



Department for
Energy Security
& Net Zero

Offshore Coordination Support Scheme

Scheme Guidance document

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1. Offshore Coordination Support Scheme Objectives

This is the guidance for the Offshore Coordination Support Scheme (**Scheme**). The primary objective of the Scheme is to provide grant payments (**Grants**) to enable the development of coordinated options for offshore transmission. The Scheme is a competitive process under which one or more Applications may receive Grant funding. The terms of the competition are set out in this document.

At the time of issuing this document, DESNZ expects to provide Grants totalling up to £50m in each of Financial Years 2023/24 and 2024/25 (a total Scheme budget of up to £100m). It should be noted that these amounts are not to be treated as an expected Grant amount for a single Application, as DESNZ expects to be able to fund multiple Applications with the total Grant amount. Further, DESNZ reserves the right to amend these amounts at any time at its discretion.

The terms of the competition are set out in this document.

Funded coordinated offshore transmission projects are intended to serve as alternatives to the *de facto* arrangement where single assets (e.g. offshore windfarms) develop a sole user or radial approach, or an alternative coordinated approach. The exact scope of coordinated offshore transmission projects that may receive funding is set out more fully below (Section 4 Eligibility Criteria).

The intended outcome of the Scheme is to facilitate the development of coordinated offshore transmission solutions for those projects in scope of the Scheme.

Coordinated offshore transmission is a novel concept and projects in scope of this Scheme are already well advanced, and have invested substantial time and money in developing their radial/sole use connections. It is therefore recognised that without support, projects may be reticent to fully develop alternative coordinated connections whilst, in parallel, continuing to progress their existing proposals. The aim of the Scheme is to support certain projects and for those projects to show how a coordinated transmission approach can work, and bring about benefits to communities, the environment, and consumers. Those who benefit from Grants will be required to share certain key learnings. The Scheme will complement other relevant arrangements being made as part of the Offshore Transmission Network Review (**OTNR**). As such it should increase the likelihood of more coordinated offshore transmission projects being put forward as part of the consenting process.

Coordination of offshore transmission assets is expected to give rise to benefits which include lower transmission infrastructure costs, lower environmental impact from transmission infrastructure, and reduced impacts on local communities from transmission infrastructure.

The secondary objective of the Scheme is to learn lessons from funding activities to support coordination in Early Opportunities projects that can be applied to later workstreams of the OTNR.

Important information regarding this process

- Capitalised and italicised terms in this document (and other documents) shall, apart from where context indicates otherwise, have the meaning set out in Appendix 1 of this document.
- The Scheme and award of Grants from it are discretionary. There is no automatic entitlement to an award of funding in any amount.
- Applicants must ensure that their Application, organisations (including, where appropriate all Applicants and *Projects*), and *Qualifying Coordinated Project* all meet the minimum PASS/FAIL criteria explained in this document. Applications that do not meet these criteria will be rejected.
- The assessment process will be run in accordance with published documentation.
- Any award of a Grant will be required to comply with the subsidy control regime and any other relevant legal requirements. Any award of Grant funding will be conditional upon this requirement. It will be for Applicants to satisfy themselves and DESNZ that this requirement is met. Risk of non-compliance with the subsidy control regime will be a risk borne by Applicants and where any non-compliance occurs, DESNZ will reserve the right to clawback any Grant funding it has awarded. Applicants will also need to consider any relevant cumulation rules where they are seeking other public funding for their *Projects*.
- Applications will be accepted from all parts of the UK. Applications will only be successful where the potential funding offers clear wider benefits to the UK, which will be assessed via the process set out in this document alongside the relevant criteria. The amount of Grant requested must be the minimum necessary to enable the *Qualifying Coordinated Project* to proceed and to deliver the best value for money for the UK taxpayer.
- Where an Application is successful, DESNZ intend to issue a Final Grant Offer Letter (**FGOL**). Where DESNZ provides an interim notification that an Application is successful (including any Letter in Principle), DESNZ will not be bound to enter into a FGOL. DESNZ shall have no obligations whatsoever to Applicants under this Scheme until it has entered into a FGOL.
- The proposed timetable for this process is set out in this Guidance. Applicants must be willing to dedicate sufficient resource to assist DESNZ in meeting this timetable. Applicants will be responsible for their own costs for bidding into this Scheme. The published timetable is subject to change.
- DESNZ reserves the right to provide Grants to one or more Applications in line with the terms of the competition for the Scheme.

- DESNZ reserves the right to award a different amount of funding to that requested by in any Application.
- We may choose to attach conditions to any FGOL (including imposing stages and conditions precedent in respect of release of funds) and those conditions will depend on our view of the successful *Qualifying Coordinated Project*. Until a FGOL is entered into, we will not be responsible for nor will we make any commitment in respect of costs that Applicants may incur.
- Notwithstanding the above, DESNZ may agree to Applicants incurring expenditure at risk following the issuance of a Letter in Principle. The Letter in Principle does not guarantee Grant funding or an FGOL but can potentially be used as the start date for eligible expenditure that can be defrayed for the purposes of the FGOL.
- DESNZ will not be responsible for any costs incurred in the preparation of any Application, whether or not it is successful.
- DESNZ reserves the right not to accept any Application or make any Grant and reserves the right to cancel the competition (whether in whole or in part) before it has completed or at any time before any FGOL is entered in to.
- DESNZ reserves the right not to consider an Application further if an Applicant refuses to disclose information requested.
- DESNZ intends to fund *Additional Development Expenditure* under the Grants for this Scheme. However, DESNZ wants to make sure all industry participants gain from supported projects. As such DESNZ may as a condition of issuing a Grant require:
 - sharing of lessons learned in respect of coordinated solutions (successful Applicants will have to write an open access report); and
 - sharing and rights in respect of intellectual property of certain of the activities.

In respect of the above, DESNZ appreciates that Applicants may wish to retain certain intellectual property which is a corporate/trade secret and the requirements will be discussed on a case by case basis. Where an Applicant does not agree (as a condition of an FGOL) to provide DESNZ with sufficient rights and outputs however DESNZ reserves the right not to issue a relevant Grant and disqualify a relevant Application.

This Guidance sets out supporting information for how to make an Application. It should be read alongside all of the other materials published for this Scheme.

2. Applications

Closing Time

The Scheme is open to Applications until 17:00 (UK GMT) on 28 February 2023 (**Closing Time**). Applicants should complete all sections of the Application Forms and provide all accompanying documentation to the level of detail requested by the deadline date.

Clarifications

If, in preparing an Application, there are any clarifications required, Applicants should email offshore.coordination@beis.gov.uk with the subject heading *Scheme Application Clarification [Project title]*.

It should be noted that if clarifications are deemed to be of relevance to other Applicants (or potential Applicants), the question and answer may be made available to others.

If an Applicant considers that their clarification is confidential, they should make such confidentiality expressly clear in the subject title of their email. Marking a clarification as confidential does not mean that DESNZ will not make the clarification and response available to other Applicants or potential Applicants– it simply means that DESNZ may redact or edit the clarification such that relevant information may be disclosed.

Submissions

Applications should be submitted to offshore.coordination@beis.gov.uk with the subject heading *Scheme Application [Project title]*.

The Requirement to Apply as a Consortium

Applicants must adhere to the following requirements when submitting an Application:

1. The Scheme is aimed at supporting *Qualifying Coordinated Projects*. This means that Applications must be made as consortia. In this case, this means that Applications must involve more than one *Project*. *Projects* refer to the relevant assets that either would be, or would be facilitated, by the *Qualifying Coordinated Projects*. So by way of example, a single offshore windfarm is a *Project* as is an interconnector and an offshore bootstrap. The consortia should comprise the companies that would own the relevant assets of the *Project*¹ in each case – so assuming a consortium between an offshore windfarm and an interconnector – the eventual owner of the windfarm and the eventual owner of the interconnector would need to be listed as the consortium members. This would apply to bootstraps as well. In the case of two offshore windfarms seeking to establish a coordinated offshore transmission arrangement, there would be a consortium between the two offshore windfarm developers.

¹ We understand that post commissioning offshore windfarms are required to sell their offshore transmission assets to an offshore transmission owner (OFTO). **To be clear, an OFTO and the windfarm it serves does not represent two projects.** Also in the development phase of an OFTO (not an OFTO Build), the Applicant should be the developer of the windfarm. See further Appendix 1.

2. Each Application from a consortium must nominate a lead Applicant. This is the entity through which all correspondence from DESNZ will flow. Furthermore, if an Application is successful, it is the lead Applicant only who will enter into the FGOL with DESNZ. It will be a condition of the FGOL that a lead Applicant disperses Grant funding as proposed in its Application including disbursements to other consortium members. Furthermore, Applications will be required to set out the distribution of the relevant Grant funding between consortium members.
3. Applicants may allow a single *Project* to take part in no more than 2 consortia that submit Applications. We set out a hypothetical example to illustrate this point. This means that where Project A is developing an offshore windfarm, that windfarm could be part of two Applications. For example, Project A could:
 - 3.1 submit an Application (as Consortium 1) for a *Qualifying Coordinated Project* with offshore windfarm of Project B; and
 - 3.2 at the same time submit an Application (as Consortium 2) for a *Qualifying Coordinated Project* with interconnector of Project C.
4. Each consortium however is only entitled to submit one Application. For example (using the hypothetical scenario above), Consortium 1 between Applicant A and B, can only submit 1 Application. It cannot submit 2 Applications with differing technical solutions.
5. Each Application must relate to only one *Qualifying Coordinated Project*. Although a *Qualifying Coordinated Project* may be between as many Applicants as is appropriate – i.e. a single coordinated solution may be tri-partite.
6. Notwithstanding the above, a single *Project* will only be able to be successful (and will be able to be part of an Application awarded a FGOL) in respect of one consortium of which it is a part. For example (using the scenario above), only one of Consortia 1 and Consortia 2 could be successful.
7. DESNZ is not the appropriate entity to determine which of an Applicant's consortia should proceed to be assessed. As such, where a *Project* of an Applicant is part of two consortia, that Applicant must withdraw from one of the consortia (voiding the Application) by the agreed down-selection deadline (more detail is Section 3).
8. Consortia need not be established as joint venture vehicles but Applicants will be required as part of any Application to explain how the consortium is established. DESNZ will expect that each Applicant is legally compelled to deliver its part of the relevant *Qualifying Coordinated Project* (it will also require evidence that the lead Applicant is entitled to sign off and agree matters for all Applicants).
9. Please note that certain aspects of an Application must be submitted in respect of all Applicants. Where required this is indicated in the documentation.

Requirements for a Complete Application

Completed Applications must be submitted by the Closing Time. A complete Application should include each of the following:

- Application Form 1.
- Application Form 2.
- Application Form 3.
- Applications will need to complete a light touch consortia agreement – we will not provide a template. We need a lead Applicant who will sign the FGOL and undergo due diligence (DD). The lead Applicant chooses how to formalise this agreement with the consortia members, but DESNZ would like to receive confirmation a consortia has been entered into. There is no need to create a formal joint venture.
- A Business Case or Business Plan for the coordinated solution.
- CVs (up to two sides of A4 each) for key personnel critical to delivery of the coordinated offshore transmission project.
- Key financial information (more detail in Application Form 1).
- Confirmation of Application Form.
- Any additional information which may be pertinent to your application.

Relevant documents should be completed as set out in this Guidance and in accordance with any other documentation related to this competition.

We have provided additional guidance for Applicants that relates specifically to Application Forms 1, 2 and 3 which can be found on the Scheme landing page:

<https://www.gov.uk/government/publications/offshore-coordination-support-scheme>

DESNZ Clarifications

At any time, DESNZ may, at its sole discretion, contact Applicants in order to clarify any Applications (or parts thereof) which are unclear, contain genuine mistakes, gaps, omissions or in relation to responses to ambiguous questions.

However, DESNZ is not under any obligation to do this. Where any Application is not complete or is inconsistent, vague, or ambiguous, one or more of the following courses of action, which are not necessarily mutually exclusive, may be taken:

- a. DESNZ reserves the right to consider an Application on the basis of the interpretation or meaning that is the most adverse; and

- b. DESNZ reserves the right to consider an Application is not compliant with the rules of the Scheme and to reject/disqualify the Application.

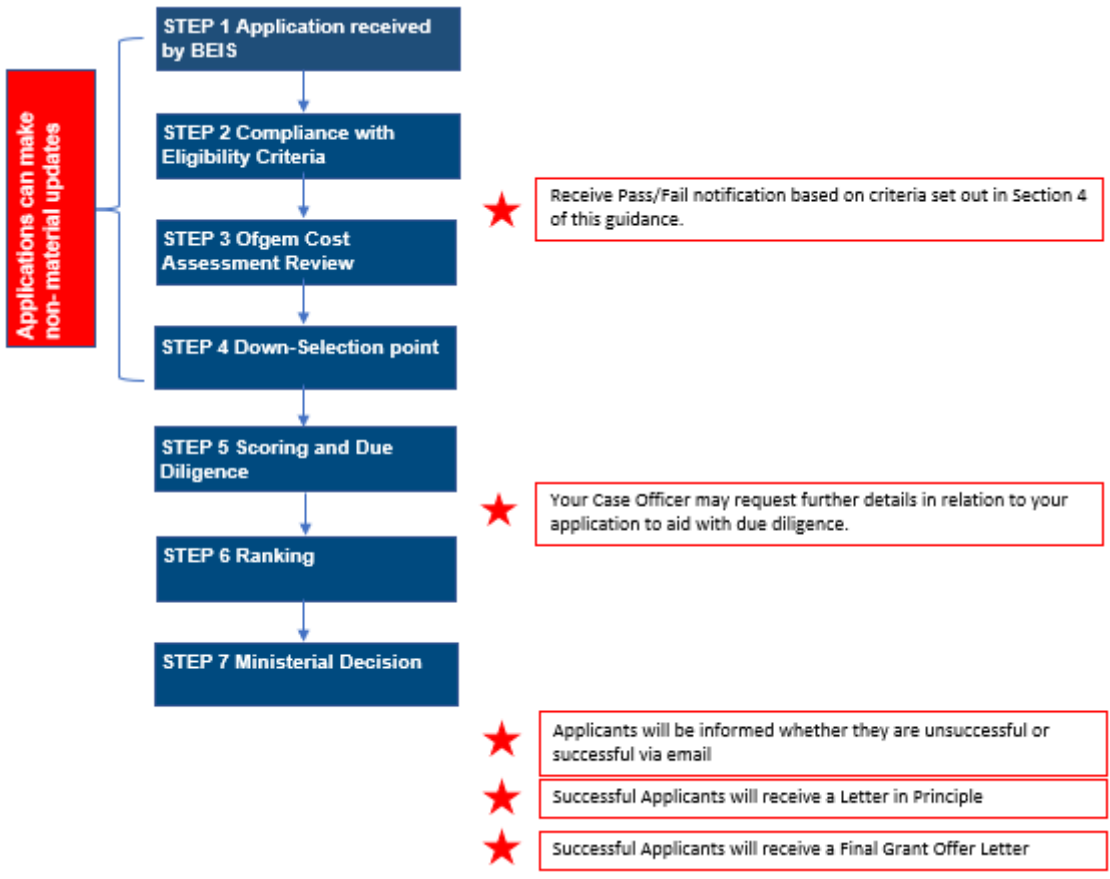
Please note that prior to the Closing Time, DESNZ also reserves the right to amend and modify the documents for the Scheme (including assessment criteria).

DESNZ may also:

- a. request additional information from Applicants at any time; and
- b. amend the requirements of any Application Form to include additional questions for all Applicants.

3. Summary of Assessment Process

DESNZ will assess Applications in accordance with the process set out in this document. The following diagram sets out the process DESNZ will follow:



Key



Point where applicant will receive information/contact from DESNZ



Step in application assessment process detailed in this guidance

Assessment Process

We set out below the detail of the process for assessing Applications:

1. **STEP 1: Application received by DESNZ**

Please see Section 2 (above) for more detail on the Application process.

Please note that Applications must be completed by the Closing Time. DESNZ will not consider Applications that are not submitted by the Closing Time.

Applications submitted should be complete as required by Section 2. DESNZ reserves the right to clarify Applications as per Section 2 but may also (at its discretion) disqualify an Application that is not completed.

2. **STEP 2: Compliance with Eligibility Criteria**

DESNZ will perform a **PASS/FAIL** review of Applications against the eligibility criteria set out in Section 4 of this Guidance.

Applicants will receive a PASS/FAIL notification at this point detailing whether they have passed or failed the review against the eligibility criteria (although it is worth noting that DESNZ reserves the right to revisit these criteria and any notification shall be without prejudice to this right).

Where Applications PASS this Step 2, DESNZ will appoint a Case Officer for each Application. Case Officers will act as the initial point of contact for lead Applicants throughout the remainder of the process. See further Section 6 (below) in this regard.

3. **STEP 3: Ofgem Cost Assessment Review**

At this Step 3, DESNZ will engage Ofgem to carry out a cost assessment review of Applications that have progressed past Step 2.

While Applications must specify the amount of Grant funding sought, the amount of Grant funding offered (if any) will be determined by DESNZ. DESNZ will do this by way of a two-stage process. Stage 1 is this Step 3 (namely the cost assessment review). Stage 2 will be undertaken by DESNZ and is described in greater detail below.

At Step 3, DESNZ will engage Ofgem. Ofgem will apply regulatory principles to determine the economic and efficient costs of the *Additional Development Expenditure* related to a *Qualifying Coordinated Project* in each Application (see relevant definitions of the capitalised terms in Appendix 1 below). Ofgem will undertake this cost assessment in line with certain of the principles and process detailed in Offshore Transmission: Guidance for Cost Assessment (2022) (albeit these will be suitably adjusted for any alternative *Projects* i.e. interconnectors or bootstraps).

Ofgem will assess whether they consider the Application includes costs that would have been incurred for the *Project* if it developed in isolation (for example if the offshore windfarm was developed as a radial option). Ofgem will also assess those costs that are *Additional Development Expenditure*. Ofgem will use the information in Application Form 2 to assess, amongst other things, whether an Application underreports sole *Project* costs and inflates the coordinated costs. Ofgem will also look at costs that might be included that are not even relevant to the work being undertaken for the *Qualifying Coordinated Project* - for example, in respect of the design of an offshore windfarm if an Application attempts to include costs for an onshore substation that is not going to be any different from the radial design or location.

The Ofgem Cost Assessment team will undertake an activity-by-activity assessment. If there is an inconsistency between the Ofgem's view of the economic and efficient *Additional Development Expenditure* related to a *Qualifying Coordinated Project* and the amount sought in respect of an Application, then DESNZ may engage in a dialogue with relevant Applicants at this point or at any other point in the process. However, DESNZ reserves the right to accept the view taken by Ofgem on the economic and efficient costs and to use that to inform the amount offered by way of Grant funding.

4. STEP 4: Down-Selection Point

Background

The assessment process for the Scheme:

- requires that Applications must be submitted by the Closing Time; and
- allows Applicants to be part of one or more than one consortium in respect of a single *Project*.

Recognising wider offshore transmission Policy changes are ongoing and *Projects* may have several potential *Qualifying Coordinated Projects* they wish to be part of until those policy details are clear, DESNZ is allowing Applicants to be part of up to

two consortia in respect of a single *Project*. However, Applicants cannot be successfully awarded funding from more than one Application (in respect of a single *Project*) because those *Qualifying Coordinated Projects* are mutually exclusive. Instead, a Down-Selection Point is offered for *Projects* which are part of more than one *Qualifying Coordinated Project* submitting Applications to withdraw Applications for solutions they no longer wish to proceed with. An additional benefit of the Down-Selection Point is to allow Applicants (to some extent) to have time to respond to the Policy changes being made by DESNZ, Ofgem, Electricity System Operator and Others under the OTNR's Early Opportunities workstream.

DESNZ will not provide Applicants with any scoring or interim indication about the relative merits of an Application prior to the Down-Selection Point (although it may have raised clarifications as indicated above).

Date of Down-Selection Point

The Down-Selection Point will be in late April/early May. DESNZ will confirm the Down-Selection Point to Applicants during the process.

Updates to Applications prior to the Down-Selection Point

DESNZ appreciates that the environment in respect of development of *Projects* is constantly evolving. As such, DESNZ appreciates relevant considerations for Applicants may arise between the Closing Time and the Down-Selection Point. As such DESNZ will permit Applicants to make updates to Applications up to the Down-Selection Point.

An update may include changes that result from matters beyond the control of relevant Applicants. By way of non-exhaustive indicative example of what may constitute an acceptable update Applicants would be entitled to make changes to Applications which result from changes to the following policy areas. Please note DESNZ is not guaranteeing the delivery of any policy changes in any of these areas.

- The Anticipatory Investment (AI) and gateway assessment.
- The Offshore Wind Environmental Improvement package (strategic compensation).
- Industry Codes and Standards amendments.
- The MPI Pilot Cap and Floor investment window

- Rules and requirements in relation to the Contracts for Difference or Capacity Market arrangements.
- The Generator Commissioning Clause policy statement.

Please note DESNZ reserves the right (at its absolute discretion) to refuse an update if the update is “material”. A “material” update is one that will, as determined by DESNZ, impact Scheme delivery timelines (for example if it fundamentally changes an Application and requires a restart of considerations already made in respect of an Application).

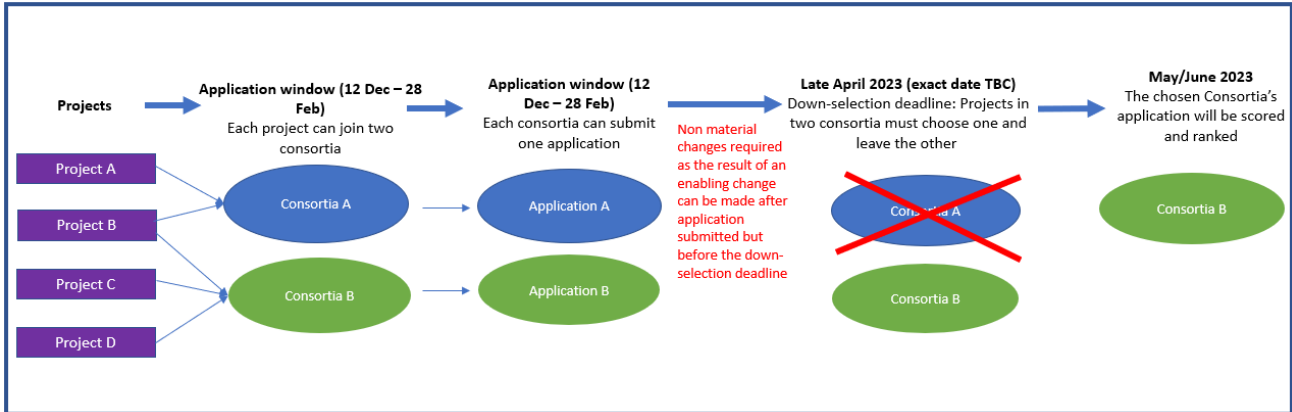
DESNZ may permit updates post the Down-Selection Point (at its absolute discretion) however please note that DESNZ will be much less willing to accommodate updates after this point as it will need to progress the Scheme assessment.

Decision at the Down-Selection Point

The assessment process for the Scheme allows Applicants to be part of more than one consortium (and therefore make more than one Application) in respect of a single *Project*. However, where Applicants have taken such an approach they must take a decision by the Down-Selection Point as to which Application (and consortium) they wish to be a part of. Applicants must notify DESNZ of this by a date not later than the Down-Selection Point. The Application/consortium not selected will be rejected from the process.

DESNZ has adopted this approach to allow Applicants to take all relevant factors into account in determining which *Qualifying Coordinated Project* to adopt. DESNZ considers that market participants themselves are best placed to take this decision which is why Applicants themselves must make this down-selection.

This approach is illustrated in the diagram below which shows the approach that can be taken by a single Applicant for a single *Project* who elects to be part of two Applications/consortia (please note dates are indicative):



After the Down-Selection Point each *Project* must be part of only one consortia/Application. They must do this by withdrawing via email to offshore.coordination@beis.gov.uk with the subject heading *Scheme Application Withdrawal [Project title]*. In this email *Projects* must withdraw from the other consortia they submitted an Application with. If a *Project* only submitted one Application as part of one consortia, they do not need to make a down-selection decision – their Application will still stand.

5. STEP 5: Scoring and Due Diligence

Scoring and Due Diligence

Once Applications have been through Step 2 and Step 3, DESNZ will score such Application against the assessment criteria set out in Section 8. DESNZ will not give any Application a final score until after the Down-Selection Point, although it reserves the right to commence the assessment process prior to this point in order to ensure the process commences in a timely manner (where DESNZ allows an update (as per Step 4) it will update the scoring accordingly). Please note work undertaken by DESNZ as part of the assessment process may be a relevant consideration in determining whether any update to an Application received prior to the Down-Selection Point is material. Where any Application is removed from the process as a result of a down-selection decision taken by an Applicant at Step 4, DESNZ shall cease to score any such Application.

The following activities will be undertaken by DESNZ in this Step 5:

- An economic and efficient Grant amount will be determined for each Application. This will be based on the Ofgem cost assessment at Step 3 and the DESNZ due diligence assessment of:

- whether development activities would have taken place without public funding being awarded ('additionality') and whether the Grant amount represents an optimal use of public resources ('Value for Money')²;
 - what Grant amount is it in the national interest that should be provided on the scale, and in the form and manner, proposed; and
 - what Grant amount is it determined is required because the financial assistance cannot, or cannot appropriately, be so provided otherwise than by the Secretary of State.
- Applications will be given a weighted score out of 3 for Deliverability in accordance with Section 8.
 - Applications will be given a weighted score out of 7 for Benefits in accordance with Section 8.

Determination regarding the economic and efficient Grant amount

DESNZ will make the first of these determinations based on the principles set out "Managing Public Money" and in line with HM Treasury Green Book Principles. DESNZ will also conduct its own due diligence in this regard. Furthermore, DESNZ will take into account the eligibility criteria No 1, 2, 4, 7 and 8 (see table below) and ensure any assigned Grant funding amount does not breach these criteria. Please note that while DESNZ will have reference to the amount of Grant funding sought by Applicants, DESNZ will not be bound by this.

DESNZ may also seek further information from Applicants in order to make their determination in this regard. During the assessment period, the Case Officer for an Application may request further details in relation to an Application and it is essential that these requests are responded to as quickly as feasibly possible. This may include a request that the lead Applicant supply all executive decision-making documents supporting the Application (i.e. all documents that demonstrate the approval of authorised individuals to submit an application to the scheme). DESNZ reserves the right to exclude Applications from the competition if there are significant delays or failures in providing requested information.

Revisiting Eligibility Criteria

² See also Section 5 (below) in this regard.

Please note that if, at any time during this assessment process, it is judged upon closer investigation that an Application which has passed **STEP 2** should not have done, DESNZ reserves the right to discontinue that assessment and notify the lead Applicant that their Application will not be taken forward any further.

PASS/FAIL

It is important to note that while Section 8 applies assessment to relevant Applications, there are certain minimum scores. Applications that do not achieve all minimum scores required will be deemed to have FAILED and will not be considered further.

Outcome

At the end of this Step 5, each remaining Application will have both:

- an overall assessment score (out of 10) based on the weighted scores awarded - see Section 8; and
- a Grant amount that DESNZ considers appropriate in line with the cost assessment and due diligence process described at this Step 5. Save in the circumstances described in Step 7 below, this will be profiled (on the requested basis in the Application or on a pro-rated basis where DESNZ has reduced the Grant amount in accordance with the cost assessment and due diligence process at Step 5) across the *Financial Year 2023/24 and 2024/25*.

6. STEP 6: Ranking

Interim Ranking

Ranking will be completed based on the overall score received against the Deliverability and Benefits criteria (see Step 5 above). The Application with the highest combined score will be ranked first, and all other Applications ranked accordingly. This will be completed by the DESNZ policy team.

In the event that an Application shares a score with another Application then DESNZ will take a view as to which Application to score higher. This will be based on the following strategic consideration:

- *Applications that demonstrate the best balance between: a commitment to the physical deployment of energy infrastructure in a coordinated manner, and environmental benefits, community benefits, and economic costs.*

Once the interim ranking is completed (or at such other stages as DESNZ deem appropriate), DESNZ will share this ranking and relevant details of the Applications that may be awarded funding (based on the process below) with the Industrial Development Advisory Board (**IDAB**). IDAB's recommendations will be combined with DESNZ' recommendations to advise the Secretary of State. Further information on IDAB is in Section 9 of this Guidance.

7. STEP 7: Ministerial Decision

The Secretary of State will determine which Applications are successful, and will consider Letters in Principle for approval and the amounts contained therein before they are issued to Applicants.

This will be undertaken as follows:

- *Final Rankings and Grant Amounts* – DESNZ will consider the advice of IDAB and consider whether any proposed changes are required to the interim rankings (above) or proposed Grant amounts. In particular (albeit not exclusively), IDAB's view may impact the relative ranking of Applications that score equally based on overall score received against the Deliverability and Benefits criteria (although it may also amend DESNZ' view of what is an appropriate grant amount or scores against the Deliverability and Benefits assessment criteria). A final ranking will then be determined.
- *Application of the Finite Funding Envelope* - Ranked Applications will then be considered against the finite funding envelope available for the Scheme and a determination will be made about whether the Application should be made an interim offer of Grant funding (**Letter in Principle**). At the time of issuing this document, the finite funding envelope for the Scheme is £50m in both of *Financial Year 2023/24* and *2024/25* (for a total of up to £100m)³. This process will take place as follows⁴:
 - i. The first ranked Application will be issued a Letter in Principle, then the second ranked, then third ranked and so on. Where any Application has failed any PASS/FAIL criteria it will not be given a ranking.
 - ii. Subject to (iii) below, Letters in Principle will cease to be issued where the cumulative total of the potential offers exceed the finite funding envelope

³ DESNZ reserves the right to change this funding envelope and the profile of this funding envelope at any time at its discretion.

⁴ Please note the reference to the process refers to Letters in Principle for ease of understanding. In reality no Letter in Principle will be issued prior to confirmation by the Secretary of State and all Letters in Principle will be issued together. Any reprofiling of "next ranked" Applications will be done on an informal basis prior to sign off and issuance of a Letter in Principle.

for the Scheme in any *Financial Year*.

- iii. Where an Application would have been the next ranked Application to receive a Letter in Principle but for the cumulative total of the potential offers exceeding the finite funding envelope for the Scheme in any *Financial Year*, then the lead Applicant for that next ranked Application may (at DESNZ' discretion) be asked whether they could reprofile their expenditure and/or reduce their Grant amount (as applicable) in order that they could be awarded a Letter in Principle within the remaining finite funding envelope. This process will be a negotiated process with DESNZ. DESNZ reserves the right not to make a Letter in Principle to such Application where it is not convinced the *Qualifying Coordinated Project* described in the Application could meaningfully be delivered were the relevant reprofiling/reduction to occur.
- iv. Where either:
 - The lead Applicant for the Application described in (iii) is unwilling to reprofile their expenditure and/or reduce their Grant amount (as applicable); or
 - DESNZ determines that (even though the Applicants for the Application in (iii) are willing) the *Qualifying Coordinated Project* described in the Application could not meaningfully be delivered or delivered to the same standard were the relevant reprofiling/reduction to occur,

DESNZ reserves the right to not make a Letter in Principle to that Application and move to the next ranked Application and apply the same process as above.

- v. *Completion of the Finite Funding Envelope* – Where the finite funding envelope is exhausted or where DESNZ can no longer issue a Letter in Principle to the next ranked Application (because that next ranked Application does not fit within the remaining finite funding envelope), DESNZ reserves the right to stop issuing Letters in Principle although note DESNZ may (but is not required to) ask remaining Applications (in rank order) to reprofile their expenditure and/or reduce their Grant amount as above⁵.

⁵ Please note this means that if an Application is ranked fourth and has a Grant amount that fits within the finite funding envelope but the Application ranked third pushes the cumulative cost of offers above the finite funding envelope, there is no guarantee the third or fourth ranked Applicant would be made an offer of a Grant.

Funding allocations and Letters in Principle are required to be authorised by the Secretary of State. Further, His Majesty's Treasury Ministers will be required to authorise any release of funds. This does not guarantee any Grant funding. No Grant funding will be guaranteed until a specific FGOL has been entered in to (and then such guarantee shall only be made on the terms of the relevant FGOL). Before DESNZ issues any FGOL it must finalise its own Full Business Case. As such DESNZ may undertake further due diligence to populate this (as below).

Where an Application is successful (i.e. is offered a Letter in Principle), DESNZ reserves the right to carry out further due diligence prior to issuing the FGOL. Where the successful Applicants do not complete due diligence (at any stage) or progress to enter into the FGOL in the time required by DESNZ, DESNZ reserves the right (but shall not be required) to eliminate the Applicants responsible for that Application and to revert to the next ranked Application (and/or amend any partially funded Letters in Principle) in line with the process above but without the disqualified Application. Equally where an Application has been issued a Letter in Principle but is eliminated for the reasons above, DESNZ may elect to simply continue with the other Letters in Principle it has already issued.

PLEASE NOTE: THE GRANTS UNDER THIS SCHEME ARE DISCRETIONARY GRANTS. IN DETERMINING THE SUCCESSFUL APPLICATIONS, MINISTERS WILL TAKE IN TO ACCOUNT, IN PARTICULAR, INFORMATION FROM THIS PROCESS AND IDAB, AS WELL AS ANY OTHER CONTEXTUAL SENSITIVE INFORMATION THAT IMPACTS ON THE OBJECTIVES OF THIS COMPETITION (AS SET OUT ABOVE).

Only following the satisfaction of any funding conditions, any final due diligence and the agreement to the form of and execution of the FGOL by the lead Applicant, will Grant funding be issued via the relevant lead Applicant(s) to successful Applications (as indicated in this document).

4. Eligibility Criteria

Introduction

Applications will be considered against the following PASS/FAIL criteria:

- compliance with requirements set out in Section 2 of this document;
- compliance with mandatory and discretionary exclusions; and
- compliance with the Eligibility Criteria.

All of the above criteria will be considered as part of Step 2 of the assessment process. However, DESNZ may re-consider compliance with these throughout the process and where an Applicant or Application (as appropriate) is found to be non-compliant may take the relevant steps open to DESNZ as described below.

Requirements of Section 2 of this Document

Section 2 of this document sets out certain requirements for Applications. DESNZ reserves the right to FAIL any Application that does not comply with these requirements. DESNZ may also clarify any Application (as described in Section 2).

Mandatory and Discretionary Exclusions

Section B of Application Form 1 sets out certain requirements. Section B of Application Form 1 will be considered on a PASS/FAIL basis.

The mandatory and discretionary exclusions will be considered as part of Step 2 of the assessment process. However, DESNZ may consider these throughout the process.

Section B1 contains Mandatory Exclusion Criteria.

DESNZ may FAIL an Application:

- If it fails to fully and accurately complete the questions in this section; or

- If any Applicant answers “Yes” to any of questions B1.1- B1.6 or B1.8 (whether in respect of any of the Applicants or any other any other person who has powers of representation, decision or control in respect of the Applicants), but in such instance DESNZ may decide (at DESNZ’ absolute discretion), having considered the supporting information provided, to allow the Application to proceed further.

Section B2 of Application Form 1 contains Discretionary Exclusion Criteria.

DESNZ may FAIL an Application:

- Where it fails to fully and accurately complete the relevant questions; or
- Where any Applicant answers “Yes” to any of questions B.2.1-B.2.6 (whether in respect of any Applicant or any other any other person who has powers of representation, decision or control in respect of the Applicants), but in such instance DESNZ may decide (at DESNZ’ absolute discretion), having considered the supporting information provided, to allow the Applicant to proceed further. If there are grounds for exclusion, there is an opportunity for the relevant Applicant(s) to explain the background and any measures they have taken to rectify the situation (“self-cleaning”).

For clarity, Applicants are entitled to submit evidence of their self-cleaning measures for DESNZ to consider in relation to both mandatory and discretionary grounds for exclusion.

The [detailed grounds for exclusion of an organisation](#) should be referred to before completing Section B of Application Form 1⁶.

Subject to any self-cleaning information provided being acceptable to DESNZ, Applications which have answered ‘Yes’ to any of the Mandatory Exclusion Criteria will be informed that they will have “FAILED” and will not be taken forward for further consideration. Applications which do not meet all the Discretionary Exclusion Criteria outlined in Section B of the Application Form 1 may or may not be taken forward (i.e. may be deemed to have FAILED) at DESNZ’ discretion having considered the supporting information provided.

Section B of Application Form 1 should be completed in full in respect of all Applicants.

Eligibility Criteria

⁶ DESNZ recognises that these are exclusion grounds for procurement as opposed to grant agreements. While this is not a procurement of a public contract, DESNZ nonetheless considers these criteria are of assistance.

Applications must comply with all of the following eligibility criteria. These are also set out in Section 1 of Application Form 1:

No	Eligibility Criteria
1	Applications must only apply for funding for <i>Development Expenditure</i> that will be incurred by Applicants in the <i>Financial Years 2023/24</i> and/or <i>2024/25</i> , and such amount must not exceed £50m.
2	Applications must only apply for Grant funding for <i>Additional Development Expenditure</i> related to a <i>Qualifying Coordinated Project</i> .
3	All Applicants must be a business registered in the UK.
4	Applications must be made for no more than 95% of the <i>Eligible Costs</i> of the relevant <i>Qualifying Coordinated Project</i> . (Note: At eligibility stage this is a statement that the Applicants believe this to be correct – see above as DESNZ and Ofgem will ensure Grant amounts are for no more than this)
5	At least one of the relevant <i>Projects</i> that forms part of the Application must not be included in the <i>Holistic Network Design</i> . ⁷
6	<p>Applications must relate to more than one <i>Project</i>. Each of the relevant <i>Projects</i> to which an Application relates must (at the date of Application):</p> <ul style="list-style-type: none"> • have secured a seabed lease or agreement to lease as a result of the Crown Estate or Crown Estate Scotland leasing round processes; but • not have both: <ul style="list-style-type: none"> ○ obtained relevant planning consent; and ○ been awarded (or been successful in a relevant allocation round or capacity auction (or equivalent for)) a <i>Contract for Difference</i> or a <i>Capacity Market Agreement</i>. <p>AND</p> <p>At least one of the relevant <i>Projects</i> to which an Application relates must have been through the CION process.</p> <p>AND</p> <p>Further, only one of the relevant <i>Projects</i> in a consortium may be a bootstrap.</p>
7	The <i>Qualifying Coordinated Project</i> must show the potential for a demonstrable reduction to cumulative onshore and offshore assets versus the alternative where relevant <i>Projects</i> pursue radial or single purpose offshore transmission proposals.
8	No Applicant is <i>Ailing or Insolvent</i> .
9	The transmission/interconnector assets described in the Application that include the <i>Qualifying Coordinated Project</i> must connect (at one end) to the onshore transmission network in Great Britain ⁸ .
10	<p>Applications must only apply for funding for <i>Development Expenditure</i> that will relate to activities/assets that will (when implemented) take place within:</p> <ul style="list-style-type: none"> • Great Britain; • in the territorial sea adjacent to Great Britain; and/or • in any <i>Renewable Energy Zone</i>.

⁷ If a project is shown on the map on page 119 of this document, it is considered to be ‘in the HND’

⁸ In the event of an interconnector between GB and any other country Development Expenditure will only be permitted in respect of that part of the asset attributable to and of benefit to the GB onshore or offshore transmission network

DESNZ reserves the right to revisit compliance with any of these criteria at any time prior to award of a FGOL and to FAIL any Application that does not satisfy all of these criteria. Further DESNZ also reserves to place conditions ensuring compliance with certain of these criteria in the FGOL.

5. Funding Levels

DESNZ expects that the funding sought by Applications will be no greater than 95% of the *Additional Development Expenditure* required for the *Qualifying Coordinated Project*. DESNZ also expects that Applicants will seek funding for the minimum amount necessary to progress the *Qualifying Coordinated Project* (i.e. what is the minimum amount of public sector support required BUT FOR WHICH the *Qualifying Coordinated Project* would not be undertaken).

Part of DESNZ' assessment of the economic and efficient Grant amount at Step 5 (above) will be focused on judging whether the *Qualifying Coordinated Project* could not proceed without the funding requested, or if it could be done with less public support (see below).

In the event that an Application is successful and an FGOL is entered into:

- If Applications request funding for FY23/24, the activity must be completed within that timeframe, which will be agreed in the FGOL. Where activity slips into the next *Financial Year* (i.e. FY24/25), DESNZ reserves the right to not fund any of the activity. However, DESNZ may (in its absolute discretion) fund that activity.
- Applications for funding for activities in FY24/25 where the activities slip to FY25/26 will not be funded (or will only be funded at DESNZ' discretion).

6. Case Officer

If an Application passes Step 2 (see above) the Application will be appointed a Case Officer. The Case Officer's role is to be the point of contact within DESNZ.

The Case Officer will be able to answer any questions lead Applicants may have about the competition process. Any answers provided to a question may be provided to all other Applicants / Applications to ensure all candidates have the same information.

The Case Officer may also ask the lead Applicant to provide further information to clarify or expand upon the information provided in its Application.

The Case Officer will not be permitted to assist Applicants in altering or improving any element of an Application. The Case Officer's role is not to 'coach' Applicants to improve their Applications but simply to request and distribute relevant information as required.

7. Due Diligence

Initial due diligence will begin on Applications as soon as they have passed the eligibility checks. Due diligence will inform the assessment process. Further, final due diligence regarding any successful Application may be undertaken following the Letter in Principle.

Due diligence may require review of a number of matters to DESNZ' satisfaction – it is not possible to list these at this stage as they will be Application dependent. However due diligence is likely to include (without limitation) verification of a number of aspects of the Applications – as well as further technical, commercial, financial, and legal due diligence on matters relevant to DESNZ before it elects to issue Grant funding. A critical part of due diligence will be ensuring the Application's *Projects* and *Qualifying Coordinated Project* are viable.

The appointed Case Officer will coordinate the due diligence and act as initial point of contact throughout the process. During the due diligence period, the Case Officer or relevant accountant may request further details and it is essential that these requests are responded to as quickly as feasibly possible. DESNZ reserves the right to exclude a successful Application if there are significant delays in providing requested information beyond the timeframes outlined in the Letter in Principle.

DESNZ reserves the right to exclude an Application (even if otherwise successful) if due diligence identifies any challenges to the viability of the Application (in the view of DESNZ) and/or any discrepancies with information provided in the Application that are deemed unacceptable, or if the lead Applicant (even if successful) fails to provide information as requested within agreed timeframes.

Completion of due diligence and/or the Letter in Principle will not (of itself) release funding or entitle the successful lead Applicant to funding and any funding will remain subject to any further due diligence and agreement to our proposed form of FGOL. Until the FGOL is signed with a successful lead Applicant, DESNZ absolutely reserves the right to cancel this competition and not to make any funding available.

At the beginning of the due diligence phase DESNZ may set out a number of conditions precedent to making the draft FGOL available to the successful lead Applicant.

8. Assessment Criteria

Summary

At Step 5, each Application will be assessed based on:

1. Deliverability (A weighted score out of 3) – Based on:
 - a. Application deliverability; and
 - b. technical deliverability.

2. Benefits (A weighted score out of 7) – Based on whether the *Qualifying Coordinated Project* as proposed in the Application delivers benefits aligned with overall OTNR objectives. In particular, DESNZ will assess the extent to which providing Grant funding to the proposed *Qualifying Coordinated Project* will impact on likelihood of energy infrastructure deployment, impact on environmental, impact on local communities and impact on economic costs.

Deliverability Score

DESNZ assessors will determine a score for Applications based on Deliverability as follows:

Deliverability Assessment Criteria	
<p>Assessment of the Application (and all supporting documents) will be undertaken that will consider whether and to what extent the <i>Qualifying Coordinated Project</i> is deliverable. This means the <i>Qualifying Coordinated Project</i> will be considered, assessed and awarded a single score (out of 5) in terms of both:</p> <ul style="list-style-type: none"> • Application deliverability – Evaluating an Application’s project plan / RAID log robustness, and whether the stated activities in an Application are the correct activities to fully assess and develop the <i>Qualifying Coordinated Project</i>, and that the timings proposed to undertake the activities listed in the Application are reasonable. • Technical deliverability – Evaluating whether the proposed <i>Qualifying Coordinated Project</i> is likely to be feasible in light of the technological and regulatory context. <p>In assessing the above, amongst other things, DESNZ will consider whether the <i>Qualifying Coordinated Project</i> (including proposed development activities):</p> <ul style="list-style-type: none"> • is technically viable, including to meet the needs of the <i>Projects</i>; • is commercially viable, including to meet the needs of the <i>Projects</i> (including likely project costs and compliance with relevant industry norms including industry documents); • will enable the delivery of the <i>Projects</i> in line with the <i>Project’s</i> own stated timescales; • is supported by personnel that have the necessary skill and expertise in place to deliver; • has a delivery plan that is strong and comprehensive and has adequate processes of assurance in place; • has identified the key risks and mitigants; • has a credible plan to create a suitable and deliverable procurement strategy in place to deliver; and • demonstrates a commitment to ethical practices within the Applicant(s) development and supply chain. 	
Criteria Scoring Options	
Score (Out of 5)	Criteria for Score
5	<p>On the basis of the Application provided there is a high level of confidence (as a minimum in each case) that the proposed <i>Qualifying Coordinated Project</i> (including proposed development activities):</p> <ul style="list-style-type: none"> • is technically viable, including to meet the needs of the <i>Projects</i>; • is commercially viable, including to meet the needs of the <i>Projects</i> (including likely project costs and compliance with relevant industry norms including industry documents); • will enable the delivery of the <i>Projects</i> in line with the <i>Project’s</i> own stated timescales;

	<ul style="list-style-type: none"> • is supported by personnel that have the necessary skill and expertise in place to deliver; • has a delivery plan that is strong and comprehensive and has adequate processes of assurance in place; • has identified the key risks and mitigants; <p>has a credible plan to create a suitable and deliverable procurement strategy in place to deliver; and</p> <p>demonstrates a commitment to ethical practices within the Applicant(s) development and supply chain.</p> <p><i>In order to score a 5, the Application should be free from concerns, and it should:</i></p> <ul style="list-style-type: none"> • <i>satisfy in an excellent and a robust manner the Deliverability Assessment Criteria (both Application and technical); and</i> • <i>address in an excellent and comprehensive manner, any risks.</i>
<p>4</p>	<p>On the basis of the Application provided there is confidence (as a minimum in each case) that the proposed <i>Qualifying Coordinated Project</i> (including proposed development activities):</p> <ul style="list-style-type: none"> • is technically viable, including to meet the needs of the <i>Projects</i>; • is commercially viable, including to meet the needs of the <i>Projects</i> (including likely project costs and compliance with relevant industry norms including industry documents); • will enable the delivery of the <i>Projects</i> in line with the <i>Project's</i> own stated timescales; • is supported by personnel that have the necessary skill and expertise in place to deliver; • has a delivery plan that is strong and comprehensive and has adequate processes of assurance in place; • has identified the key risks and mitigants; <p>has a credible plan to create a suitable and deliverable procurement strategy in place to deliver; and</p> <p>demonstrates a commitment to ethical practices within the Applicant(s) development and supply chain.</p> <p><i>In order to score a 4, the Application should be free from concerns and it should:</i></p> <ul style="list-style-type: none"> • <i>satisfy the Deliverability Assessment Criteria (both technical and project) in full; and</i> • <i>address in full any risks (with only minor omissions).</i>
<p>3</p>	<p>On the basis of the Application provided there is (in each case at least) a reasonable level of confidence that the proposed <i>Qualifying Coordinated Project</i> (including proposed development activities):</p> <ul style="list-style-type: none"> • is technically viable, including to meet the needs of the <i>Projects</i>; • is commercially viable, including to meet the needs of the <i>Projects</i> (including likely project costs and compliance with relevant industry norms including industry documents); • will enable the delivery of the <i>Projects</i> in line with the <i>Project's</i> own stated timescales;

	<ul style="list-style-type: none"> • is supported by personnel that have the necessary skill and expertise in place to deliver; • has a delivery plan that is strong and comprehensive and has adequate processes of assurance in place; • has identified the key risks and mitigants; • has a credible plan to create a suitable and deliverable procurement strategy in place to deliver; and • demonstrates a commitment to ethical practices within the Applicant(s) development and supply chain. <p><i>In order to score a 3, an Application may raise some very minor concerns but should generally be free from concerns and:</i></p> <ul style="list-style-type: none"> • <i>generally satisfy the Deliverability Assessment Criteria (both technical and project); and</i> • <i>generally address any risks.</i>
<p>2</p>	<p>On the basis of the Application provided there is a low level of confidence that the proposed <i>Qualifying Coordinated Project</i> (including proposed development activities):</p> <ul style="list-style-type: none"> • is technically viable, including to meet the needs of the <i>Projects</i>; • is commercially viable, including to meet the needs of the <i>Projects</i> (including likely project costs and compliance with relevant industry norms including industry documents); • will enable the delivery of the <i>Projects</i> in line with the <i>Project's</i> own stated timescales; • is supported by personnel that have the necessary skill and expertise in place to deliver; • has a delivery plan that is strong and comprehensive and has adequate processes of assurance in place; • has identified the key risks and mitigants; • has a credible plan to create a suitable and deliverable procurement strategy in place to deliver; and • demonstrates a commitment to ethical practices within the Applicant(s) development and supply chain. <p><i>To be awarded a 2, the Application may:</i></p> <ul style="list-style-type: none"> • <i>raise a number of concerns regarding the Deliverability Assessment Criteria (either technical and/or project); and</i> • <i>may fail to address certain material risks.</i>
<p>1</p>	<p>On the basis of the Application provided there is a very low level of confidence that the proposed <i>Qualifying Coordinated Project</i> (including proposed development activities):</p> <ul style="list-style-type: none"> • is technically viable, including to meet the needs of the <i>Projects</i>; • is commercially viable, including to meet the needs of the <i>Projects</i> (including likely project costs and compliance with relevant industry norms including industry documents); • will enable the delivery of the <i>Projects</i> in line with the <i>Project's</i> own stated timescales; • is supported by personnel that have the necessary skill and expertise in place to deliver;

	<ul style="list-style-type: none"> • has a delivery plan that is strong and comprehensive and has adequate processes of assurance in place; • has identified the key risks and mitigants; • has a credible plan to create a suitable and deliverable procurement strategy in place to deliver; and • demonstrates a commitment to ethical practices within the Applicant(s) development and supply chain. <p><i>To be awarded a 1, the Application may:</i></p> <ul style="list-style-type: none"> • <i>raise a number of significant concerns regarding the Deliverability Assessment Criteria (either technical and/or project); and</i> • <i>fail to address key risks.</i>
<p>0</p>	<p>No response submitted or, on the basis of the Application provided, DESNZ has no confidence at all that the proposed <i>Qualifying Coordinated Project</i> (including proposed development activities):</p> <ul style="list-style-type: none"> • is technically viable, including to meet the needs of the <i>Projects</i>; • is commercially viable, including to meet the needs of the <i>Projects</i> (including likely project costs and compliance with relevant industry norms including industry documents); • will enable the delivery of the <i>Projects</i> in line with the <i>Project's</i> own stated timescales; • is supported by personnel that have the necessary skill and expertise in place to deliver; • has a delivery plan that is strong and comprehensive and has adequate processes of assurance in place; • has identified the key risks and mitigants; • has a credible plan to create a suitable and deliverable procurement strategy in place to deliver; and • demonstrates a commitment to ethical practices within the Applicant(s) development and supply chain.

Please note that any Application that does not score at least a 3 out of 5 against the deliverability criteria will be deemed to have FAILED and will not be considered further.

Once the score out of 5 is awarded for an Application, the weighted score (out of 3) will be issued for that Application (“**Deliverability Weighted Score**”) based on the following:

Deliverability Weighted Score = A ÷ 5 × 3

Where:

A = the score out of 5 achieved by the Application based on the criteria above.

Benefits Score

DESNZ assessors will determine a total benefits score (out of 20 with a score out of 5 for each of A-D as per the below table) for Applications based on the demonstrated benefits of the proposed *Qualifying Coordinated Project* as follows:

Benefits Criteria	A - Deployment of energy infrastructure (Score out of 5)	B - Environmental (Score out of 5)	C - Local communities (Score out of 5)	D - Cost efficiency (Score out of 5)
Scoring Factors	<p>Degree to which the proposed <i>Qualifying Coordinated Project</i> is supportive of energy infrastructure deployment taking into account:</p> <ul style="list-style-type: none"> likelihood of project(s) securing planning consents; speed and/or capacity of deployment; greater support from relevant stakeholders enabling infrastructure deployment (including funders and regulators); and other aspects which support energy infrastructure deployment, etc. 	<p>Score based on the level of environmental benefit that the proposed <i>Qualifying Coordinated Project</i> demonstrates when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual, as regards to:</p> <ul style="list-style-type: none"> reductions in number of onshore and offshore assets; reductions in area occupied by onshore and offshore assets (including reductions in total cable corridor lengths); other changes to projects resulting in improved marine, coastal and other environmental impacts, and other environmental benefits, etc. 	<p>Score based on the benefit to local communities the proposed <i>Qualifying Coordinated Project</i> demonstrates when compared to the relevant counterfactual, as regards to:</p> <ul style="list-style-type: none"> reduced number of landing sites and substations, lowering onshore build requirements; reduction in local traffic, noise and other disamenity impacts during infrastructure construction and operation; change of asset placement locations to areas with greater community support, and other local community, etc. 	<p>Level of cost efficiency that the proposed <i>Qualifying Coordinated Project</i> demonstrates when compared to the relevant counterfactual, as regards to:</p> <ul style="list-style-type: none"> reduction in capital expenditure costs; and reduction in operating expenditure costs; etc.
5	<p>The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely to be significantly supportive in respect of energy infrastructure deployment (in respect of all of the above factors).</p>	<p>The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely to have very significant environmental benefits (in respect of all of the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.</p>	<p>The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely to have very significant community benefits (in respect of all of the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.</p>	<p>The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely to have very significant cost efficiency benefits (in respect of all of the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.</p>

Benefits Criteria	A - Deployment of energy infrastructure (Score out of 5)	B - Environmental (Score out of 5)	C - Local communities (Score out of 5)	D - Cost efficiency (Score out of 5)
4	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely to be supportive of energy infrastructure deployment (taking into account all of the above factors)	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely to have environmental benefits (taking into account all of the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely to have community benefits (taking into account all of the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely to have cost efficiency benefits (taking into account all of the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.
3	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely to be supportive of energy infrastructure deployment (taking into account the net position across the above factors).	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely (on balance) to have environmental benefits (taking into account the net position across the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely (on balance) to have community benefits (taking into account the net position across the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely (on balance) to have cost efficiency benefits (taking into account the net position across the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.
2	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely to be neutral (or have no impact) in respect of energy infrastructure deployment (taking into account the net position across the above factors).	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is not likely (on balance) to have environmental benefits (taking into account the net position across the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is not likely (on balance) to have community benefits (taking into account the net position across the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is not likely (on balance) to have cost efficiency benefits (taking into account the net position across the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.
1	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely to have a	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely (on balance) to	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely (on balance) to	The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely (on balance) to

Benefits Criteria	A - Deployment of energy infrastructure (Score out of 5)	B - Environmental (Score out of 5)	C - Local communities (Score out of 5)	D - Cost efficiency (Score out of 5)
	negative impact in respect of energy infrastructure deployment (taking into account the net position across the above factors).	have a negative environmental impact (taking into account the net position across all of the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.	have a negative community impact (taking into account the net position across all of the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.	have a negative cost efficiency impact (taking into account the net position across all of the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.
0	No response. OR The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely to have a significantly negative impact in respect of energy infrastructure deployment (taking into account the net position across the above factors).	No response. OR The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely (on balance) to have significant or material environmental disadvantages (taking into account the net position across the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.	No response. OR The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely (on balance) to have significant or material community disadvantages (taking into account the net position across the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.	No response. OR The assessors consider on the basis of the Application that the <i>Qualifying Coordinated Project</i> is likely (on balance) to have significant or material cost efficiency disadvantages (taking into account the net position across the above factors) when compared to the relevant radial/single transmission asset or alternative transmission asset counterfactual.

The total benefits score out of 20 will be calculated for each Application by adding the scores for that Application for each of criteria A-D. Applicants will initially get a total benefits score out of 20. Please note that any Application that does not score a total benefits score of at least a 12 will be deemed to have FAILED and will not be considered further.

The total benefits score for each Application will then be turned into a weighted benefits score (“**Weighted Benefits Score**”) by applying the formula below to each Application:

Weighted Benefits Score = A ÷ 20 × 7

Where:

A = the total benefits score (out of 20) achieved by the Application based on the criteria above.

Overall Assessment Score

For each Application, DESNZ will then add together the:

- Deliverability Weighted Score (out of 3); and
- The Weighted Benefits Score (out of 7).

This will provide an Application with an overall score (“**Overall Assessment Score**”) out of 10. Half decimals will be permitted and rounding will occur so

Assessment Methodology

DESNZ will undertake and coordinate the assessment of Applications. Applications will be scored independently by at least two assessors, and then will be compared in a moderation session where any discrepancies in scores will be moderated, with a final score being arrived upon.

DESNZ reserves the right to amend the above assessment criteria (prior to the Closing Time) at its discretion and if it considers necessary.

9. The Role of IDAB

IDAB provide robust, independent, business advice to Ministers on large business investment decisions. The main focus of their work is large applications for investment support in England’s assisted areas, although they also look at a range of other projects where Ministers want a commercial view.

IDAB’s key objective is to ensure that taxpayers’ support is given only to projects that truly merit it and that represent best value for money. IDAB members are chosen to provide a range of expertise from industry, banking and the wider community. All are experts in their field.

Certain Applications will (at one or more stages in the process) be provided to IDAB for review (as described above).

IDAB will provide a review of relevant Applications to DESNZ Ministers to help to inform decision making. IDAB will be asked to consider whether, in their view, each Application that may achieve funding represents good value for money for the taxpayer.

IDAB will take relevant considerations into account in reviewing Applications.

The focus will be the need to protect the taxpayer and secure economic development benefits including new jobs and sustainable growth.

10. The Role of DESNZ Ministers

Minsters will take the final decision in line with this guidance as outlined at Step 7 (above).

11. Notification

Lead Applicants may be informed by email whether their Application has been successful or unsuccessful. This will only occur following Step 7.

DESNZ may wish to publicise the results of the competition which would include engagement with media. At the end of the assessment process, DESNZ may issue a press release or publish a notice on its website. These may, for example, outline the result of the competition and describe the project to be funded.

12. Right of Appeal and Feedback

Applicants that submit non-compliant Applications will be notified by email.

Applications that are taken forward to be assessed and are ultimately unsuccessful may be provided with a summary of feedback. This feedback will be based on summary comments from the assessment. No additional feedback will be provided beyond the notification or feedback provided and there will be no further discussion of the Application.

The feedback from the assessment is intended to be constructive. Comments are not a check list of points which must be answered or argued in a resubmitted application.

There is no set appeals process and DESNZ are not responsible for any costs associated with any Application.

13. Letter in Principle

As described above, successful lead Applicants will receive a Letter in Principle that confirms our intention to support an Application with funding subject to the satisfactory completion of any final technical, commercial, financial, and legal due diligence (including confirmation of compliance with subsidy control and agreement to the terms of the FGOL proposed by DESNZ).

The Letter in Principle will set out a timetable for completing this process and the successful Applicants will need to meet these deadlines, otherwise the offer of support may be withdrawn. The Letter in Principle may also include a list of the conditions (if any) that the successful lead Applicant is required to accept.

The Letter in Principle will state how much Grant funding may be made available. This may not be the same as the amount requested. In cases where the assessment panel, any internal HMG panel and/or DESNZ ministers, on the basis of information provided by the candidate, believe the Application can be delivered for less than the level of funding requested in the Application, DESNZ reserve the right to offer a lower Grant award value. Where an Applicant cannot accept this or any other proposed terms of a FGOL, DESNZ may reject their Application (and may at its election revisit Step 7 of the assessment process to award funding to others).

14. Subsidy Control and Interaction with Competition Law and Economic Regulatory Regimes

General

DESNZ will not issue any subsidy that is not compliant with applicable subsidy control rules.

At the time of publication of this document, the majority of the Subsidy Control Act 2022 (SCA) is not yet in full force and effect. It is due to come into force and effect from 4 January 2023.

As such, certain of the SCA requirements (including rules around Schemes of Interest and Schemes of Particular Interest) will not apply to this Scheme or Grants issued under this Scheme.

Legacy Subsidy Scheme

The Scheme is a legacy subsidy scheme within the meaning of the SCA. DESNZ has considered subsidy control compliance and has posted notification of the Scheme on the Subsidy Control register⁹.

Prevailing Regime

Subsidy control rules apply to the Scheme. These are likely to include the UK's commitments in respect of subsidies contained within the EU - UK Trade & Cooperation Agreement (TCA), Article 138 of the Withdrawal Agreement, the World Trade Organisation rules and other free trade agreements that the UK has in place.

Grants issued under this Scheme will be subsidies. DESNZ therefore requires Applicants to provide a thorough and detailed legal and economic analysis¹⁰ as well as a clear explanation verifying compliance with subsidy control rules. They are also required to submit Application Form 3 which will inform DESNZ' own analysis. Application Form 3 must be completed in respect of each Applicant¹¹.

In advance of the Scheme being made (the Scheme being made on the date that this document was published), DESNZ has conducted a detailed consideration of compliance of Grants to be issued with the subsidy control principles set out in the TCA. DESNZ has taken into consideration the eligibility criteria and other relevant requirements in this document. However, DESNZ will (as part of its review of any Application) consider whether any issues arise in respect of Applicants or Applications that may adversely impact this analysis (at this stage an assumption has been made that the Northern Ireland Protocol and EU State aid rules do not apply – where Application Form 3 indicates a different outcome DESNZ will need to consider the matter on an individual basis).

In particular, it will be:

- a condition of being successful under the Scheme;
- a pre-condition to any release of Grant funding under the FGOL; and
- a condition (that if breached may result in clawback) of the FGOL,

⁹ See further Chapter 6 of “Draft Statutory Guidance on the United Kingdom Subsidy Control Regime” (BEIS) 2022.

¹⁰ Prepared with the assistance of external legal and / or economic advisers if necessary or helpful.

¹¹ In limited circumstances, the responses to this form may require compliance with EU State aid rules. DESNZ will inform Applicants where this is the case.

that Applicants demonstrate subsidy control compliance to DESNZ' satisfaction.

As part of the process of evaluation of an Application, DESNZ reserves the right to request from an Applicant further in-depth supporting information, whether of legal or economic nature, before it makes the decision in respect of an Application. This may include provision of a legal opinion by relevant Applicants demonstrating to DESNZ's satisfaction that they consider receipt of a Grant will not breach subsidy control rules. Inability of an Applicant to satisfy DESNZ that their Application is compliant with relevant subsidy control rules will result in an Application being rejected from the Scheme.

Applicant Risk

DESNZ, as the entity issuing Grants, will be responsible for demonstrating subsidy control compliance. Nonetheless successful Applicants should note that risk of any Grant being found not to be subsidy control compliant will be a risk that could adversely impact Applicants. In particular, please note that any FGOL will include a provision whereby Grant funding will be clawed back if the Grant is found to be unlawful.

At all times (including during the life of the FGOL) Applicants are responsible for notifying DESNZ of any information that might affect their position with respect to compliance with the applicable subsidy control rules.

DESNZ reserves the right to negotiate alterations to terms and conditions of the successful Applicant's Grant award to ensure compliance with relevant subsidy control rules.

Other Public Funding

Applicants may have already benefited from other public funding. This will impact any subsidy control analysis and should be disclosed to DESNZ.

Furthermore, Applicants themselves will need to consider any potential cumulation of the Grant with other public funding they may seek to obtain in the future in respect of a *Project* (by way of example only, under a Contract for Difference). Cumulation issues are fact specific and Applicants should seek their own legal advice. DESNZ will include relevant clawback mechanics in the Grant terms to ensure compliance with subsidy control requirements.

Interaction with Relevant Competition Laws

DESNZ requires all Applicants to consider any collaboration with other Applicants from the perspective of applicable competition law. DESNZ does not consider that any good faith agreement to develop coordinated offshore transmission infrastructure should distort competition nor have such an effect. However, DESNZ requires Applicants to confirm this. DESNZ will not be liable to Applicants to the extent their arrangements are deemed to be in breach of any competition law as this is a matter for Applicants to seek independent legal advice on. Further the Grant will include terms that may require the clawback of the Grant where Applicants activities are found to breach relevant competition laws.

Economic Regulation

DESNZ appreciates that certain Applicants may be regulated monopolies or entities that are subject to economic regulation. Economic regulation tends to go further in scope than competition law. The goal of economic regulation is not only to safeguard competition but to model an efficient outcome. Those subject to economic regulation must comply with a number of requirements. Where those subject to economic regulation are Applicants under the Scheme, Applicants are responsible for ensuring their own compliance with regulatory requirements.

Most particularly, DESNZ is keen to ensure that there is no double funding for activities that will be funded under Grants. Namely there should not be funding for the same activities using both regulatory funds and then Grant funding.

In this regard, DESNZ has set out the following high-level overview in respect of potentially relevant regulatory regimes. What follows is DESNZ' initial high-level view on these matters. However, this is not advice on which any Applicant should rely and Applicants should take their own advice on any potential interaction between economic regulatory regimes and any Grant funding (and should, where appropriate, enter into discussions with their relevant economic regulator (likely, Ofgem) on this point).

Relevant Economic Regulatory Regime	Applicants who might be Impacted	Comment on Interaction with Grants
RIIO Regime	Transmission Owners	<p>As a matter of regulatory treatment - there is no automatic process built into the regulatory arrangements to deal with any Grant that interacts with price control funding. Any transmission owner that was subject to the RIIO regime (TO) and that was an Applicant to the Scheme process would have to reach out to Ofgem to discuss and find a way to resolve this issue via the Price Control Financial Model (PCFM).</p> <p>However, our assumption is that (in respect of the RIIO regime), Ofgem would record all costs/revenues for a single project via a single till approach. Importantly though, this does not necessarily mean any Grant funding would be clawed back under the RIIO regime. Where the Grant funded additional cost items that were not previously funded under RIIO i.e. additional DEVEX for a coordinated solution then such Grant funding could potentially be recorded on both sides of regulatory costs/allowances.</p> <p>For example, on the allowance side Ofgem may permit a TO to record a further allowed expenditure, with a Grant of an equal amount (nets to zero). And on the expenditure side, Ofgem may permit a TO to record an expenditure and a receipt of Grant funding of an equivalent value (nets to zero). This approach might allow a Grant to be netted to zero as if it was excluded revenue and expenditure.</p> <p>We consider this approach could only be viable where the Grant covered additional expenditure which was not already funded by Ofgem as part of the price control. Where there was dual funding under both regimes we would expect clawback under either the Grant (note FGOL terms will reflect this) and/or the regulatory regime.</p>

Cap and Floor Regime	Interconnectors	<p>DESNZ would expect Ofgem to exclude costs covered by the Grant from the Cap and Floor regime for interconnectors/multi-purpose interconnectors.</p> <p>In the highly unlikely event that there was dual funding under both regimes for the same activity we would expect clawback under either the Grant (note FGOL terms will reflect this) or the Cap and Floor regime.</p>
Transfer Value	Offshore Windfarm Generators	<p>DESNZ would expect Ofgem to exclude costs covered by the Grant from the Final Transfer Value for Offshore Electricity Transmission assets.</p> <p>In the highly unlikely event that there was dual funding under both regimes for the same activity, we would expect clawback under either the Grant (note FGOL terms will reflect this) or the offshore transmission owner (OFTO) regime.</p>

PLEASE NOTE THAT ULTIMATELY ISSUES REGARDING ECONOMIC REGULATION ARE A MATTER FOR OFGEM AND THE CONTENT OF THIS GUIDANCE DOCUMENT SHOULD NOT BE RELIED UPON BY ANY APPLICANT IN THIS REGARD.

15. Collusion

Applicants may take part in more than one consortium and Application. DESNZ is aware this may create risks of unlawful collusion and risk of manipulation of the competitive process.

Without prejudice to any other civil remedies available to DESNZ and without prejudice to any criminal liability that such conduct by an Applicant may attract, an Applicant (and their Applications) may be disqualified at any stage of the process if, in connection with the Scheme, it:

- fixes or adjusts an Application in accordance with any agreement or arrangement with any other person (other than a member consortium to which the Application relates);
- does anything which would constitute a breach of the Bribery Act 2010;
- enters into any agreement or arrangement with any other person that they shall refrain from making an Application;
- causes or induces DESNZ to enter an agreement of the type described above;
- canvasses any member of DESNZ' assessment team or employees or officers in connection with the Scheme;
- offers or agrees to pay or give, or does pay or give any sum of money, inducement or valuable consideration, either directly or indirectly, to any person for doing or having done, or causing or having caused to be done, any act or omission in relation to any other Application; and

- communicates to any person other than DESNZ (or other consortium members) the nature/contents of an Application (except where such disclosure is made in confidence in order to obtain quotations necessary for the preparation of the Application).

16. Intellectual Property Rights

It will be a condition of the FGOL that:

- successful Applicants produce a report detailing key lessons learned that may be shared across Government and with the industry; and
- DESNZ has intellectual property rights over the outputs of certain activities funded by Grants and that DESNZ may share these with the industry.

DESNZ will not require successful Applicants to share or make publicly available any material that is (in its view) proprietary and confidential in nature. This will include information which either: (i) existed prior to the award of Grant; and/or (ii) is based on or incorporates proprietary and confidential information.

However, DESNZ, will require the report under the FGOL to cover matters such as (but not limited to):

- Priority questions
- Requirements for an OFTO and any impact on the Generator Commissioning Clause
- Issues under Industry Codes
- Compensation for outage
- Sufficient Transmission Entry Capacity (TEC)
- Transmission Charges
- Timing of Build and Insufficiency of Build
- Construction risk and delay risk
- Determination and distribution of FTV
- Issues under subsidy arrangements
- Metering (i.e. Grid Entry Point)
- Anticipatory Investment

- Consenting as a coordinated project
- Agreeing commercial arrangements and working cross-organisation
- If they are jointly delivering infrastructure (perhaps with different manufacturers for the equipment), how did this work with engagement with the supply chain etc.

17. Final Grant Offer Letter

If your Application is successful, DESNZ will set out the terms of the Grant in a FGOL. The FGOL will include details such as the amount of Grant offered and the profiling of the Grant across years. The amount of Grant offered will be non-negotiable.

An example of the standard terms and conditions of the FGOL can be found on the Scheme landing page, please note that the terms in any specific FGOL may differ (and will certainly be amended to reflect aspects of this guidance and requirements that apply in terms of *Projects* and *Qualifying Coordinated Projects*). DESNZ reserves the right to adapt the terms of the FGOL for its needs in respect of the relevant Application and this may include (amongst other things) a requirement to satisfy a number of conditions precedent defined in the FGOL to release tranches (or indeed all) of the relevant grant funding.

Once you have received your FGOL, you must confirm within 14 working days (or such other time as DESNZ reasonably requires) whether you will accept the terms and conditions for the grant offer and process with the *Qualifying Coordinated Project*. Failure to do so could result in the offer being retracted by DESNZ.

For lead Applicants, we will require either a Parental Undertaking Guarantee from your ultimate parent company or a guarantee from a bank with an investment grade credit rating. This is compulsory and must be provided. Failure to do so will result in the Grant not being issued.

Funding under the FGOL will be provided on an *ex-post* basis. Successful Applicants will be required to provide evidence of completion of delivery milestones within the activity window, on a quarterly basis. DESNZ request these milestones as set out in Application Form 2. DESNZ will award funding quarterly on the achievement of milestones-based payment. Upon receiving receipts provided by the successful Applicant which evidence they have paid for the activity to be undertaken, which will be assessed by DESNZ Monitoring Officer and Ofgem, we will provide payment to the successful lead Applicant. This may not be in the same quarter that the milestone was reached (due to time required to assess evidence).

IMPORTANT: For money to have been defrayed, liabilities must have been both incurred and discharged by payment. VAT, finance, and interest charges should be excluded.

- Evidence of expenditure defrayed must be retained and available to demonstrate the audit trail of all submitted costs.
- Tangible assets should be at the location/s of the Funded Activities and used exclusively at the Premises.

Please note the FGOL will also include provisions which state that DESNZ can withdraw funding where expenditure is not incurred in the relevant Financial Year. Please note DESNZ may reserve flexibility to agree extensions but cannot guarantee it will be able to accommodate any reprofiling of Grant funding.

As above, DESNZ expects to enter into a single FGOL with a single lead Applicant and will require onward distribution of relevant funds as envisaged.

The ability for DESNZ to clawback funding will be built into the FGOL, including (amongst other things) for the following scenarios:

- The Applicants fail to comply with their obligations under the FGOL, in a matter which DESNZ deems material.
- The Applicants provide DESNZ with any materially misleading/inaccurate information.
- An Applicant undergoes a change of control or becomes insolvent (consortium members will be dependent on the consortia agreement).
- In the reasonable opinion of DESNZ an Applicant is not in a position to be able or likely to complete the delivery of the *Qualifying Coordinated Project*.
- Should DESNZ deem that the stated activities have not been completed appropriately (e.g. surveys not undertaken fully).
- Should any double subsidy or funding (including under regulatory regimes) for activities arise.
- In the event that the Grant or issuance thereof breaches law including relevant subsidy control rules (including if applicable State aid rules).

18. Post-Award Monitoring

A DESNZ Monitoring Officer will be appointed to the successful Application/s for the duration of a *Qualifying Coordinated Project* (potentially into delivery), to ensure the *Qualifying Coordinated Project* is progressing in accordance with the FGOL. This will involve regular contact with applicants to monitor progress against key milestones, provide support throughout the claims process and verify expenditure.

The successful Applicant will need to complete and provide monitoring reports on a quarterly basis (or more regularly). This will be set out in the FGOL.

19. Accompanying Documentation

For the purposes of making your application, please provide any of the below accompanying documents in one of the following formats:

- Microsoft Office document formats (.doc, .ppt, .xls etc.)
- Adobe Acrobat pdfs
- Images may be provided in .jpg format where appropriate.
- Other file formats may be used only by prior agreement

20. Timeline

The following is an indicative timeline for this competition.

Milestone	Planned completion date
Competition launch	12 December 2022
Application window ends	28 February 2023
Essential Project Criteria review	28 February - 7 March 2023
Assessment and Due Diligence	March – May 2023
Down-Selection Point	Date to be specified. It will be in c. late April 2023/Early May 2023
Notification	June 2023
Letter in principle	June 2023
FGOL	June 2023

It may be necessary to adjust the timeline in certain circumstances. We reserve the right (at our absolute discretion) to do so. Lead Applicants will be informed of any time or date changes.

Further Information

If you require any further clarifications or information relating to your application, please email offshore.coordination@beis.gov.uk and we will endeavour to respond as soon as possible.

Appendix 1 Defined Terms

Where used in the Scheme documentation (save where context otherwise requires), the following italicised and capitalised terms shall have the following meanings:

<i>Ailing or Insolvent</i>	has the meaning set out in section 24 of the Subsidy Control Act 2022;
<i>Additional Development Expenditure</i>	means only that <i>Development Expenditure</i> that an Applicant incurs over and above the amount of <i>Development Expenditure</i> that the Applicant would have incurred if they had pursued their <i>Project</i> but not the <i>Qualifying Coordinated Project</i> as facilitated by the Grant ¹² . (For example, in the instance of a shared offshore transmission system for two offshore windfarms – this could be additional <i>Development Expenditure</i> over and above that which both offshore windfarms would have incurred pursuing a radial / single transmission solution);
<i>CIION Process</i>	means Connection and Infrastructure Options Note (CIION) process as set by National Grid ESO from time to time;
<i>Capacity Market Agreement</i>	means a capacity agreement as defined in the Energy Act 2013;
<i>Contract for Difference</i>	means a contract for difference as defined in the Energy Act 2013;
<i>Development Expenditure</i>	means pre-construction development costs as defined by Ofgem from time to time (including (but not limited to) the definition of such term in the document Offshore Transmission: Guidance for Cost Assessment (2022)) ¹³ this would include design costs, survey costs ¹⁴ , management costs but would not include costs of construction and installation. For the purposes of this competition <i>Development Expenditure</i> will not include any such expenditure

¹² DESNZ reserves the right to not count as additional some development expenditure activities that require FTE employed by an Applicant in the usual course (e.g., legal advisers etc).

¹³ For the full document see: <https://www.ofgem.gov.uk/sites/default/files/2022-03/Offshore%20Transmission%20Guidance%20for%20Cost%20Assessment%202022.pdf>. DESNZ notes this is OFTO specific and that comparable costs will be eligible where the relevant Project is not an Offshore Wind Farm.

¹⁴ By way of example surveys may include (amongst other things):

- Offshore birds and marine mammal surveys
- Geophysical and benthic surveys
- Onshore birds and ecology surveys
- Engineering surveys (topographical / engineering site surveys) and engineering designs

spent on generation assets themselves (as opposed to transmission assets and offshore transmission assets)¹⁵;

- Eligible Costs* means the economic and efficient *Additional Development Expenditure* as determined by Ofgem and DESNZ under this guidance;
- Financial Year(s)* means a calendar year from 1 April to 31 March;
- Holistic Network Design* means the map of energy projects set out in the *Holistic Network Design*, as set out in the document produced by National Grid ESO in effect at the date of this document¹⁶;

- Qualifying Coordinated Project* means the offshore coordination of:
- (a) interconnectors;
 - (b) offshore transmission network assets related to an offshore wind farm; and/or
 - (c) other subsea transmission assets.

For the avoidance of doubt this would include:

- (a) a shared offshore transmission system, where multiple offshore generators use a single offshore transmission system;
- (b) a quasi-bootstrap, which involves installation of a circuit between the offshore substations of two offshore generators, where those substations are not connected to a common onshore substation;
- (c) a multi-purpose interconnector, which involves the connection of an offshore generator to transmission infrastructure comprised of distinct offshore transmission owner and interconnector elements;
- (d) a multi-purpose interconnector, which involves the connection of an offshore generator in the GB market to transmission infrastructure that is classified as an interconnector;
- (e) a connection to a Transmission Owner-owned bootstrap, which involves the connection of an offshore generator to a subsea electricity link between two points in the onshore system, which is owned by a Transmission Owner; or
- (f) such other collaborative arrangements between Projects that DESNZ is content reduces the requirement for offshore or onshore assets;

¹⁵ DESNZ can provide further guidance on this as required.

¹⁶ See <https://www.nationalgrideso.com/document/262681/download> p.119

- Project* means any of the following:
- (a) an offshore asset in respect of which a person must hold either:
 - a. a generation licence; or
 - b. an interconnector licence,
issued under the Electricity Act 1989; or
 - (b) an offshore bootstrap constructed by a person holding a transmission licence under the Electricity Act 1989¹⁷; and
- Renewable Energy Zone* has the meaning set out in s.84 of the Energy Act 2004.

¹⁷ DESNZ may also consider offshore transmission assets where an entity holds an offshore transmission licence.



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