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 Thursday 22nd October 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:	CR20105
From:	The Department for Business Energy and Industrial Strategy (BEIS), 1 Victoria Street, London, SW1H 0ET ("Customer")
To:	NNFCC Limited, Biocentre, York Science Park, Innovation Way York, North Yorkshire, YO10 5NY

Effective Date:	Monday 19th October 2020
Expiry Date:	Wednesday 31st March 2021

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; and

Key Individuals:	[redacted]

Contract Charges (including any applicable discount(s), but excluding VAT):	£43,362.50 excluding VAT in alignment with AW5.2 price schedule Contract. The payment schedule can be found in Contract Terms Schedule 6 Annex 2 [redacted]

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	i [redacted]
Insurance Requirements	public liability insurance to cover all risks in the performance of the Contract, with a minimum limit of £5 million for each individual claim employers' liability insurance with a minimum limit of £5 million indemnity 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 [redacted] cc'ing sicefinance@beis.gov.uk

GDPR	As per Contract Terms Schedule 7 (Processing, Personal Data and Data Subjects

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 (2) Working Days from such receipt

For and on behalf of the Supplier: **For and on behalf of the Customer:**

[redacted]

[redacted]

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ANNEX A

Customer Project Specification

1. Background

The UK is the first major economy in the world to set a legally binding target to achieve net zero greenhouse gas emissions by 2050. We have made strong progress towards this goal, reducing total emissions by 43% since 1990 , however to meet our net zero target we need to go much further. One of the most challenging sectors to decarbonise is heat. Currently, heating our homes, businesses and industry is responsible for around a third of total UK emissions .

The Government has recently been consulting on future support for low carbon heat and is considering a range of measures to improve energy efficiency and support the move towards low carbon heating. One important component of this will be a successor to the Renewable Heat Incentive (RHI) scheme. The 'Future support for low carbon heat' consultation set out proposals for a new Green Gas Support Scheme to increase the proportion of green gas in the grid, through support for biomethane injection.

Under the proposals in the consultation, only biomethane produced from anaerobic digestion (AD) would be supported through the Green Gas Support Scheme. Current proposals are to support biomethane from AD through a tariff based mechanism, helping to address the significant ongoing operating costs of an AD plant. This project will help to inform the setting of any future tariff by providing the latest data on the costs of producing biomethane via AD.

2. Aims and Objectives of the Project

The aim of the research is to establish the current costs of deploying and running an anaerobic digester to produce biomethane for injection into the grid, in Great Britain.

Previous work that has informed our current understanding of such costs can be found here:

https://www.gov.uk/government/publications/analysis-of-characteristics-and-growth-assumptions-regarding-ad-biogas-combustion-for-heat-electricity-and-transport

and here:

https://www.gov.uk/government/consultations/rhi-biomethane-injection-to-grid-tariff-review

The work in this contract will provide an update on these earlier estimates, based on the latest market conditions and a set of constraints described below.

3. Suggested Methodology

We anticipate that the successful contractor will gather the evidence through survey with industry. To ensure consistency, we would expect that a standardised survey will be

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undertaken. This will be approved by BEIS, prior to industry being contacted. There are a number of constraints that the contractor must be aware of. We require:

- An up to date assessment of all of the cost lines associated with biomethane production from AD, including identifying any lines that are additional to those reported on in previous assessments.

- A clear and transparent methodology for how these costs are estimated.

The methodology must:

- Take account of the latest sustainability and permitting requirements for AD plants and biomethane production from AD. In particular, the requirement for at least 50% waste feedstock as introduced through the RHI in 2018 and the relevant guidance from regulators in England, Scotland and Wales.

- Ensure that the plants chosen are representative of the range of feedstock types currently in use. Feedstock type may impact on costs in a number of ways (for example, different feedstocks may require different pre-treatment methods) and this will need to be accounted for in the analysis.

- Ensure that a range of plant sizes are chosen, to reflect the possibility that economies of scale result in varying costs.

- Include both capex and opex

Examples of the costs that have been estimated in previous analytical work can be found in Annex 1A of the 2014 RHI biomethane injection to grid tariff review referenced above.

Providing a sufficiently representative sample to enable a robust dataset on costs is crucial. If the above constraints reduce the sample size substantively, putting limits on robustness, then we would expect the contractor to recommend an approach that will help to address this issue. For example use of other relevant data sources or from extrapolation, where appropriate, of data from AD plants that don't, in total, meet the criteria set out above.

When the data is gathered, we will then require an additional interpretation step in order to:

- Present cost and learning curves for differing plant sizes to enable flexibility in the use and application of results, so as to apply costs to a range of size and type of plants.

- Generate reference plant types to support BEIS internal modelling, which will be representative of plant types that we might expect to deploy under policy scenarios

We would expect the modelling to be relatively simple and undertaken in Excel. It must also meet BEIS model QA requirements .

Note that, given the importance of a robust evidence base, the contract will have two stages:

1) An initial assessment of the available data, establishing the potential to provide sufficient information for our requirements. If it is clear that the required data is available,

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then the contractor will present total costs for suitably representative plant types. Max. £10,000 allocated to this task. This task will be complete by 01/12/20.

2) Construction of the full, granular, cost data set, plus the supplementary modelling work described above. £35,000 allocated to this task (or the remainder of the Task 1 budget, plus a maximum of £35,000). This task will be complete by 08/01/21.

The contract will have a break point after Task 1 in the event that BEIS determines that there is not a strong enough basis to continue.

4. Deliverables

- Spreadsheet of cost data, standardised by cost line and structured appropriately according to the criteria discussed above (e.g. plant size)
- Any Excel based modelling undertaken, in accordance with BEIS QA requirements
- Final report
- Final results presentation

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ANNEX B

Supplier Proposal

Part 2: Contract Terms

Contract Terms v6.0

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