



DECC Energy Storage Innovation Competitions:

DECC Responses to queries from potential applicants after launch of the competitions:

A. Questions applicable to both Competitions

A1. Are electrical power-to-fuel energy storage systems within scope for these Competitions?

When developing these Competitions, we had envisaged systems which could return power to the UK electricity grids. However, we believe that power-to-fuel storage systems are, in principle, within the scope for the competitions. As with any applications to these competitions, applicants with power-to-fuel technology will need to clearly demonstrate that their proposed systems could address grid-scale storage and balancing needs in the UK electricity networks.

A2. Does DECC specify or recommend particular consortium models to be used for these Competitions?

No, DECC does not specify a particular approach for groups of organisations to adopt in order to enter these competitions - different approaches may be appropriate for different consortia depending on their specific make up and division of responsibilities. For example, some groups may find it more appropriate to establish a formal joint venture company to apply for the Competitions. DECC does not specify particular consortium models or consortium agreements. If you are looking for possible agreements you could look at the Intellectual Property Office website: <http://www.ipo.gov.uk/lambert> - the IPO publishes a number of model agreements which are specifically intended for collaborative R&D project work.

A3. What are the payment arrangements under these Competitions – does DECC pay in arrears or can payment be given in advance of delivery?

DECC will make payments in arrears and expects to pay on completion of specific milestone deliverables which are agreed at the outset of the project (i.e. not simply on the basis of time spent on the project). Detailed invoicing and payment arrangements will be discussed with successful bidders before grant offer letters or contracts are awarded.

B. Component Research and Feasibility Study Scheme

B1. Will bids for grants of less than £200k be considered?

Yes: bids below the suggested minimum of £200k will be considered. If proposed projects are substantially lower than the suggested minimum then they will need to demonstrate clear overall value for money to offset the cost of administering small-scale projects.

B2. Could the Component Research Scheme be used to develop components to be used for the Technology Demonstration Competition?

Organisations or consortia can apply for both the Component Research and Feasibility Study Scheme and for the Technology Demonstration Competition but if applying to both competitions, the bids must be independent of each other. For example, a project proposed under the Technology Demonstration Competition must not rely on research and development to be carried out under the Component Research Scheme.

B3. Can Universities include the Full Economic Costs of their project activities within the eligible costs?

DECC is not operating a separate funding mechanism for universities under this Scheme; like any other applicant, a university would need to set out the expected eligible costs for a proposed project and would be eligible to receive a grant to fund a certain proportion of those eligible costs. The eligible costs can include both direct costs and proportionate indirect costs (including overheads which are directly relevant and in proportion to the effort deployed on the proposed project). Further details of eligible and non-eligible costs are listed in the Guidance Notes for the Scheme (in Annex 2).

B4. Can VAT be included within the eligible costs?

VAT which can not be reclaimed from HM Revenue and Customs can be included within eligible project costs.

B5. What are the arrangements for intellectual property generated in the Component Research and Feasibility Study Scheme?

Bidders will retain any intellectual property generated from the project.

B6. How long do companies have to arrange match funding?

DECC recognises that in some cases, the confirmation of grant funding can be the catalyst needed to finalise matched funding arrangements. For any successful bidders, DECC will enter into a period of more detailed negotiation before a final grant offer letter is agreed when funding arrangements can be finalised. However, bidders should indicate clearly in their bids the expected source(s) of the private sector matched funding for the proposed project.

B7. Does all the work have to be carried out in the UK?

No, the Guidance Notes for the call confirm that the project's activities must primarily take place in the UK.

B8. Can funding awarded under this Scheme be combined with other public sector funding, including EU funding?

Other public sector funding could only be used if the total level of public sector funding for the project was below the maximum level permitted under the EU General Block Exemption Regulation (GBER) limits. The grant intensity limits set out in the GBER refer to the proportion of total public sector funding that can awarded for a project. The key sections of the GBER which describe the grant funding limits are set out below for ease of reference:

Extract from General Block Exemption Regulation

(http://ec.europa.eu/competition/state_aid/reform/gber_final_en.pdf)

3. The basic aid intensity shall not exceed:

- (a) 100% for fundamental research;
- (b) 50% for industrial research;
- (c) 25% for experimental development.

The aid intensity shall be established for each beneficiary of aid, including in a collaboration project, as provided in paragraph 4(b) (i).

In the case of State aid for a research and development project being carried out in collaboration between research organisations and undertakings, the combined aid deriving from direct government support for a specific research project and, where they constitute aid, contributions from research organisations to that project may not exceed the applicable aid intensities for each benefiting undertaking.

4. The basic aid intensities set for industrial research and experimental development in paragraph 3 may be increased as follows:

(iii) where the aid is given to SMEs, the aid intensity may be increased by 10 percentage points for medium-sized enterprises and by 20 percentage points for small enterprises; and

(b) a bonus of 15 percentage points may be added, up to a maximum aid intensity of 80 %, if:

(i) the project involves effective collaboration between at least two undertakings which are independent of each other and the following conditions are fulfilled:

- no single undertaking bears more than 70 % of the eligible costs of the collaboration project,

- the project involves collaboration with at least one SME or is carried out in at least two different Member States, or

(ii) the project involves effective collaboration between an undertaking and a research organisation and the following conditions are fulfilled:

- the research organisation bears at least 10 % of the eligible project costs; and
 - the research organisation has the right to publish the results of the research projects insofar as they stem from research implemented by that organisation; or
- (iii) in the case of industrial research, the results of the project are widely disseminated through technical and scientific conferences or through publication in scientific or technical journals or in open access repositories (databases where raw research data can be accessed by anyone), or through free or open source software.

For the purposes of points (b) (i) and (ii) of the first subparagraph, subcontracting shall not be considered to be effective collaboration.”

C. Technology Demonstration Competition

C1. Can funding be used and is any additional support available for purchase of buildings or other major infrastructure needed to house and demonstrate innovative storage technologies?

No additional support is available for infrastructure to demonstrate technologies. Costs for buildings and land, to the extent and for the duration that they are used for the project, can be included within the eligible costs. All costs must reflect fair market value.

C2. Could the Component Research Scheme be used to develop components to be used for the Technology Demonstration Competition?

Organisations or consortia can apply for both the Component Research and Feasibility Study Scheme and for the Technology Demonstration Competition but if applying to both competitions, the bids must be independent of each other. For example, a project proposed under the Technology Demonstration Competition must not rely on research and development to be carried out under the Component Research Scheme.

C3. Can revenue be generated from the demonstration technology during the lifetime of the project?

The Technology Demonstration Competition will provide support for pre-commercial technologies only; however, we recognise that successful non-commercial demonstration projects may generate power for which they would be eligible to receive funding. Income generated in this way during the project lifetime should be used to offset the costs of the project. Where relevant, bidders should indicate if they expect a demonstration project to generate income during the project lifetime and include an initial estimate of the potential level of income.

C4. Do technology demonstration projects have to be decommissioned as soon as the project is completed?

No, there is no requirement for demonstration projects to be decommissioned as soon as projects are completed. However, suppliers will retain responsibility for decommissioning the demonstrators and making good as necessary in a timely fashion once the demonstrator has completed its useful life.

C5. Who would have responsibility for clean up and decommissioning activities at the end of the demonstration project?

Suppliers will retain responsibility for decommissioning the demonstrators and making good as necessary in a timely fashion once the demonstration project has concluded or when the demonstrator has completed its useful life.

C6. Can revenue be generated from the demonstration technology after the lifetime of the project and would DECC seek to negotiate revenue-sharing arrangements if a demonstration technology went on to generate revenue when the project was concluded?

Yes, revenue can be generated from the demonstration technology after the lifetime of the project. DECC is exploring mechanisms for recovering a share of the revenue generated from demonstration projects which go on to generate revenue. DECC will confirm any revenue-sharing arrangements with successful applicants during the feasibility phase of the competition.

C7. What is DECC looking for in the 'price reduction'?

Under a standard DECC procurement contract, DECC would retain intellectual property generated in the project. Under the Technology Demonstration Competition, suppliers will retain the intellectual property generated in the project, although DECC will retain certain user rights. Therefore, the price reduction required within the overall price proposal for the demonstration project is intended to reflect the benefit to the supplier of DECC not retaining exclusive rights to all the results and benefits of the development work (including the Intellectual Property Rights). When considering the price reduction, bidders can take into account the user rights which will be granted to DECC under the terms of the contract for the technology demonstration project (see Question C8 for further details on intellectual property arrangements).

C8. What are the arrangements for intellectual property generated in the Technology Demonstration Competition?

Under the terms of the contract to be awarded for the Technology Demonstration Competition, suppliers will retain the intellectual property generated from the project but they will be expected to identify and protect patentable knowledge within 3 years of its creation. DECC will also retain certain user rights with respect to the project outcomes, including intellectual property generated in the project. The detailed arrangements for intellectual property are set out in the template contract for the competition and the relevant contract clauses are set out below for ease of reference:

27. Intellectual Property Rights

- (1) Subject to condition 27(4), all Background Intellectual Property used or supplied under this Contract in connection with the Services shall remain the property of the Party introducing the same and nothing contained in this Contract or any licence agreement pertaining or pursuant to the Contractor's performance of the Services shall affect the rights of either Party in its Background Intellectual Property.
- (2) Subject to conditions 27(3) and 28(5), any Arising Intellectual Property shall belong to the Contractor.
- (3) The Contractor hereby grants to the Authority a worldwide, irrevocable, royalty-free, non-exclusive licence at no cost to the Authority, together with the right to grant sub-licences, to use or publish any Arising Intellectual Property, Data, results, outcomes or conclusions which is created in performing the Services for such purposes as the Authority shall in its absolute discretion deem fit.
- (4) The Contractor hereby grants to the Authority a worldwide, irrevocable, royalty-free, non-exclusive licence at no cost to the Authority, to use any Background Intellectual Property used in the performance of the Services, that is essential to the functioning and use of the Arising Intellectual Property.
- (5) The Contractor shall procure for the Authority any worldwide, irrevocable, royalty-free licence, at no cost to the Authority, from any third party, to use any Intellectual Property Rights that are essential to the functioning and use of the Arising Intellectual Property, as is reasonable in the circumstances, taking into account the Full Contract Price.

28. Exploitation of Intellectual Property

- (1) The Contractor shall inform the Authority of any Arising Intellectual Property, Data, results, outcomes or conclusions which is created in performing the Services which are capable of exploitation whether patentable or not.
- (2) The Contractor shall, as appropriate, devise, publish, implement and maintain procedures for the management of Arising Intellectual Property and in particular, but without limitation, shall use its best endeavours to ensure that:
 - a) the Data which constitutes Arising Intellectual Property is identified, recorded and carefully distinguished from the outputs of other research;
 - b) prior to any publication of materials created in the course of performing the Services, patentable inventions comprised within the Arising Intellectual Property are identified, duly considered for patentability and, where it is reasonable so to do, patent applications in respect thereof are filed at the British or European Patent Office; and
 - c) all such patent applications are diligently executed having regard to all relevant circumstances.

(3) The Contractor shall permit the Authority to monitor the operation and effectiveness of the Contractor's procedures for the management of Intellectual Property Rights in such a way as the Authority considers reasonably necessary.

(4) Consistent with the good management of Intellectual Property Rights and the continued agreement of the Authority, the Contractor shall use its best endeavours to:

- a. promote the dissemination of the Arising Intellectual Property; and
- b. once the contractor has performed the Services to the satisfaction of the Authority, exploit commercially any Arising Intellectual Property to generate either capital or revenue or both.

(5) If, within three years of its creation, any Arising Intellectual Property has not been commercially exploited by the Contractor the Contractor shall if requested by the Authority assign the Arising Intellectual Property to the Authority.

(6) The Contractor shall not transfer ownership of the Arising Intellectual Property without the consent of the Authority.

(7) The Authority may, at its absolute discretion, require the Contractor to licence the Arising Intellectual Property to third parties nominated by the Authority. Should the Authority choose to exercise its discretion under this clause, it will notify the Contractor in accordance with clause 3.

C9. Sub-contracting: Clarification of the application form – questions on sub-contracting:

Under Assessment Criterion 3, bidders are asked to submit details of all key sub-contractors and to provide evidence that chosen sub-contractors were selected by competitive tender. However, when consortia are bidding for this competition, if they are working under a collaborative agreement, the lead partner will submit the application in its name and will list the partner collaborators as sub-contractors. In this case, the formal collaboration partners do not have to be selected by competitive tender: the application form has been amended to reflect that the requirement for competitive tender does not apply to formal collaboration partners.

C10. Can Universities include the Full Economic Costs of their project activities within the eligible costs?

No: costs must reflect fair market value. Further details of the eligible and ineligible costs are given in Annex 1 of the Competition Guidance Notes: indirect costs (such as overheads) can be included but they must be charged in proportion to the amount of effort deployed on the project and must reflect fair

market value.

C11. Should costs include VAT?

VAT is the responsibility of the invoicing business, and applications should list total costs inclusive of VAT, where applicable (except when completing the details for Eligibility Criterion 2 where you are asked to provide a summary of the costs without VAT and to separately show the VAT applicable). Should you consider you are VAT exempt then you may quote without VAT but you will not at a later date be able to increase invoice values to cover VAT. You should not include VAT which you intend to reclaim directly from HM Customs and Revenue.

C12. Is there a limit to the size of Enterprise which can apply to these Competitions?

There is no minimum or maximum limit to the size of the Enterprise which can apply to the Competitions. DECC will need evidence, for example, relevant track record and proposed sub-contract or partnering arrangements, from all applicants that they have the necessary capability and capacity to deliver the proposed project.

C13. Can a contract and funding awarded under this Competition be combined with other funding?

In principle, a contract awarded under this Competition could be combined with other funding; however, DECC would need to be confident that the demonstration project that it is procuring would not be overly dependent on other activities or funding in order for it to be successfully delivered.