

FM22114 - Prior Information Notice**20MW Research Project****Background & Brief Overview of the Requirement**

The UK Emissions Trading Scheme (UK ETS) has a minimum combustion threshold for participation. The threshold is currently set so that sites where the combustion of fuels in units with a total rated thermal input exceeds 20 megawatts are required to participate. Installations below this threshold are exempt from participation. Installations operating above the 20MWth threshold but have low emissions may qualify for the Hospital and Small Emitters (HSE) or Ultra-Small Emitters (USE) opt-out schemes. The UK ETS also has a 3MWth aggregation threshold where installations below 3MWth do not contribute towards the final 20MWth total.

Preliminary evidence has emerged suggesting that the current 20MWth threshold might be causing barriers to decarbonisation and consequently inadvertently shielding some high-emitting generators from carbon policies, distorting market signals and blocking investment in low-carbon technologies. Evidence also suggests that the existing threshold may be encouraging fragmentation in the market where a concentration of installations below the threshold could be increasing while emissions remain static overall. Exempting these installations may also be impacting Capacity Markets. As part of proposals to reform and develop UK Emissions Trading Scheme, the Department for Business, Energy & Industrial Strategy (BEIS) is seeking to gather evidence on whether the existing minimum threshold for participation in the ETS could be reasonably changed to expand the number of participants in the ETS.

BEIS does not currently gather data on operators outside the scope of the ETS. In 2019, industrial emissions were 68.4MtCO₂e and 56.4MtCO₂e of which occurred via combustion processes. A total of 37.2MtCO₂e (66%) was traded while 19.2MtCO₂e (34%) was non-traded. BEIS is aiming to gather more information on the source of these non-traded emissions. Concerns have arisen that the existing threshold may be shielding some high emitters from carbon policies. BEIS seeks to commission a research project to support further policy development on the existing thermal input thresholds. The UK ETS Policy team at BEIS has acquired a considerable amount of qualitative data through its recent public consultation¹ which included a Call for Evidence on potential market distortions caused by thresholds. However, quantitative data is still lacking. As evidenced by the recent public consultation, altering the threshold is very contentious and can have a significant economic impact across sectors and therefore it is integral that BEIS gathers as much data as possible to inform its final policy positions.

BEIS is seeking commission a study which will seek to gather evidence on:

1. *Quantification of information and trends on small and medium combustion plants*

- In order to better quantify the impacts of the existing 20MWth and 3MWth thresholds, BEIS requires quantitative work to be undertaken on small and medium combustion plants – specifically, those <20MWth. BEIS therefore anticipate on the supplier using either available datasets or best assumptions to provide estimates of numbers of plants and other key information needed to estimate emissions.

¹ <https://www.gov.uk/government/consultations/developing-the-uk-emissions-trading-scheme-uk-ets>

- Specifically, the following information would be helpful: emissions of all sub-20MWth sites or any information required to estimate their emissions such as operating hours and fuel type; locations; potential compliance costs if they were brought into the UK ETS; total number of sub-20MWth sites in operation across the UK; sectors they operate in.

2. *Assessing and analysing the proliferation of small and medium combustion plants*

- Drawing on the above quantitative work, BEIS are seeking analysis on issues and trends that might present concerns from the perspective of the UK ETS' objectives and aims of reaching net zero. For example, some respondents to the consultation noted that market distortions and fragmentation might be occurring because of other factors unrelated to the existing thresholds.

The scope of the research project will cover installations in England, Scotland, Wales and Northern Ireland.

Supplier Engagement Session

This Prior Information Notice is being issued in order to undertake a market consultation exercise with regards to the current view of requirements detailed above.

The supplier engagement session is due to take place on Wednesday 14th September 2022. The timing of the supplier is yet to be confirmed however exact timings will be confirmed with all interested organisations as soon as this is known. The supplier engagement session will last approximately 60 minutes, comprising the following:

- Overview of the requirements
- Open floor Q&A

Useful feedback from the day and the Q&A session may be used to inform the final tender documentation, ensuring all valid options are considered.

If you believe that this will be of interest to you and your organisation, please register your interest by sending an email to fmprocurement@uksbs.co.uk confirming your organisation and the name of attendees.

Space is limited on the supplier day, and attendance is restricted to 2 individuals per supplier. We would request that attendance is restricted to key members of your organisation that would have a keen interest in this project and be able to add value to the discussions that will take place.

By registering and attending you will be engaging in non-competitive dialogue which will enable BEIS to develop and assess the market's appetite, concerns, and views on formulation of its requirements. BEIS may consider the information and responses received as part of the preliminary market consultation to help inform the specification and further decision making in relation to the planning and conduct of the procurement, ensuring all valid options are considered.

Any information supplied as part of preliminary market consultation shall not place any supplier at an advantage in a potential procurement process.

There is no commitment at this stage that the above-mentioned opportunity will proceed in its current format.

Supplier Feedback

In addition to the supplier engagement session above BEIS would like to hear feedback from the market in regard to the following:

- Confirmation on whether you would be interested in this tender
- Based on the above requirements and detail provided at the supplier engagement session please provide an indication on project cost (where possible) – this will enable BEIS to ensure the budget is fit for purpose and aligns with the requirement and market rates
- Any other comments from suppliers regarding the services

Interested suppliers are to submit their feedback to fmprocurement@uksbs.co.uk, all feedback must be received by COP Friday 16th September 2022.

Route to Market

For the avoidance of doubt, this notice is not a Call for Competition. BEIS will be utilising the CCS RM3824 Heat Networks and Electricity Generation Assets (HELGA) DPS for the purposes of this competition, if you wish to be invited to this tender opportunity you will need to ensure you are registered against the HELGA DPS under the following Service and Filters before Friday 16th September 2022.

Service 1: Energy Advisory, Design and Technical Services. The filters selected are as follows:

Energy Technical Services

- Environmental Services
- Generators
- Heat Networks, Space Heating and Domestic Heating (including Heat Pumps)
- Industrial Energy Efficiency
- Technology, Science and Energy Modelling

New Supplier on HELGA

If you are a new supplier looking to register against HELGA please follow the below instructions.

1. Follow this link <https://supplierregistration.cabinetoffice.gov.uk/dps#utilitiesandfuels> and select 'Access as a Supplier'
2. Complete the selection questionnaire in full
3. Submit application, once submitted the CCS DPS team will review your application and either request further information or approve your application.

If you have any issues with regards to locating your details and/or with the process and require assistance, the platform providers, NQC, will be best placed to assist you and can be contacted via the following details:

- Phone: 0161 413 7982 (General service desk)
- Email: Support@nqc.com

Existing Supplier on HELGA

If you are an existing supplier against HELGA and you need to amend the filters your organisation has access to please follow the below instructions.

1. Sign into dashboard and locate 'Appointed' assessment.
2. Select 'Update DPSQ' from the hyperlink options on the application.
3. Navigate through already pre-populated assessment up to where you need to make updates whereby fields can be edited to add/change information.
4. Submit application and return to Assessing whereby the CCS DPS team will update the application status back to appointed.

If you have any issues with regards to locating your details and/or with the process and require assistance, the platform providers, NQC, will be best placed to assist you and can be contacted via the following details:

- Phone: 0161 413 7982 (General service desk)
- Email: Support@nqc.com