



What's new in this update of Factsheet 1?

- The first Electricity Demand Reduction (EDR) Pilot Factsheet (Factsheet 1) was published on 28 February 2014.
- This update collates all the information that was in Factsheet 1, plus more detailed information drawn from answers to questions asked by those who have registered their interest in the pilot. The update and Factsheet 1 can both be found at the [EDR pilot webpage](#).
- Annex A to this update includes questions and answers that provide further detail which may be helpful to those who are considering applying for the pilot.

What is the EDR pilot?

- £20m is being made available to support projects that deliver lasting reductions in electricity demand, e.g. through the installation of a more efficient lighting system or pump.
- This pilot will test whether EDR could participate in GB's capacity market².

How will it work in practice?

- Applicants will bid into an auction to deliver an electricity demand reduction (capacity) saving, expressed in kW (not kWh, which is the measure for total energy used).
- Applicants will bid a price, expressed in £/kW, for which they are prepared to 'sell' that electricity demand reduction (capacity) saving.
- Funding will then be allocated up to the total amount available in the auction (amount to be announced in June), subject to some value for money criteria being met.
- Successful bids will secure funding. Successful bidders will then sign a contract committing to delivering the capacity saving that they bid for.
- Once measures are installed, organisations will receive a payment from the pilot – a contribution to the cost of the more efficient electrical equipment that has been installed.
- Capacity savings will need to be demonstrably relevant to the peak period for electricity demand, which we define as 3-7pm each winter weekday (November to February). Guidance on how this will be measured will be issued in June.
- Projects will need to qualify. This will include submitting a project plan with estimated savings and a plan for measuring and verifying these (a manual will be provided to help with this).
- Applicants may submit more than one application, covering different projects or measures, if they wish.

¹ This update of 7 April contains information that we expect will be final, but which remains subject to change as the pilot develops further. Further information will be published through spring 2014.

² For more information see www.gov.uk/decc.

- Applications may include a mix of technologies and cover a number of sites or facilities.
- There will be a minimum bid size of 100kW in the auction. This may be achieved through a single project or through several projects, aggregated into a single application.

How will the pilot benefit you?

- Successful bidders will receive a grant payment - not a loan - from Government for delivering the electricity demand reduction (capacity) during the peak period, with efficiency savings split between a payment at installation and a second payment on providing evidence of the delivery of savings.
- This will support your investment case. You will also benefit from all the electricity cost savings.

Who and what will be eligible?

- Projects should be based in Great Britain (England, Scotland, Wales). N.B. Applicants themselves need not be GB-based.
- Applicants from all sectors – public, private and voluntary - are eligible as long as they meet the eligibility criteria for the pilot.

What projects and measures will not be eligible?

- Those that shift electricity demand to other times of the day.
- Savings made by switching to another energy source (e.g. switching to Combined Heat and Power).
- Any measures that have been installed by successful bidders before the signature of a grant offer letter.³
- Any measures that have received or will receive an incentive payment from another Government scheme. To illustrate more specifically:
 - Climate Change Agreements (CCAs): Given that they benefit from a Climate Change Levy Discount, facilities with a CCA will not be allowed to bid into EDR for any of their processes or activities that are covered by their CCA. Any measures that are bid into the pilot should relate to efficiencies outside the CCA.
 - CRC Energy Efficiency Scheme: Organisations in the CRC are eligible to participate in the EDR pilot, but if they have facilities covered by a CCA, they will not be allowed to bid into EDR for any of their processes or activities that are covered by the CCA.
 - Energy Company Obligation (ECO): Energy suppliers with obligations under ECO will not be allowed to bid into EDR for measures they have to install under ECO.

³ DECC and its agents are not responsible for any commitments made by bidders before they know the result of the auction and will not make retrospective payments for measures installed prior to the signature of grant offer letters.

- Green Deal cash-back: Measures that have benefitted or will be benefitting from the Government's Green Deal cash-back scheme will not be eligible.
- Salix Loan Scheme: Measures that have received or will receive funding from the Salix Loan Scheme are not eligible.
- Renewables Heat Incentive: Grid-related measures that have or will receive funding from the Renewables Heat Incentive are not eligible.
- Capital Allowances: Applicants need to ensure that any EDR funding they receive is deducted from their claim for capital allowances⁴. For example, if a company invests £1,000 and receiving £100 from the EDR pilot, only £900 will qualify for capital allowances.

⁴ This includes the First-year allowance (also known as the Enhanced Capital Allowance), the Annual Investment Allowance (AIA) and Writing-down allowance (WDA) at 8 and 18%.

Timetable



Annex A

Questions and Answers on Electricity Demand Reduction Pilot Factsheet 1

Background

The information in this document provides further clarification on the [EDR Factsheet](#) that was published on 28 February 2014. This Annex contains questions about the information in the Factsheet that were sent to the edr-pilot@decc.gsi.gov.uk mailbox by organisations and companies wishing to register their interest in the pilot, together with the reply that was sent by the EDR pilot team. The questions and answers included here are those that add further clarification to the document to which this Annex is attached.

N.B. In some cases, amendments to questions/answers have been made for the sake of clarity, brevity or to ensure that the questions are anonymised.

Questions asked with answer given

Questions about auction, costing of bids and payments

Can you tell me what level of funding will be made available under this scheme?

There will be a competitive auction process. Participants will bid in an amount of electricity demand savings they can make (measured as capacity in kW) and a price at which they are prepared to 'sell' it. This will test the Capacity Market approach which takes bids from organisations to supply capacity. It is up to the bidder what the price they will offer is, but there is a limited pot of money, so projects which bid a lower £/kW bid will be more successful than those that bid at a higher level. The organisation will then commit to deliver that electricity demand reduction through the installation of lasting energy efficient measures – for example, replacing old lighting installations for more energy efficient ones.

Successful bidders will receive funding in line with the level of their bid (£/kW) and the amount of savings proposed, spread across a payment at installation and on provision of evidence of that those savings have been delivered. This money will help subsidise the measure. At least £20m is available to support the EDR pilot over the two years that it will run for.

Are the projects going to be scored purely on the amount of kW reduced or are there going to be some additional criteria?

In the first instance applications will need to qualify. This will include submitting a project plan with estimated savings and a plan for measuring and verifying these (a manual will be provided to help with this). For applications that have qualified there will then be a competitive auction process.

How are applicants expected to cost the project?

Participants will have discretion over how much support they wish to bid for in order to help their projects go ahead. However, the funding will be allocated in a competitive auction, based on a £/kW bid and the project size in kW (not kWh) in order to deliver the maximum power saving for the money available.

What are the time constraints for projects which can be included in the project pack? Can we install some new equipment in June / July 2014 and include it in the application pack for back payment?

We don't expect to allow retrospective payments for EDR measures installed before the auction takes place and offer letters are received.

Will the funding be repayable over a specified time?

EDR pilot payment arrangements will be similar to a grant structure: payments will be made to participants against milestones/conditions e.g. confirmed installation of EDR measure(s) and level of capacity reduction over a defined period. Repayments may be required under certain circumstances (such as in the case of fraudulent claims).

Questions about eligibility of measures, including how savings should be demonstrated

The 100kW minimum saving, is this each day between 3pm and 7pm or annual saving of 100kW or 100kW over the project lifetime?

The 100kW minimum would need to be relevant to the 3-7pm period each day during the winter period of November to February.

Will any data auditing / verification activity be undertaken by DECC to ensure that savings are delivered in practice?

An M&V manual will provide guidance to participants as to the options available for measuring and verifying savings and which methods are appropriate for different types of projects. It will build on the approach set out in the International Performance and Measurement and Verification protocol (IPMVP). As stated in the factsheet, organisations participating in the pilot will need to prepare a measurement and verification (M&V) plan. The plan will provide details of the project, for example, estimated savings and the chosen method for measuring and verifying savings. Participants will then be required to report in line with their plans to the scheme

operator. Further information about the M&V processes will be published in an MVA manual which will be published alongside the full scheme rules in June. We expect to release further factsheets before then containing more information about these kinds of questions.

Are you going to prepare estimated kW reduction calculators or is it going to be the responsibility of organisations applying for funding?

We have confirmed that one of the savings estimation methodologies we will be testing is one where kW savings are deemed using standard calculations. This would only apply to a limited selection of electrical equipment. We will publish more information about these calculations and the equipment for which they can be used in the full scheme rules, due to be published in June.

Please can you advise if there might be any contribution towards installing sub-metering and monitoring equipment as part of any programme to install new lighting and/or more efficient transformers and/or variable speed drives and/or pumps or other equipment to help demonstrate the actual savings and raise awareness with staff?

Further detail on the pilot, including eligible costs, will be provided when the full scheme rules are published, currently planned for June. In addition, in the run up to June we will release further information as it becomes available.

Is the scheme open to generators?

The scheme is open to any organisation that can deliver lasting electricity demand savings from efficiency projects. Generation projects are supported through other schemes e.g Capacity Market, CfDs, FITs and RHI.

I am trying to determine whether the below are eligible for the EDR pilot:

a) If a company participates in a Climate Change Agreement?

Facilities with a CCA (Climate Change Agreement) will not be allowed to bid into EDR for any of their processes or activities that are covered by their Climate Change Agreement but will be allowed to bid in for efficiencies they can demonstrate are outside the CCA.

b) If a company wants to reduce grid electricity demand by using their waste heat to generate electricity?

c) If a company wants to reduce grid electricity demand by installing solar panels or wind turbines on site?

No to b) and c) – the pilot is concerned with the installation of measures to reduce demand through efficiency rather than to support additional generation.

Could you clarify whether the funding may apply to street lighting?

Broadly speaking our goal is to enable projects which can deliver kW reductions during peak periods so this could include a very broad range of technologies, projects and sites. We expect that there will be lighting projects among those that meet our eligibility criteria. We are still developing these aspects of the pilot and hope to be able to release further detailed information about how we will determine the eligibility of different projects soon as part of further factsheets.

Is Variable Refrigerant Flow (VRF) Technologies one of the eligible technologies?

At this stage we are unable to comment on the eligibility of specific projects or technologies as we are yet to publish the detailed rules. However, broadly speaking our goal is to enable projects which can deliver kW reductions during peak periods so this could include a very broad range of technologies, projects and sites.

Other questions

Is the Government going through suppliers to advise sites of this potential opportunity?

We are pursuing a lot of different avenues for disseminating information about the pilot. So far we have sent the factsheet to around 40,000 contacts through our existing stakeholder database and have asked a large number of representative organisations to contact their members directly with information about the pilot.

Is it possible for our company on behalf of its client to apply/bid for funding for energy projects on their estate?

In principle we are open to bids from a range of different types of organisation including those who can deliver savings on sites which they do not own but which they have a relevant contractual relationship with. We will publish more information about how different organisations can bid into the pilot soon, with some updates due over the next few months, and final scheme rules planned for publication in June.

What is a Salix loan?

Salix Finance Ltd. delivers 100% interest-free capital to the public sector to improve their energy efficiency and reduce their carbon emissions.

www.salixfinance.co.uk/loans