DPS FRAMEWORK SCHEDULE 4: LETTER OF APPOINTMENT AND CONTRACT TERMS

Part 1: Letter of Appointment

Dear Sirs

Letter of Appointment

This letter of Appointment dated *Tuesday, 28th July 2020*, is issued in accordance with the provisions of the DPS Agreement (RM6018) between CCS and the Supplier.

Capitalised terms and expressions used in this letter have the same meanings as in the Contract Terms unless the context otherwise requires.

Order Number:	CR20059 - Designing an Auction to Install Energy Efficiency Measures in Small and Medium Sized (SMEs) Businesses
From:	The Department for Business, Energy & Industrial Strategy (BEIS) with offices at 1 Victoria Street, London SW1H 0ET ("Customer")
To:	Eunomia Research & Consulting Ltd, 37 Queen Square, Bristol, United Kingdom, BS1 4QS ("Supplier")

Effective Date:	Monday, 3rd August 2020
Expiry Date:	Thursday, 31st December 2020

Services required:	Set out in Section 2, Part B (Specification) of the DPS Agreement and refined by: the Customer's Project Specification attached at Annex A and the Supplier's Proposal attached at Annex B;

Contract Charges (including any applicable discount(s), but excluding VAT):	The Customer shall pay the Supplier the sum of £85,821.90 excluding VAT for delivery of these Services. For the avoidance of doubt, the Contract Charges shall be inclusive of all third-party costs. 

	 See CR20059 - RM6018-Contract-terms-v8 Annex 1 – Contract Charges for further information.
Insurance Requirements	Additional public liability insurance to cover all risks in the performance of the Contract, with a minimum limit of £5 million for each individual claim Additional employers' liability insurance with a minimum limit of £5 million indemnity Additional professional indemnity insurance adequate to cover all risks in the performance of the Contract with a minimum limit of indemnity of £2 million for each individual claim. Product liability insurance cover all risks in the provision of Deliverables under the Contract, with a minimum limit of £5 million for each individual claim
Liability Requirements	**Suppliers limitation of Liability** (Clause 18.2 of the Contract Terms);
Customer billing address for invoicing:	All invoices should be sent to should be sent to finance@services.uksbs.co.uk or Billingham (UKSBS, Queensway House, West Precinct, Billingham, TS23 2NF).

GDPR	Schedule 7 (Processing, Personal Data and Data Subjects]
Alternative and/or additional provisions (including Schedule 8(Additional clauses)):	*N/A*

FORMATION OF CONTRACT

BY SIGNING AND RETURNING THIS LETTER OF APPOINTMENT (which may be done by electronic means) the Supplier agrees to enter a Contract with the Customer to provide the Services in accordance with the terms of this letter and the Contract Terms.

The Parties hereby acknowledge and agree that they have read this letter and the Contract Terms.

The Parties hereby acknowledge and agree that this Contract shall be formed when the Customer acknowledges (which may be done by electronic means) the receipt of the signed copy of this letter from the Supplier within two Working Days from such receipt

For and on behalf of the Supplier:

Name and Title: [redacted]

Signature: [redacted]

Date: 29/07/2020

For and on behalf of the Customer:

Name and Title: [redacted]

Signature: [redacted]

Date: 29/07/2020

ANNEX A

Customer Project Specification

Background

Introduction and summary of requirements

To support the delivery of the net zero legislation, the UK Government is exploring a range of policies to improve energy efficiency across business, including a small business energy efficiency scheme (SBEES). Small and medium sized enterprises (SMEs) account for just over 50% of business energy use, and nearly half of this consumption could be targeted by energy efficiency measures. However, there are multiple and persistent barriers that limit SME investment in energy efficiency so SBEES needs to be designed in a way that targets the key barriers of access to information, expertise and finance while incentivising SMEs to take action.

In order to inform the decision-making process on the policy options for SBEES, BEIS is commissioning this research project to provide evidence on options for the design and delivery of an energy efficiency auction that accelerates the uptake of energy efficiency measures in SMEs. This project will result in a report that considers the design and delivery of an auction and sets out each of the design options available and the implications associated with these. This will help inform BEIS of the validity (or otherwise) of an energy efficiency auction, as a method to incentivise SMEs to invest in measures to increase their energy efficiency.

Background – the climate challenge and SMEs

In June 2019, following advice from the UK's independent climate change advisory body - the Committee on Climate Change, the UK became the first major economy in the world to pass laws to eradicate its net contribution to climate change and set a net zero emissions by 2050 target[1]. Strong frameworks to support this ambition have been established by the Clean Growth Strategy (CGS)[2], which sets out a stretching ambition to support businesses to improve their energy efficiency by at least 20% by 2030. This could deliver up to £6 billion in cost savings annually from 2030 and contribute up to 22MtCO2e of savings towards the fifth carbon budget. The UK Government's Industrial Strategy also aims to harness the opportunities of the transition towards a low carbon economy, through the Clean Growth Grand Challenge[3].

All businesses, including SMEs, have significant opportunities to reduce their own energy use and emissions, therefore contributing towards climate change and health objectives. Realising the untapped cost-effective energy saving potential in SMEs could deliver approximately £2.7bn[4] in annual cost savings and a potential 30% reduction in SME energy bills in 2030[5]. By using energy more efficiently, energy demand can be reduced, leading to lower energy bills for business, lower emissions of greenhouse gases and other pollutants, reduced need for energy infrastructure and increased energy security through a reduction in imports.

There is a range of well documented barriers that prevent business from implementing energy efficiency measures, and these are magnified for SMEs. The UK is not alone in struggling to engage SMEs with energy efficiency. Research by the International Energy Agency (IEA) shows that the most effective SME policies target 3 key barriers: information, knowledge and finance[6].

Background – the Small Business Energy Efficiency Scheme (SBEES)

---

[1] https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law
[2] https://www.gov.uk/government/publications/clean-growth-strategy
[3] https://www.gov.uk/government/publications/industrial-strategy-the-grand-challenges/industrial-strategy-the-grand-challenges#clean-growth
[4] https://www.gov.uk/government/consultations/energy-efficiency-scheme-for-small-and-medium-sized-businesses-call-for-evidence
[5] Ibid
[6] https://c2e2.unepdtu.org/wp-content/uploads/sites/3/2016/03/sme-2015.pdf

BEIS published a Call for Evidence in March 2019[7] setting out options for developing a SBEES targeting SMEs and incentivising them to engage in energy efficiency. Responses overall were finely balanced, with no consensus as to whether the SBEES should be an energy efficiency auction or an energy efficiency obligation, though individual responses did offer strong views on preferences. BEIS has extensive experience of designing and delivering an energy efficiency obligation through the domestic ECO[8] but lacks similar experience of an auction aimed at SMEs. The aim of this research is to increase our understanding on how an auction could work, and to ensure an informed decision is made on how SBEES should proceed.

There are examples of energy efficiency auctions being used in other countries to provide a competitive mechanism for governments to support businesses to become more energy efficient. Participants bid for government funding and the projects providing the best energy efficiency for the best value win. Portugal, Switzerland and Germany have Government-run energy efficiency auctions, and each are designed differently. We want to understand the options available that are relevant to this country when designing the auction, and the expected implications of each option.

Aims & Objectives of the Project

The aim of this study is to understand the different options for designing and running an energy efficiency auction and the likely impact of those options on the success of the auction. This should consider evidence from energy related auctions in the UK and overseas. It should set out the options available for each stage of the auction and the potential impact of each option. The advice should take particular consideration of our target audience – SMEs as well as market actors bidding into the auction, who will be responsible for aggregating measures from SMEs. The study will increase BEIS's understanding of how similar auctions work, the range of choices in the design and scope of an auction, and their impacts.

Precise research questions to be answered

The key research questions are 'which form of auction would be most impactful in increasing energy efficiency for SMEs while supporting the expansion of the energy efficiency market in the UK?' and 'how successful is that auction likely to be' This research project will provide evidence that will assist BEIS in deciding what form SBEES will take and how best to design an energy efficiency auction with the following characteristics.

An auction that:

- Minimises market or price distortion
- Maximises participation by 3rd parties such as aggregators as well as the target SMEs
- Maximises value for money
- Balances simplicity with the option to target specific technologies or sectors
- Ensures liquidity
- Targets SMEs effectively, considering the well documented barriers[9] to take-up of energy efficiency measures by SMEs, in particular business disruption

Therefore, we are commissioning research to understand how similar auctions work and design and test the feasibility of potential auction models. Specific questions we expect the research to answer (which should take the above characteristics into account) are:

A. What is likely to be the most effective auction process for UK SMEs?

[7] ibid

[8] https://www.ofgem.gov.uk/environmental-programmes/eco

[9] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/392908/Barriers_to_Energy_Efficiency_FINAL_2014-12-10.pdf

- What are the potential models for the auction process that bidders would follow when participating in an auction e.g. is there a role for pre-qualification/verification, what are the options around different methods for bidding, what, if any appeal mechanisms should be in place?
- What are the advantages/disadvantages of using the different bidding mechanisms e.g. pay as clear/pay as bid?
- What are the advantages/disadvantages of various timescales for successful bidders to install measures?
- What is ideal frequency of the auction, setting out the pros and cons of single versus multiple auction rounds?

B. How can we encourage and maximise participation in the auction?

- Which steps can be taken to attract bidders? And how successful are these likely to be?
- How can the auction design strike a balance between encouraging participation (particularly as we are targeting SMEs) and VfM? This is partially about considering the amount of administration that a SME will be willing to participate in to engage with an auction, as well as our obligations to protect the public purse.
- What are the pros and cons of restricting the auction to third party bidders or allowing both third party bidders and SMEs to bid?
- To what extent would expanding initial audits beyond energy efficiency to consider other low carbon measures such as smart energy/ solar PV / EV charging etc encourage participation? While funding would be targeted at energy efficiency measures only.

C. What is the best funding model?

- What is the minimum viable amount of funding required to run a successful auction for year 1, explaining the rationale?
- Suggest potential trajectories for funding the auction in subsequent years.
- Recommend the overall scheme size to ensure that energy efficiency becomes recognised and important to SMEs, and there is a market able to respond to demand.

D. How can we ensure cost effectiveness?

- Recommend ways to minimise search costs and administrative overheads while maximising the cost effectiveness of the auction administration – for both government and participants
- Recommend ways to maximise cost effectiveness, that is increase efficiency of allocated budget, incentivise submission of minimum viable bids, reduce the risk of high failure rate
- To what extent, if any, should the auction require any initial energy audits to include advice on wider energy measures such as smart energy, battery storage, EV charging and renewables?

E. How can we best monitor and evaluate the auction?

- What are the options for measurement and verification of the auction process and measures delivered – that balances the volume of administration that SMEs are willing to undertake with the need to protect public funds?
- Could monitoring and verification be assisted by requiring benefiting SMEs to install smart meters?
- How could an auction be designed to facilitate quality monitoring and a future evaluation?
- What methods are there to ensure quality standards? Please note that BEIS currently has a contract with BSI to deliver a new Publicly Available Specification (PAS) for the installation of energy efficiency measures in non-domestic buildings[10].
- What options are there to deal with non-delivery by participants?

F. Other

[10] https://www.delta-esourcing.com/delta/respondToList.html?noticeId=427135813

- What other risks and mitigations should be considered when designing and delivering an energy efficiency auction?
- How do we ensure the auction is compliant with state aid rules?
- What are the critical success factors for an auction targeting SMEs?

Suggested Methodology

To answer the research questions in section 2 above, the researchers will make recommendations about the design and delivery of the auction, using evidence gathered from a variety of sources. The proposed designs will be concept tested with key market actors/players and SMEs to ensure feasibility in the SME sector across the UK.

We envisage the project to comprise of 2 distinct phases:

1. Auction option design. Evidence gathering on (i) auction theory, (ii) learnings from relevant energy-related auctions in the UK and overseas and (iii) evidence from programmes for SMEs engaging in energy efficiency and other energy related measures such as storage and solar PV. This evidence will be used to formulate a number of potential auction designs.
2. Concept testing research with potential bidders to include key market actors/players and SMEs to test the feasibility of the model options designed in Phase 1.

Phase one will review the existing evidence base in order to devise a number of options for the SBEES auction, explaining the pros and cons of the scheme for all of the areas highlighted in the research questions above and setting out the key decision-making stages in auction design.

We expect the contractor to draw on a range of existing information including; academic reports on auction theory; academic and market intelligence reports on driving change in SMEs and research studies and evaluations of existing auction schemes, both in the UK and internationally. We will provide the contractor with BEIS evidence detailing the design of current auction schemes, where available.

Depending on the quality of available evidence, the contractor may wish to conduct interviews with previous auction designers, key market players, and SMEs at this point to gain clarification on outstanding questions not covered in the evidence.

The contractor will be required to reference the quality and robustness of evidence reviewed and the basis for including / excluding evidence. The contractor will map the eligible studies against the research questions so that we can assess how well each question is answered in the available evidence.

The contractor will then devise a number of auction models, using the reviewed evidence and economic theory to ensure feasibility. The output of this phase will be an interim report setting out the results of the evidence review and detailing potential models for the auction with explanations of how they will perform against the criteria set out in the research questions above.

Phase 2 will test the auction options developed in phase 1 with key market players. This will take the form of qualitative focus groups or interviews with trade bodies (such as the Federation of Small Businesses), a small number of SMEs, and potential aggregators (such as larger businesses with supply chains, energy service companies and local authorities). The aim will be to concept test the proposals and provide evidence about the pros and cons of the proposed combination of options as well as an assessment of whether they are feasible.

We expect this research to enable us to better understand stakeholder views on how a potential auction scheme could work, and what would motivate them to get involved e.g. would potential SMEs want initial audits to go wider than energy efficiency to consider smart energy, battery

storage, EV charging and renewables? Or, what is the maximum administrative burden SMEs would bear as part of participation?

Direct research with a full range of market players would also ensure the UK and SME context is central to the evidence gathering phase and fill any gaps in the evidence from the desk research. We expect approximately 6 focus groups or 35 interviews (or a combination of both) will be adequate. Due to current social distancing, we expect these groups/interviews will be remote rather than face to face. Potential contractors should provide details of how they will conduct the research remotely. SMEs are generally hard to reach, so we expect the bid to highlight how the research will successfully engage this group.

The final product would be a report which expands on the interim evidence and describes in detail the pros and cons of the proposed auction models with reference to how these were revised following the qualitative research. We ask for each decision that needs to be made on the design of the auction be set out individually alongside their respective pros and cons. We also request that for each phase of the auction where elements of the design are heavily interrelated, for example, how and when to bid into an auction, that a recommended model be set out.

Deliverables

The following outputs are required within the project, irrespective of whether the proposed methodologies are used or whether alternatives are proposed. Alternative reporting approaches or timing may be proposed so long as they exceed the requirements set out below and the reasons are fully explained. All outputs will be owned by BEIS.

The outputs of this research project are expected to include:

Phase 1

By September 2020

Interim report on auction models
The interim report should set out the results of the evidence review and detail potential models for the auction with explanations of how they will perform against the criteria set out in research questions A-F in the methodology section above.

Presentation on Phase 1
The research team should provide a face-to-face (or virtual, if necessary due to social distancing) presentation of the interim findings for policy and analytical colleagues at BEIS.

Phase 2

By December 2020

Final synthesis report of Phases 1 and 2
The final synthesis report will expand on the interim evidence, summarise the work undertaken, and methodology used, and describe in detail proposed auction models with reference to how these were revised following the qualitative research. It will also make recommendations on the proposed auction models.

It must be written to a sufficiently high standard for publication. Our experience shows that this may require 3-4 drafts, and this should be taken into account when considering timelines and costs.

Slide Pack
A slide pack will present the key findings in an easily accessible form. This should help ensure that relevant findings of the report can be easily selected and presented for/by the various

cross Whitehall teams. This slide pack should focus on the auction options rather than the methodology or underpinning evidence.

Final Phase 2 Presentation
The research team should provide a face-to-face presentation (or virtual, if necessary) of the final findings for policy and analytical colleagues at BEIS and potentially other Government Departments at the end of Phase 2.

Other reporting requirements or deliverables
Where relevant, outputs should include suitable technical annexes and datasets. Technical annexes should provide sufficient detail such that the methodology is replicable.

We would welcome suggestions as to any further outputs and would expect to agree a final set of deliverables at the inception stage.

It is desirable to also have transcripts of qualitative interviews or other records of discussions with stakeholders, for internal BEIS use. However, if it is not possible to include these, bidders are asked to specify how they will record and analyse their qualitative research and to propose alternative outputs which could be used more widely by BEIS.

It is assumed that most reports will be published to provide a transparent evidence base for ongoing policy making decisions. To demonstrate relevant experience in producing high quality reporting, bids must:

- specify who in the project team will be responsible for drafting the report;
- specify who will be responsible for quality assurance before it comes to BEIS.

Ownership and Publication

All outputs will be owned by BEIS.

The final report will be published in line with GSR standards, potentially alongside the public consultation on SBEES. The final report must be formatted according to BEIS publication guidelines, therefore within the Research paper series template and adhering to BEIS accessibility requirements for all publications on GOV.UK. The publication template will be provided by the project manager. Please ensure you note the following in terms of accessibility:

Checklist for Word accessibility
Word documents supplied to BEIS will be assessed for accessibility upon receipt. Documents which do not meet one or more of the following checkpoints will be returned to you for re-working at your own cost:

1. document reads logically when reflowed or rendered by text-to-speech software
2. language is set to English (in File > Properties > Advanced)
3. structural elements of document are properly tagged (headings, titles, lists etc.)
4. all images/figures have either alternative text or an appropriate caption
5. tables are correctly tagged to represent the table structure
6. text is left aligned, not justified
7. document avoids excessive use of capitalised, underlined or italicised text
8. hyperlinks are spelt out (e.g. in a footnote or endnote)
9. Please see Annex 6 for BEIS Social Research Report Writing Guidelines.

Quality Assurance

Bidders must set out their approach to quality assurance (QA) in their response to this ITT with a QA plan.

Sign-off for quality assurance must be done by someone of sufficient seniority within the contractor organisation to be able to take responsibility for the work done. Acceptance of the

work by BEIS will take this into consideration. BEIS reserves the right to refuse to sign off outputs which do not meet the required standard specified in this ITT and/or the contractor's QA plan. QA should cover all aspects of the project undertaken by the contractors, including data collection, data analysis and reporting.

To demonstrate an effective process to produce high quality reporting, the contactor/s must ensure that quality assurance is done by individuals who were not directly involved in that particular research or analysis.

Bidders should note that BEIS may appoint its own peer reviewer(s) to QA publishable outputs. Consideration should be given to how the external peer reviewer (s) will be included in the QA process.

Where complex or innovative methods are proposed, bidders should specify how additional quality assurance will be provided. Where necessary, this should include the use of external experts. A BEIS appointed peer reviewer will not be expected to provide detailed quality assurance, their role will be focused on higher level peer review.

Outputs will be subject to BEIS internal approvals, the more substantive the output the longer the approval time required. Published reports will require three rounds of comments, which should be factored into the timelines.

The successful bidder will be responsible for any work supplied by sub-contractors. For primary research, contractors should be willing to facilitate BEIS research staff to attend interviews or listen in to telephone surveys as part of the quality assurance process.
Other useful sources of guidance and advice that will help bids and the resulting work be of the highest quality include:

- The Government Social Research Code (Annex 1 & Annex 2), in particular those that relate to GSR Products;
- UK Statistics Authority Code of Practice (Annex 3) / or an equivalent standard;
- Quality in Qualitative Research: A Framework for assessing research evidence (Annex 4 & 5) provides a Framework for appraising the quality of qualitative research.

Challenges

There may be a number of challenges in conducting this research; some are set out below. Bidders must consider how these and any other challenges will be addressed through the research design and delivery.

Contacting and engaging potential SME participants

Experience has shown, it is always difficult to find SMEs willing to discuss energy efficiency measures with policy makers. Barriers to energy efficiency are also well documented in academic papers. BEIS interviews with SMEs for a digital project in 2018[11], found an extremely low level of awareness of the benefit of energy efficiency among SMEs.

There are no reliable records of which buildings are occupied by SMEs, which may make it difficult to directly contact and engage with potential SME research participants. Bidders should outline their approach to engaging with SME participants, especially in light of the challenges resulting from the COVID-19 pandemic.

Language capacity

A potential challenge is likely to be identifying and accessing material. In particular, some of the content may be in different languages and may not be possible to review in detail, for instance energy efficiency auctions exist in Switzerland, Germany and Portugal. Bidders should outline their approach to overcoming the language barrier and source translators where necessary.

Timing of outputs

11

Bidders should consider what robust evidence can be gathered and how they can meet the requirement to deliver a final report to the tight timetable. Bidders are welcome to propose innovative methods and outline a delivery plan which splits activities in stages over this timescale to meet this requirement.

Working Arrangements

The successful contractor will be expected to identify one named point of contract through whom all enquiries can be filtered. A BEIS project manager will be assigned to the project and will be the central point of contact.

Where a consortium or sub-contractors are in place, BEIS expect that they are included in relevant meetings, workshops and review points to ensure their full engagement in the project. All contractors and sub-contractors are responsible for the delivery of outputs to the appropriate time and quality. It is expected that the lead contractor takes an active role in oversight of all workstreams and bears the overall responsibility for the delivery of the evaluation activities and outputs.

Bids should assume that BEIS take an active role in review and quality assurance of research materials, analysis and outputs, beyond external peer review. It should be expected that research materials and outputs go through at least three iterations (i.e. two rounds of comments from BEIS), dependent on the complexity of the product. Additional amendments may be required for published outputs.

Note that bidders must be available to attend an inception meeting in the week commencing 3rd August 2020

We envisage the need for close interaction between the BEIS Project Manager and contractor throughout the process, to ensure that emerging issues are dealt with promptly and that BEIS fully understand the assumptions and approach taken. Bidders should assume that engagement with BEIS will include weekly project management phone calls, weekly progress update reports, steering group meetings (frequency to be confirmed), and face to face meetings (virtual meetings if necessary) as required to design, and deliver the chosen methods. Throughout the research, BEIS will be required to review and sign off all final data collection instruments, analytical approaches (including key assumptions) and outputs.

Timetable

We anticipate the contract will last for a maximum of 5 months.

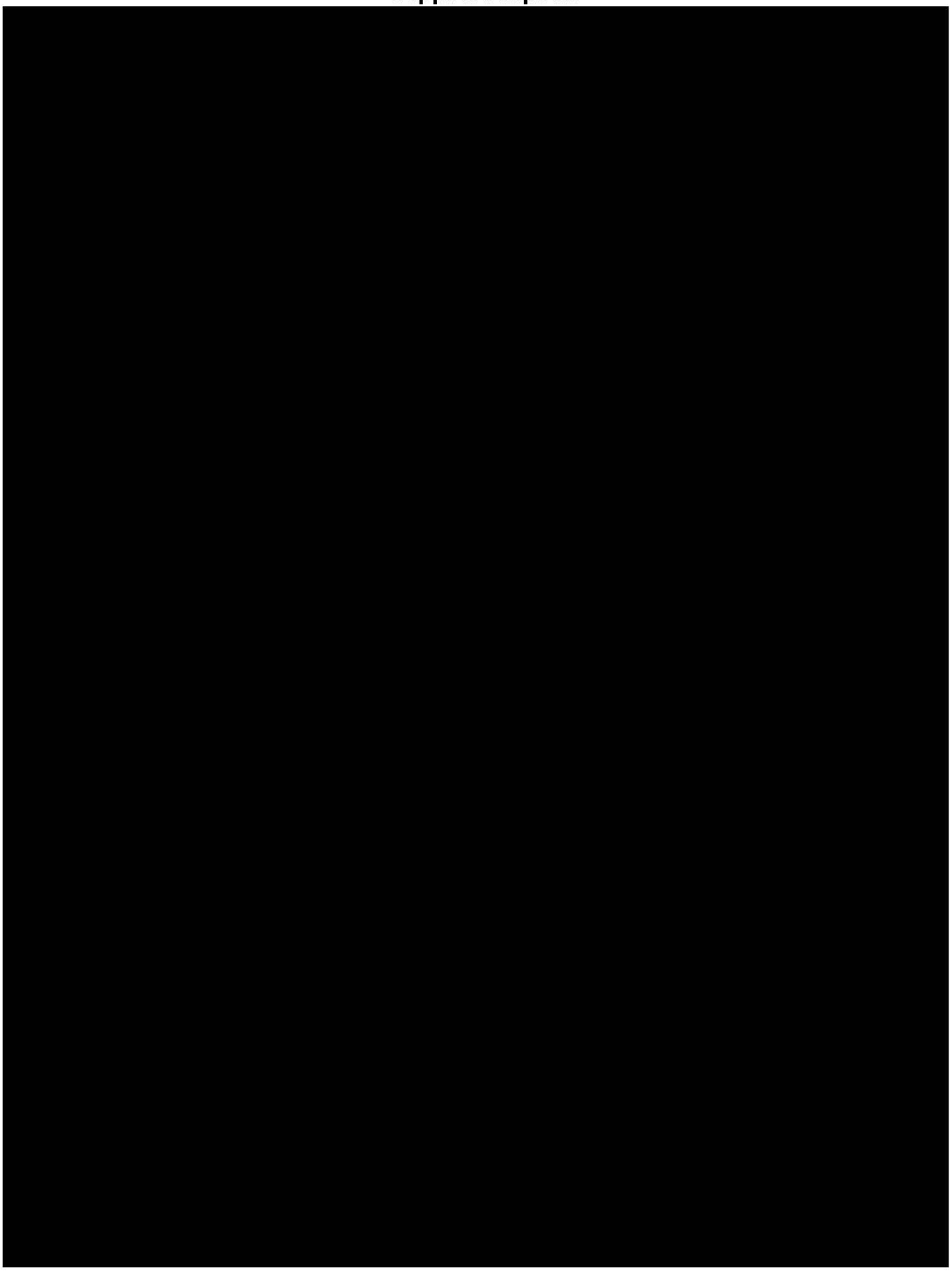
Contractors must demonstrate that they can meet the following provisional timetable for the research:

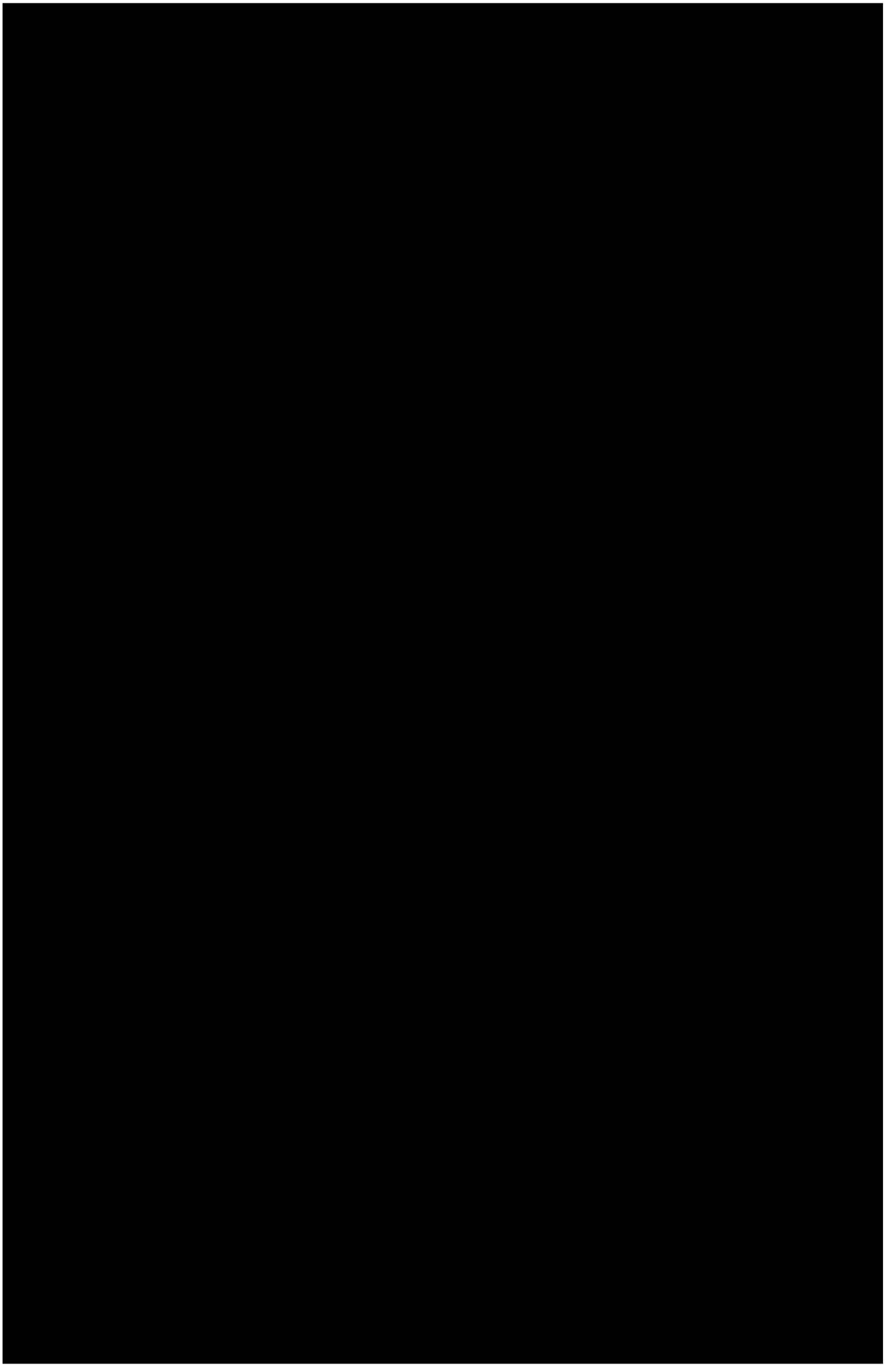
Kick-off meeting to agree and finalise approach to the study	w/c 3 August 2020
Phase 1	
Review of existing evidence base	August 2020
Fieldwork with key market players	August 2020
Mapping of eligible evidence against research questions	August 2020
Devise auction models	August 2020
Interim report	September 2020
Phase 1 presentation	September 2020
Phase 2	
Fieldwork with key market players and SMEs to test auction models	September-October 2020
Analysis and QA of findings	November-December 2020
Final synthesis report of research and findings	December 2020

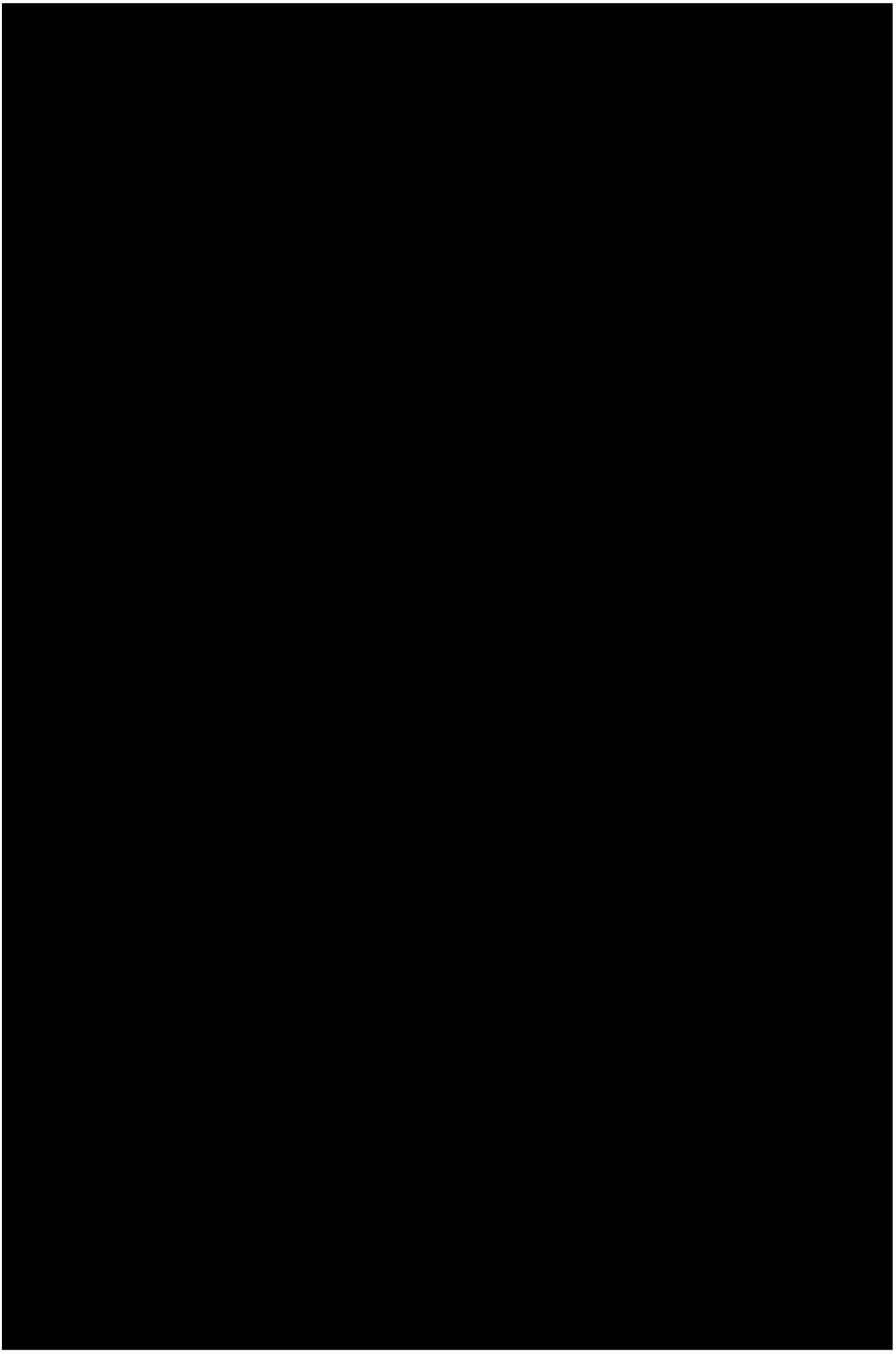
Slide pack presenting the key findings in an easily accessible form	December 2020
Full set of options researched on auction models accompanied by implications of each option	December 2020
Full set of any datasets and interviews	December 2020
Final presentation	December 2020

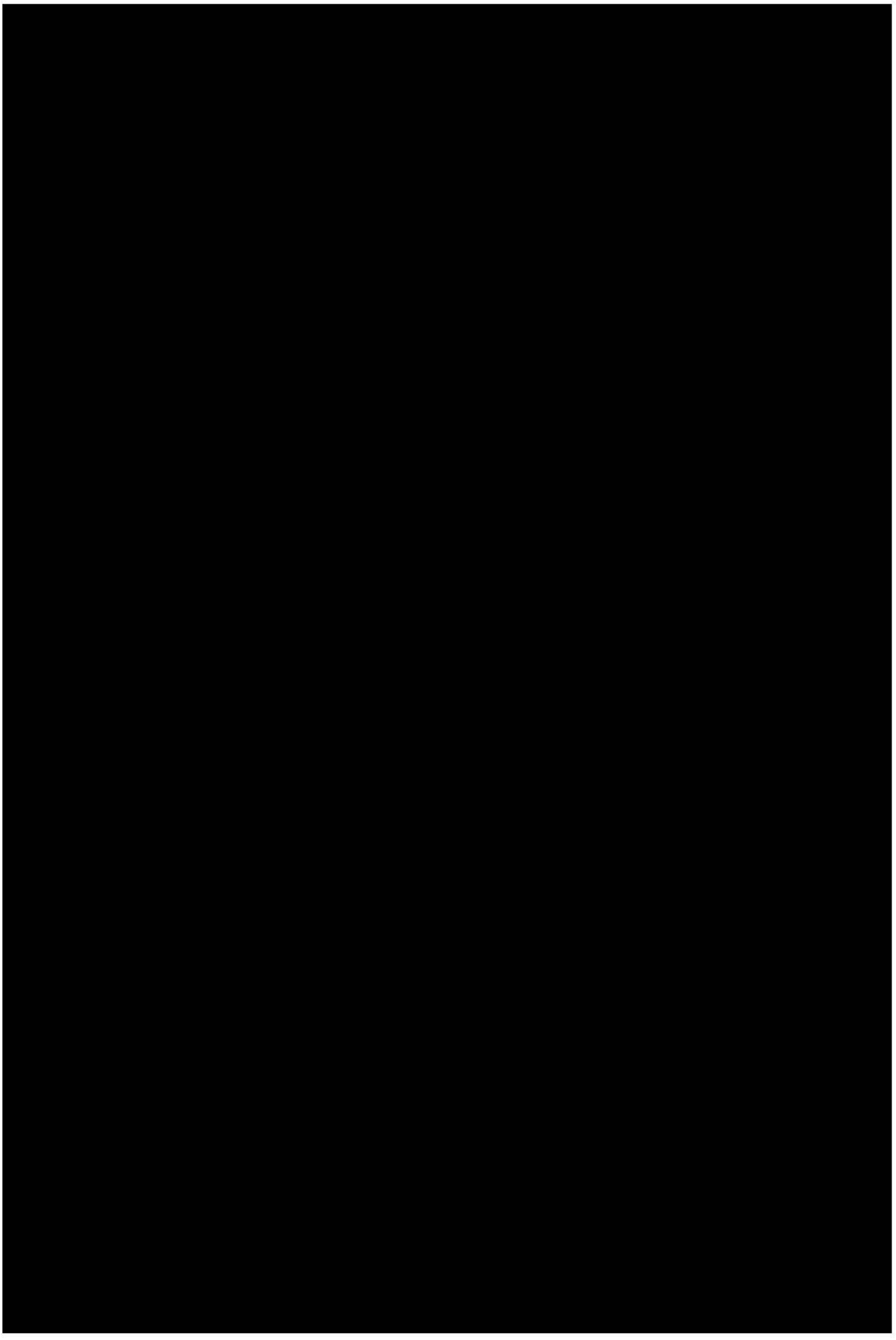
ANNEX B

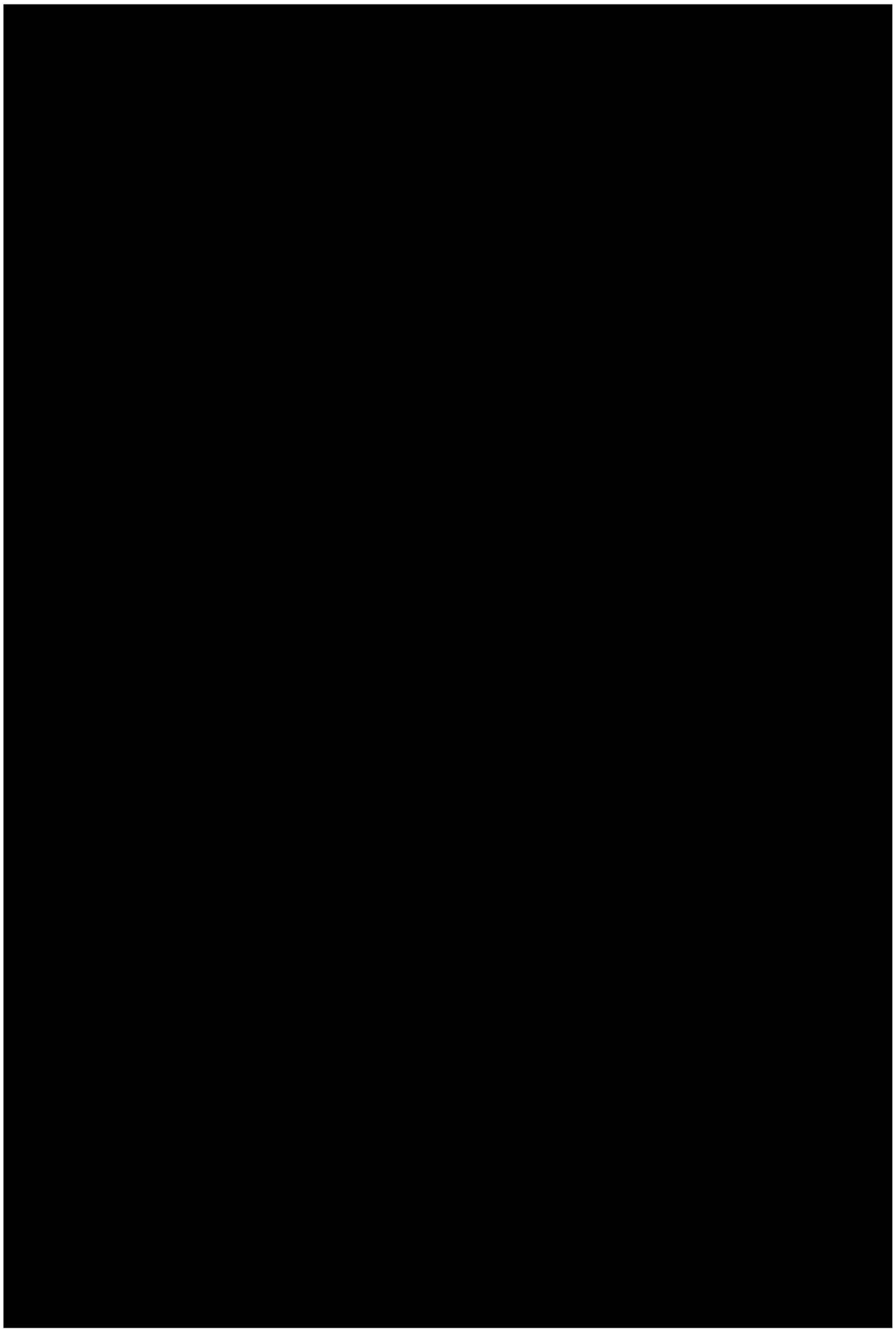
Supplier Proposal

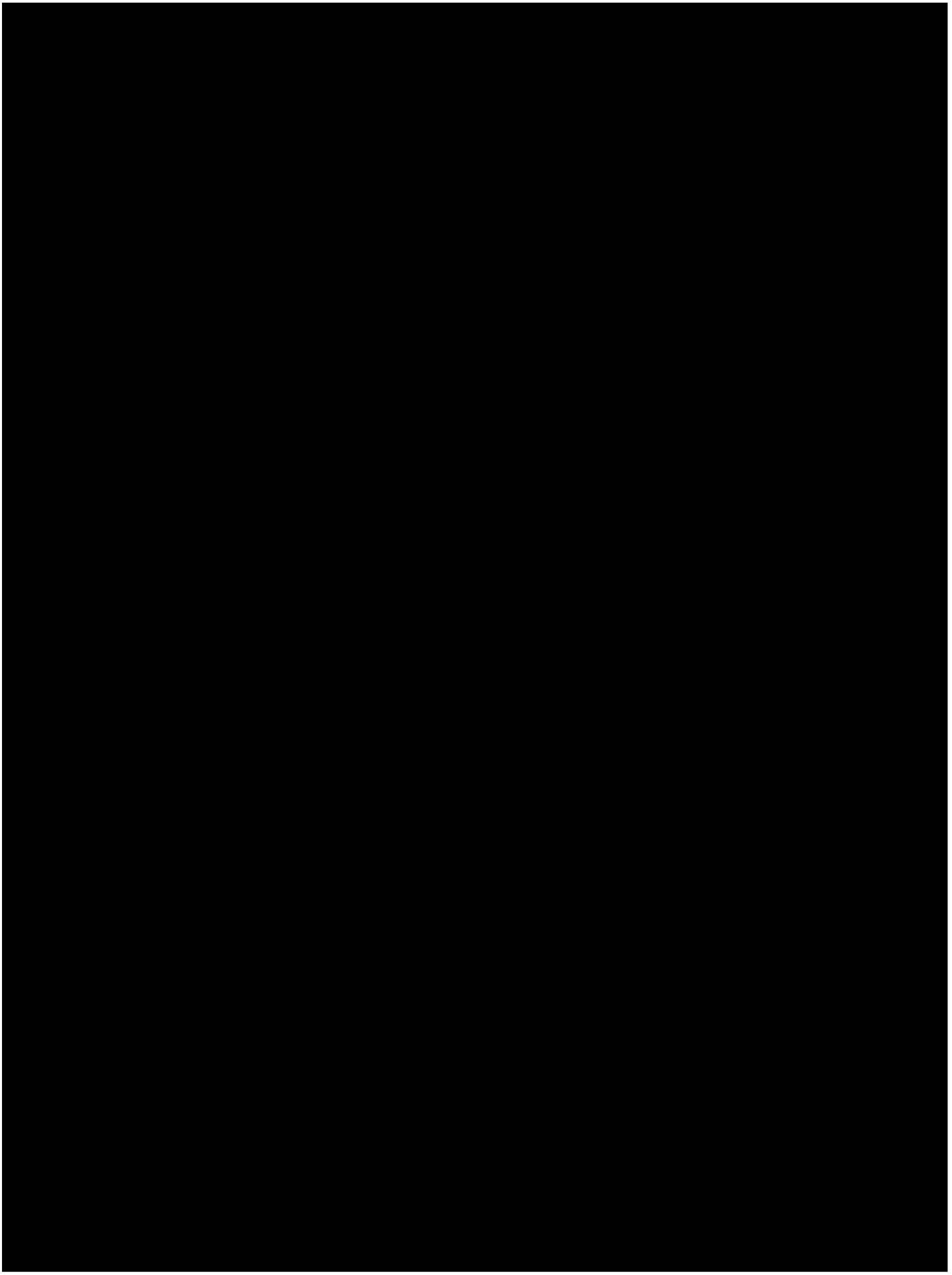


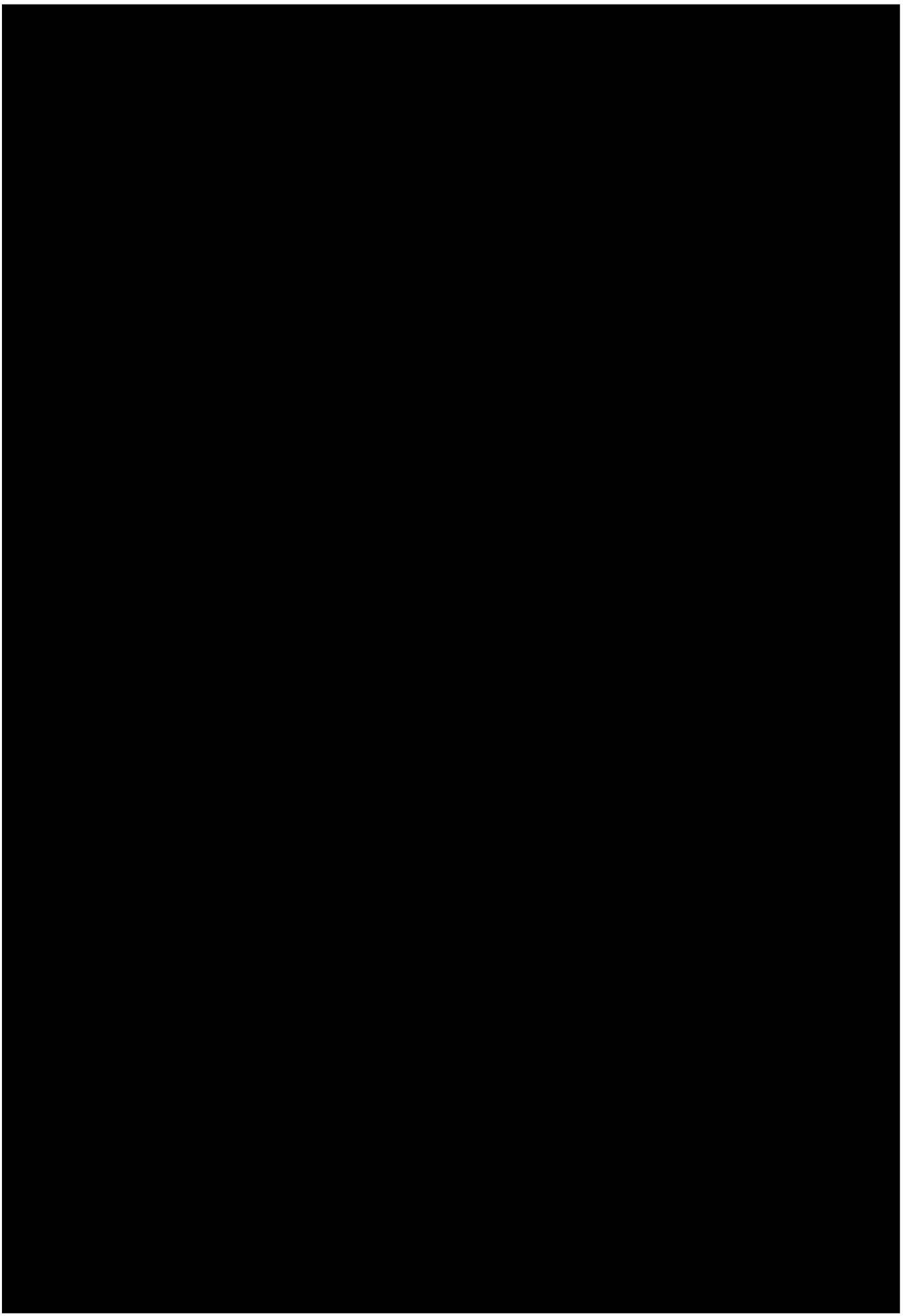


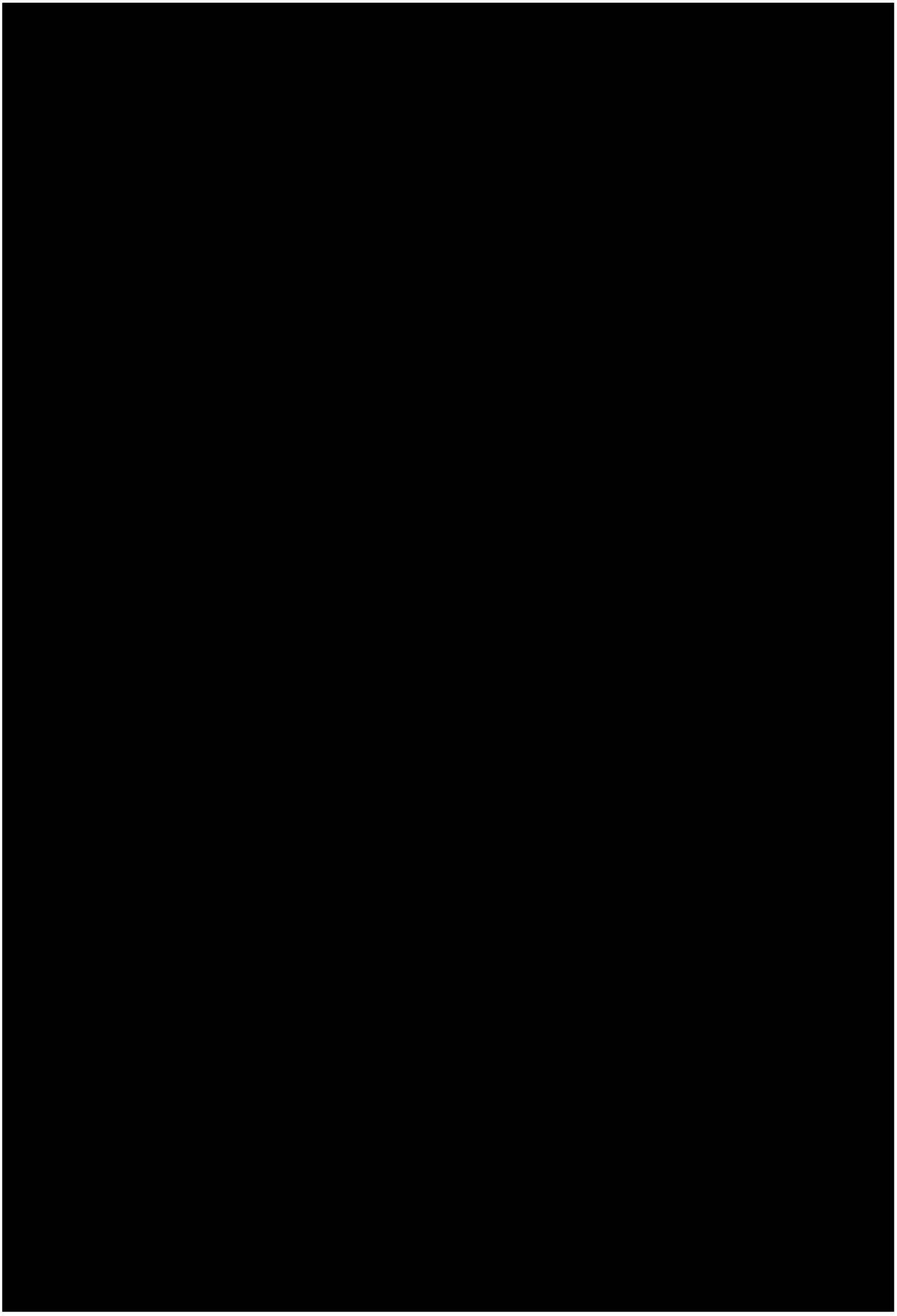


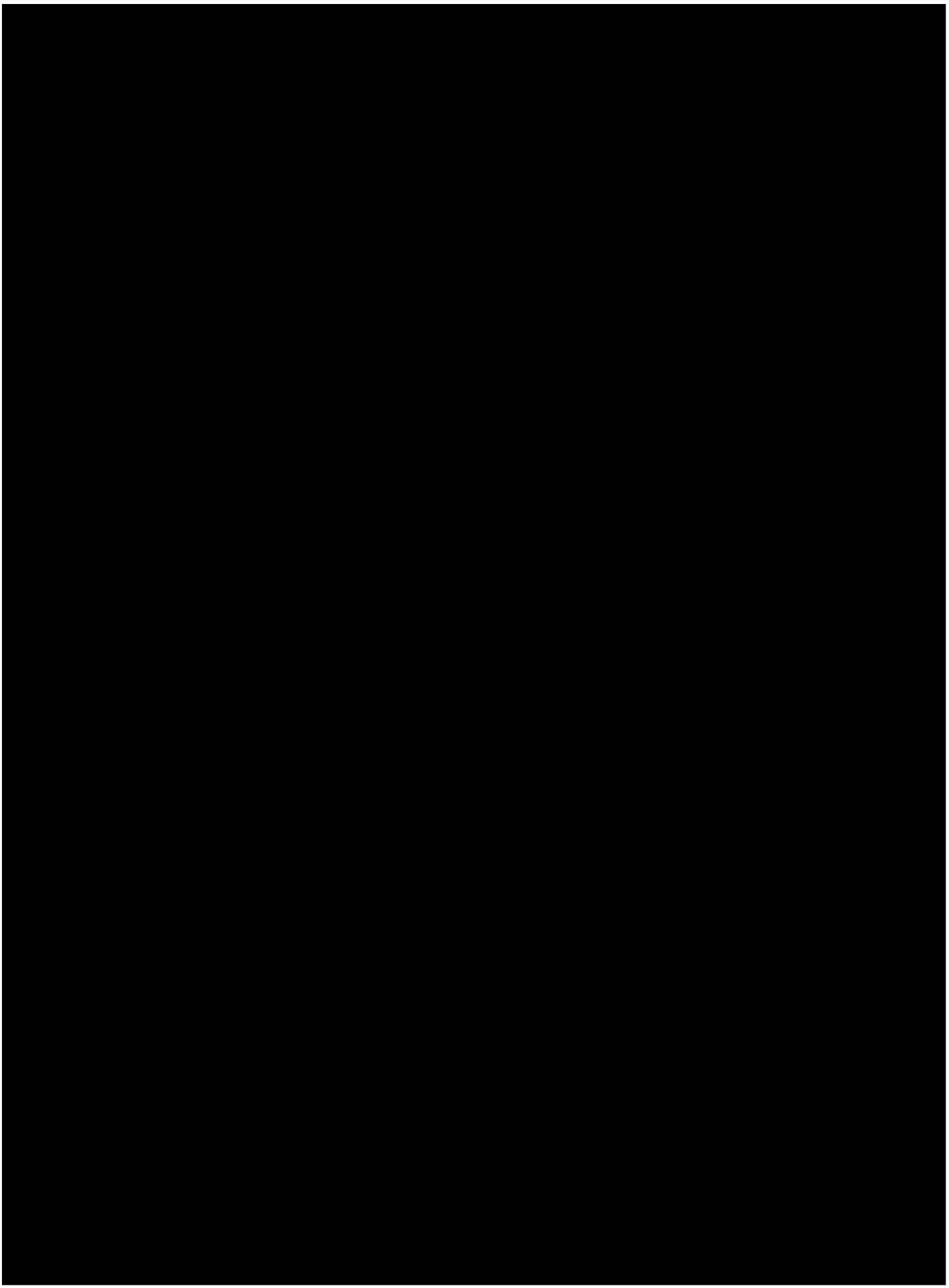


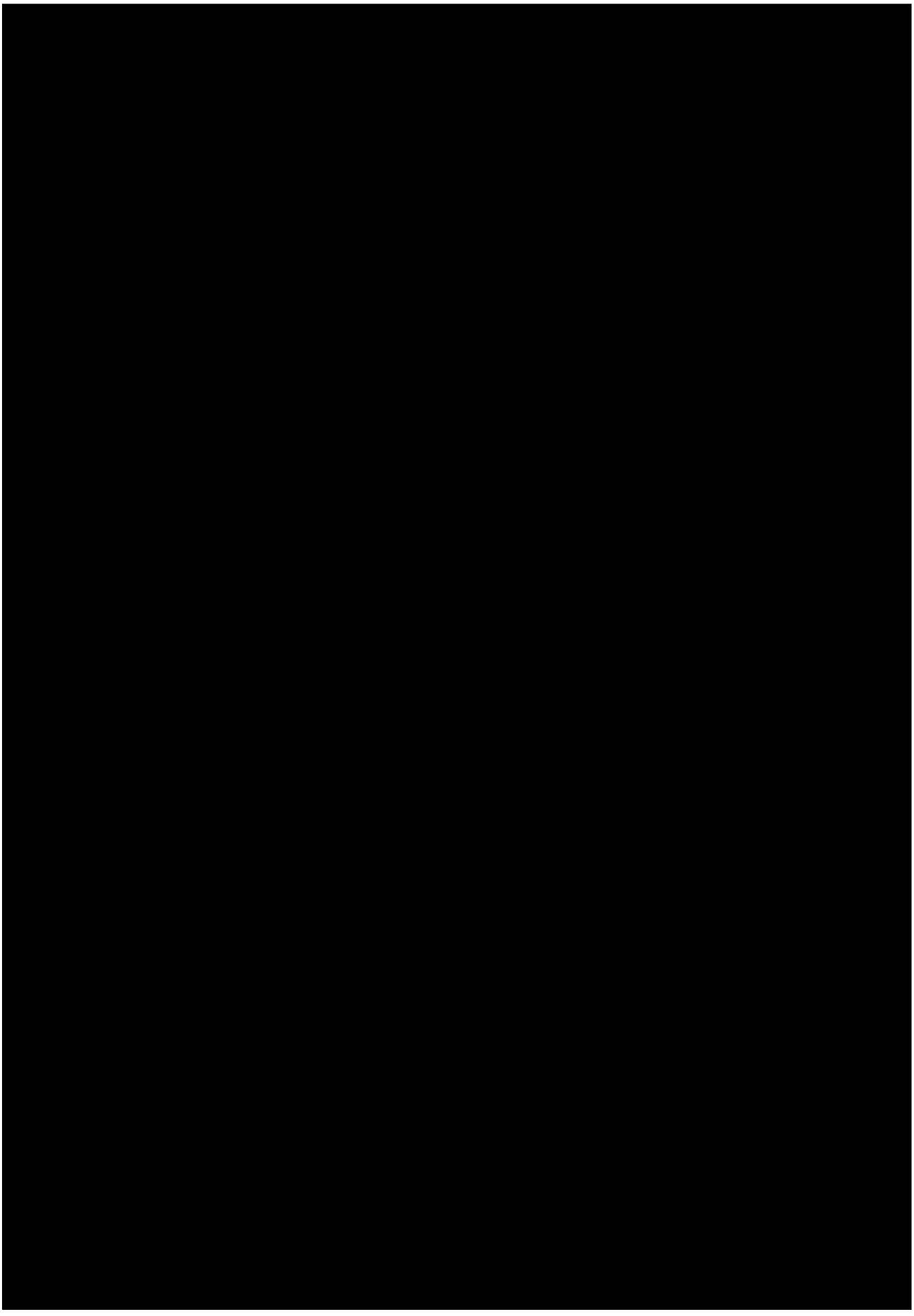


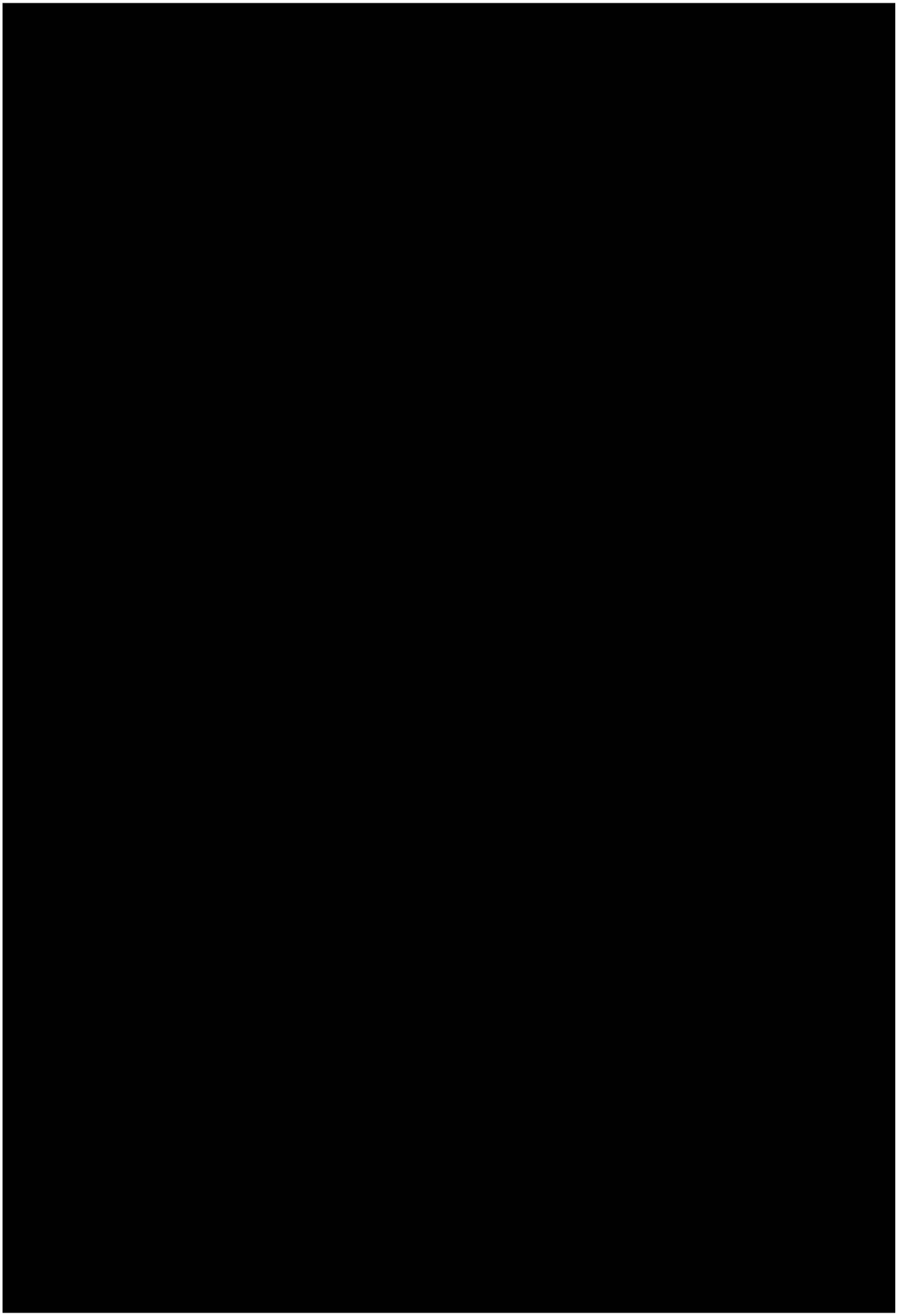


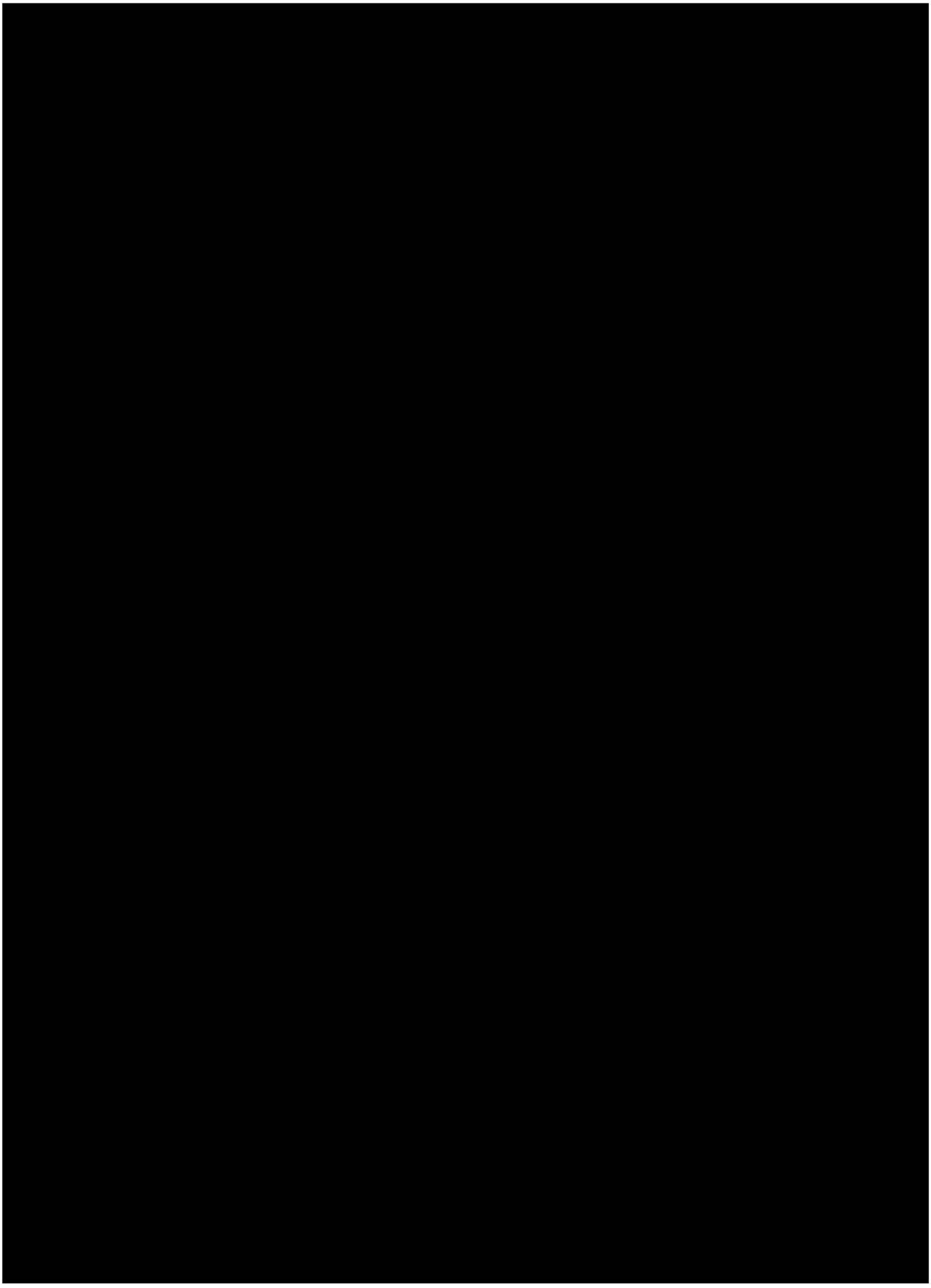


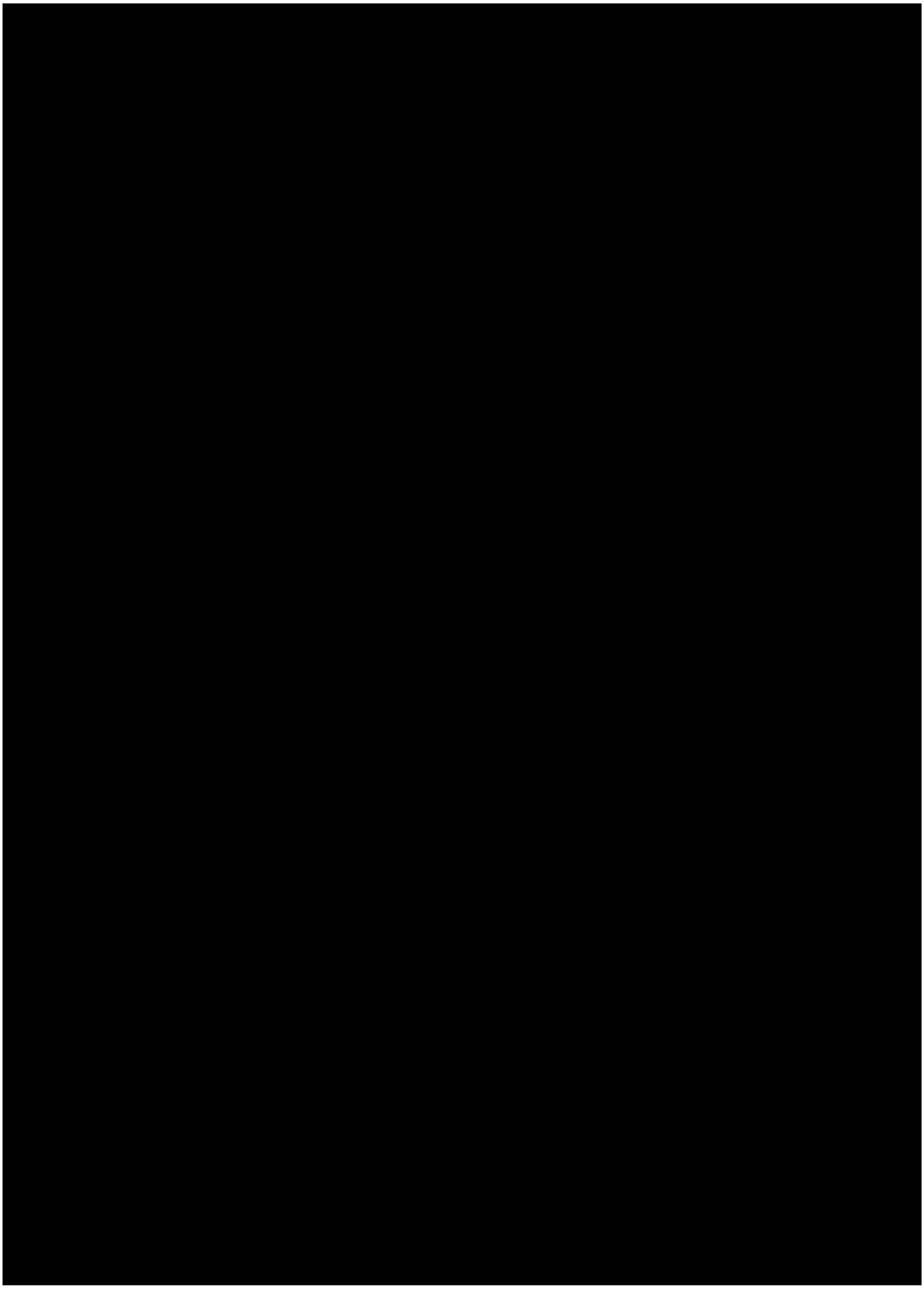


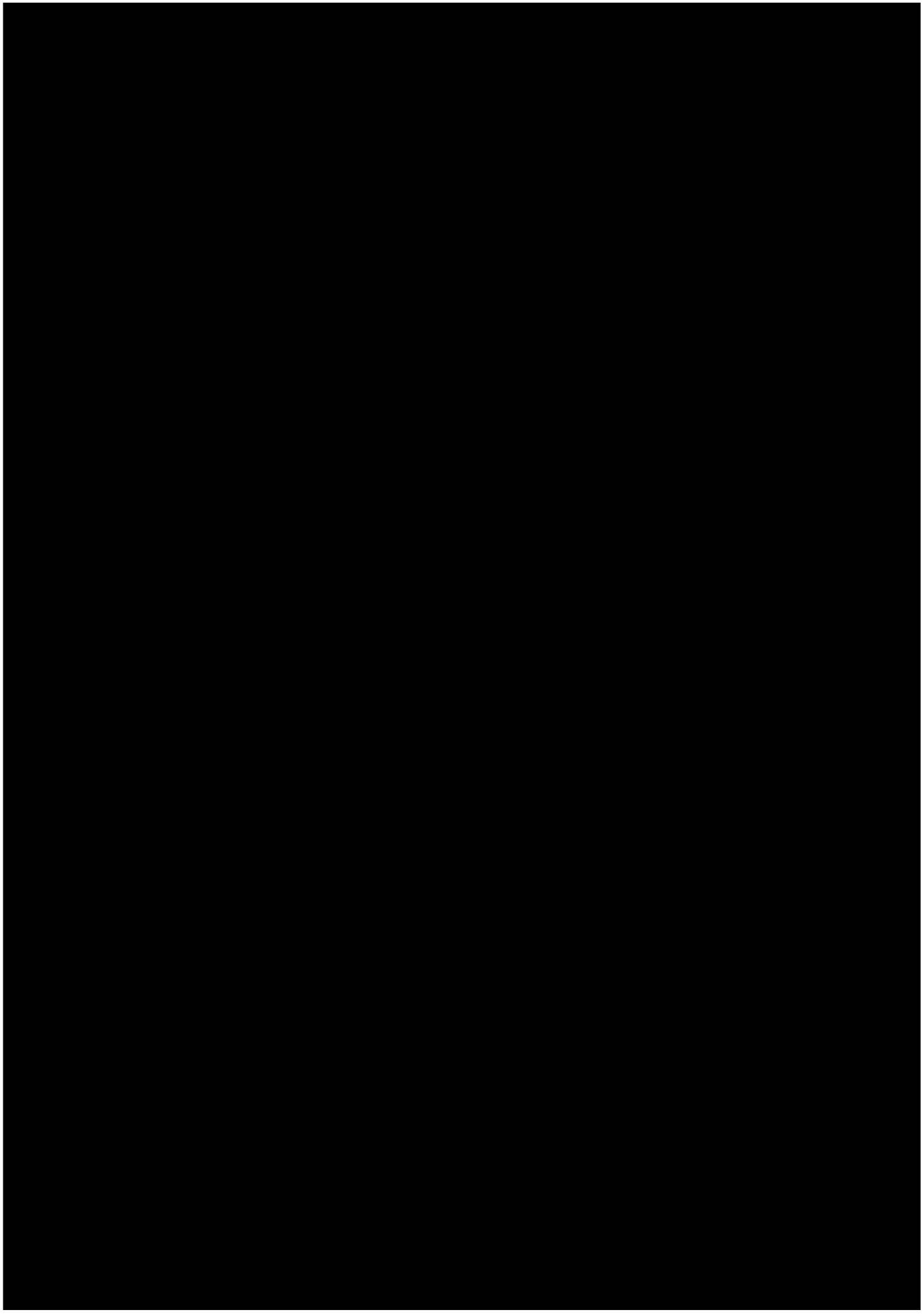


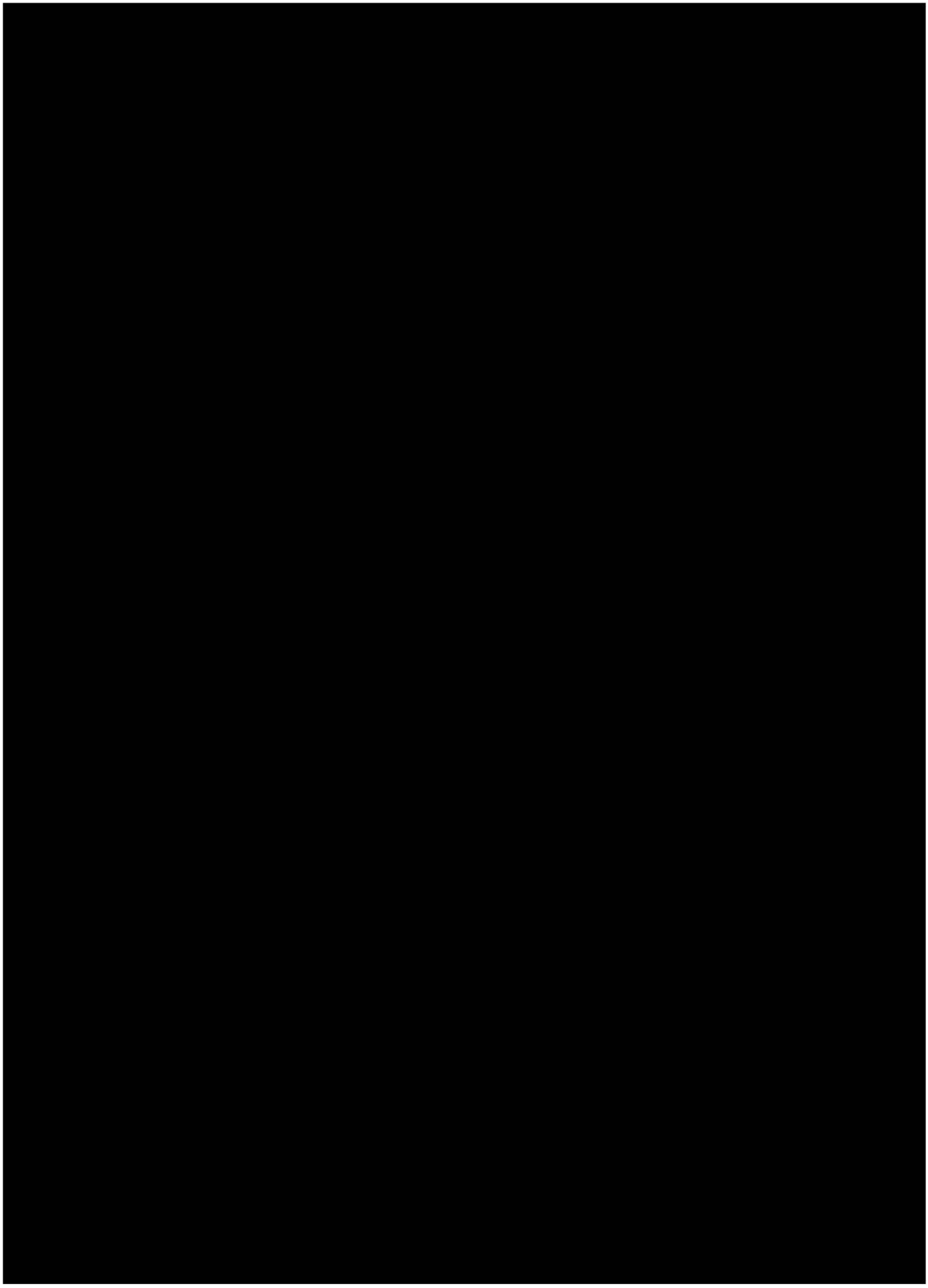












Part 2: Contract Terms

Contract Terms v6.0