



Department  
of Energy &  
Climate Change



# CHP Outreach Workshops

*Programme: Reducing Energy Costs with Combined Heat & Power*

Manchester 12<sup>th</sup> March 2015



Department  
of Energy &  
Climate Change

# Heat Networks Delivery Unit

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March 2015

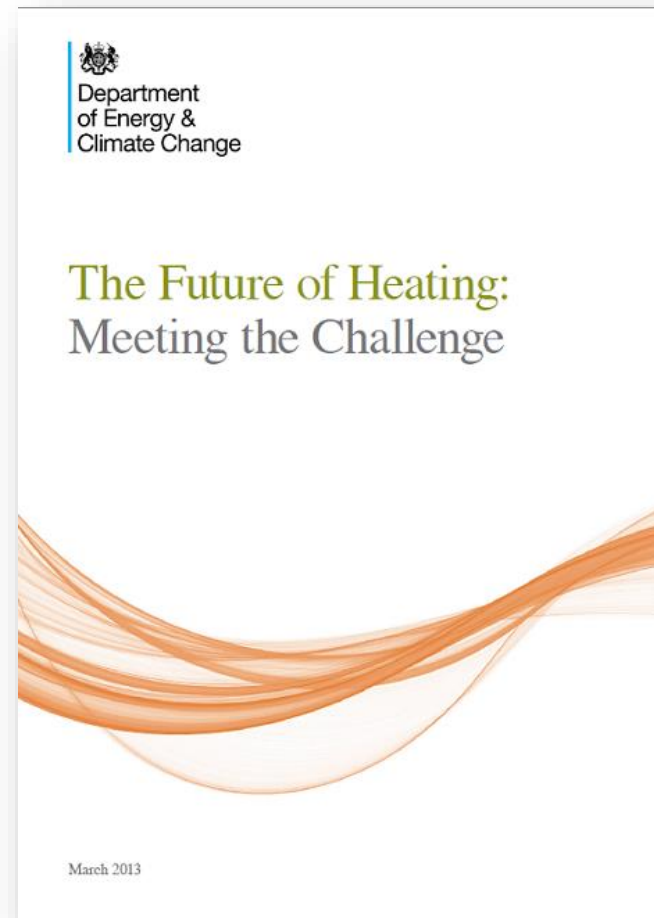


# HNDU creation 2013

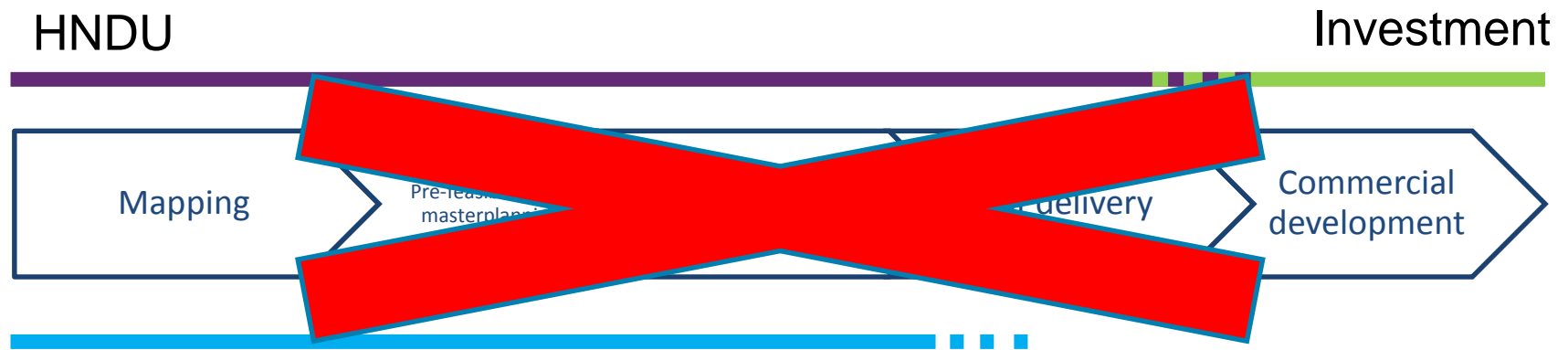
‘Future of Heating Meeting the Challenge’, published in March 2013, established Heat Networks Delivery Unit (HNDU) to;

*“encourage and enable Local Authorities in England and Wales to undertake the development stages of heat networks”.*

HNDU support = grant funding + guidance



# Evolution not Revolution



## DECC funding

- Our thinking has evolved over the four funding rounds
- Later stage applications have tested the limits of HNDU support and required greater consideration of the project development process



# Heat network development stages

1. Heat mapping

2. Energy masterplanning

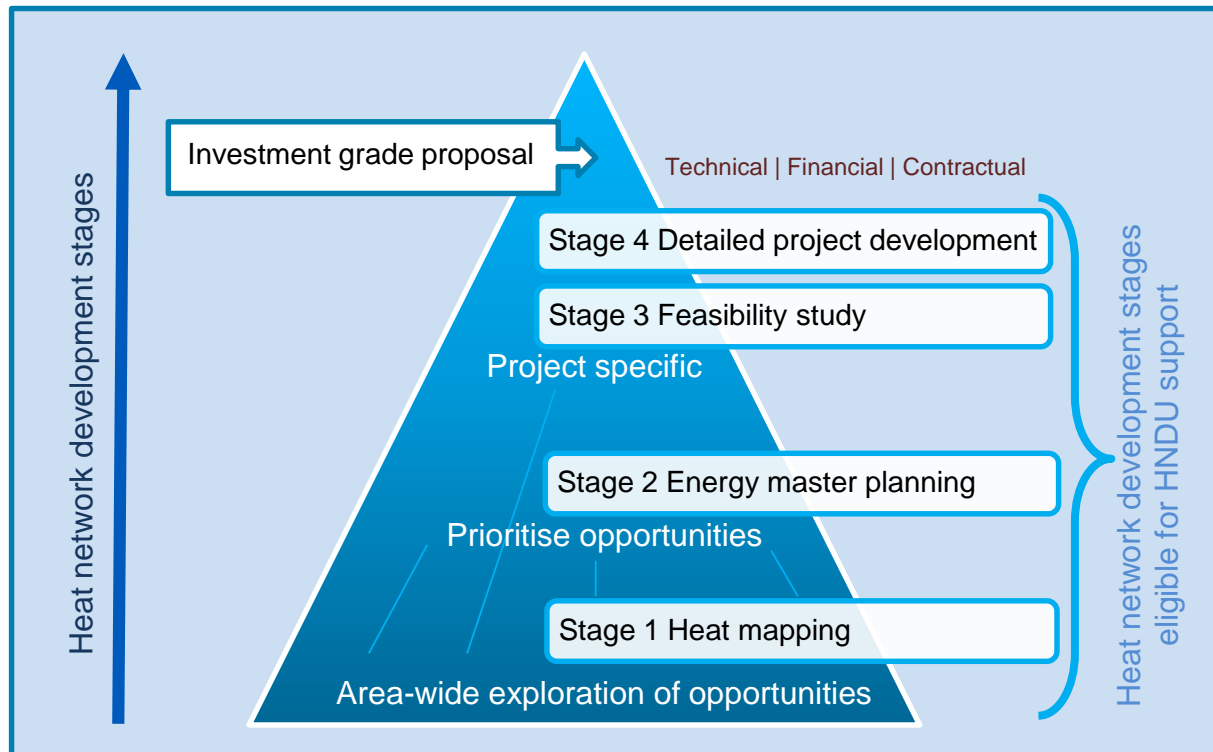
**Area-wide** exploration, identification and prioritisation of heat network project opportunities

3. Feasibility studies

4. Detailed project development

**Project specific** - An increasingly detailed investigation of the technical feasibility, design, financial modelling, business modelling, customer contractual arrangements and delivery approach, leading to investment grade project proposal(s)

# HNDU support for Local authorities



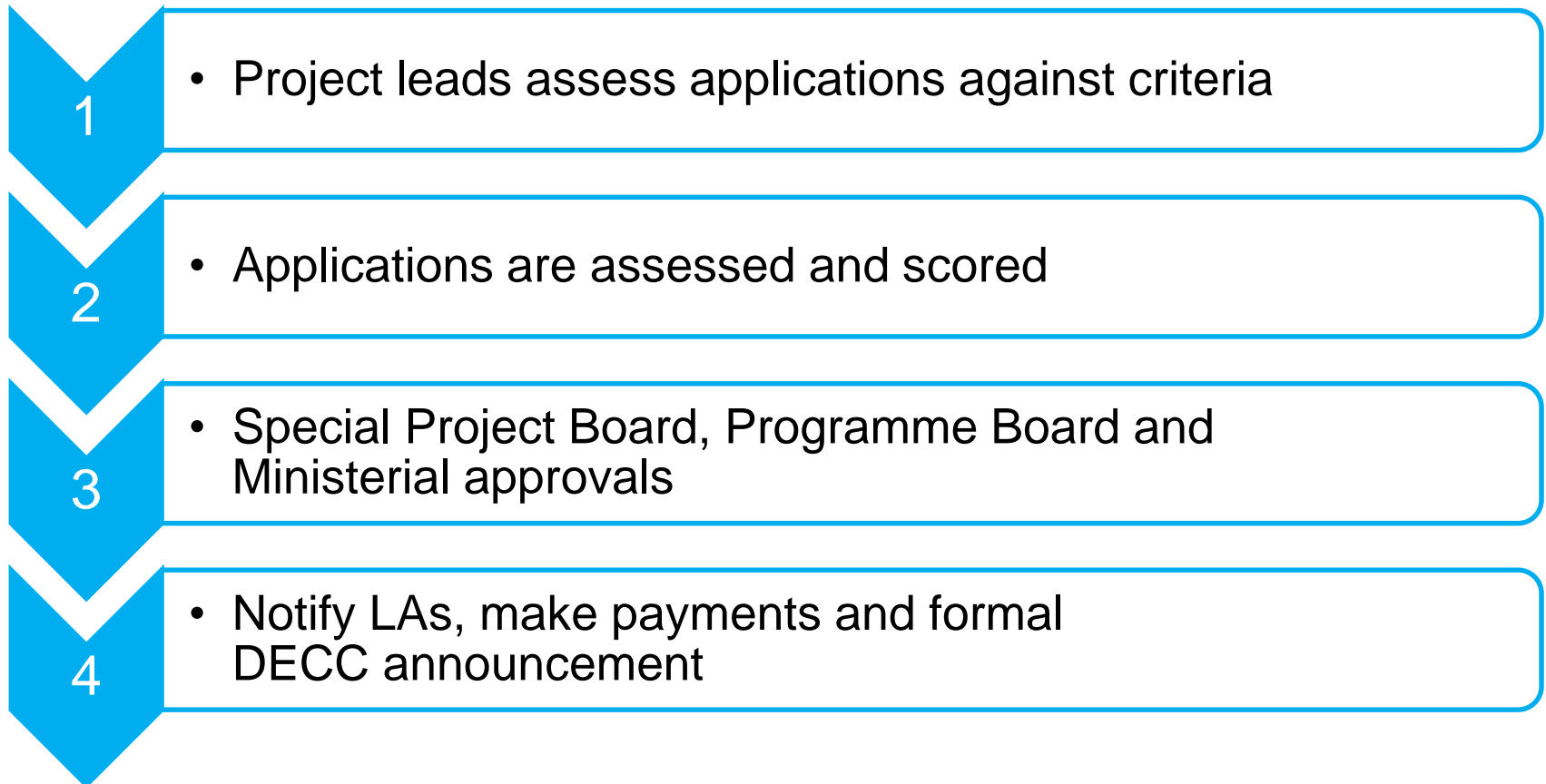


# HNDU Support vs Capitalised Costs

|  |  |  |   |
|--|--|--|---|
| Issues around the elements below must be mapped, risks assessed and allocated, in order to understand the impact on costs. It is understood that the elements below are interdependent. <b>Only work to be undertaken by consultants can be funded by HNDU</b> | <b>HNDU eligible</b><br>Development stage: Principles that can answer 'should the project be viable' |  | <b>HNDU not eligible</b><br>Commercialisation (aspects that can be wrapped up in capital costs). Detailed work and negotiations that can answer 'is the project viable' |
|  | Feasibility  | Detailed project development: up to and including LA business case development | Commercialisation: Securing finance, procuring delivery, developing detailed contracts  |

- At some point the development costs should be wrapped up into the **capital investment costs**
- HNDU has considered **business case development** as sufficient for its funding
- By this time the various technical, commercial and legal aspects will have been proven **to enable commercialisation of the project**
- This could typically include **securing finance, procuring delivery and developing detailed contracts**

# Application assessment process







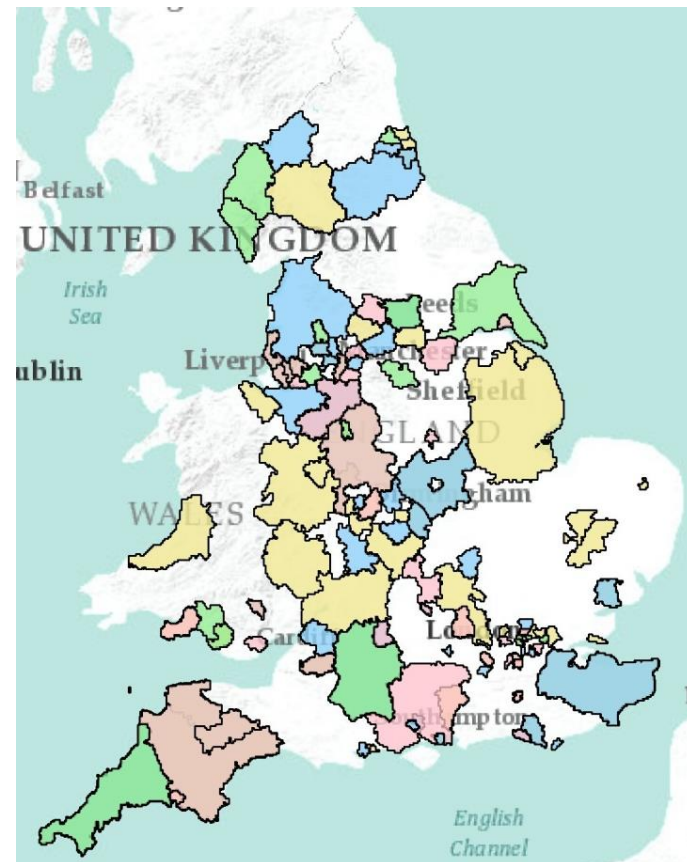
# HNDU portfolio

£9.7 MILLION grant funding (c£14.5 million with match funding) has been given to...

122 LOCAL AUTHORITIES across...

180 HEAT NETWORK PROJECTS with...

450 DEVELOPMENT STAGES





# Guidance from HNDU Project Leads

Guidance provides points for consideration (as opposed to advice which advocates a course of action)

- **Initial contact** recommendations from application assessment, identify support needs
- **Inception meeting** and site visit
- Review and provide points for consideration on:
  - draft **specifications and tender documents** (inc example tender specs)
  - to **tender responses**
  - **key project outputs** (consultancy report drafts)
- Possibility to attend initial and subsequent **key meetings with appointed consultants**
- Regular contact including to discuss monthly **progress reports**



The screenshot shows a web browser window displaying the Huddle collaboration site. The browser's address bar shows the URL "https://huddle.hndu.local/". The page header includes the Huddle logo, a search bar, and navigation links for "HNDU local authorities", "Dashboard", and "Help". The main content area is titled "Workspace Overview" and features a large image of a construction site with large pipes. Overlaid on this image is a text box that reads: "Welcome to the Huddle collaboration site for local authorities exploring heat network opportunities in England and Wales. This portal allows local authorities receiving DECC support to share documents, access online resources and start discussions about heat network topics and activity. This peer to peer resource is provided to support council officers as they work through the development stages of heat networks and its value is derived from active participation by members." Below the image is a navigation bar with icons and labels for "HNDU OVERVIEW", "NEWS", "EVENTS CALENDAR", "RESOURCES & DISCUSSIONS", "USER DIRECTORY", and "PROJECT DESCRIPTIONS".

h HNDU local authorities Dashboard Help Search... NB

huddle™

Invite people Overview Files Tasks Whiteboards People Settings

Workspace Overview

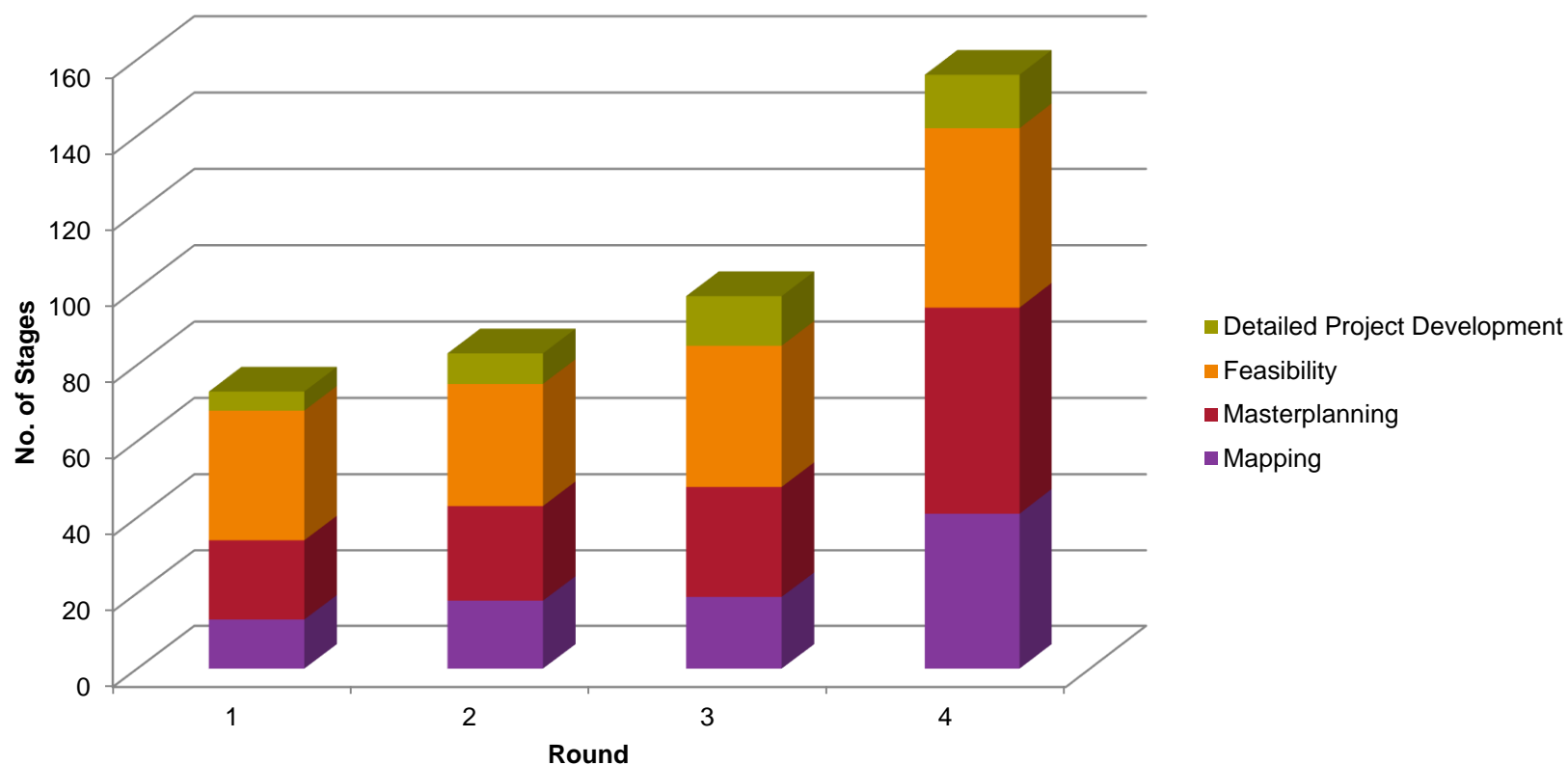
Department of Energy & Climate Change

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HNDU OVERVIEW NEWS EVENTS CALENDAR RESOURCES & DISCUSSIONS USER DIRECTORY PROJECT DESCRIPTIONS



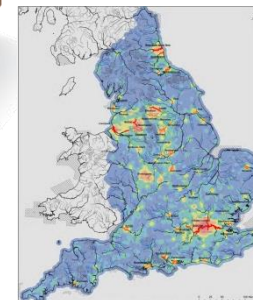
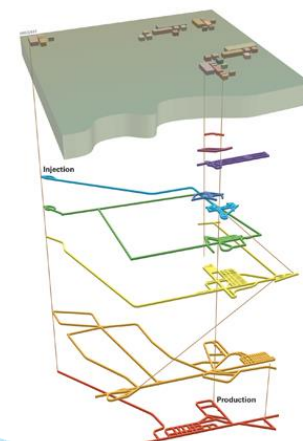
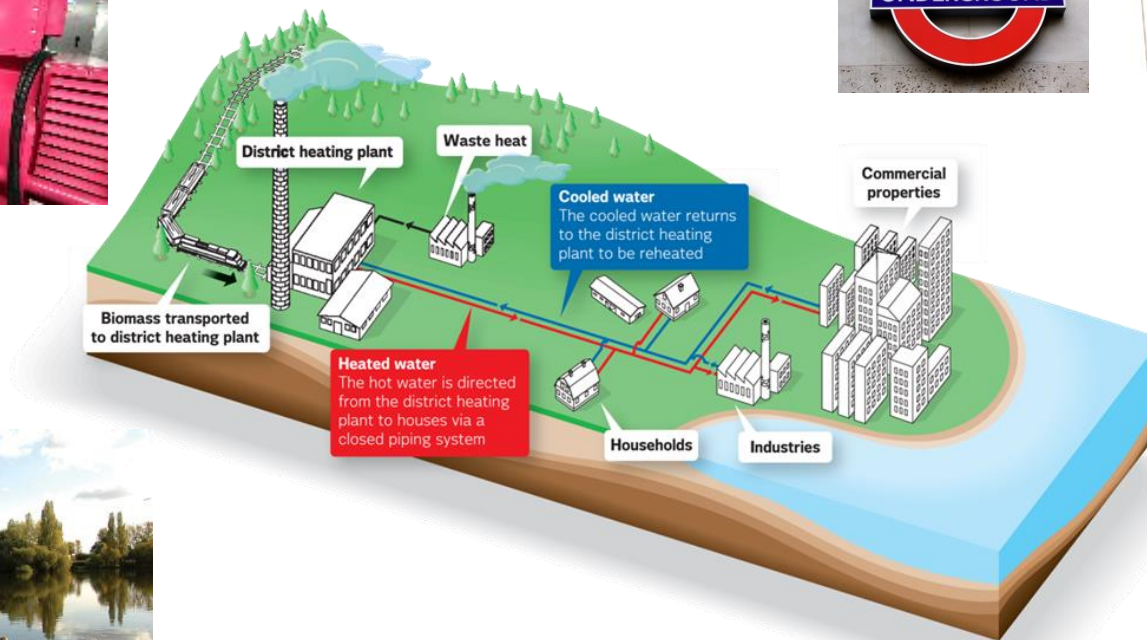
# Project Stages







# Project types





# State of the Market

- So far **c. £3m** has entered the consultancy market
- Procurement has been slower and **less peaky** than expected
- Concerns have been raised about price inflation but so far there is **no evidence to support this**
- **New entrants** due to partnerships, diversification and foreign entrants
- The consultancy market is still of limited size so recommend extending tender period and contacting relevant companies in advance
- Quality of work is generally good but seeing some regional differences



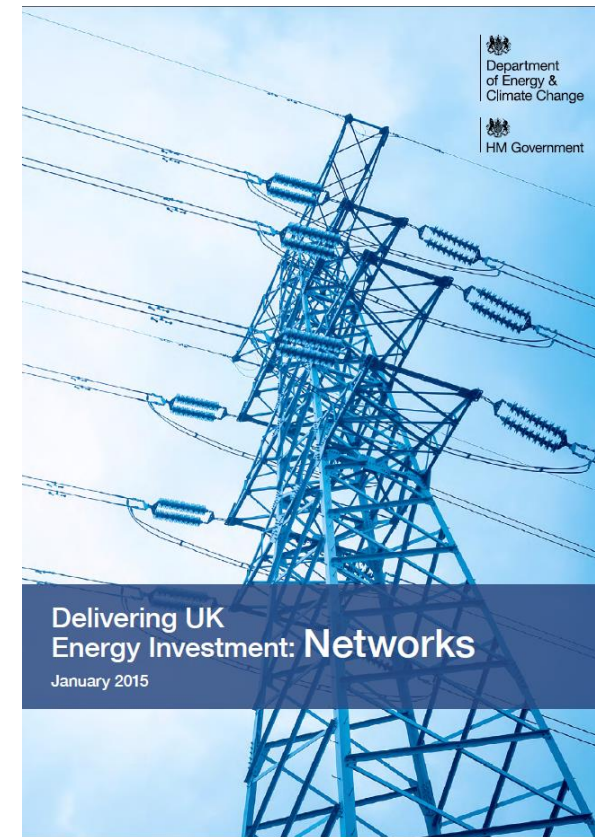
# HNDU Evaluation

- CAG consultants have been evaluating the **HNDU programme**
- They have interviewed **30 LAs and multiple industry stakeholders**
- These LAs are a spectrum and **not just successful HNDU applicants**
- Using qualitative and quantitative methods a report will be published in **May 2015**
- HNDU has received some high level views to help **inform the shape of our service in 15/16**



# Energy Investment Report

- Heat networks included as the **third energy infrastructure**
- HNDU portfolio was modelled to have up to £800m capital requirement over the next 10 years
- **This has enabled greater engagement with supply chain and investors**
- The next step is to supplement modelling with outputs from funded work







# The Future of HNDU

- HNDU support confirmed **until March 2016**
- A budget for funding rounds in 15/16 has not yet been agreed
- If a budget is confirmed it is likely that there will be one funding round in the Autumn
- Any support beyond 15/16 is subject to the Spending Review of the next Government
- **What is the required remit for HNDU?**



For further information please contact:

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T: 0300 068 8125

Or visit: <https://www.gov.uk/government/publications/heat-networks-funding-stream-application-and-guidance-pack>