



Department for
Energy Security
& Net Zero

Heat Networks Delivery Unit

Round 15 Guidance

August 2025



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Introduction

Overview

The Heat Networks Delivery Unit (HNDU) was established to develop a credible pipeline of heat network opportunities across England and Wales. The Unit comprises a small team of technical and commercial experts who evaluate funding applications and provide specialist guidance to Local Authorities and other heat network sponsors. Since its inception in 2013, HNDU has awarded support to over 300 schemes across England and Wales, including £39.7million of grant funding. A list of recipients from previous rounds can be seen at <https://www.gov.uk/guidance/heat-networks-delivery-unit>

The funding round is now open and closes for initial expressions of interest by **12th September 2025**. Funding is available for the following organisation types:

- Local Authorities in England and Wales;
- Registered Social Landlords;
- Property Developers;
- Universities;
- NHS Trusts; *and*
- Other Government Departments

As we progress towards the introduction of Heat Network Zoning legislation¹, HNDU funding will increasingly be targeted towards projects that align with likely heat network zones. As such heat network opportunities that are within areas that can be identified by the Department as presenting the lowest cost, lowest carbon option for heat decarbonisation will be prioritised.

Round 15: Summary of Key Changes

For those familiar with previous funding rounds, the key changes to Round 15 are:

- a two-stage application process (1. Expression of Interest & 2. Detailed Assessment);
- a notional cap on funding of £100k per application;
- an update to the eligible funded activities;
- an update to the expected number of projects that will be funded this year;
- a requirement to demonstrate why funding is required this financial year; *and*
- continued use of our DESNZ framework to expedite delivery of studies by March 2026.

¹ <https://www.gov.uk/government/publications/heat-network-zoning-overview/heat-network-zoning-overview>

Application Process

Overview

The HNDU Funding Round 15 is now for applications until October 20th 2025, with initial applications due by **12th September 2025**. Funding is available in England and Wales only.

DESNZ is inviting applications for direct project funding support for eligible Heat Network (HN) and Heat Network Zoning (HNZ) related project activities via a 2-stage application process:

- **Stage 1** – will involve the submission of a short expression of interest (EOI)
- **Stage 2** – will involve the submission of supporting evidence and/or a discussion with DESNZ for assessment (by invitation only)

Staged Process

Stage 1: Expressions of Interest

Applicants are invited to submit an expression of interest outlining key details about their proposed heat network project. EOIs will be accepted between **11th August and 12th September 2025**. The form can be requested from hndu@energysecurity.gov.uk and should be submitted to the same email address.

Applicants will be expected to provide the following information only:

- Project Name
- Project Location
- Project Stage
- Brief project description and rationale for funding in this financial year (max 500 words)
- Previous relevant work & project status
- Key Stakeholders
- Proposed activities & costs (max 250 words)
- Named senior-level support within applying organisation

Projects will be pooled for assessment periodically through this period. Following assessment prioritised projects may be invited to submit a more detailed application and undertake discussions with DESNZ where required to better understand and assess the merits of supporting the proposed project.

Stage 2: Detailed Assessment:

Applications to stage 2 are by invitation only and may include written responses, clarifications of Stage 1 information, and direct engagement with DESNZ. HNDU will undertake a more detailed assessment of applications between 15th September 2025 and 20th October 2025. Stage 2 requirements will be shared separately with invited applicants and may differ based on project and applicant specifics.

Following completion of Stage 2 assessment, individual projects will be notified as follows:

1. Prioritised for immediate project funding support with a proposed study commencement Date
2. Prioritised for future project funding support subject to further availability of funding being made available within the 25/26 financial year
3. Not currently prioritised for funding support

Beyond this notification DESNZ may provide further feedback at its discretion but this cannot be guaranteed particularly where there may be a high number of applications.

Assessment

Projects will be assessed by the HNDU based on their merits and alignment with Departmental objectives with regards to heat networks.

As per previous rounds, this will prioritise support to projects that can demonstrate the scale of the opportunity, the local capacity & commitment, the economic viability and carbon savings. Furthermore, we will also consider projects that are of strategic importance and, for Round 15, applicants should demonstrate why funding is required in this financial year (2025/26) to help us prioritise awards if we oversubscribed.

Application Scope & Eligibility

Grant Funding

HNDU can fund up to 100% of the estimated eligible external costs of heat network development studies (where 'eligible external costs' means the money paid by DESNZ to third parties to deliver the agreed heat network development stages on its behalf).

Projects will be eligible for support up to a maximum of £100,000 per applicant. In exceptional cases, higher levels of support may be considered; such exceptions will be communicated to the applicant by DESNZ either at or during Stage 2.

In this funding round, the initial budget permits funding for 5 to 15 projects, depending on the size of the funding requests. Additional awards and funding rounds may be announced if more funding becomes available.

Support for successful projects will be provided by DESNZ, which will directly fund and appoint qualified consultants from its own framework according to a defined scope, budget, and timeframe agreed with the applicant. By exception we may issue section 31 or section 98 grants for applicants to procure their own studies. All supported projects will be required to adhere to DESNZ commercial and contract management requirements including KPIs.

There is no explicit match funding requirement, however given the cap on funding for each project, we understand that some applicants may wish to provide additional funding to support the project themselves. However please note that only DESNZ is able to use its own framework to procure services, and therefore the applicant will need to ensure that any residual funds are used in accordance with public procurement regulations (or equivalent)

HNDU grant funding can also provide up to 100% of the cost of estimated externally procured project management support for public sector applicants and registered social landlords only. Applicants will need to demonstrate that they have a need for this resource and source indicative quotes from the market.

Unlike previous years we have not published a single table of eligible costs per stage, as it has become highly dependent on the likely delivery model and/or previous work on similar projects in each town or city. As such, applicants are recommended to apply for an estimated amount and justify this value, but HNDU reserves the right to adjust this to ensure efficiency and fairness across all applicants.

Eligible Activities

The following groups of activities will be considered as eligible for Round 15:

Stage/Activity	Description
<p>Project Management Support</p>	<p>External project management and/or stakeholder engagement resource that is critical to maintain project momentum and buy-in. This will only be available for the most advanced projects and where it is demonstrated to be absolutely necessary (not feasibility studies)</p>
<p>Feasibility and DPD stage studies</p>	<p>Technical, commercial, legal or financial studies to assess the viability of heat network projects and determine the most appropriate delivery model.</p> <p>This may also include studies that interconnect one or more heat network projects or zones. Campus-based projects will only be supported where they align with future zoning activity in their locale. Larger, more strategic projects will be prioritised.</p> <p>Please note we will not support heat mapping or masterplanning studies. Similar information can be obtain via our National Zoning Model team – contact hnzoning@energysecurity.gov.uk</p>
<p>Zoning Studies</p>	<p>A study to identify city-scale heat network investment opportunities, suitable zones, and key sites for initial development in towns and cities; or objectively assess whether developer-led activity aligns with the extent of potential future zones within a town or city</p> <p><i>or</i></p> <p>studies that re-align existing feasibility or DPD studies to the heat network zoning delivery model, including technical work, delivery model assessments and preparation of zoning market prospectus'. (England <i>only</i>)</p>
<p>Other</p>	<p>Other funding to support the development of heat network opportunities that does not fit into one of the categories above.</p>

Applicant Eligibility

Applications must be submitted by a Local Authority or an approved organisation based in England or Wales. These organisations may collaborate with partners. There is no restriction on the number of projects for which an eligible applicant can apply; however, a separate application form should be completed for each project.

Eligible applicants working with neighbouring Local Authorities on one or more projects must appoint a lead organisation to submit a joint application for all involved. Non-local authority applicants must show how their funding request aligns with local heat network zoning activities. Other eligible organisations include:

- Registered Social Landlords,
- Property Developers,
- Universities,
- NHS Trusts and
- Other Government Departments

Where relevant, applicants, and the corporate group within which the organisation resides, may not apply for more than the Special Drawing Rights (SDR) as set out in the UK-EU Trade and Cooperation Agreement over a three-year rolling period². At the time of writing this was approximately £350,000.

Non-Local Authority applicants may be awarded grants under section 98 of the National Environment and Rural Communities Act 2006. This means that grant monies awarded to non-Local Authority applicants must be spent in full in the financial year to which they are allocated. Unspent funds will be lost. As such applications from non-Local Authority applicants need to carefully consider the timing of their projects and the extent to which work will continue into the next financial year (April 2025-March 2026). If this is the case, the applicant must make this clear in the application form and split the award across financial years in line with their forecast spend.

Ineligible activities

HNDU can only support heat network projects. It cannot provide support for any other activity, including activity that looks at heat sources where supplying a heat network is not its primary function. For example, a feasibility study for an energy from waste plant (EfW) would not be eligible for support, whereas a feasibility study to investigate the potential for a specific EfW plant to supply heat to a heat network would be eligible.

HNDU grant funding to eligible applicants will not support costs associated with:

² <https://www.gov.uk/government/publications/complying-with-the-uks-international-obligations-on-subsidy-control-guidance-for-public-authorities/technical-guidance-on-the-uks-international-subsidy-control-commitments#section-1>

- Work already commissioned or incurred before this application;
- Internal staffing or secondment staff or charged agencies within the applicant organisation;
- Funding for accommodation;
- Commercialisation stage onwards project management and client engineer support;
- Construction, operation and maintenance of a heat network.

Please note this list is not exhaustive, and the Department reserves the right to exclude additional activities or restrict eligible costs as it deems necessary, in its consideration of a funding application and potential award decision.

Applications for heat mapping and masterplanning will not be accepted as similar information can be obtained from our National Zoning Model (contact hnzoning@energysecurity.gov.uk). We will not support borehole costs for geothermal projects due to the overall constraints on this funding round.

HNDU Guidance

HNDU Guidance and Support

Successful applicants may be allocated a HNDU Project Lead depending on the level of support required and the capacity of our team. The interaction between successful applicants and HNDU is governed by a non-legally binding Memorandum of Understanding (MoU). This will be shared with applicants who progress to stage 2 of the application process.

All funding recipients will be required to maintain regular monthly contact with their allocated HNDU project lead (or central mailbox if not allocated a project lead), ensure they are invited to key project meetings, and provide hndu@energysecurity.gov.uk with monthly highlight reports and project outputs for review prior to sign off with consultants.

Guidance is clearly differentiated from advice, which is not provided by HNDU, and provides points for consideration as opposed to advice which advocates a course of action. Whilst the successful applicant will develop all project material and manage all activity, HNDU, where appropriate, will help guide the successful applicant on the most effective project development path. HNDU guidance covers:

- Project scoping and management
- Engineering and technical standards
- Consumer protection
- Governance models, contractual structures and procurement
- HMT business case review
- Heat Network Zoning
- National Zoning Model
- Policy – compliance and opportunities
- Stakeholder engagement
- Risk management
- Guidance for heat offtake and heat supply agreements with third parties.

Enquiries and further information

If you have any queries regarding the support HNDU can offer to Local Authorities or how to apply for this support, please email hndu@energysecurity.gov.uk.

Further information, including announcement of grant awards, can be found at:
<https://www.gov.uk/guidance/heat-networks-delivery-unit>

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