

## Call-Off Schedule 20 (Call-Off Specification)

This Schedule sets out the characteristics of the Deliverables that the Supplier will be required to make to the Buyers under this Call-Off Contract

### Requirement

This contract will be divided into work packages that will be scoped out in detail throughout the length of the contract and commissioned as per the call-off arrangement. The below requirements indicate the workstreams expected, but some flexibility is necessary as new requirements may be identified, or the work may not be guaranteed. Outputs will be required in a variety of formats including drafting of reports, presentations and contributions to public facing documents.

The Authority intends to appoint two successful suppliers for this procurement with the highest scoring supplier securing the position as the Primary Supplier and the second highest securing the position of the Secondary Supplier. If a conflict of interest was identified between the Primary Supplier and another party, then the Secondary Supplier would be allocated the specific Work Package in question. The Authority reserves the unilateral right to award work to whichever supplier it sees best fit.

### Contract Structure & Dual Sourcing

The Authority will appoint a Primary Supplier for this requirement, and also an additional Secondary Supplier. The appointment of these suppliers will be according to the ranking of the scores they achieve during tender evaluation. That is to say, the supplier with highest score will be appointed as the Primary Supplier, and the supplier with the second highest score will be appointed as the Secondary Supplier.

All work that is required by the Authority under this requirement will be offered first to the Primary Supplier. If the Primary Supplier is unable to fulfil the requirement in the Authority's view due to one or more of the following:

1. Has a conflict of interest that cannot be sufficiently mitigated;
2. Is unable to provide personnel with the required skills and experience to meet the specific requirements of the work;
3. Is unable to provide resources within a reasonable timeframe (to be agreed on an individual project basis); or
4. Is otherwise constrained in terms of capacity;

the Authority reserves the right to commission work via the Secondary Supplier.

The Authority will consider the requirements of a work package on a case-by-case basis and if in the Authority's view, none of the criteria identified above apply, then the work will be allocated and carried out by the Primary Supplier. If, however, the Authority determines that one or more of the criteria are present and apply, the Authority, at its sole discretion, will determine whether to award the work to the Secondary Supplier based on the criteria in the above section.

Following contract award, successful Tenderers will be expected to identify one named point of contract through whom all enquiries can be filtered.

### **Hydrogen Production Business Model**

Provide advice to support the development of the commercial design of the HPBM and the corresponding provisions in the LCHA, as the low carbon hydrogen market develops. This could involve:

- Analysing options relating to key components of the business model including but limited to, Qualifying Offtaker provisions, the Reference Price and indexation of the Strike Price.
- Analysing integration with hydrogen storage and transport business models and end use sectors.
- Identify opportunities to streamline the contract and improve efficiency and efficacy of delivery.
- Working in collaboration with technical and legal advisors to support the ongoing delivery of the HPBM.
- Any other commercial/financial advisory support as may be required and agreed upon from time to time between the two parties.

### **Assessments, Due Diligence and Negotiations (Hydrogen Allocation Rounds and Cluster Sequencing)**

- Deliver specific and specialised commercial/financial evaluation of CCUS and non CCUS-enabled hydrogen production projects as part of the assessment, due diligence, and negotiation stages (including detailed financial modelling of project bids and subsidy levels required). This includes providing commercial support in engagements with projects and providing focussed support on alternative technology types e.g. gasification and pyrolysis projects.
- Support, analyse and review of any project financial models. Shadow modelling may be necessary.
- Advice and support on valuations and financial viability for the construction and operation of projects.
- Advice and support on the negotiation(s) with low carbon hydrogen project(s) and/or developer(s) including advice on cost of capital and fair return.
- Qualitative assessment and/or opinion letters of financial models and the final agreements with developers from a financial perspective, including due diligence, contractual terms, risk allocation, and tax and accounting implications.
- Report on how best to use the work undertaken for this negotiation in subsequent negotiations. This includes capturing lessons learnt but also the potential for adapting tools such as the cost model.

- Auditable suite of documentation, covering the processes followed, information exchanged, and evaluations undertaken to achieve the above outcomes.
- Possibly advise on design of assessment process and project eligibility criteria.
- Currently, HMG propose to allocate business model funding to successful hydrogen projects by way of bilateral negotiations (following initial evaluation against eligibility and assessment criteria). In time, the aim is to allocate support using a more competitive process, so advise on auction design for future rounds and supporting policy development.
- Any other commercial/financial advisory support as may be required and agreed upon from time to time between the two parties.

### **Hydrogen Storage Business Model Contract Development**

- Provide advice to support the development of the hydrogen storage business model
- Work with technical and legal advisers on overarching topics to support finalising and delivery of the hydrogen storage business model
- Support the team to consider overall design of the commercial HSBM contract to ensure the contract aids the development of the hydrogen market, and the broader energy market within the timeframes set publicly (business model designed by 2025)
- Develop the commercial contract for the HSBM to incentivise private sector investment in hydrogen storage, learning lessons from other contracts, within the timeframe set out publicly
- Financial due diligence on the HSBM e.g. corporate structure, ownership, contracts, litigation etc
- Advise on and supporting the heads of terms, contract, strategy and other related documentation
- Identify commercial risks related to policy decisions, and suggest mitigations
- Advise on the detailed responsibilities of any new institutions (or enhanced existing institutions) which are developed or modified to facilitate the programme, such as for the establishment of the contract counterparty, and any relevant documentation required for this.
- Any other commercial/financial advisory support as may be required and agreed upon from time to time between the two parties.

### **Hydrogen Storage Business Model Commercial Engagement**

Currently, HMG propose to allocate business model funding to successful hydrogen storage projects by way of bilateral negotiations (following initial evaluation against eligibility and assessment criteria). The plan is to develop the approach to allocation in parallel to the development of the contract. The support required may include but is not limited to:

- Advice in the allocation process from early stages such as market engagement through to ultimate contract award. This process would run in parallel to the development of the commercial contract
- Revise and update the contract as needed following feedback from industry/prospective storage facilities at each interim stage of developing the contract
- Advising on, drafting and supporting the negotiation of project agreements and related documentation
- Financial due diligence on selected projects

- If required, advisers may be required to provide financial advice on project negotiations associated with storage facility partners (e.g. those providing pipeline infrastructure)
- Any other commercial/financial advisory support as may be required and agreed upon from time to time between the two parties.

### **Hydrogen Transport Business Model**

- Provide advice to support the development of the hydrogen transport business model
- Work with technical and legal advisers on overarching topics to support finalising and delivery of the hydrogen transport business model
- Assist in the development of commercial contracts for the transport business model, and continuing to revise as needed, for example blending and non-pipeline transport and other financial policy design questions
- Ensuring integration with other schemes as necessary, such as Low Carbon Hydrogen Standard (LCHS) and Hydrogen Certification
- Identifying commercial risks related to policy decisions
- Advising on economic regulation of utilities, specifically the Regulated Asset Base (RAB) regulation including building blocks of the model and application to hydrogen transport projects
- Financial advice including inherent risks in RAB model, mitigation measure and financial model design
- Advising on funding structures for the business model (including analysis of hypothetical projects and the impact of revenue support and risk mitigation measures)
- Modelling support with potential to build and operate shadow models and review developer-built models;
- Providing analytical support as necessary to the development of the hydrogen transport business model
- Advising on, drafting and supporting the negotiation of project agreements and related documentation
- Advise on and supporting the heads of terms, contract, strategy and other related documentation
- Financial advice and due diligence on the business model and selected projects including on issues related to; Payment flows and risk allocation; Tax and accountancy; capital grants; project finance structuring
- Any other commercial/financial advisory support as may be required and agreed upon from time to time between the two parties.

### **Low Carbon Hydrogen Standard & Certification Scheme**

- Provide support in the development of the certification scheme
- Support in considering certification issues which will have potential significant market impact due to interaction with subsidy schemes/areas which commercially effect projects – namely looking at how certificates should apply to blending into the gas grid, assessing how to reflect any significant updates to the Low Carbon Hydrogen Standard and any consequence for grandfathering in the HPBM and how/whether we charge participants for the scheme.
- Commercial support on decisions made for how the LCHS and certification scheme apply to imports and exports.
- Support future LCHS Reviews, in particular considering the commercial implication of any changes to electricity input requirements.

- Any other commercial/financial advisory support as may be required and agreed upon from time to time between the two parties.

## **Markets and Networks**

- Support in considering:
  - funding and other incentives for hydrogen infrastructure;
  - introduction of regulation and/or licensing arrangements and/or codes specific to the development and operation of hydrogen networks and connected network users;
  - the role of hydrogen infrastructure in broader energy security, and
  - resilience and future proofing of infrastructure and interaction with wider networks
- Support in looking at how to drive investment and deployment, considering how these should evolve over time to bring forward first-of-a-kind (FOAK) and nth-of-a-kind (NOAK) projects across the value chain, and transition to longer term competitive market frameworks
- Any other commercial/financial advisory support as may be required and agreed upon from time to time between the two parties.

## **Co-Location**

- Develop detailed options to enable CfD generators to co-locate by private wire with electrolytic hydrogen producers, which is currently not a permissible scenario
- Undertake analysis to consider and quantify impacts of colocation on policy costs and avoided network charges.  
Any other commercial/financial advisory support as may be required and agreed upon from time to time between the two parties.

## **Hydrogen to Power**

- Provide advice to support the development of the H2P market intervention
- Work with industry and technical and legal advisers on overarching topics to support development and delivery of the H2P market intervention
- Support the team to consider overall design of the commercial H2P market intervention, including eligibility criteria
- Financial due diligence on the H2P market intervention and selected projects e.g. corporate structure, ownership, contracts, litigation etc
- Advise on and supporting the heads of terms, contracts, strategy and other related documentation
- Advising on, drafting, and supporting the negotiation of project agreements and related documentation
- Identifying commercial risks related to policy decisions, and suggesting mitigations
- Advising on funding structures for the business model (including analysis of (hypothetical and real) projects in relation to, but not limited to revenue support and risk mitigation measures)
- Advise on power market interactions, impacts (including those across different technologies and at a system-wide level), risks, and interdependencies
- Advise on potential revenue stacks, commodity price impact, and impact on revenues due to changes in load factors.

- Any other commercial/financial advisory support as may be required and agreed upon from time to time between the two parties.

## **GIGA**

- Work in collaboration with policy, technical and legal advisors to support the ongoing delivery of GIGA, including providing advice to support any ongoing development of GIGA.
- Identify commercial risks related to policy decisions and suggest mitigations.
- Provide financial advice and due diligence on selected projects as needed.
- Promote the GIGA scheme to relevant stakeholders and conduct appropriate market engagement for GIGA as required.
- Develop applicant assessment delivery plan, including checking applicant's conflicts of interest, dealing with queries, and conducting quality assurance of data.
- Develop due diligence delivery plan, including verification of project applications.
- Develop and agree negotiations approach, including considering affordability.
- Delivery of negotiations including shadow financial modelling, reporting, and information about contracts awarded.
- Any other commercial/financial advisory support as may be required and agreed upon from time to time between the two parties.

## **Cluster Sequencing (if required)**

- Advising on the Industrial Carbon Capture business model and supporting on assessments or commercial engagement with CCUS projects;
- Supporting on other cluster sequencing models such as power carbon capture and CO2 transport and storage;
- Supporting the development of the Greenhouse Gas Removals business model, and project assessment and negotiation for business model support of GGR projects.
- Any other commercial/financial advisory support as may be required and agreed upon from time to time between the two parties.

## **Adding Work Packages to the Call-Off Contract**

Work Packages shall be added to this Call-Off Contract using the Tasking Form template at Annex A to this Call-Off Schedule 20 (Call-Off Specification) and shall be priced using the Supplier's rate card as specified in Call-Off Schedule 5 – Pricing Details to this Call-Off Contract.

## **Price**

The Maximum Price for the initial Contract Period (3 years) of this Call-Off Contract shall not exceed **£8,000,000 (Ex VAT)**.

The Maximum Price for the optional 12-Month Contract Extension Period shall not exceed a further **£1,000,000 (Ex VAT)** should the Buyer decide to unilaterally exercise its Contract Extension Period option.

For the avoidance of doubt, the Maximum Price for the initial 3-year Contract Period with the 12-month Contract Extension Period shall not exceed **£9,000,000 (Ex VAT)**.

For the avoidance of doubt, the Buyer does not warrant or guarantee that a specific number of Work Packages will be added to this Call-Off Contract and does not warrant or guarantee that all of the Maximum Price (budget) shall be paid to the Supplier.

Each Work Package shall be individually agreed between the Buyer and Supplier as and when required and shall be priced using the Tasking Form template at Annex A to Call-Off Schedule 20 (Call-Off Specification) using the Rate Card specified in Call-Off Schedule 5 (Pricing Details).

### Service Levels and Key Performance Indicators

See Call Off Schedule 14 (Service Levels) for more details. For ease of reference, the KPIs that shall apply to this Call Off Contract are as follows:

KPI	Description	Method and Frequency of Measurement	Red	Amber	Green	Service Credit
<b>KPI 1 - Work completed by Supplier - Timelines</b>	Work completed to be provided within a specific timeframe, in response to a customer request for each Work Package	To be monitored by the Supplier and reported on a monthly basis	Exceeds the deadline agreed between the Supplier and Authority by 14 working days or more	Exceeds the deadline agreed between the Supplier and Authority by 5 working days or more	Meets the deadline agreed between the Supplier and Authority	1 x SC will apply if KPI is red for three consecutive months (a quarter)
<b>KPI 2 - Mobilisation Timeframe</b>	The timeframes within which the Supplier personnel can be mobilised, following agreement upon a scope of work	To be monitored by the Supplier and Authority and reported on a monthly basis	Exceeds the deadline stipulated by the Authority by 14 working days or more	Exceeds the deadline stipulated by the Authority by 5 working days or more	Meets the deadline stipulated by the Authority more	1 x SC will apply if KPI is red for three consecutive months (a quarter)
<b>KPI 3 - Financial Reporting</b>	The timeliness of financial work-in-progress (WIP) reports	To be monitored by the Authority and reported on a monthly basis	WIP reports produced every two months or less frequently	WIP reports produced after every monthly contract meeting	WIP reports produced before every monthly contract meeting	1 x SC will apply if KPI is red for three consecutive months (a quarter)
<b>KPI 4 – Social Value</b>	Demonstration that the Supplier is embedding their Social Value commitments	To be monitored by the Supplier and reported on a quarterly basis	Reports produced every two quarters or less frequently	Reports produced after every quarterly contract meeting	Reports produced before every quarterly contract meeting	1 x SC will apply if KPI is red for two consecutive quarters

	made within their proposal					
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Reporting will apply to the Secondary Supplier only if they have been assigned active work orders.

Regardless of whether work has been assigned to the Secondary Supplier, the Supplier agrees to send a delegate free of charge to attend project update meetings, the frequency of which are not anticipated to be more than once a month and lasting approximately 1 hour in duration.

### **Supplier Cooperation**

There may be occasions on which the Primary Supplier and Secondary Supplier are assigned to cover work orders that require cooperation between each supplier, or cooperation between the Primary and/or Secondary Suppliers and the appointed suppliers for legal and technical/engineering advisory services;

In these circumstances, the following conditions will apply:

1. In general, each supplier will take all reasonable action to ensure successful collaboration with other suppliers;
2. Where required, each supplier will share with other suppliers all documentation needed to complete work orders;
3. The Authority will be responsible for identifying the documentation required in Condition 2;
4. Where the Authority designates a supplier as being responsible for coordinating work from other suppliers, the supplier will fulfil its responsibilities as set out in Part 2 of this Section;
5. On occasion, the Authority may provide a "Working Arrangements Document" describing ways of working between suppliers and Authority staff;
6. Where the Working Arrangements Document is provided to a supplier, the supplier will adhere to the ways of working described within.



## Annex A to Call-Off Schedule 20 (Call-Off Specification) Tasking Form Template

<div style="border: 2px solid black; padding: 5px; display: inline-block;">TITLE</div>			
<b>Advisor</b>			
<b>Reference</b> (to be completed by PMO)			
<b>Work Package Owner</b> (main person responsible for liaising with PMO team & advisor, verifying spend)			
<b>Other Contributors</b>			
<b>Analyst/Legal Review</b>		Choose an item.	Click or tap to enter a date.
<b>SCS Clearance</b> (once WP has been costed by advisor)			Click or tap to enter a date.
<b>Duration of Work Package</b>	<b>Date From</b>	<b>Date To</b>	
<b>DESCRIPTION</b>			
<i>[can include Ask/Scope, Questions, Methodology/Approach, Materials to use etc]</i>			
<b>INTERDEPENDENCIES</b>			
<i>[which pieces of work will feed into this or this feed into? Which hydrogen or other teams will feed into or use this work?]</i>			
<b>CONSTRAINTS</b>			
<i>[what are the constraints within DESNZ for this piece of work? Why are advisors required?]</i>			
<b>BACKGROUND</b>			
<i>[more detail on the work done to date, context, relevant documents etc]</i>			
<b>ASSUMPTIONS</b>			
<i>[e.g. programme milestones detailed below are maintained, DESNZ will review drafts in time for the below delivery deadlines to be met, DESNZ will produce provide work for review by...]</i>			
<b>WORK PACKAGE DELIVERABLES</b>			
<b>DESCRIPTION</b>	<b>FORMAT</b>	<b>FOR PUBLICATION?</b>	<b>DATE</b> (Estimate if not known)
			Click or tap to enter a date.
			Click or tap to enter a date.
			Click or tap to enter a date.

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Call-Off Ref:

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			Click or tap to enter a date.
<b>MILESTONES</b>			
This work package contributes to the key programme milestones of:			
<b>DESCRIPTION</b>		<b>DATE (Estimate if not known)</b>	
		Click or tap to enter a date.	
		Click or tap to enter a date.	
		Click or tap to enter a date.	
<b>COST BREAKDOWN</b> (to be completed by advisor)			
<b>ANY ADDITIONAL INFORMATION</b>			
<b>ANY ADVISOR COMMENTS</b>			
<b>FINALISED: ADVISORS SENT CONFIRMATION TO PROCEED.</b>			Click or tap to enter a date.