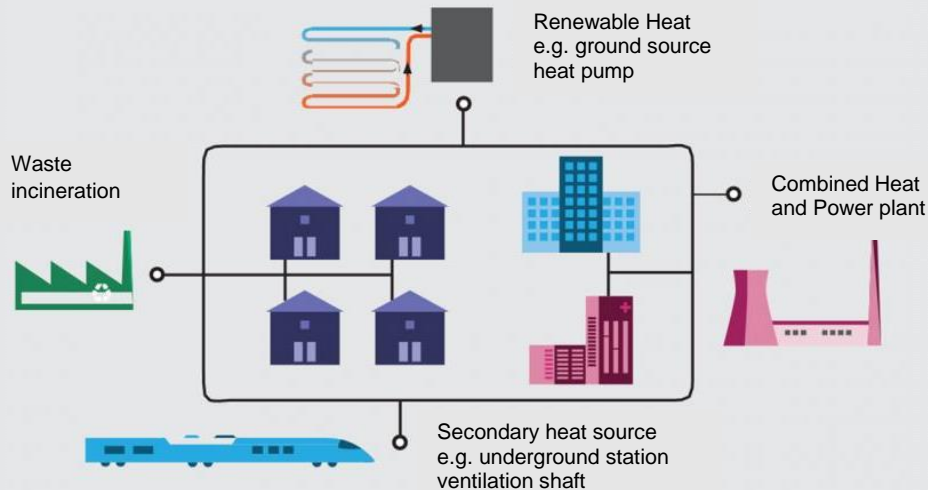


# MAYOR OF LONDON

## Heat Networks and HNIP Pilot Funding



**Tom Vosper**  
RE:NEW Engagement Manager

Government has made it a strategic objective to increase the use of heat networks. It's not surprising then that we have seen a dramatic increase in incentives and regulation driving activity in this field.

In the last two years we've had the enactment of the Heat Network (Metering and Billing) Regulations 2014, the publication of the CIBSE/ADE Heat Networks Code of Practice, the launch of the Heat Trust, the availability of the Heat Networks Delivery Unit (HNDU) funding and now the launch of the Heat Networks Investment Project (HNIP) pilot funding<sup>1</sup>. HNDU is available

to provide feasibility funding for heat networks, while HNIP offers capital funding mainly for new heat networks and in some instances for the extension and renovation of existing networks.

It's HNIP which is the new news. Back in October 2015, the Chancellor announced the availability of over £300m of capital funding to support the development of heat networks, and this summer the government consulted on how best to spend these funds. The response to this 'HNIP consultation' was published on 17 October with the main point of interest for most parties being the immediate and simultaneous launch of a £39m HNIP pilot fund.

<sup>1</sup> This list is not exhaustive; a fuller list would include the development of sustainability policies encouraging / requiring heat networks; the various local and national heat mapping initiatives that have taken place (such as the National Heat

Map); the implementation of support functions at the sub-national level (especially within the GLA); and other sources of available funding such as ECO.

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I want to address three questions: Will your project be eligible for funding? If so, how much? If not, what help can you get?

**First, eligibility.** The pilot fund, which is being managed by Salix Finance, is open to applications from Local Authorities and other public bodies other than central government departments. These include the NHS, most universities and housing associations. So housing projects are ‘in’ but before you start seeing pound signs we need to look at the four eligible heat network types:

- Those classed as ‘district heating’ within the Heat Metering and Billing Regulations (i.e. only those linking multiple buildings – single building communal heating systems are excluded<sup>2</sup>).
- Those meeting one of the heat source requirements (75% of the heat from non-renewable CHP, or 50% from a renewable source, or 50% from a waste heat source, or 50% from a combination of CHP, renewables and waste heat).
- Where CHP is the chosen heat source, it must operate as [good quality CHP](#).
- Those which can demonstrate adherence to the [Heat Networks Code of Practice](#).

**Second, funding levels.** The HNIP pilot will provide funding based on a case by case ‘funding gap’, calculated in one of two ways:

1. New heat networks – The capital contribution required to take the IRR without HNIP funding up to the hurdle rate of the equity investors.
2. Existing heat networks and networks initiated through planning – the capital contribution required to take the IRR without HNIP funding for incorporating an additional / best practice feature of the heat network up to the hurdle rate of the equity investor. There are a number of pre-approved additional / best practice

features listed in the application guidance, including network extensions, refurbishment and interconnections.

Answering the question ‘how much funding can I get?’ is not straightforward. Calculating the funding gap will require cash flow modelling and these financial models will need to be submitted with the HNIP application.

**Third, alternative/additional support.** If the eligibility criteria or funding level calculations outlined above (see the [application guidance documentation](#) for full details) have left you feeling doubtful about applying, please remember the **RE:NEW** Support Team can work with residential projects in London to help assess eligibility and prepare applications.

It may be that your organisation or projects are not a good fit with the available pilot funding. Perhaps all of your heat networks serve individual buildings which, for practical reasons, cannot be easily connected. If that’s the case, you may still benefit from talking to us at **RE:NEW**. We have developed a process for reviewing communal heating systems to identify, isolate and improve areas of poor performance and over the last year, our communal heating benchmarking service has become increasingly popular.

Tom Vosper is a CIBSE qualified Heat Networks Consultant and the **RE:NEW** Team’s lead on heat networks and communal heating. Please contact Tom for more information on **RE:NEW’s** communal heating service or if you are interested in applying for HNIP funding.

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<sup>2</sup> Connecting single building heating system together would be an eligible cost through, subject to other criteria being met.