESCO/SPV being established for the project and which parties will exercise control over the ESCO/SPV.

- Describe your proposed approach to raising the non-HNIP funding required for your project, including:
  - Identify the expected source of non-HNIP funding (e.g. internal resources or the name of the funder if external funding).
  - Identify the type of non-HNIP funding (e.g. internal funding for in-house delivery; loan or equity for SPV).
  - Confirm the amount of non-HNIP funding you expect to require.

- Confirm that this amount is expected to cover the non-HNIP funding requirement in full.

- Explain the level of headroom in your proposed non-HNIP funding to allow for changes in funding requirement between commercialisation and construction drawdown. Confirm the amount of headroom and how the headroom has been sized versus the risk of an increase in funding requirement.

- Explain the process/plan for securing funding commitments through the commercialisation stage. Where you expect to raise non-HNIP funding from external sources, explain what discussions, if any, you have had with funders (e.g. banks, leasing companies, owner/operators, financial investors) and any indicative terms that have been provided. Where you intend to approach the TP Heat Networks Funding Panel, state this here.

- Set out the expected terms of the non-HNIP funding, including (select where relevant for the funding type):
  - how the funding will be drawn down/invested (e.g. upfront, pro-rata to HNIP/other funding, back-ended).
  - type of repayment (e.g. dividends, principle and interest).
  - how the funding will be repaid (e.g. annuity, sculpted, bullet, cash sweep/available cash).
  - term of the funding (e.g. fixed term or project length).
  - arrangement / any other funding-related fees.
  - the margin or return required on the funding.
  - commitment fees on undrawn amounts.
  - reference interest rate(s) and any proposed interest rate hedging.
  - any conditions for the funding being drawn down/invested.
  - any material financial covenants (e.g. net worth tests, interest cover, project finance cashflow cover ratios).

Explain what due diligence, if any, has been carried out for funder(s). Explain any significant (e.g. red flag) issues raised and outstanding. Describe what additional due diligence remains to be completed prior to drawing down the funding. (Applicants should refer to the Standardised Due Diligence Set in Appendix C which shows the typical technical and legal due diligence issues that third party funders would expect to be covered).

Confirm what tax and accounting advice you have received to date and what assumptions you have made regarding tax (e.g. VAT, business rates corporation tax). Who has provided the tax advice (where external advice has been provided, state the name of the professional firm and confirm the level of Professional Indemnity insurance)?

Evidence to justify non-HNIP funding returns:
- State whether and how you will test the availability of alternative sources of third party funding during the commercialisation stage.
- State what proportion of non-HNIP funding you expect to test with third party funders.
- Provide justification and evidence for the pricing/returns assumed for the non-HNIP funding.

Returns:
- State the financial returns required on the non-HNIP funding (e.g. IRR requirement, interest rate and margin requirement etc).
- State the Real Pre-tax project IRR from your Stage 1 Financial Model.
- Provide an explanation of why you consider the financial returns from the project (without HNIP funding) to be too low to attract the funding required for the project (provide evidence to support your explanation).
- State what level of Real Pre-tax project IRR you expect to be required in order to fully fund the project.

Approvals/commitment:
- Explain what level of approval/commitment has been obtained for the non-HNIP funding e.g. For internal funding - stage of business case approval, board approval etc.
- For external funding - support letters, commitment letters, stage of credit/investment committee/board approval etc.
- Describe what further approvals will be required prior to drawing down the funding.
- Explain any conditions that apply to the approvals/funding.
- Provide evidence of the approvals and the conditions (e.g. minutes, support/commitment letters etc).

Where relevant (e.g. for non-recourse project financing) explain any relevant base case financial model outputs you expect funders to set (e.g. annual debt service cover ratios, loan life cover ratios, gearing) and financial model sensitivities you expect funders to require.

Explain the basis for these terms (e.g. agreed terms for internal/external funding, indicative terms, terms not based on any discussion with the funder(s)).

Any security requirements from the funder(s).
- Ranking of the funding for repayment and on acceleration versus HNIP funding (e.g. ranking equal to or behind HNIP funding).
- Cross-default provisions.
- Restrictions on payment of dividends/distributions.

Where relevant (e.g. for non-recourse project financing) explain any relevant base case financial model outputs you expect funders to set (e.g. annual debt service cover ratios, loan life cover ratios, gearing) and financial model sensitivities you expect funders to require.

Explain the basis for these terms (e.g. agreed terms for internal/external funding, indicative terms, terms not based on any discussion with the funder(s)).

Approvals/commitment:
- Explain what level of approval/commitment has been obtained for the non-HNIP funding e.g.
- For internal funding - stage of business case approval, board approval etc.
- For external funding - support letters, commitment letters, stage of credit/investment committee/board approval etc.
- Describe what further approvals will be required prior to drawing down the funding.
- Explain any conditions that apply to the approvals/funding.
- Provide evidence of the approvals and the conditions (e.g. minutes, support/commitment letters etc).

Explain what due diligence, if any, has been carried out for funder(s). Explain any significant (e.g. red flag) issues raised and outstanding. Describe what additional due diligence remains to be completed prior to drawing down the funding. (Applicants should refer to the Standardised Due Diligence Set in Appendix C which shows the typical technical and legal due diligence issues that third party funders would expect to be covered).

Confirm what tax and accounting advice you have received to date and what assumptions you have made regarding tax (e.g. VAT, business rates corporation tax). Who has provided the tax advice (where external advice has been provided, state the name of the professional firm and confirm the level of Professional Indemnity insurance)?
Stage 2 | Funding Plan

- Describe the commercial delivery structure (for example, third party ESCO/SPV, Joint Venture ESCO/SPV, project sponsor ESCO/SPV, in-house delivery, the ownership (where applicable) of any ESCO/SPV being established for the project and which parties will exercise control over the ESCO/SPV.

- Describe your funding plan for the non-HNIP funding, including:
  - Identify the expected source of non-HNIP funding (e.g. internal resources or the name of the funder if external funding).
  - Identify the type of non-HNIP funding (e.g. internal funding for in-house delivery; loan or equity for SPV).
  - Confirm the amount of non-HNIP funding you require.
  - Confirm that your funding covers the non-HNIP funding requirement in full.
  - Explain the level of headroom in your proposed non-HNIP funding to allow for changes in funding requirement between HNIP award and funding drawdown.
  - Confirm if there is any currency exchange rate risk and how this is mitigated (if applicable).

- Set out the detailed terms of the non-HNIP funding, including but not limited to (select where relevant for the funding type):
  - How the funding will be drawn down/invested (e.g. upfront, pro-rata to HNIP/other funding, back-ended).
  - Type of repayment (e.g. dividends, principle and interest).
  - How the funding will be repaid (e.g. annuity, sculpted, bullet, cash sweep/available cash).
  - Term of the funding (e.g. fixed term or project length).
  - Arrangement / any other funding-related fees.
  - The margin or return required on the funding.
  - Commitment fees on undrawn amounts.
  - Reference interest rate(s) and any proposed interest rate hedging.
  - Any conditions for the funding being drawn down/invested.
  - Any material financial covenants (e.g. net worth tests, interest cover, project finance cashflow cover ratios).
  - Any security requirements from the funder(s)
  - Ranking of the funding for repayment and on acceleration versus HNIP funding (e.g. ranking equal to or behind HNIP funding).
  - Cross-default provisions.
  - Restrictions on payment of dividends/distributions.
Explain the basis for these terms (e.g. agreed terms for internal/external funding, indicative terms, terms not based on any discussion with the funder(s)). A high level of commitment will be expected.

Where relevant (e.g. for non-recourse project financing), provide the key outputs from the Stage 2 financial model and sensitivities and confirm whether the funder has approved the base case model and sensitivities.

Confirm whether the Stage 2 Financial Model has been audited.

Confirm whether tax and accounting advice has been received and whether the advice is fully reflected in, as relevant (i) the Stage 2 Financial model or (ii) your in-house delivery model. Who has provided the tax advice (where external advice has been provided, state the name of the professional firm and confirm the level of Professional Indemnity insurance)?

Approvals/commitment (a high level of commitment will be expected):

Explain what level of approval/commitment has been obtained for the non-HNIP funding e.g. For internal funding - stage of business case approval, board approval etc.

For external funding - support letters, commitment letters, stage of credit/investment committee/board approval etc.

Describe what further approvals will be required prior to drawing down the funding.

Explain any conditions that apply to the approvals/funding.

Provide evidence of the approvals and the conditions (e.g. minutes, support/commitment letters etc)

Where relevant, explain what due diligence has been completed for the funder(s). Provide the names of the due diligence advisers that have been appointed. Explain any significant (e.g. red flag) issues raised and outstanding. Describe what additional due diligence remains to be completed prior to drawing down the funding. (applicants should refer to the Standardised Due Diligence Set in Appendix C which shows the typical technical and legal due diligence issues that third party funders would expect to be covered).

Provide evidence to justify non-HNIP funding returns:

State whether and how you tested the availability of alternative sources of third party funding during the commercialisation stage. Submit any terms that were provided.

State what proportion of non-HNIP funding you tested with third party funders.

Provide justification and evidence for the pricing/returns assumed for the non-HNIP funding.

Returns:

State the financial returns required on the non-HNIP funding (e.g. IRR requirement, interest rate and margin requirement etc).

State the Real Pre-tax project IRR from your Stage 1 Financial Model.

Provide an explanation of why you consider the financial returns from the project (without HNIP funding) to be too low to attract the funding required for the project (provide evidence to support your explanation).

State what level of Real Pre-tax project IRR you expect to be required in order to fully fund the project.
APPENDIX E – FINANCIAL MODEL SPECIFICATIONS

Stage 1 | Financial Model

General

The Model must be presented in Microsoft Excel (2013) or later. It should be macro enabled and saved as a *.xlsm (accepted alternative would be .xlsx) excel type file.

The Model must be provided unlocked: both workbook and visual basic with all sheets visible. All calculations must be visible with no hard coding of any outputs or calculated cells.

Timeline/Inflation

The Model should be developed with a maximum 40-year timeframe from the start of construction (depending on the concession life of the project) and should be monthly during construction then semi-annual during operations. The semi-annual periods must be in line with financial years (i.e. 1st April to 30th September and 1st October to 31st March).

The Model will be developed to reflect real values (base date being the calendar year of the year of submission of the Application). These real values should include any under-or over-indexation (e.g. where costs are expected to decrease or increase over time, excluding the effects of general inflation – CPI/RPI). Values which are to be pegged to ‘price curves’ to determine this under or over indexation should show the impact of this ‘pegging’ separately (more details on how to show this breakdown is included in the Table 6 under the ‘Mandatory Financial Components’ section).

Units

- Monetary values will be expressed in real £000.
  - Base date will be the calendar year of the year of submission of the application.
- Energy values will be expressed in kWh.
- Energy prices will be expressed in p/kWh.
- Capacity will be expressed in kW.
- Green House Gas emission factors, in kgCO2e/kWh.
- Income and energy generation/imports will be expressed as positive values.
- Costs and energy losses will be expressed as negative values.

The HNIP Data Submission Template collects information from applicants using a variety of pre-determined classifications (presented as drop-down lists). Where possible, applicants are asked to replicate these classifications within their financial model to aid the review of applications.

As set out at paragraph 6.8 of the guidance above and in more detail below, the aid intensity may be increased by 20 percentage points for aid granted to small undertakings and by 10 percentage points for aid granted to medium-sized undertakings. The aid intensity for the production plant may be increased by 15 percentage points for investments located in assisted areas fulfilling the conditions of Article 107(3)(a) of the TFEU and by 5 percentage points for investments located in assisted areas fulfilling the conditions of Article 107(3)(c) of the TFEU.
## Mandatory Financial Components

The cashflow within the Model should contain the following summary components. We do not expect any additional line items to be added. For eligibility of costs please refer to the guidance document.

<table>
<thead>
<tr>
<th></th>
<th>Mandatory Financial Components</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total Initial Capex - Generation (real)</td>
<td>£’000</td>
</tr>
<tr>
<td>2</td>
<td>Total Initial Capex - Distribution Network (real)</td>
<td>£’000</td>
</tr>
<tr>
<td>3</td>
<td>Total Initial Capex – Contingency (real)</td>
<td>£’000</td>
</tr>
<tr>
<td>4</td>
<td>Total Initial Capex – Other (real)</td>
<td>£’000</td>
</tr>
<tr>
<td>5</td>
<td>1+2+3+4</td>
<td><strong>Total Initial Capex</strong></td>
</tr>
<tr>
<td>6</td>
<td>Total Repex/EoL Capex - Generation (real)</td>
<td>£’000</td>
</tr>
<tr>
<td>7</td>
<td>Total Repex/EoL Capex - Distribution Network (real)</td>
<td>£’000</td>
</tr>
<tr>
<td>8</td>
<td>Total Repex/EoL Capex – Contingency (real)</td>
<td>£’000</td>
</tr>
<tr>
<td>9</td>
<td>Total Repex/EoL Capex – Other (real)</td>
<td>£’000</td>
</tr>
<tr>
<td>10</td>
<td>6+7+8+9</td>
<td><strong>Total Repex/EoL Capex</strong></td>
</tr>
<tr>
<td>11</td>
<td>5+10</td>
<td><strong>Total Capex</strong></td>
</tr>
<tr>
<td>12</td>
<td>Opex – Maintenance (real)</td>
<td>£’000</td>
</tr>
<tr>
<td>13</td>
<td>Opex - Other Costs (real)</td>
<td>£’000</td>
</tr>
<tr>
<td>14</td>
<td>Opex – Fuel cost (base)</td>
<td>£’000</td>
</tr>
<tr>
<td>15</td>
<td>Indexation Forward Curve (to derive ‘real cost’)</td>
<td><strong>X.XX%</strong></td>
</tr>
<tr>
<td>16</td>
<td>14 x 15</td>
<td>Opex – Fuel cost (real)</td>
</tr>
<tr>
<td>17</td>
<td>12+13+16</td>
<td>Opex total (real)</td>
</tr>
</tbody>
</table>

Table 6 -Summary of mandatory financial components
<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>Heat sales revenue, variable tariff (base)</td>
<td>£'000</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Indexation Forward Curve (to derive ‘real’ income)</td>
<td>X.XX%</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>18 x 19</td>
<td>Heat sales revenue, variable tariff (real)</td>
<td>£'000</td>
</tr>
<tr>
<td>21</td>
<td>Heat sales revenue, fixed tariff (base)</td>
<td>£'000</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Indexation Forward Curve (to derive ‘real’ income)</td>
<td>X.XX%</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>21 x 22</td>
<td>Heat sales revenue, fixed tariff (base)</td>
<td>£'000</td>
</tr>
<tr>
<td>24</td>
<td>Heat Sales revenue connection fee (real)</td>
<td>£'000</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Cooling sales revenue, variable tariff (base)</td>
<td>£'000</td>
<td></td>
</tr>
</tbody>
</table>

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>26</td>
<td>Indexation Forward Curve (to derive ‘real’ income)</td>
<td>X.XX%</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>25 x 26</td>
<td>Cooling sales revenue, variable tariff (real)</td>
<td>£'000</td>
</tr>
<tr>
<td>28</td>
<td>Cooling sales revenue, fixed tariff (base)</td>
<td>£'000</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Indexation Forward Curve (to derive ‘real’ income)</td>
<td>X.XX%</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>28 x 29</td>
<td>Cooling sales revenue, fixed tariff (real)</td>
<td>£'000</td>
</tr>
<tr>
<td>31</td>
<td>Cooling sales revenue connection fee (real)</td>
<td>£'000</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Private Wire sales revenue, variable tariff (base)</td>
<td>£'000</td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Indexation Forward Curve (to derive ‘real’ income)</td>
<td>X.XX%</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>32 x 33</td>
<td>Private Wire sales revenue, variable tariff (real)</td>
<td>£'000</td>
</tr>
<tr>
<td>35</td>
<td>Private Wire sales revenue, fixed tariff (base)</td>
<td>£'000</td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>Indexation Forward Curve (to derive ‘real’ income)</td>
<td>X.XX%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>35 x 36</td>
<td>Private Wire sales revenue, fixed tariff (real)</td>
<td></td>
</tr>
<tr>
<td>38</td>
<td></td>
<td>Private Wire sales revenue connection fee (real)</td>
<td></td>
</tr>
<tr>
<td>39</td>
<td></td>
<td>Electrical revenue – Nat Grid elec export revenue (real)</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td></td>
<td>Electrical revenue – Use of system charge or equivalent, for network only schemes (real)</td>
<td></td>
</tr>
<tr>
<td>41</td>
<td></td>
<td>Electrical revenue – other (real)</td>
<td></td>
</tr>
<tr>
<td>42</td>
<td></td>
<td>Other revenue (real)</td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>20 + 23 + 24 + 27 + 30 + 31 + 34 + 37 + 38 + 39 + 40 + 41 + 42</td>
<td>Total Revenue (Cash Received)</td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>11 + 17 + 43</td>
<td>Total Net Cashflows Pre-Intervention</td>
<td></td>
</tr>
<tr>
<td>45</td>
<td></td>
<td>HNIP Grant (where relevant)</td>
<td></td>
</tr>
<tr>
<td>46</td>
<td></td>
<td>HNIP Loan (where relevant) – drawdown</td>
<td></td>
</tr>
<tr>
<td>47</td>
<td></td>
<td>HNIP Loan (where relevant) – repayment</td>
<td></td>
</tr>
<tr>
<td>48</td>
<td></td>
<td>HNIP Loan (where relevant) – interest</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total Net Cashflows Post-Intervention</td>
<td></td>
</tr>
</tbody>
</table>

The Total Net Cashflows Pre-Intervention line should total revenues and costs and represents the real, pre-tax and pre-funding, cashflow before HNIP intervention. An IRR calculation should be performed on this cashflow - the ‘Pre-Intervention Real Pre-tax project IRR’. A second calculation should be made on the Total Net Cashflows Post-Intervention, including the cashflows relating to the HNIP intervention - the ‘Post-Intervention Real Pre-tax project IRR’.
Optional Financial Components

The Model can include the following (but will not be mandatory for Stage 1):

- Other project relevant income streams and costs.
- Other relevant financial metrics/outputs in addition to the Real, Pre-tax project IRR above.
- Corporation Tax.
- Business Rates.
- Indirect taxes (e.g. VAT).
- Green levies.
- Non-HNIP funding and different legal structures.
- Inflation (applicants still need to provide real values separately per the table requested in the mandatory section on a standalone basis).
- P&L and Balance Sheet.

Table 7 – Summary of funding agreement key terms

### HNIP Intervention

Where HNIP grant is sought, the Model should allow for a single grant line to be included and this should include the amount of award and date of award. Section 31 grants will be disbursed as a lump sum. Non-Section 31 grants will be disbursed against milestones for work completed.

Where HNIP loan is sought, the variables for the HNIP loan should reflect the relevant funding agreements, key terms of which are summarised in Table 7.

<table>
<thead>
<tr>
<th>Corporate Loan for construction funding</th>
<th>Project Loan for construction funding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount of loan</strong></td>
<td>See Guidance on calculating the project Funding Gap</td>
</tr>
<tr>
<td><strong>Draw down method</strong></td>
<td>Single drawdown at start of construction in the year for which funding is awarded</td>
</tr>
<tr>
<td><strong>Loan tenor / maturity</strong></td>
<td>Maximum tenor: the end date of the project/concession minus two years, up to a maximum of 25 years</td>
</tr>
<tr>
<td><strong>Interest rate (all-in)</strong></td>
<td>0.25% p.a. as of 1st October 2018 (but subject to change)</td>
</tr>
<tr>
<td><strong>Interest Payment Dates/Periods</strong></td>
<td>The first Interest Payment Date will be 6 months after the loan disbursement, and 6 monthly thereafter</td>
</tr>
<tr>
<td><strong>Principal Repayments</strong></td>
<td>Annuity repayment (no repayment sculpting)</td>
</tr>
<tr>
<td></td>
<td>See Guidance on calculating the project Funding Gap</td>
</tr>
<tr>
<td></td>
<td>Single drawdown at start of construction in the year for which funding is awarded</td>
</tr>
<tr>
<td></td>
<td>Maximum tenor: the end date of the project/concession minus two years, up to a maximum of 25 years</td>
</tr>
<tr>
<td></td>
<td>4% p.a. as of 1st October 2018 (but subject to change)</td>
</tr>
<tr>
<td></td>
<td>The first Interest Payment Date will be 6 months after the loan disbursement, and 6 monthly thereafter</td>
</tr>
<tr>
<td></td>
<td>Annuity repayment (no repayment sculpting)</td>
</tr>
</tbody>
</table>
### Corporate Loan for construction funding

| Principal Repayment dates | Repayments will be made on each Interest Payment Date commencing on the earlier of:  
|                          | (a) the first Interest Payment Date after the Completion Date; and  
|                          | (b) the fifth anniversary of the date of the Funding Agreement |
| Final repayment date      | On loan maturity (see above) |
| Completion Date           | The earlier to occur of:  
|                          | (a) issue of a completion certificate in respect of the project by the appropriate contractor or surveyor; or  
|                          | (b) the first start of transmission of heat to any anchor load customer |

### Project Loan for construction funding

| Principal Repayment dates | Repayments will be made on each Interest Payment Date commencing on the earlier of:  
|                          | (a) the first Interest Payment Date after the Completion Date; and  
|                          | (b) the fifth anniversary of the date of the Funding Agreement |
| Final repayment date      | On loan maturity (see above) |
| Completion Date           | The earlier to occur of:  
|                          | (a) issue of a completion certificate in respect of the project by the appropriate contractor or surveyor; or  
|                          | (b) the first start of transmission of heat to any anchor load customer |

### Stage 2 | Financial Model

The Stage 2 Model will include all the information (refreshed if relevant) stated in Stage 1 above, including pre- and post-HNP intervention cashflows. The Stage 2 Model is expected to be an incremental development of the Stage 1 Model, not a completely new model.

In addition to the Stage 1 requirements, the following requirements should be included:

**A | Timeframe – same as Stage 2**

**B | Inflation – all real values (i.e. those reported in the Stage 1 Model) inflated into nominal, applying relevant CPI/RPI. Where CPI is relevant, applicants should assume that CPI increases in line with the Government’s CPI target of 2% pa. Differential in inflation of costs versus inflation of revenues will be reviewed to ensure HNIP funding is applied appropriately.**

Applicants still need to provide real values separately per the table requested in the Stage 1 Financial Model mandatory section on a standalone basis.

**C | Commercial Structure – the proposed commercial structure should be reflected in the modelling.**

Further guidance on these types of structures can be found in the Grant Thornton August 2018 report titled Financing Heat Networks in the UK. Examples from this report include different delivery structures (e.g. third party ESCO, Concession, JV ESCO, project sponsor ESCO, in-house delivery) and funding structures (e.g. debt, equity, lease).

**D | Other costs and revenue - full modelling of all other costs and revenues not reflected in the Stage 1 Model including:**

- Corporation tax including any assessment of Capital Allowances (Annual Investment, Structures & Building, Plant & Machinery);
- Indirect taxes (e.g. VAT);
- Green levies;
- Business rates;
- Financing drawdowns and returns (e.g. interest, principal, fees, shareholder loan repayments, dividends);
- Other project costs and income;
- Other costs associated with the proposed commercial structure.

E | Sensitivities – input sensitivities and those that are/would be required by third party funders. Examples include:
- Plant efficiency;
- Plant sizing;
- Initial CAPEX;
- Repex/End of Life CAPEX;
- Energy tariff by customer type and energy type;
- Energy demand levels by customer type by heat/cooling, and electricity demand (where relevant);
- Fuel costs;
- Commodity prices by commodity;
- OPEX;
- Revenue;
- Inflation.

F | Financial Ratios – depending on the (non-HNIP) funding arrangement relevant financial ratios will be required in the financial model which may vary depending on the type of funding (e.g. debt service/loan life/project cover ratios for external project finance loans or loan: value for corporate loans).

G | Financial outputs – post-tax nominal shareholder IRR (blended) and other relevant metrics, NPVs, sources and uses, debt to equity as at completion, graphs (e.g. of financial ratios and a profile of cash balances). There should be a step-by-step manual reconciliation from the Real Pre-tax project IRR to the post-tax nominal shareholder IRR (blended) – i.e. the incremental steps by value and description between the two percentages.

H | Financial Statements – full cashflow, P&L and balance sheet in accordance with UK GAAP/IFRS (as applicable).

I | Databook – embedded in the workbook detailing and explaining the inputs/assumptions in the Model.

J | Assurance – sufficient level of assurance, typically provided by a third party by way of ‘opinion letter’ on the Model, covering the operation of the model, its consistency with the key project contracts and justification for selected tax and accounting treatments.
## HNIP Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additionality</td>
<td>An impact arising from Government Intervention in the market is additional if it would not have occurred in the absence of the Intervention.</td>
</tr>
<tr>
<td>Anchor load</td>
<td>A proposed key customer that intends to purchase a material supply of heat, power or other goods or services from the project.</td>
</tr>
<tr>
<td>Capital Funding</td>
<td>Money that lenders provide to a business. With relation to the Heat Networks Investment Project, capital funding is being provided by BEIS to successful applicants in order to support the commercialisation and construction of heat networks.</td>
</tr>
<tr>
<td>Carbon savings</td>
<td>A reduction in Carbon Dioxide (CO₂) emissions. Carbon savings can be elicited through using lower or zero carbon emitting heating sources or more efficient processes. The project is looking at carbon dioxide equivalent savings. This should be acknowledged in the guidance, recognising that henceforth the term “carbon” is used as a proxy for carbon dioxide equivalent.</td>
</tr>
<tr>
<td>Combined Heat and Power Quality Assurance (CHPQA) programme</td>
<td>The UK Government programme which provides guidance on assessing combined heat and power (CHP) schemes throughout the United Kingdom.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Commercialisation</td>
<td>A Project development stage in which the Project Sponsor contractually secures investment and future revenues. A partner is procured and appointed (where required) and relevant permissions and permit are obtained. Following financial and contractual negotiations, any technical changes are made, in order to develop a full business case for the Project. This may include detailed design, if delivery were to be contracted as a build (and operate).</td>
</tr>
<tr>
<td>Conditions Precedent</td>
<td>Conditions placed on the HNIP Funding award that must be achieved before HNIP Funding is released to HNIP Projects.</td>
</tr>
<tr>
<td>Connection Delay</td>
<td>Delays in connecting customers or businesses connecting to the heat networks, resulting in them being without power.</td>
</tr>
<tr>
<td>Construction</td>
<td>Construction begins at the earlier of the following points: i) when work has begun on site; or ii) funding is committed for products or services related to the delivery of the Project in preparation for works on site.</td>
</tr>
<tr>
<td>Cost Benchmarking</td>
<td>Establishing baseline costs of the existing heat supply in order to compare existing and future options.</td>
</tr>
<tr>
<td>Counterfactual</td>
<td>A counterfactual heating solution refers to the default heating system that would be installed for householders or businesses without any policy intervention.</td>
</tr>
<tr>
<td>Debt Service Cover Ratio (DSCR)</td>
<td>A measure of the cash flow available to pay current debt obligations.</td>
</tr>
<tr>
<td>Due diligence</td>
<td>An investigation or audit of a potential investment or product to confirm all facts and assess risks, such as reviewing all financial records, plus anything else deemed material.</td>
</tr>
<tr>
<td>Gap funding (sometimes referred to as gap financing)</td>
<td>The provision of an interim loan or grant to finance the difference between the available project finance and what is required in order for a project to go ahead.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>General block exemption Regulation (GBER)</td>
<td>European Regulation No 994/98 of 7 May 1998, amended by Council Regulation No 733/2013 of 22 July 2013, enables the Commission to adopt so-called Block Exemption Regulations for State Aid. With these regulations, the Commission can declare specific categories of State Aid compatible with the Treaty if they fulfil certain conditions, thus exempting them from the requirement of prior notification and Commission approval.</td>
</tr>
<tr>
<td>Gross Grant Equivalent (GGE)</td>
<td>Grants have a grant equivalency of a £1 grant equals a GGE of £1. For loans, this is calculated as the equivalent amount in £ to a grant, for State Aid reporting and value for money assessment purposes.</td>
</tr>
</tbody>
</table>
| Heat Network                              | The network can be a heat network, a heating and cooling network, or a cooling network. The term heat network is used as a proxy to encompass any of these types of network. Please note that:  
|                                           | — The distribution of thermal energy at any temperature and using any fluid is eligible under HNIP. This includes ambient temperature networks.  
|                                           | — Communal heating, where there is a single heat source within a single multi-tenanted property, does not meet this definition and is not eligible under HNIP.  
<p>|                                           | — Heat networks supplied by multiple heating and cooling sources are eligible under the HNIP. |
| Investment mandate                        | A statement of aims and the investment policy, including without limitation, any applicable limits on investment that may be made by the HNIP Investment Committee. This is outlined in more detail in Section 2.4 – How will HNIP operate? |
| Internal rate of return (IRR)             | The rate of economic return a project is expected to generate, serving as a metric used in budgeting to estimate the profitability of potential investments. |
| Outline Business Case                     | The preliminary thoughts regarding a proposed project (including envisaged outcomes, benefits and potential risks associated with the proposal). As such, it typically contains the information needed to help decide whether to adopt or pursue the project. |</p>
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project sponsors</td>
<td>Entities initiating development of a heat network and/or providing a source of funding. Includes property developers, local authorities, universities, business park owners, leisure centres, schools, commercial/social landlords, community organisations, charities etc.</td>
</tr>
<tr>
<td>Renewables Obligation (RO)</td>
<td>An obligation on UK electricity suppliers to source an increasing proportion of the electricity they supply from renewable sources.</td>
</tr>
<tr>
<td>Renewable Heat Incentive (RHI)</td>
<td>UK Government scheme set up to encourage uptake of renewable heat technologies amongst householders, communities and businesses through financial incentives.</td>
</tr>
<tr>
<td>Social Net Present Value (SNPV)</td>
<td>The value of a heat network project to society as a whole by quantifying a wide range of benefits and costs.</td>
</tr>
</tbody>
</table>
Further information

To register for updates from Triple Point Heat Networks Investment Management and to join the HNIP mailing list contact enquiries@tp-heatnetworks.org

HNIP main scheme information

Throughout the main scheme, Triple Point Heat Networks Investments Management will be hosting a series of stakeholder events and application workshops across England and Wales. The Delivery Partner would also be interested in attending and speaking at relevant events, to register your interest in one of our events or if you are hosting your own event contact Events.Ecuity@tp-heatnetworks.org to discuss these in more detail.

BEIS guidance and scheme background information
https://www.gov.uk/guidance/heat-networks-overview

HNDU support

Heat Networks Delivery Unit
hndu@beis.gov.uk

BEIS Heat Networks Team
heatnetworks@beis.gov.uk

Triple Point Heat Networks Investment Management
enquiries@tp-heatnetworks.org