

## 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 TBC, 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:	CR20043
From:	The Department for Business Energy and Industrial Strategy (BEIS) 1 Victoria Street London SW1H 0ET
To:	Winning Moves Ltd Baskerville House Centenary Square Birmingham B1 2ND
Effective Date:	6th July 2020
Expiry Date:	31 <sup>st</sup> March 2022
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:	<div style="background-color: black; width: 100%; height: 1.2em; margin-bottom: 2px;"></div> <div style="background-color: black; width: 100%; height: 1.2em;"></div>

	
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Contract Charges (including any applicable discount(s), but excluding VAT):	£175,600.00 excluding VAT in alignment with AW5.2 price schedule Contract The payment schedule can be found in Contract Terms Schedule 6 Annex 2.
Insurance Requirements	<p>Public liability insurance to cover all risks in the performance of the Contract, with a minimum limit of £5 million for each individual claim</p> <p>employers' liability insurance with a minimum limit of £5 million indemnity</p> <p>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.</p> <p>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</p>
Liability Requirements	<b>Suppliers limitation of Liability (Clause 18.2 of the Contract Terms);</b>
Customer billing address for invoicing:	<p>Department for Business Energy and Industrial Strategy (BEIS)</p> <p>CO UK,SBS</p> <p>Polaris House</p> <p>North Star</p> <p>Avenue, Swindon</p> <p>SN2 1FF</p>

GDPR	As per Contract Terms Schedule 7 (Processing, Personal Data and Data Subjects)
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#### 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:**

Name and Title:

[Redacted]

Signature:

[Redacted]

Date:

9th July 2020

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

Name and Title:

[Redacted]

Signature:

[Redacted]

Date:

16 July 2020

## APPENDIX A

### Customer Project Specification

#### 1. Background

***This tender is to procure research and evaluation that will be conducted alongside the delivery of the Boosting Access for SMEs to Energy Efficiency competition.***

Boosting Access for SMEs to Energy Efficiency (BASEE) competition, is a programme within the BEIS Energy Innovation Portfolio. The overall aim of the BASEE competition is to fund innovative business models or IT solutions that accelerate the growth of the energy services market for SMEs by driving down transaction costs and promoting third party investment in small-scale energy efficiency projects. More information about the BASEE programme can be found in the competition's gov.uk page.<sup>1</sup>

BASEE will contribute to the Government's ambition to enable businesses to improve their energy efficiency by at least 20% by 2030.<sup>2</sup>

The overall aim of the BASEE programme is to accelerate the growth of the energy services market for SMEs by driving down transaction costs and promoting third party investment in small-scale energy efficiency projects.

These aims were developed following research commissioned by BEIS<sup>3</sup> (among other reports outlined below) which highlighted key barriers in the non-domestic energy services market. High transaction costs and project complexity were cited by Energy Service Companies and financiers as barriers to this SME market. Under current market conditions, investors do not currently find energy efficiency an attractive prospect, with smaller SME transactions rarely deemed cost effective for lenders.

The BASEE competition seeks to introduce to the market business models, or IT tools, which can either lower costs through economies of scale or through promoting harmonised and simpler practices that encourage SME take up. We aim to reduce the 'hassle factor' for businesses when investing in energy efficiency. This requires a mature energy services market to play a bigger role in helping SMEs identify savings and finance opportunities, or to simply create solutions which simplify those processes.

The objectives for BASEE are to:

- Increase demand for investment in energy efficiency and increase growth in the market for high quality energy efficiency services for SMEs
- Increase investment from lenders to SMEs for energy efficiency activities
- Deliver economies of scale leading to lower transaction costs through standardised and/or streamlined approaches to contracting, installation, monitoring and verification

<sup>1</sup> <https://www.gov.uk/government/publications/boosting-access-for-smes-to-energy-efficiency-basee-competition>

<sup>2</sup> BEIS, 'Clean Growth Strategy', 2017

<sup>3</sup> IPA Advisory Ltd, 'The Non-domestic Energy Efficiency Services Market', 2018

- Develop the energy efficiency supply chain through improved coordination between suppliers and/or increased market penetration with SMEs
- Deliver successful approaches to financing small energy efficiency retrofits that are replicable within and across sectors, where appropriate
- Show how the aggregation of small projects can deliver efficiencies and lower costs leading to market growth.

A summary of these projects can be found on the BSEEE gov.uk page.<sup>4</sup>

### **The competition so far**

Phase 1 funded 14 feasibility studies/business cases for models that are designed to address the competition objectives. The outputs from each project include a report. These reports contained: initial market testing of the proposed product/service or business model, the outcome of engagement with potential customers; set out the potential for scalability; and a detailed proposal and project plan for piloting in Phase 2.

Phase 2 of the competition began in February 2020. In this Phase BEIS is funding 8 applicants. Outputs will include a final project report detailing the development and success of the business model/IT solution, recommendations for disseminating learning from the programme, and plans for taking forward and commercialising approaches developed.

### **Recent research evidence**

There is well documented evidence on the barriers to SMEs taking up energy efficiency, and to a lesser extent evidence that financiers are reluctant to engage with the SME energy efficiency market. There is, however, little research or case studies evidence on potential solutions, particularly in the UK.

Research in SME energy efficiency market has typically focused on barriers. Key sources include reports from BEIS, IPA, Energy Efficiency Verification Specialists (EEVS), Federation for Small Businesses (FSB) and others. The key points from which are highlighted below.

#### **High Transaction costs – upfront costs**

BEIS commissioned a review of the non-domestic energy efficiency services market from IPA, where high transaction costs and project complexity were cited as barriers by ESCOs and finance sector.<sup>5</sup> The high cost of due diligence for smaller deals also means these loans are often not seen as cost effective.<sup>6</sup>

#### **High hassle costs for SMEs**

Lack of resource was identified by EEVS' Energy Efficiency Trend surveys as an issue in the decision to invest in energy efficiency.<sup>7</sup> BEIS's Building Energy Efficiency Survey also identified lack of time as one of the top three most frequently cited barriers.<sup>8</sup>

<sup>4</sup> Gov.uk <https://www.gov.uk/government/publications/boosting-access-for-smes-to-energy-efficiency-baseee-competition-winning-projects>

<sup>5</sup> The non-domestic energy services market, IPA (2018) <https://www.gov.uk/government/publications/non-domestic-energy-efficiency-services-market>

<sup>6</sup> Accelerating energy efficiency in SMEs, International Energy Agency (2015)

<sup>7</sup> Energy Efficiency Trends, EEVS <http://www.eevs.co.uk/pastreports.html>

<sup>8</sup> Buildings Energy Efficiency survey (BEES), BEIS (2017) <https://www.gov.uk/government/publications/building-energy-efficiency-survey-bees>

### **Payback uncertainty amongst lenders**

EEFIG's 2015 report on energy efficiency investment flagged the lack of widespread adoption and understanding of standardised methods to predict, measure and report on energy efficiency measures. This leads to high risk perception by financial institutions.<sup>9</sup>

### **Lack of expertise amongst lenders**

The IPA report also flagged that an improved understanding of the energy services model could help reducing transaction costs for customers and suppliers.<sup>10</sup>

### **Payback uncertainty and lack of trust**

The Federation of Small Businesses<sup>11</sup> and EEVS<sup>12</sup> highlight that a significant portion of businesses do not undertake energy efficiency actions due to the uncertainty over the financial benefits. This lack of trust in energy efficiency solutions and actors was also highlighted in the IPA report as the number 1 barrier to investment.

There have also been numerous studies over the years from BEIS and DECC while explore similar themes. For example, recent reports on smart meter enabled technology touch on engaging the challenging SME market.<sup>13</sup>

BEIS also published a "Digital Discovery" report: It considered the demand for a website targeting SMEs with information about energy efficiency.<sup>14</sup> This outlined the possible ways in which websites can fill the information gap for SMEs and test whether this would lead to energy efficiency demand. This highlighted the limitations of content/information hubs, as SMEs are not motivated to seek them out. More action is required from the market to engage the consumer.

## **2. Aims and Objectives of the Evaluation**

### **Aims of the Evaluation**

The purpose of this evaluation will be to review the different solutions trialled under BASEE, the extent to which the projects achieved their own objectives, and the Programme's objectives. This includes whether the project delivered sufficient innovation to increase the

<sup>9</sup> Energy Efficiency – the first fuel for the EU economy – How to drive new finance for energy efficiency investments, EEFIG (2014) <http://www.eefig.com/index.php/the-eefig-report>

<sup>10</sup> The non-domestic energy services market, IPA (2018) <https://www.gov.uk/government/publications/non-domestic-energy-efficiency-services-market>

<sup>11</sup> The Price of Power, The Federation of Small Businesses (2017) <https://www.fsb.org.uk/resources-page/the-price-of-power-report-pdf.html>

<sup>12</sup> Energy Efficiency trends, EEVS <https://www.eevs.co.uk/trends.html>

<sup>13</sup> Forward Look: Smart Metering-enabled Innovation in energy management in the non-domestic sector, DECC (2016)- <https://www.gov.uk/government/publications/smart-metering-enabled-innovation-in-energy-management-in-the-non-domestic-sector>

<sup>14</sup> Digital Discovery report, Fluxx (2017) <https://www.gov.uk/government/consultations/energy-efficiency-scheme-for-small-and-medium-sized-businesses-call-for-evidence>

consumer appeal of energy efficiency to SMEs and open the SME Energy Efficiency (EE) market to wider energy efficiency providers and lenders.

In summary, the results of the evaluation will be used to:

- Demonstrate, to internal and external stakeholders, the benefits and lessons learned. This will include events in the project's target regions, demonstrating the project's findings and outputs.
- Inform whether further government intervention is needed to support such business models (e.g. a larger roll-out)
- Consider whether further policy is needed to facilitate the growth of the energy services market, encouraging SMEs into energy efficiency and progressing towards the Business Energy Use team's 20% energy efficiency improvement by 2030 ambition and Net Zero.
- Evidence of the effectiveness of individual projects. This will be used to highlight successful models to the appropriate sectors.
- Make improvements to the delivery of the BASEE programme itself, and the wider SICE innovation programme: as a multi-year programme, process evaluation data gathered while BASEE is underway will be used to improve delivery of the rest of the wider SICE innovation programme.
- Assess the cost effectiveness of the programme, understand issues associated with value for money and compare cost effectiveness to other similar programmes.

**What are the precise research questions that will be answered?**

A draft theory of change has been used to develop a long-list of research questions. Six high-level evaluation questions are proposed, with sub questions. Not all questions will be relevant for all projects. Bidders can suggest amendments to, or rationalise/prioritise, these questions.

**1. Have the project's business models demonstrated they can address some of the known barriers to the uptake of energy efficiency (EE) measures for SMEs and lenders and EE providers?**

- 1.1. To what extent have the projects provided evidence to show their business model will overcome barriers for **SMEs**? Including;
- Difficulty in getting SMEs to engage with EE products and services
  - Payback uncertainty and lack of trust in the benefits of EE measures
  - The provision of upfront capital and unwillingness to use external finance to pay for EE measures.
- 1.2. To what extent have the projects provided evidence to show their business model will overcome barriers for **lenders and EE providers**? Including;
- High transaction costs from engaging individual businesses
  - Payback uncertainty and rate of return for lenders
  - Lack of economies of scale
  - Lack of expertise in engaging SMEs.

- 1.3. Were there any unintended consequences on SMEs, lenders or EE providers involved in the BASEE projects? If so, did these have any effect (positive or negative) on the ability to meet the Clean Growth Strategy 2030 target?
- 2. What impact has aggregating energy efficiency opportunities into sufficient size had on attracting increased investment?**
- 2.1. Have lenders entered the SME EE market as a result of BASEE, or entered into discussions to do so?
- Which types of aggregation models are investors more/less attracted to and why? How does this differ by:
    - Size/value of aggregation
    - Types of investor institution e.g. banks, pension fund managers, specialist green finance providers, etc
    - Types of SMEs e.g. platforms with more/less diverse pool of SME companies, or SMEs with a focus on particular industrial sectors, or building ownership (owner occupier business vs privately rented)?
- 2.2. Has the process for obtaining/approving finance been simplified/ standardised?
- How have the new models changed processes in approval of finance for: a) lenders and b) SMEs?
  - Have the new business models changed the timescales from start to finish of the investment process (starting from energy assessment, or from declaration of customer's wish to invest (or Request for Proposal)) compared to previously applied business models?
  - Have the projects streamlined the creation of financial contracts?
  - How diverse can the portfolio of works be under standardised contracts?
  - Overall, are SMEs more likely to borrow as a result of this simplification/standardisation?
- 2.3. Have efficiency gains through lower transactions costs and/or reduced risks for investors had an impact upon the hurdle rates<sup>15</sup> that lending institutions apply for energy efficiency projects?
- 2.4. Have the BASEE project business models reduced the costs of capital for SMEs when financing EE projects (compared to business as usual market rates)?
- 2.5. What is the potential value of total increased investment into the energy efficiency market for SMEs, over and above a business as usual scenario?

<sup>15</sup> A hurdle rate is the minimum rate of return on a project or investment required by an investor. Hurdle rates reflect perceived levels of risk and return from an investment. If an expected rate of return is above the hurdle rate, the investment is considered sound. If the rate of return falls below the hurdle rate, the investor may choose not to lend.

**3. Have the energy efficiency solutions (individual tools as well as platforms) been effective in encouraging SMEs to invest in energy efficiency measures?**

- 3.1. What elements of the assessment tool were effective, i.e. was it the accuracy, simplicity, language and/or overlap with other investment decisions?
- 3.2. What types of EE measures or technologies are BASEE project models more/less likely to offer to SMEs? Why?
- 3.3. What are the characteristics of SME firms that are more/less likely to engage with the project's tools/offers?
- 3.4. Among SMEs that are less likely to participate in the services/tools offered by BASEE projects, what are the remaining barriers to uptake of EE measures?
- 3.5. From SMEs that are less likely to participate, what insights can be gained from the evidence to inform consideration of wider policy measures/regulation that may be required to increase EE among these types of SMEs?
- 3.6. From SMEs that are more likely to participate, what insights can be gained from the evidence to inform consideration of wider policy measures/regulation? What are the enablers to uptake of EE measures for these SMEs?

**4. Have the BASEE project business models demonstrated they will stimulate the supply chain for energy efficiency products and services aimed at SMEs?**

- 4.1. Have the business models/solutions developed by the projects demonstrated they can attract more energy efficiency product and service providers (including ESCOs, utilities, technology providers, etc) to target SMEs?
- 4.2. Have the tools developed by the projects altered the decision-making activities and/or the activities of stakeholders (e.g. more efficient assessment tools, lower transaction costs)?
- 4.3. Have the tools developed by the projects enabled more accurate estimation of the cost savings that may be gained from implementation of EE measures among SMEs (e.g. more accurate payback estimates)?
- 4.4. To what extent have solutions been developed that target SMEs in the private rental sector? Have any of the solutions been effective in overcoming the landlord/tenant split-incentive barrier?
- 4.5. Were there any unanticipated barriers identified for projects that were not able to overcome the landlord/tenant split-incentive barrier? What insights can be gained from the evidence to inform consideration of wider policy measures/regulation that may be required to increase EE in the private rental sector?

- 4.6. Have projects been able to actively engage SMEs in their product? What were the effective messages and communications used to engage SMEs?
  - 4.7. For projects that were not able to actively engage SMEs in their product, were any insights gained on the reasons why? Were there any unforeseen barriers to engagement identified?
- 5. What impact have the projects had (or can be expected to have in future) on reducing energy consumption among SMEs?**
- 5.1. What is the total amount of energy savings that can be attributed to each project by the end of the first tranche of the projects (April 2021)?
  - 5.2. What is the estimated total amount of future energy savings that may be attributed to each project over the next five years and up to 2030?
  - 5.3. What is the estimated total amount of CO2 emission reduction savings that may be attributed to each project by April 2021, over the next five years and up to 2030?
  - 5.4. Have the BASEE business models demonstrated a cost-effective approach to delivering energy efficiency measures among SMEs (compared to a business as usual scenario)?
  - 5.5. Does the BASEE programme represent value for money in terms of government spend (i.e. does the present value of expected future benefits outweigh the programme costs)?
- 6. What insights can be gained to improve the design and delivery processes of the BASEE programme, and other similar BEIS programmes?**
- 6.1. Is the selected intervention design (i.e. SBRI for SMEs with a two-phased approach) best suited to meet the programme objectives? What are the alternatives and how could they achieve the programme objectives?
  - 6.2. Did the competition receive a sufficient number of high-quality applications? If so, how did the marketing and communication processes contribute to this?
  - 6.3. Are there any ways in which the processes from appraising applications to contract award and project initiation may be made more effective or efficient?
  - 6.4. Are there any ways in which processes for providing ongoing project management support, project monitoring, invoicing and KPI reporting could be made more effective or efficient?
  - 6.5. Are there any ways in which programme management and portfolio monitoring processes could be made more effective or efficient?

The evaluation will result in the following outputs: an interim report, an end of programme report, and a potential follow-up report in 2023.

*Interim report (Q4 2020):* This will achieve two things. It will firstly feed into the ongoing

programme management of the competition, as well as the design in new SICE and BEIS led competitions/schemes. Secondly, it will be used to inform the development of policy options on how to boost the SME energy efficiency market and will be used to support consultations/call for evidences on the wider business energy efficiency policies.

*End of competition report (Q2 2021):* this will be an evaluation of the successful projects which will be used as examples of how government can lower costs for businesses in implementation of any new Private Rental Sector energy efficiency regulations and the SME energy efficiency scheme outlined above.

*Energy savings predictions/model outputs (Q2 2021):* Any modelling done should include a QA log and BEIS Model Report (templates for both to be provided to successful bidder). The QA log will be a record of a list of assurance activities which if carried out provide confidence that a model is proportionate and fit for purpose. The BEIS model report will be a detailed record of the scope, specification and technical guidance for the model and the evaluator should use it from the start of the project and maintain it as a living document throughout development.

### 3. Suggested Methodology

#### Relevant background and methodological information

BEIS has previously commissioned an evaluation scoping exercise of the BASEE programme. To ensure all bidders have access to the necessary information to prepare an effective bid, BEIS has shared information associated with the evaluation exercise to be used when tendering for this contract. The Scoping Report has been included as Annex B. The approach in this ITT is consistent with much of this plan. Where there are discrepancies between the two, this Tender document takes precedence.

Whilst some suggested evaluation methods are described here, we are also open alternative proposals of other methodologies within the budget. We are also open to variations on mix of those suggested below. Section 5 of Annex B also includes information on some types of evaluation methods that are considered out of scope for an evaluation of the BASEE competition.

#### Overall approach

We propose that both a process and an impact evaluation are needed to sufficiently answer the research questions. We suggest that these are delivered through a structured package of surveys, interviews, qualitative case studies and analysis of monitoring data, all tied to a Theory of Change which should be constructed at the beginning of the evaluation, developed from the example in Annex C. A theory-based approach to understand expected outcomes and mechanisms is most likely be useful to structure data collection.

#### Rationale of evaluation design

The evaluation of BASEE includes both process (how did the programme work) and impact evaluation (did the programme work) elements. The process evaluation is concerned with assessing the extent to which the processes involved in the delivery of the programme were executed in an effective manner. This includes taking into consideration the delivery of the projects to understand whether there are any cross-project delivery issues that need to be

addressed at a Programme level, e.g. SME difficulties in engagement or accessing smart meter data. This is explored primarily through means of qualitative research underpinned by a clear framework defining key processes and how meeting their objectives could be deployed to measure their success.

Impact evaluation is concerned with assessing the extent to which the outcomes achieved can be attributed to the intervention, over and above what would have happened anyway (a counterfactual scenario).

The winning bidder will need to work flexibly and amend the design of the evaluation if needed as the trial develops. However, for responding to this specification, bidders should write proposals working on the following assumptions and features of the competition and its programme monitoring requirements:

- A relatively small number of projects have been awarded funding in each of the two BASEE phases (14 and 8 respectively).
- There are requirements on projects for monitoring progress, reporting of outcomes and verification within the programme (including project completion reports at each phase to provide evidence on market testing, practical application of the tools developed, estimates of future energy savings potential and plans for commercial deployment). These monitoring reports will be available to the evaluator.
- The timescales of programme delivery currently plan for Phase 2 projects to be completed by March 2021, having started in February 2020.

#### Evaluation methods

We suggest that the following approaches and methods are used for this evaluation:

- a) Process Tracing
- b) Qualitative Comparative Analysis (QCA)
- c) Cost benefit analysis
- d) Process evaluation
- e) Case studies
- f) Optional survey of SMEs

#### Details of evaluation methods

##### a) Process Tracing –

This method could be used to provide an overarching framework for setting out what types of evidence we would expect to observe if the projects achieve their intended outcomes, and the extent to which these can be attributed to BASEE.

##### b) Qualitative Comparative Analysis (QCA) –

This evaluation method may use a collection of qualitative evidence from all 14 successful applicants and up to 10 unsuccessful applicants. This should be possible given the oversubscription at phase 1. To apply this method, the data from the transcribed interviews could be used to support the QCA and provide data for broader quantification of the results of interest.

Success factors for Phase 2 projects could include the comparison of their 5-year commercialisation plans, projected carbon savings, and any new entries into the market resulting from the business model. It may also include feedback from survey responses or indeed the number of SMEs, lenders, or energy efficiency providers that have fully engaged.

**c) Cost benefit analysis –**

A proportionate cost-benefit analysis (CBA) is suggested to understand whether the BASEE programme represents value-for-money for accelerating the growth of the energy services market for SMEs. First it will be necessary to assess and quantify the costs and benefits associated with the administration and implementation of the programme up to 2021.

An *ex ante* CBA to demonstrate whether the net present value of expected future benefits of proposed interventions are expected to outweigh the costs. This should be performed at the latter stages of the evaluation. In order to conduct a CBA on the programme in 2021, ex-ante projections would be required for forecasted costs and benefits to be incurred post 2021. We suggest estimating costs for the three years post-Phase 2, and estimated benefits up to 5 years post Phase 2. The cost benefit analysis would therefore be likely to focus on estimated energy savings (kWh/annum) and other benefits.

Bidders should describe a suitable approach to gathering data, and methodology, indicating how their approach would be consistent with HMT Green Book .

The CBA would produce outputs including identification of:

- Net Present Value (NPV)
- Benefit-Cost Ratio (BCR)
- Evaluation of payback periods

This will be provided in spreadsheet format logging all necessary data and assumptions.

**d) Process evaluation –**

The process evaluation should be underpinned by a clear framework that defines the key processes forming the focus of the evaluation, their objectives in contributing to the achievement of BASEE objectives and indicators that could be deployed to measure their success. The methodology for developing the framework to define key processes is not specified and is open for bidders to recommend a suitable plan. The process evaluation would then assess the extent to which the programme's design, rules, governance arrangements, and activities undertaken by delivery partners have been implemented as intended in order to achieve programme objectives.

**e) Case studies –**

One aspect of the evaluation is intended to help increase awareness and knowledge of the competition and the solutions trialled. We suggest case studies as a suitable approach, however we are open to alternative proposals.

The eight successful Phase 2 projects could each serve as case studies, developed based on a synthesis of findings across all strands of primary data collection and analysis of secondary sources. The project's end of Phase 2 reports would also be a key source of information, as well and primary data collected by the evaluator through interviews.

The case studies for the BASEE evaluation should go beyond simply highlighting the findings from each project based on one data source and instead be based on a synthesis of evidence gathered from multiple sources.

The purpose of these case studies would be to explore the reasons behind the solutions, and the response from the key market stakeholders (SMEs, EE providers, lenders, etc), understanding drivers and barriers and what has worked well for whom

and why. It would also be an opportunity to understand in greater detail the whole 'consumer journey' by assessing the whole process from recruitment, energy assessment, financing, installation, and monitoring where applicable.

**f) Advisory support to market research –**

Lead partners delivering Phase 2 projects will be expected to undertake market research on the SMEs using (or considering) their solutions. Expected outputs from successful applicants is customer satisfaction reports or surveys with key stakeholders (SMEs, energy efficiency providers, lenders).

The contractor delivering the evaluation of BASEE will be required to have skills in survey design assistance in also more general assistance in obtaining stakeholder feedback. The evaluator will not be required to lead on the development of the data collection exercise, nor collate the survey data for the contractors. However, to ensure the stakeholder feedback is accurate, we ask for proposals on how to light touch monitor and advise the stakeholder feedback process.

We propose that the evaluator will act in a purely advisory capacity through some or all of the following:

- Developing core questions that the Phase 2 project delivery team could then add onto the BASEE projects' user satisfaction/market research surveys/questionnaires.
- Having up to two consultation sessions with each project team to develop their market research approach  
Advising on mitigating risks of low engagement, low response rates of SMEs.

**Data sources**

The following sources of data are likely to be available.

Primary data	Secondary data
a) Research with BEIS BASEE competition programme managers.	g) SICE BASEE KPIs which are to be measured by the BASEE Monitoring officers.
b) Research with project monitoring and reporting officers.	h) BEIS programme monitoring information (quarterly, end of phase and project completion reports)
c) Interviews with representatives of each organisation involved in consortia partners that are leading the delivery of funded projects.	i) Patent analysis using sources such as PATSTAT
d) Research with representatives of each project's wider supply chain and collaborative networks to understand any changes in behaviours or processes	j) Review of policy documents in relevant areas
e) Research with representatives of investment sector (to understand potential impacts of their introduction of new products and services.)	k) Analysis of secondary data sources on firm level investment e.g. equity purchase (sources such as Pitchbook or Bloomberg Terminal)
f) Research with unsuccessful applicants (to understand their perspectives on the application process, as well as to explore whether or not they have pursued their projects in the absence of BASEE funding.)	l) Review of methods and assumptions used by projects to estimate future energy savings in completion reports

## Details of data sources/data collection

### *Primary data sources (a-f)*

#### **Research with key BASEE stakeholders.**

The evaluation will be underpinned by the **primary data collection** through research (interviews and/or other qualitative research methods) with the following groups outlined in the Primary Data column above. We feel that qualitative research is the best approach for primary data collection as we are interested in finding out about opinions and attitudes of stakeholders.

#### **Research with energy efficiency providers and lenders**

Further to feedback obtained from the project leads, we would like some research to be done with energy efficiency providers and lenders who have been involved in the projects. We would like to find out their attitudes, behaviours and lessons learnt from participating in the project. We are interested in answering questions such as how has the process been, what barriers or challenges have installers encountered?, what innovations have been seen?, what impact the solution has had on their typical operations, for example, has the process of obtaining/approving finance been simplified or standardised?, what further innovations are needed? The list of evaluation questions for these stakeholders can be pulled from the evaluation questions we propose outlined earlier in this document.

Timescales for data collection

**Tenderers will be aware of the likely risks around the current covid-19 context. Please bid consistent with the timescales set out below. Any mitigations will be agreed following contract award.**

We expect at least two rounds of primary research to be carried out.

**The first round of research** is planned for late summer 2020. By this stage, contracted organisations will have completed the phase 1 projects and successful applicants will have begun their phase 2 projects. By summer 2020 sufficient time should have elapsed for completion of these stages but for them to be still recent enough for project leads to recall, reflect upon and discuss their experiences.

**The second round of research** with project developers and their delivery partners would serve a dual purpose; **a)** to address process evaluation questions with the organisations leading the phase 2 pilots reflecting upon the end to end process and **b)** to address impact evaluation questions around assessing the extent to which achieved outcomes can be attributed to BASEE support their expected future commercialisation plans.

**Approach to primary research:** The evaluation plan (see Annex B) proposes that approximately 60 interviews are carried out with seven different stakeholder groups. The below table shows the details of the interviews. Whilst the evaluation plan proposes that interviews are used exclusively for primary data collection with stakeholders, we are open to alternative methodologies which suggest using other or a combination of other qualitative research methods.

Stakeholder Group	Wave 1 Interviews in Q3/4 2020	Wave 2 Interviews in Q3/4 2021	Total	Focus of the interview
BEIS BASEE steering group	3		3	Detailed understanding of the rationale, theory of change and anticipated contribution of BASEE to wider energy system benefits
BEIS Senior SRO for BASEE	1		1	Detailed understanding of programme design and delivery processes
Programme delivery support managers (including application appraisers and monitoring officers)	2	1	3	Views on what has worked well/ areas for improvement in programme design and delivery processes
Competition winners of Phase 1 (project leads)	14	14	28	Gather evidence to inform various process and impact evaluation questions
Project consortium partners (academic scientists, utility firm, industrial partner)	3	3	6	Evidence gathering on the extent of achieved and expected future outcomes for project stakeholders and views on effectiveness of the programme delivery processes.
Private Sector investors in targeted SME sectors		3	3	Extent to which project has increased the likelihood of investment
Unsuccessful applicants at Phase 1	10	5	15	Views on application process (first wave of interviews only) Inform consideration of additionality of BASEE (whether non-participants have proceeded with projects and how funding was secured) and feed into QCA
Total no. of interviews	33	26	59	

**Secondary data sources available for use in the evaluation (g-h)**

Bidders should assume that the following secondary data sources will be available to them for the purposes of the evaluation.

**g) SICE BASEE KPIs which are to be measured by the BASEE Monitoring officers**

- Standard SICE KPIs will be reported against and will feed into the overall competition evaluation.
- There are a set of 1-9 KPIs that are measured for all programmes in the Energy Innovation Portfolio. For the BASEE programme, BASEE monitoring officers will be responsible for reporting.
- The SICE KPIs are currently under review and may be modified. The KPIs for this programme are the following:

Ref.	Performance Metric
KPI 1	Number of Energy Innovation projects supported- completed
KPI 2	Number of projects that have successfully met objectives

KPI 3	Number (and size) of Organisations supported to deliver project (Lead Partner and Other Organisations as named on grant offer/ contract)
KPI 4	Number of Business Relationships and Collaborations supported (Formal and Informal, Overall and New)
KPI 6i	Initial Financial Leverage from private sector to deliver project
KPI 6ii	Follow-on Funding to take project further forward
KPI 7ii	A. Increased Energy Efficiency/ Reduced Energy Demand <sup>36</sup>
	B. Potential Increased Energy Efficiency up to 2032
KPI 7iii	Increased energy system flexibility
KPI 8	Number of products (and services) sold in UK and Internationally <sup>37</sup>
KPI 9	Potential reduction in CO2 emissions savings of project up to 2032

#### h) BEIS programme monitoring information

- The BASEE programme will have monitoring documents that will be useful sources.
- We will ensure that there is a non-disclosure agreement in place between BEIS and the evaluator so that unredacted documents can be securely shared.
- Examples of reports are quarterly monitoring reports, end of phase 1 reports, project completion reports.
- Programme monitoring information to be collected: types of measures being invested in, payback periods of projects overall, No. of SMEs/businesses engaged with, No. of lenders engaged with, take up by businesses, energy savings, energy cost reduction (where applicable), carbon savings over next 5 years, and cost effectiveness.

#### i) Policy documents in relevant areas

- These could include policy strategy papers, previous research on the non-domestic energy services market, and documents relating to BASEE development.
- Evaluators will be expected to identify and review relevant published reports and external research reports.

#### Secondary data analysis (j-m)

The evaluation plan recommends a number of activities analysing secondary data. As for the primary data collection, we are open to alternatives to the following secondary data analysis methods.

#### j) Analysis of secondary data sources on firm level investment e.g. equity purchase (sources such as Pitchbook or Bloomberg Terminal)

- Company/lead organisation level growth trends – such as increases in turnover, employment and equity investment among firms awarded funding (e.g. Pitchbook, Fame, Beauhurst).

#### k) Energy and emissions savings predictions

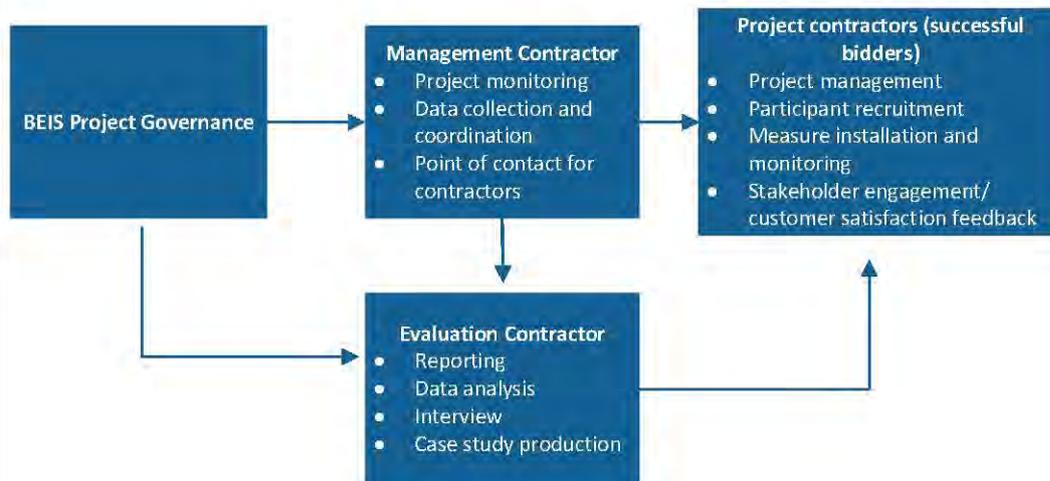
- The BASEE projects will be required to demonstrate that their projects have led – and will lead - to a reduction in energy use and emissions as a result of the new business models or products and services developed. They will also be reporting back on this in line with SICE KPI 7ii Increased Energy Efficiency. This KPI requires projects to calculate actual and predicted energy savings during the lifetime of the project and (if possible) up to 2032, given assumptions about take up and 'rebound' effects.
- The evaluator will assess the utility of these estimates (improve where feasible) and produce high level 'ex-ante predictions using energy savings estimate outputs from the projects and assessment of other stakeholder perspectives gained through the research to provide estimates for how the pilot project will be rolled out and taken up by the wider SME market over the next five years (and by 2030). Findings from this work will also feed into the Cost Benefit Analysis.
- The identification of net emissions reductions will be carried out in line with the Green Book Supplementary Guidance valuation of energy use and greenhouse gas emissions for appraisal. The government has agreed a set of carbon values to be used in policy appraisal and evaluation. This allows for the valuation of net carbon emission savings.<sup>16</sup>

#### Programme design and implications for evaluation

BASEE technical and project management support is provided by the Energy Innovation Support Contract led by Mott Macdonald, who provide guidance, approval, and quality assurance of project outputs against milestones. Each successful Phase 2 participant is responsible for conducting their own participant recruitment, surveys, and installing and monitoring their energy efficiency measures. An overview of the key activities conducted by each of the contractors and BEIS can be found in Figure 1 below.

<sup>16</sup> <https://www.gov.uk/government/collections/carbon-valuation--2>

**Figure 1 - Programme funding and competition management**



#### Sequencing of the evaluation methods and data collection

We anticipate that the evaluation would be split into two phases, to be organised as below:

#### **Phase 1 of Evaluation (June – Dec 2020)**

- a) Initial scoping stage
  - Reviewing programme documentation including review of policy documents in relevant areas including relevant sections of Phase 1 reports, review of existing BEIS programme monitoring information (e.g. quarterly monitoring reports)
  - Planning of evaluation timeline
- b) Development of Theory of change
  - Review of existing theory of change and refining.
  - Development of evaluation approach
- c) Development of research tools
- d) First wave of research with successful applicants
- e) First wave of research with unsuccessful applicants
- f) Interim analysis and production of interim report.

#### **Phase 2 of Evaluation (Jan 2021 – March 2022)**

- g) Supporting of survey to be delivered by projects.
- h) Wave 2 of research with stakeholders.
  - The second round of research may be carried out in Q3/Q4 of 2021.
- i) Energy and emissions savings modelling led by evaluation contractor.
- j) Production of Case studies (or alternative communicable outputs) of BASEE projects
- k) Cost benefit analysis (or alternative)

l) Analysis of secondary data sources.

- The evaluation will involve the analysis of secondary data.

m) Analysis of data

- This will include a review of the process tracing framework to identify whether the expected evidence is present.
- Qualitative Comparative Analysis. This analysis will use evidence from various sources, notably the interviews, to assess what are the success factors for successful BASEE projects, and conversely the unsuccessful factors for the unsuccessful cases.
- Process evaluation. Data sources will be reviewed in light of research questions relating to the process evaluation to produce findings on BASEE processes.

n) Production of final report

Additional information

## **GDPR**

The successful tenderer must comply with the General Data Protection Regulation 2016 (GDPR) and any information collected, processed and transferred on behalf of the Department, and in particular personal information, must be held and transferred securely. Contractors must provide assurances of compliance with the GDPR and set out in their proposals details of the practices and systems they have in place for handling data securely including transmission between the field and head office and then to the Department. Contractors will have responsibility for ensuring that they and any subcontractor who processes or handles information on behalf of the Department is conducted securely. The sorts of issues which must be addressed satisfactorily and described in contractors' submissions include:

- procedures for storing both physical and system data;
- data back-up procedures;
- procedures for the destruction of physical and system data;
- how data is protected;
- data encryption software used;
- use of laptops and electronic removable media;
- details of person/s responsible for data security;
- policies for unauthorised staff access or misuse of confidential/personal data;
- policies for staff awareness and training of DPA;
- physical security of premises.
- how research respondents will be made aware of all potential uses of their data

## **Conflict of interest**

Contractors are asked to sign a declaration attached within Question (SEL5.3 No conflict of Interest) question document to indicate whether or not any conflict of interest may be, or be perceived to be, an issue.

Where there may be a potential conflict of interest, it is suggested that the consortia or organisation designs a working arrangement such that the findings cannot be influenced (or perceived to be influenced) by the organisation which is the owner of a potential conflict of interest. For example, consideration should be given to the different roles which organisations play in the research or analysis, and how these can be structured to ensure an impartial approach to the project is maintained.

This means the organisation, consortia or subcontractor will need to have a process in place to manage any potential conflict of interest. The process will be discussed, assessed and agreed with the Department prior to signing the contract.

**When tenders are scored, this declaration will be subject to a pass/fail score,** according to whether, on the basis of the information in the proposal and declaration, there remains a conflict of interest which may affect the impartiality of the research.

BEIS has previously commissioned an evaluation scoping exercise of the BASEE programme. BEIS is providing background information to all tenderers so that all relevant information is available to produce a competitive bid.

## **Deliverables**

The following outputs are required within the evaluation, 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 needs below and the reason for not using the below suggestions is fully explained.

### **Evaluation plan**

Following project setup and initiation, an evaluation plan is required that sets out the agreed methodologies and timelines for the evaluation. This should include finalised evaluation questions. The plan should include an index of all the possible data sources that are desirable for the evaluation and details of how data will be obtained or collected, including how the Evaluator will work with other contractors to arrange this.

### **Theory of Change**

Once developed, a Theory of Change should be presented in a publishable standard, together with necessary accompanying notes. This will need to be refreshed at key points throughout the project.

### **Findings reports**

The evaluation is required to provide a series of findings reports throughout the evaluation contract. These are requested to support the development of the project as it progresses.

It is assumed that all reports below will be published apart from the Project Learning reports, this is to ensure a transparent evidence base is available to support ongoing policy making decisions. Reports to be delivered:

- A process evaluation reports on lessons learnt should be generated to inform developing policy but also to improve the demonstration project. These should contain actionable suggestions initially to improve the delivery of the project, and later on dissemination of the project's findings and outputs. Bidders should propose timings for these reports to maximise their impact within the project.
- An Interim impact evaluation report of roughly 40 pages in length, to be delivered roughly halfway through the trial monitoring period, during Q1 2021.

- Final impact evaluation report of roughly 70 pages in length, to be delivered at the end of the evaluation project in March 2022
- Final project report covering lessons learned from the project and key findings. To include an assessment of how different consumer groups could be better targeted and a qualitative assessment of the building blocks that lead to high consumer satisfaction. This report should also contain the final cost benefit analysis for the project as a whole.

### **8 Case studies**

These case studies should demonstrate where the solutions work successfully and where they have not worked successfully, including feedback from providers and consumers. These should form an accessible standalone report that can be disseminated widely to a range of stakeholders.

### **Publishable datasets**

All quantitative data collected within this evaluation, for example through surveys, should be made available to BEIS in both anonymised and non-anonymised formats. This is to support additional internal analysis as well as potential external publication of the data. Bids should specify the data that will be shared and the processes in place to sufficiently anonymise the data for external publication.

### **Presentations**

The research team should also provide face to face presentations for

- The Initial Theory of Change
- The Process Evaluation reports, together with updates on the Theory of Change
- The interim and final findings reports, together with updates on the Theory of Change

### **Quality assurance and peer review:**

All work completed for this research must be subject to appropriate quality assurance. Project milestones, research approach, outputs, quality assurance should be agreed by BEIS and the contractor at the start of the contract. Final outputs will be reviewed by BEIS before the project is signed off.

Sign-off for the quality assurance must be done by someone of sufficient seniority within the contractor organisation to be able take responsibility for the work done. BEIS reserves the right to refuse to sign off outputs which do not meet the required standard specified in this Invitation to Quote. The contractor must state how all work on the project will be quality assured within the proposal.

All analysis carried out as part of the project should be subject to quality assurance consistent with the Aqua Book<sup>17</sup> guidance.

BEIS may wish to appoint an external peer reviewer for the project. If we do this then we will endeavour (though cannot guarantee) to align timings of this of this with the first or second set of comments from BEIS on the first or second draft of the report.

### **Publication:**

<sup>17</sup> See: <https://www.gov.uk/government/publications/the-aqua-book-guidance-on-producing-quality-analysis-for-government>

The final report for this research / evaluation project 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

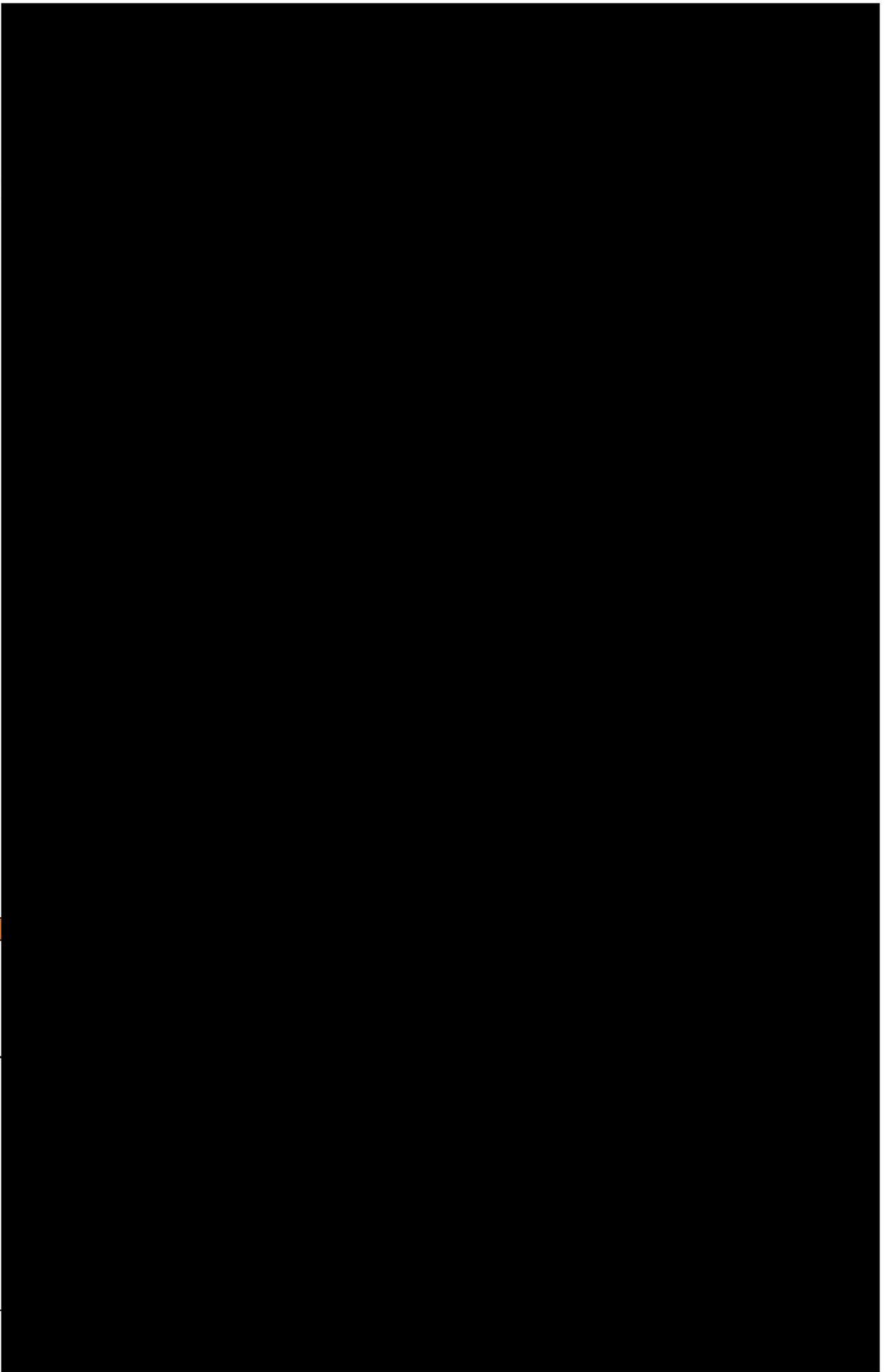
Word documents supplied to BEIS will be assessed for accessibility upon receipt. Documents which do not meet one or more of the following checkpoints will be returned to you for re-working at your own cost:

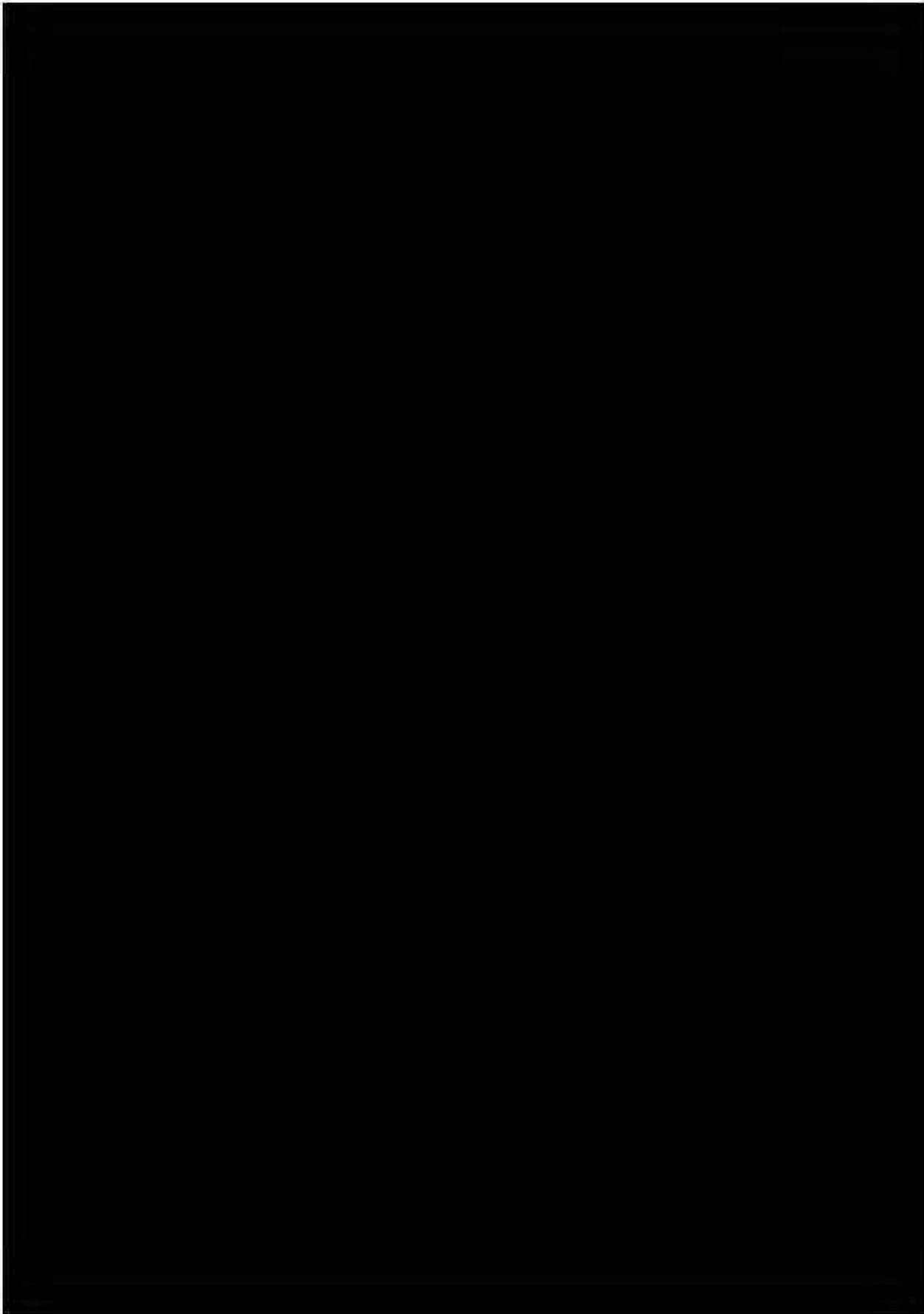
1. document reads logically when reflowed or rendered by text-to-speech software
2. language is set to English (in File > Properties > Advanced)
3. structural elements of document are properly tagged (headings, titles, lists etc.)
4. all images/figures have either alternative text or an appropriate caption
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 D for BEIS Social Research Report Writing Guidelines.

#### Annexes

- **Annex A:** Schedule of Processing, Personal Data and Data Subjects
- **Annex B:** BASEE Evaluation plan recommendation report
- **Annex C:** Logic Model
- **Annex D:** BEIS Social Research Report Writing Guidelines
- **Annex E:** Code of Practice

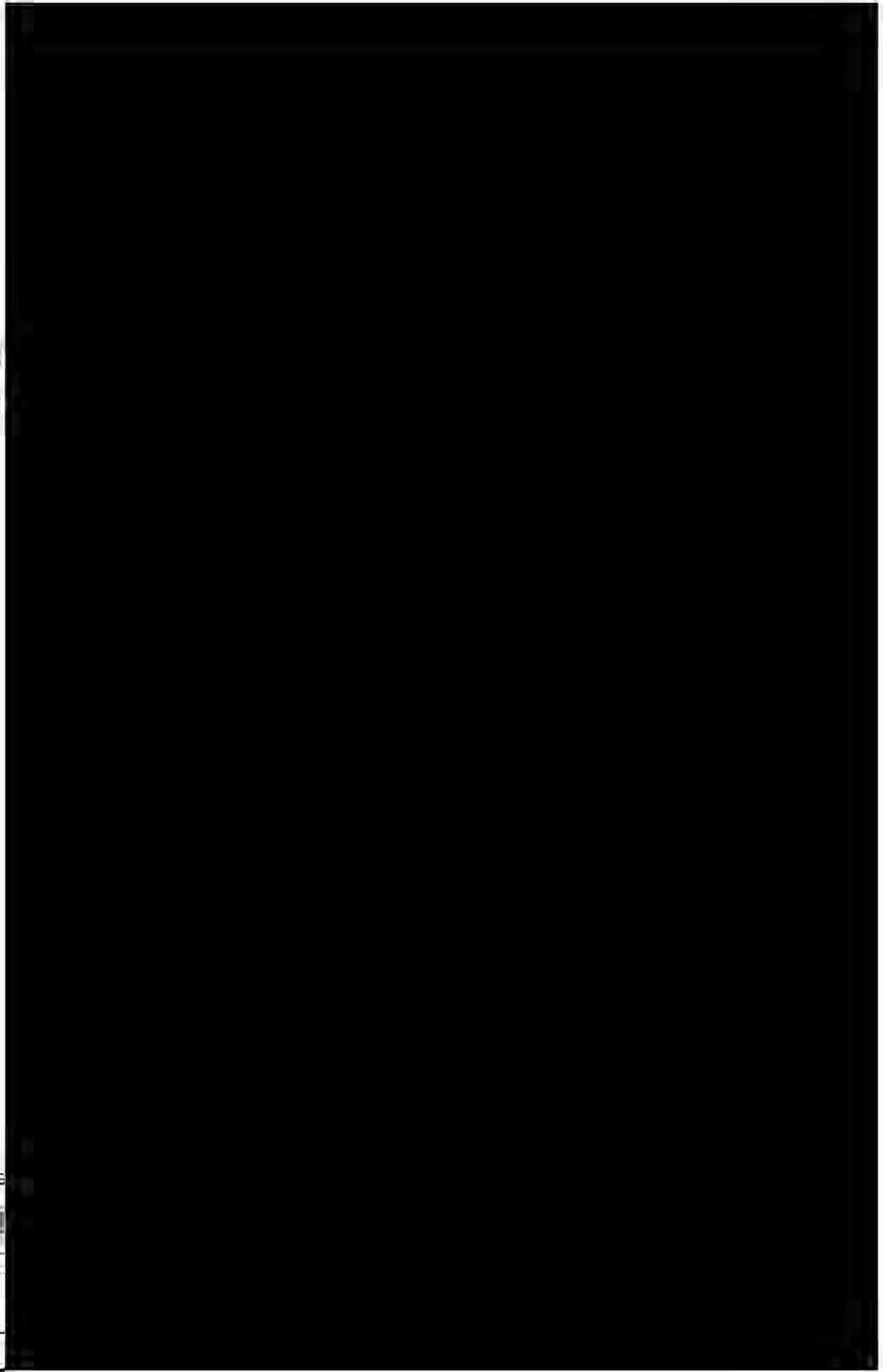
**APPENDIX B**  
**Supplier Proposal**





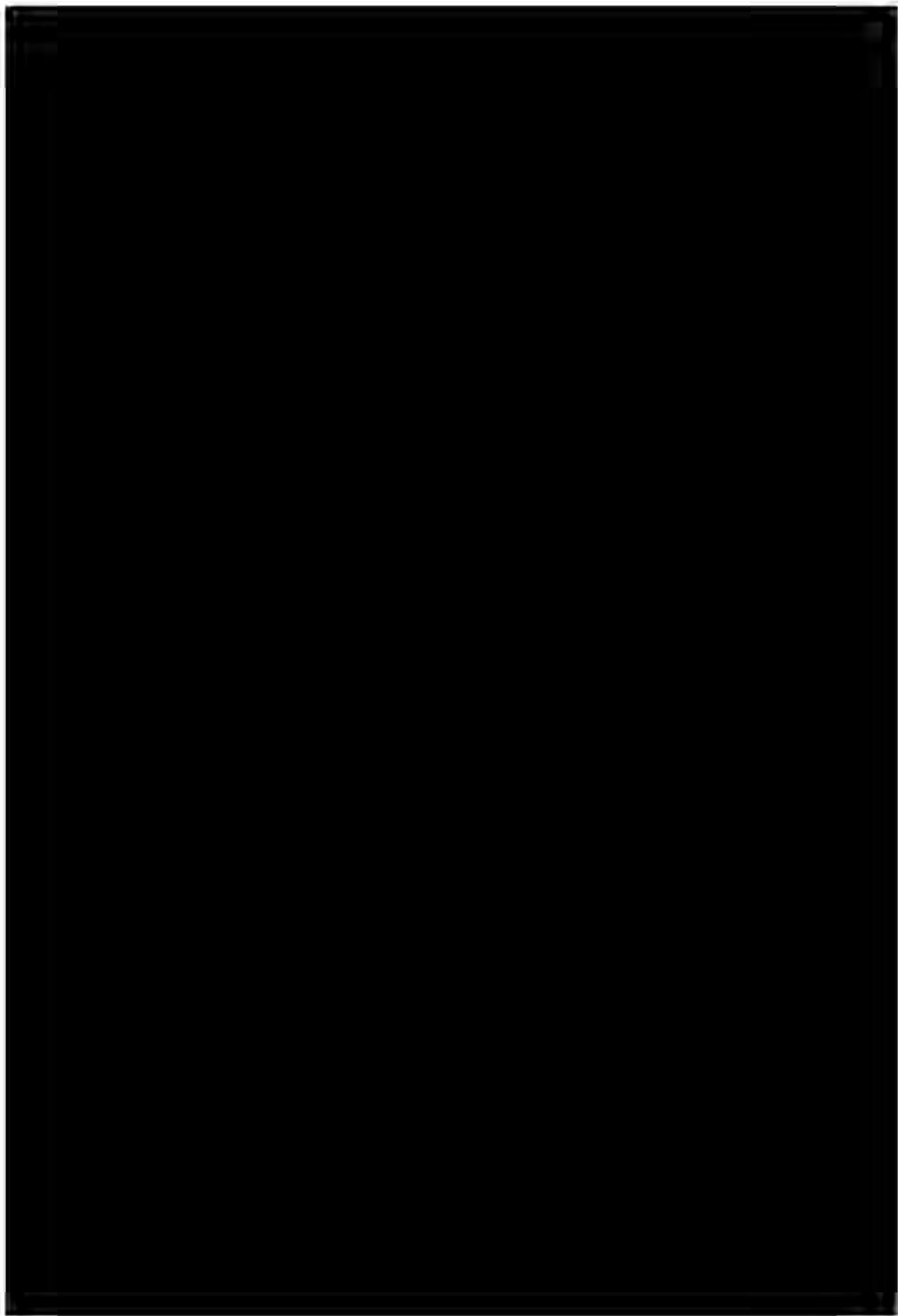
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<sup>1</sup> The ITT makes reference to a potential follow-up report in 2023. This has not been discussed as part of this proposal.

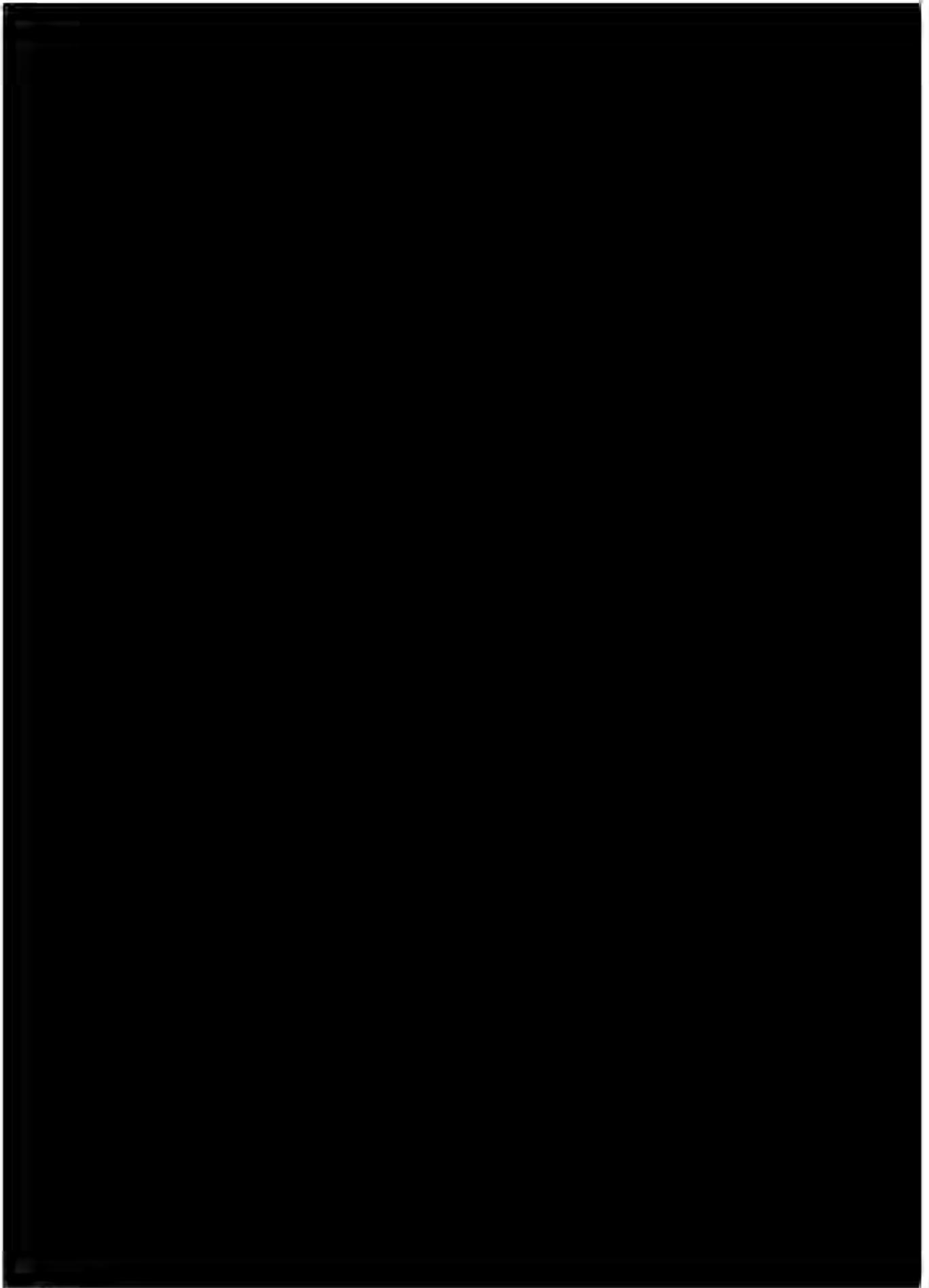


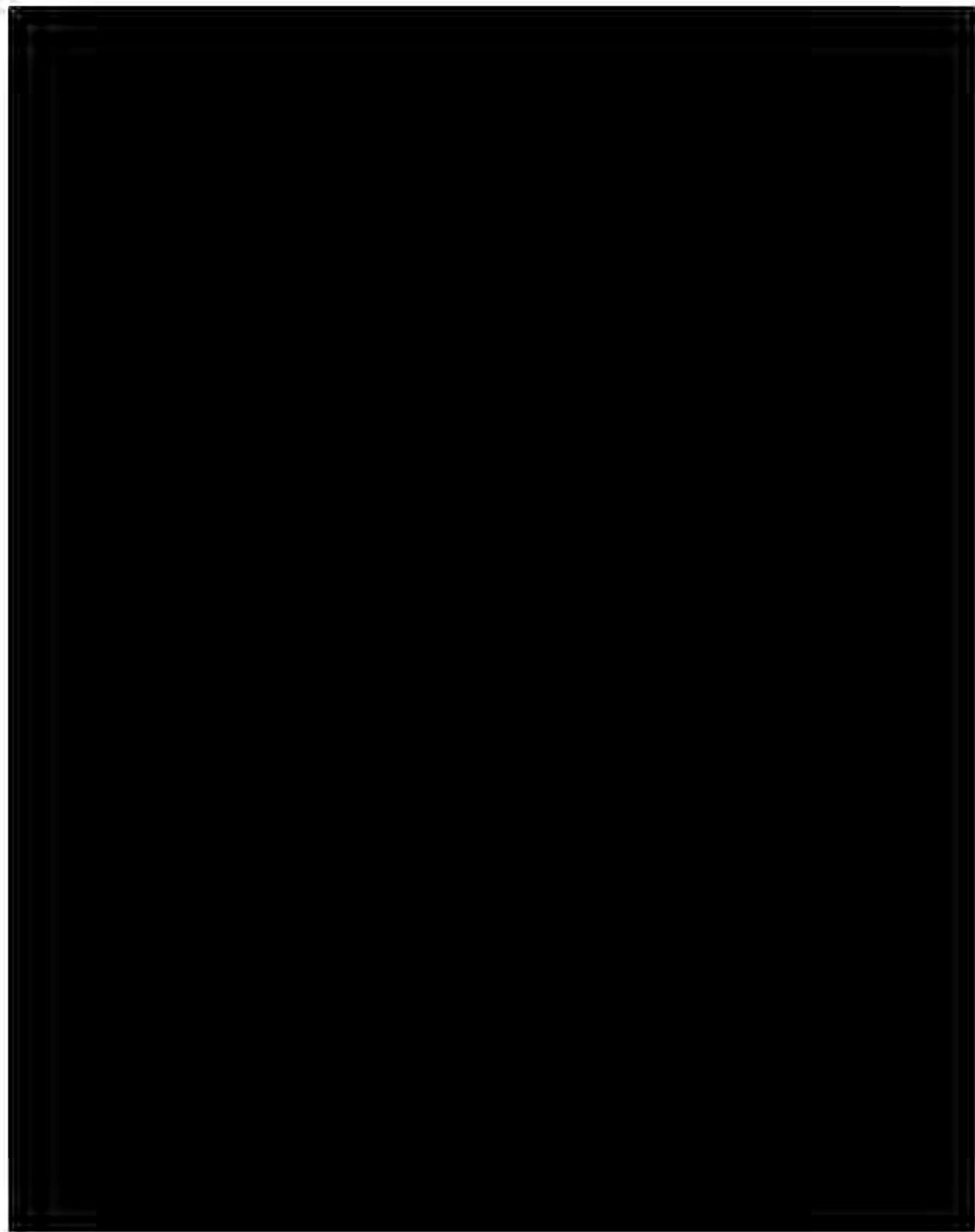
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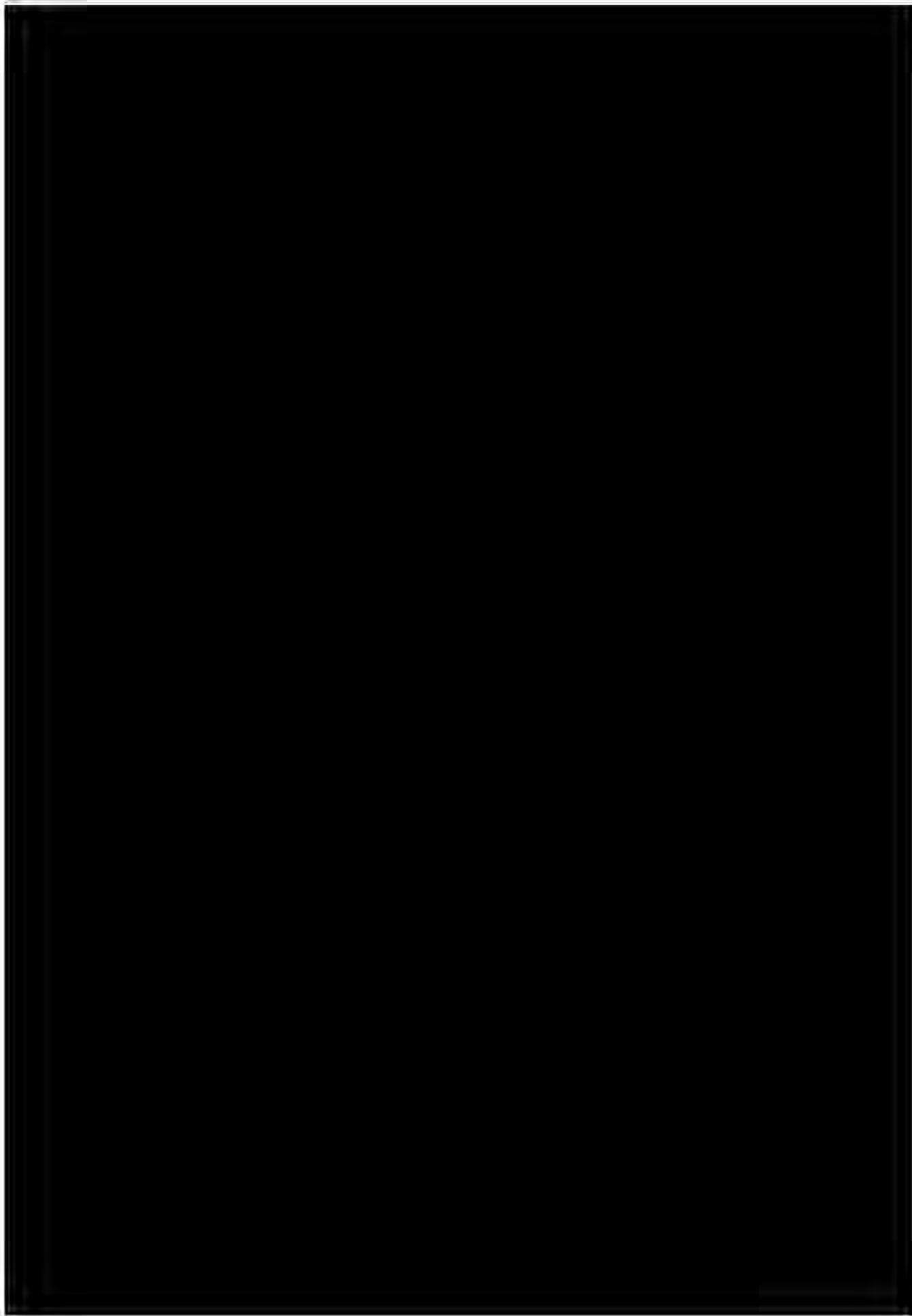
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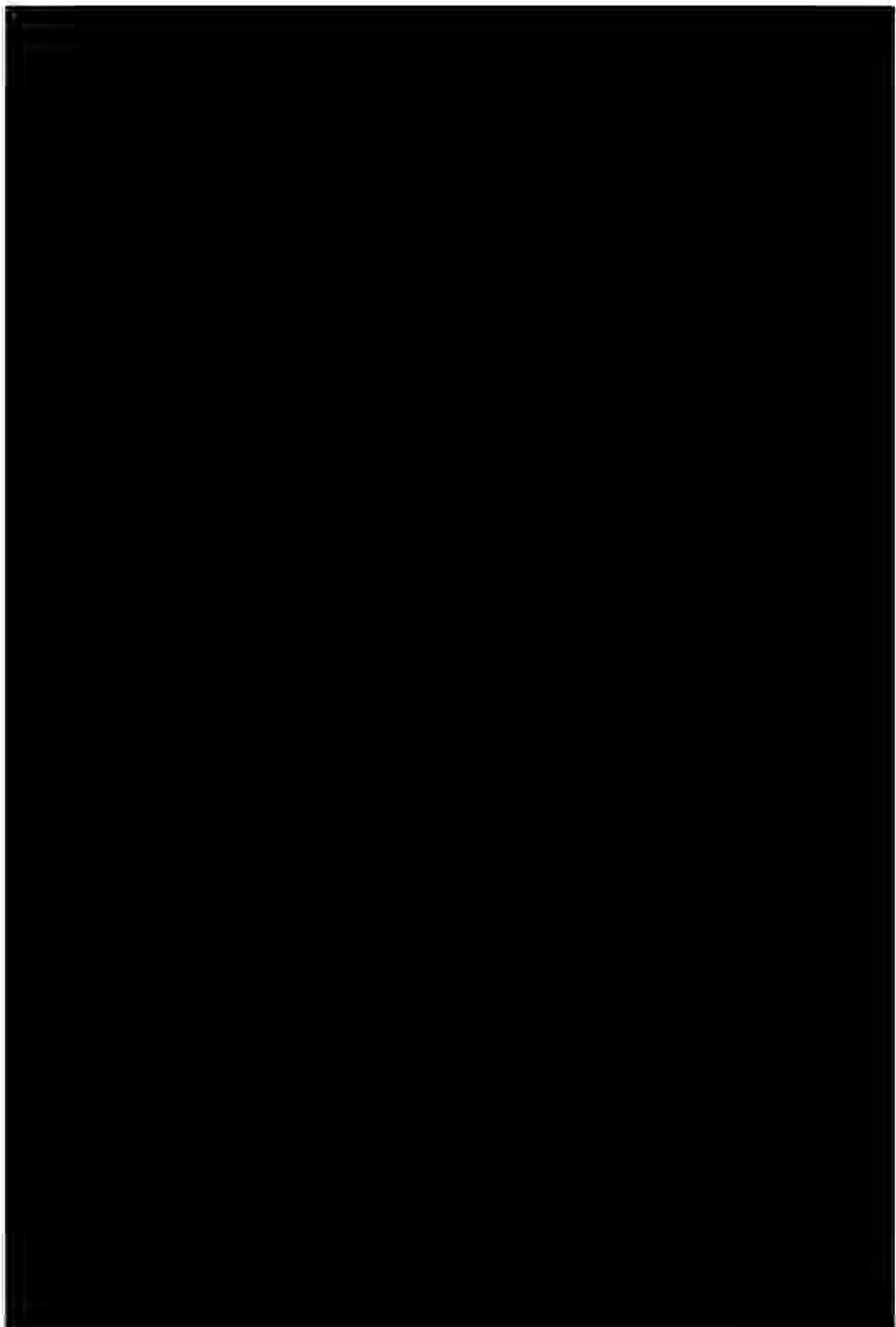


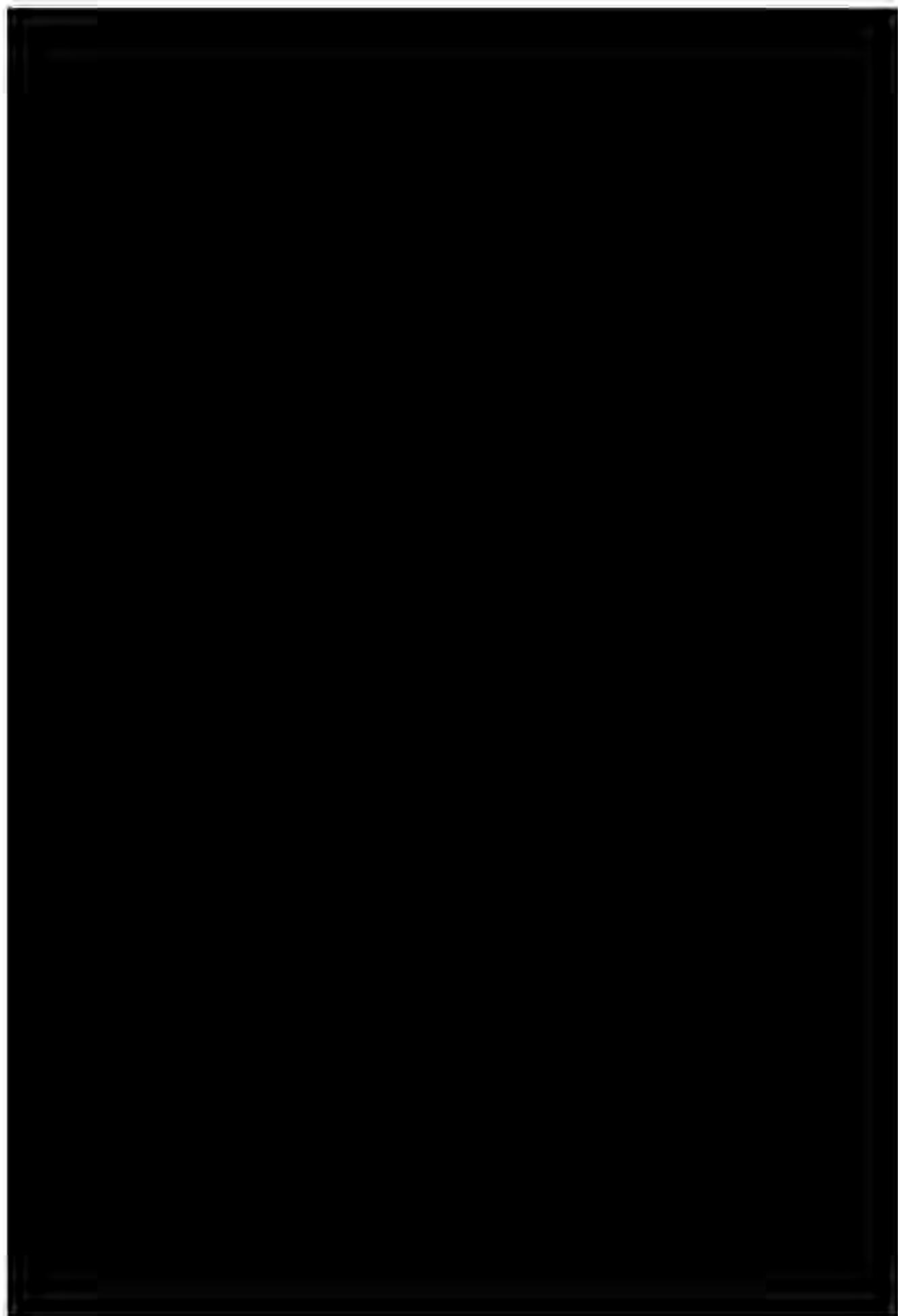


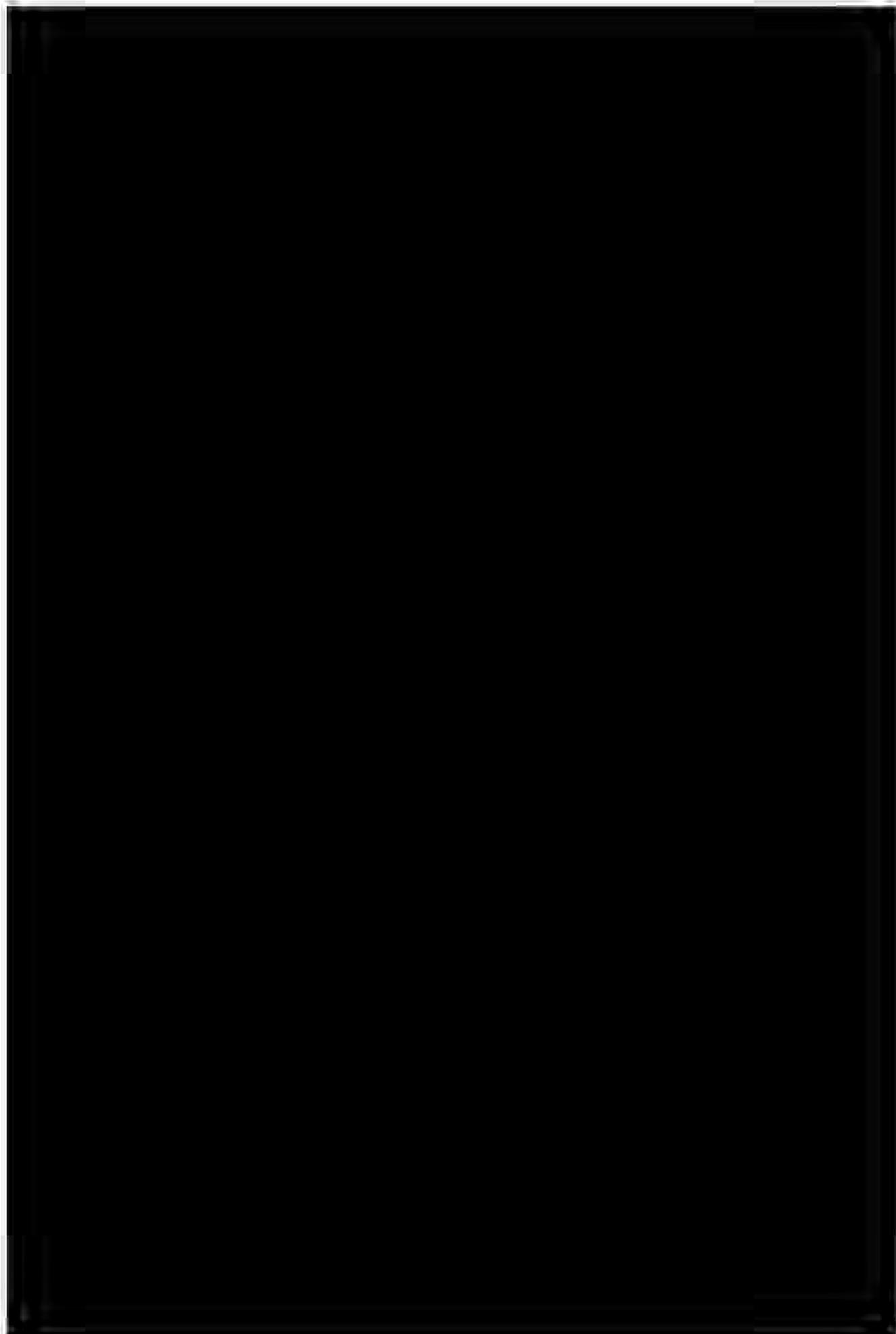


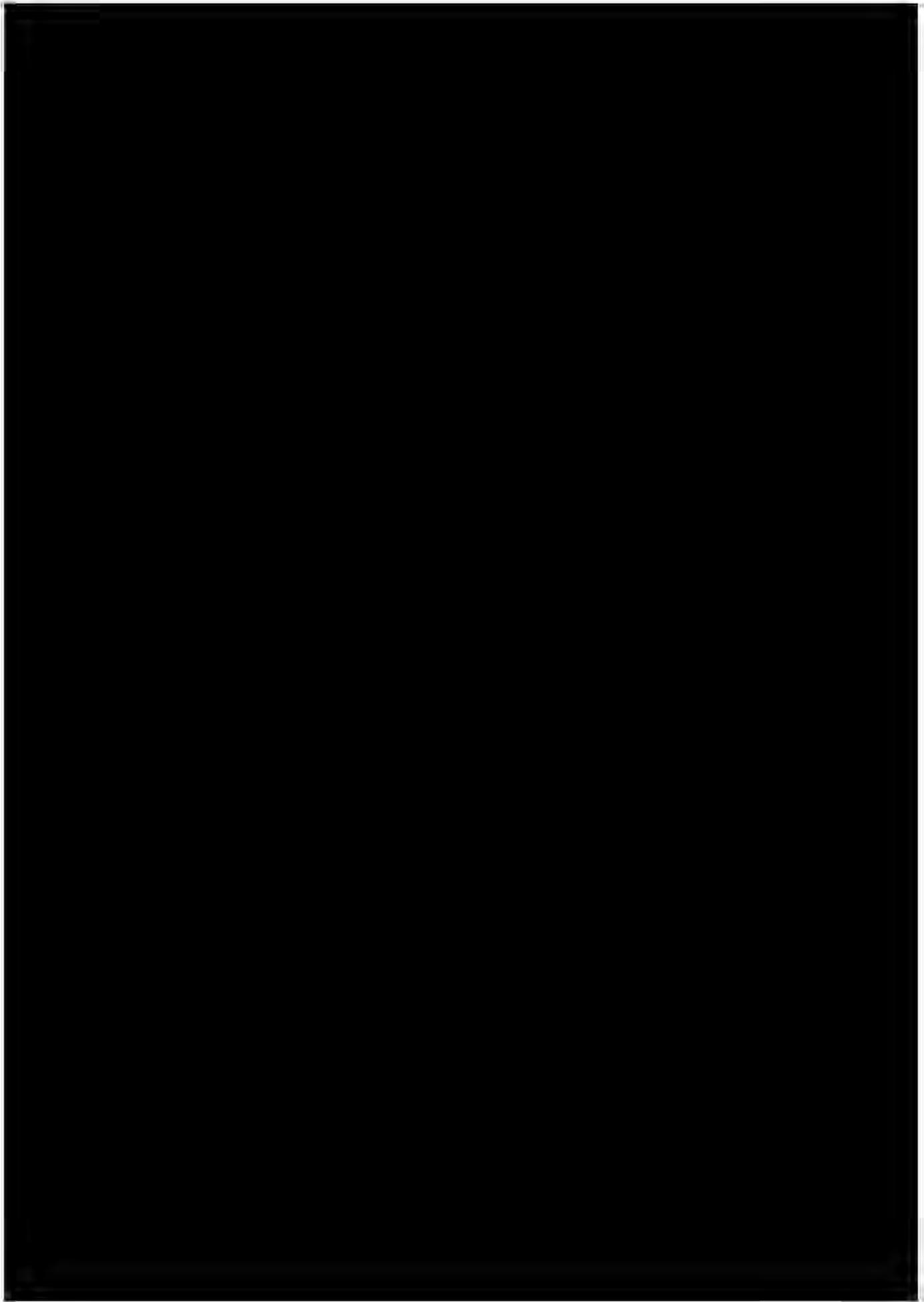


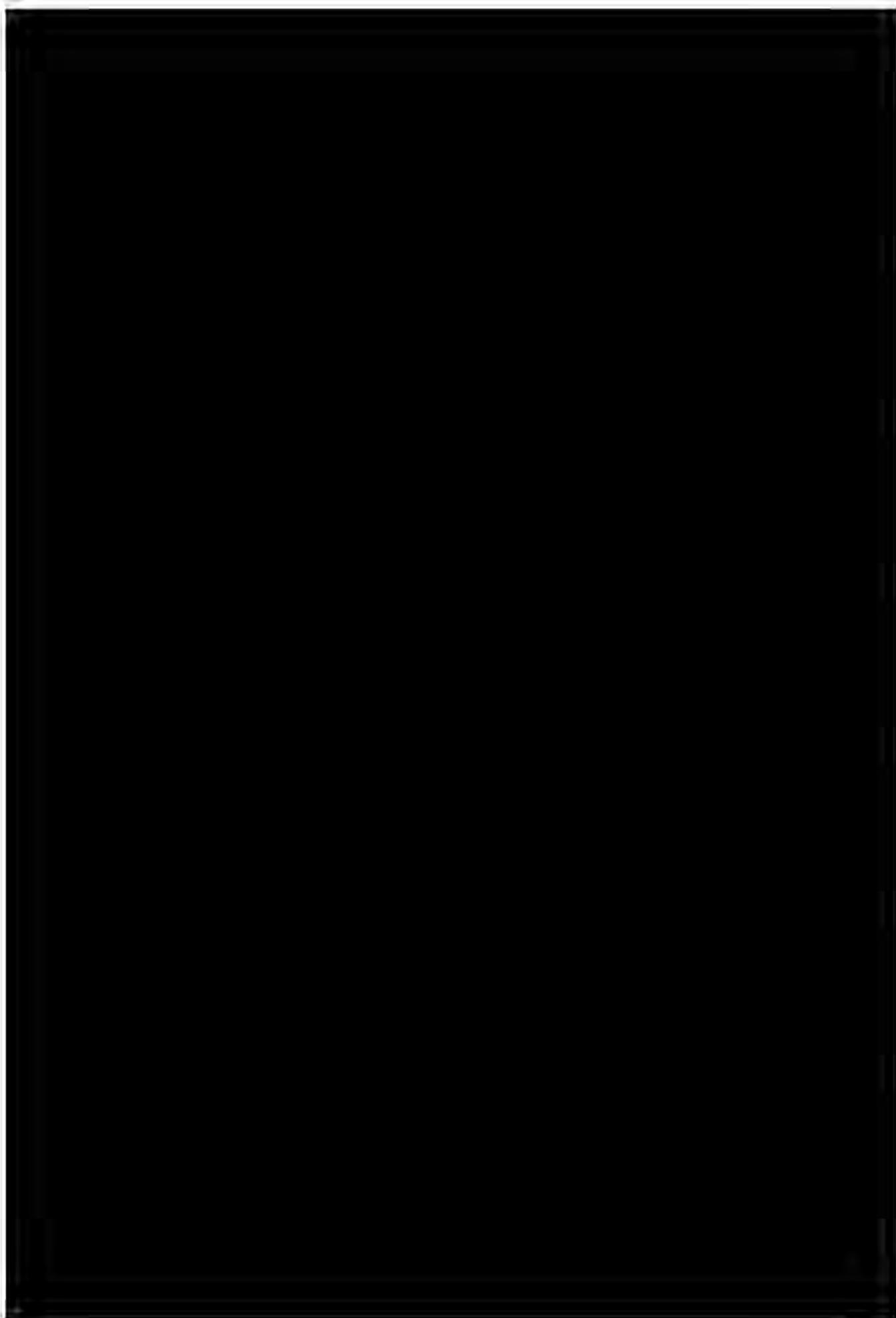




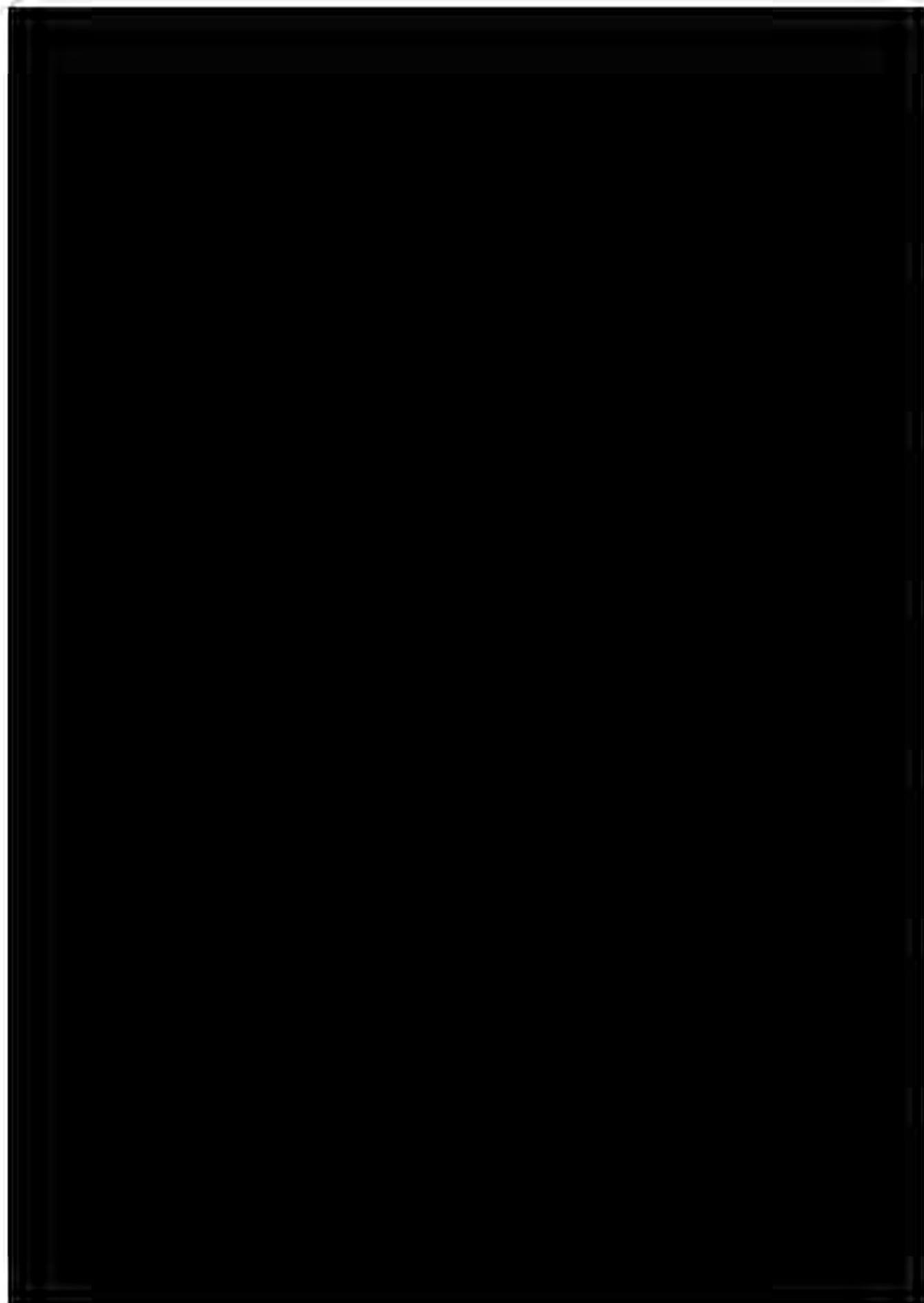


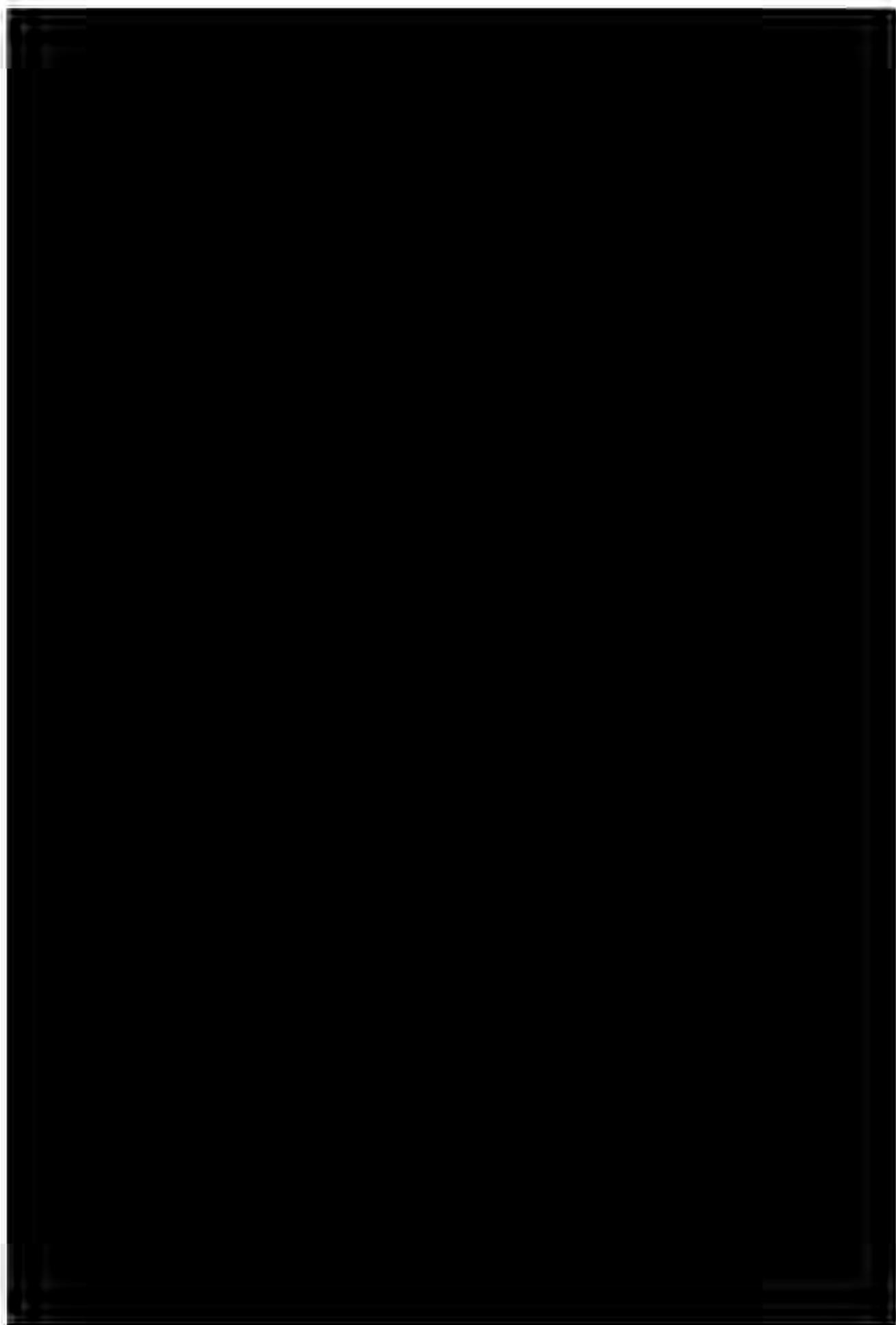


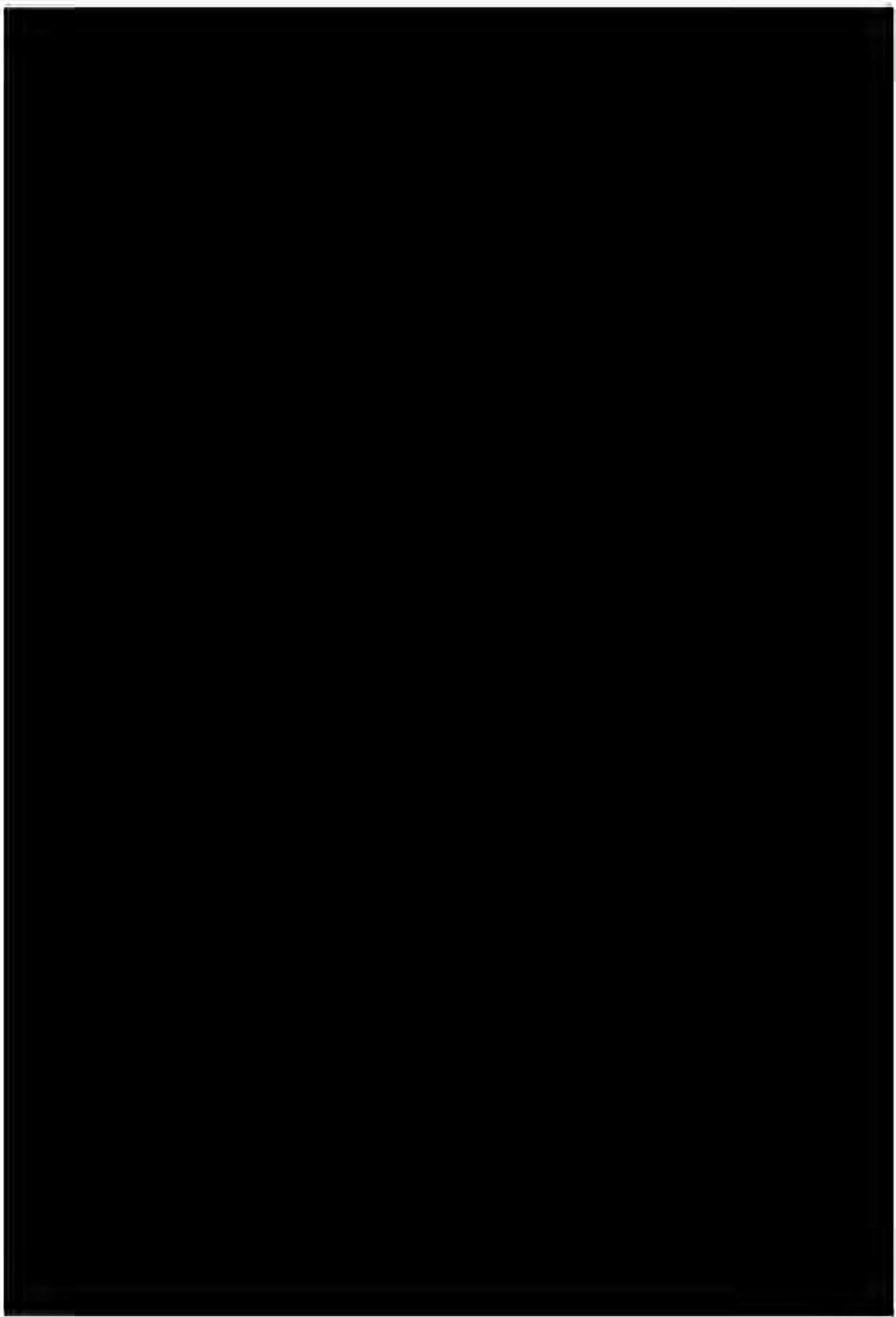


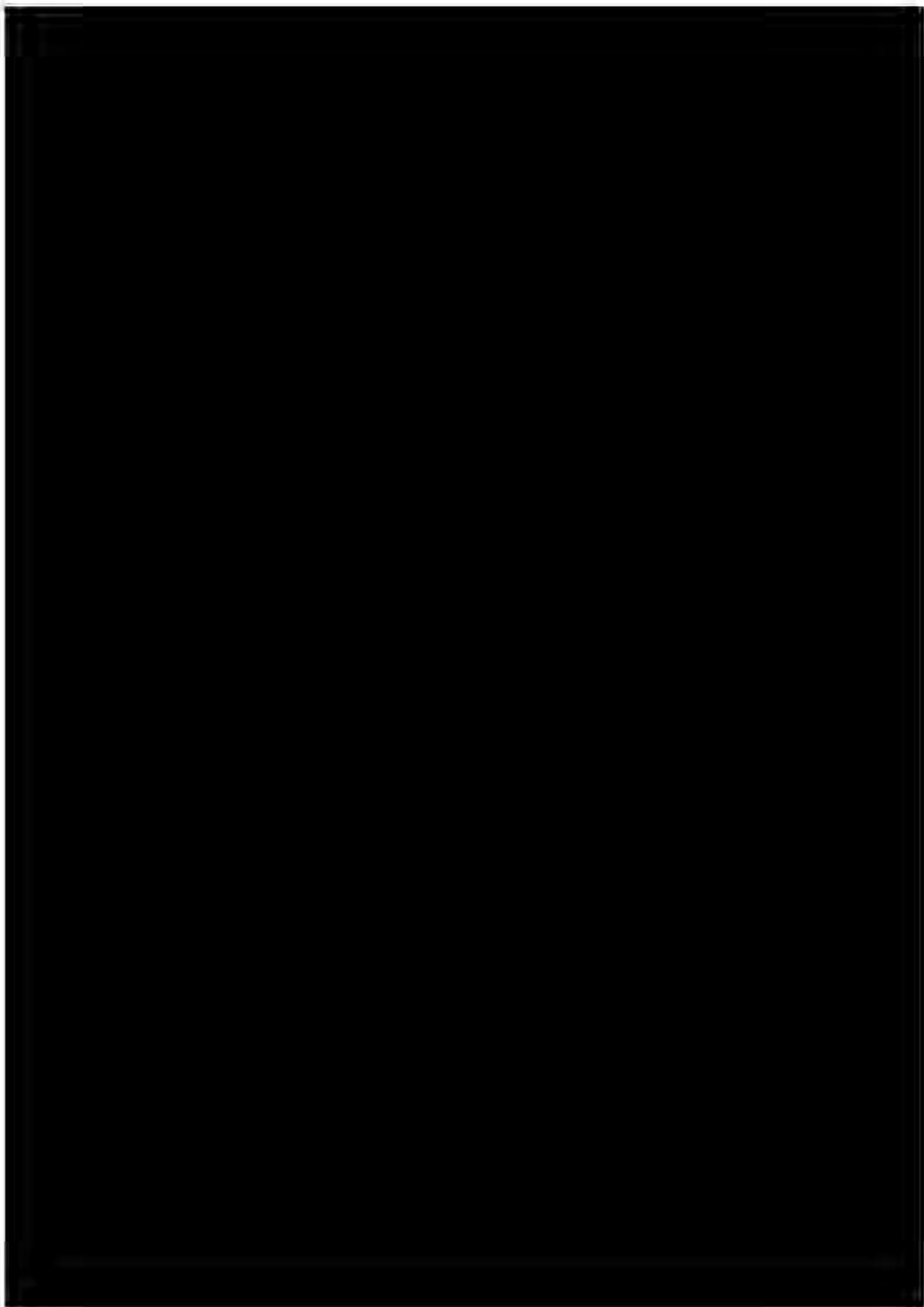


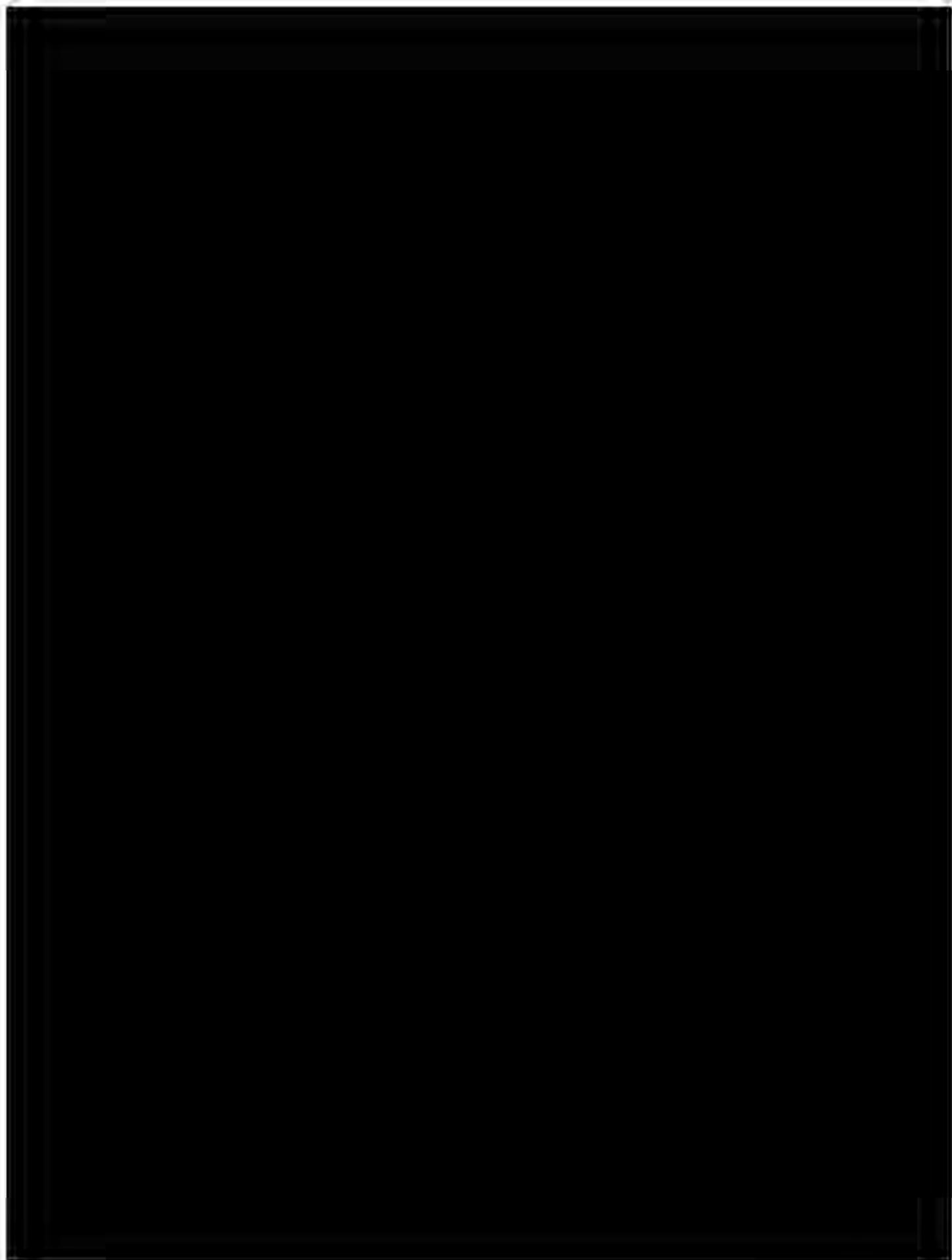


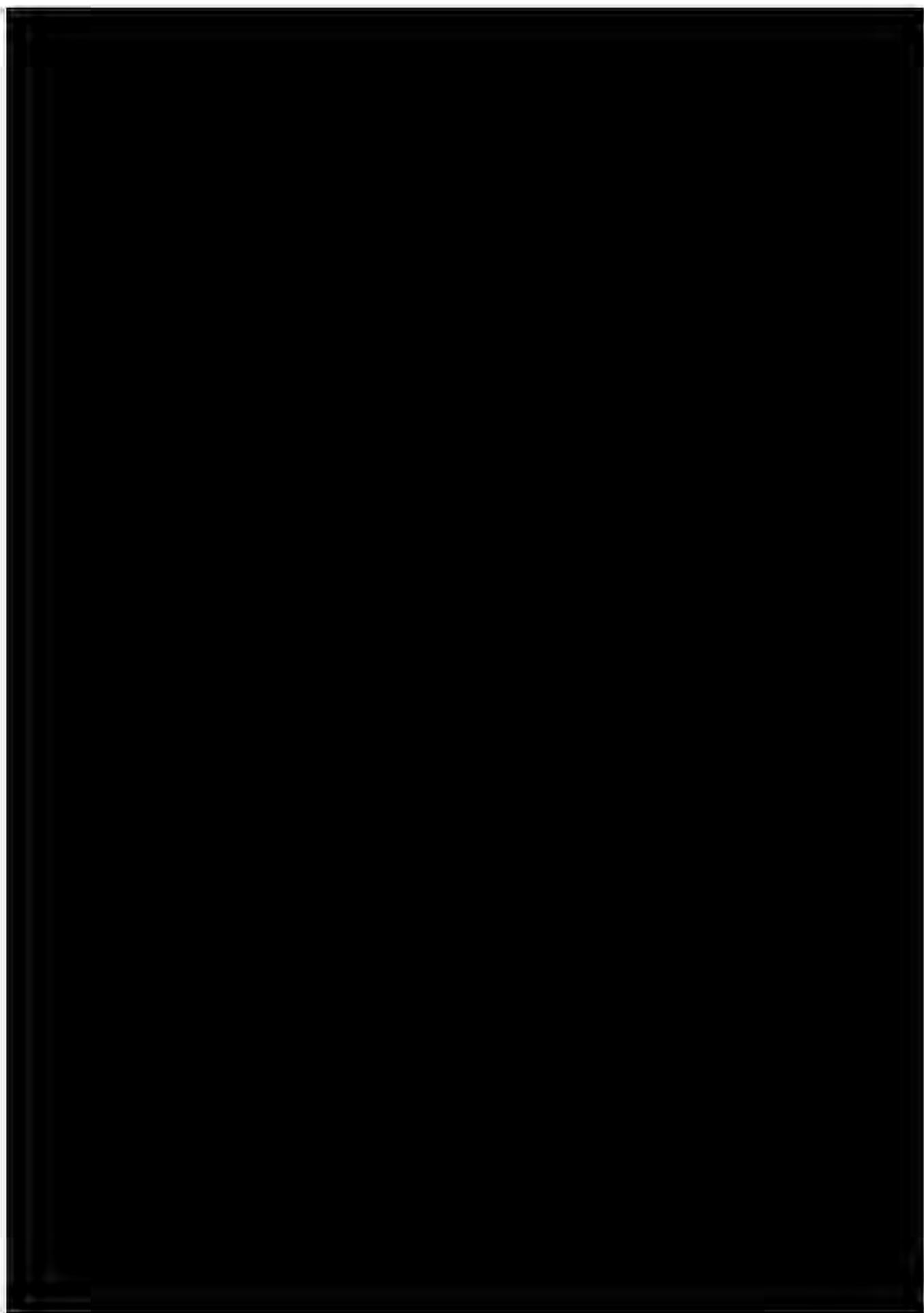


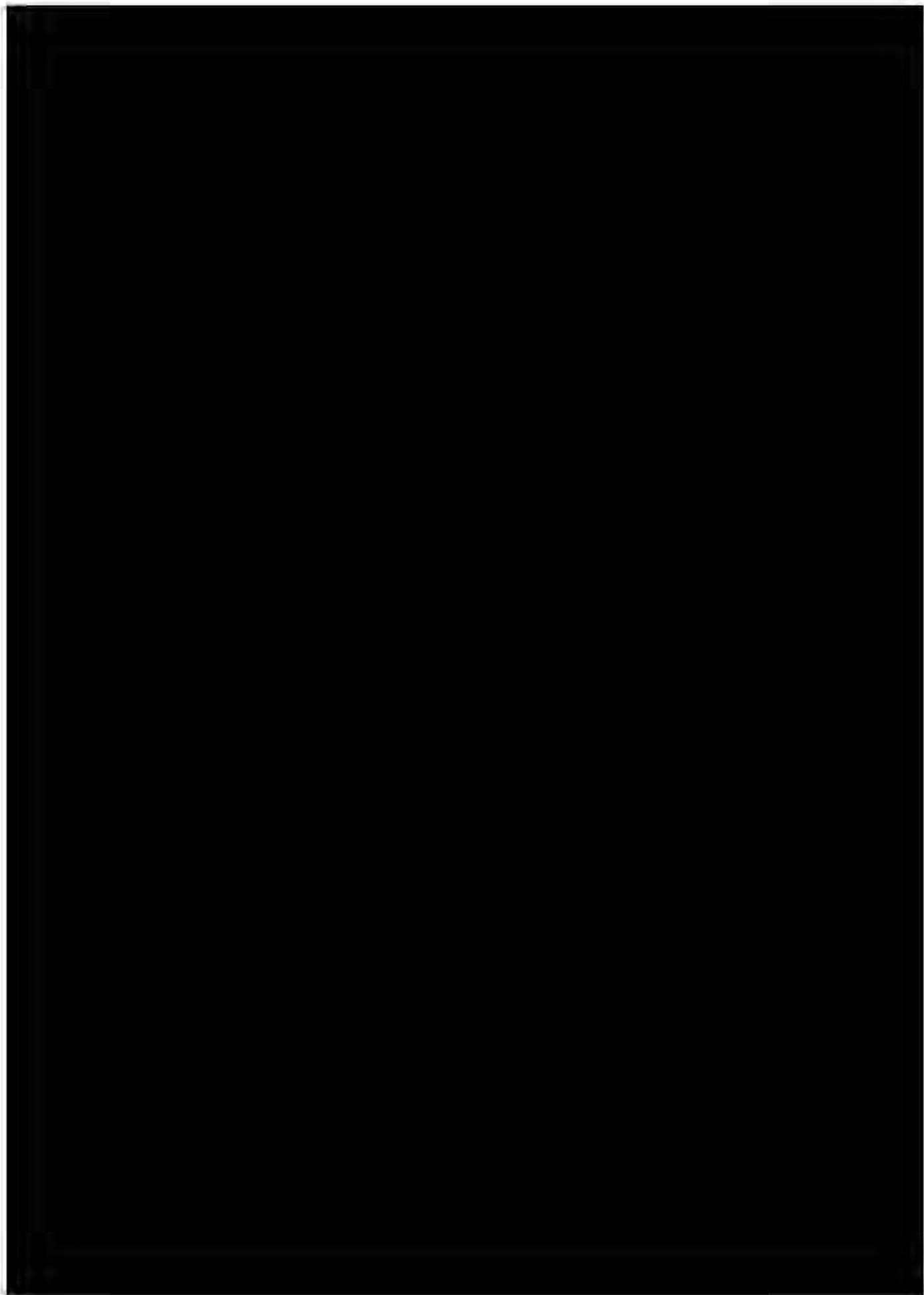


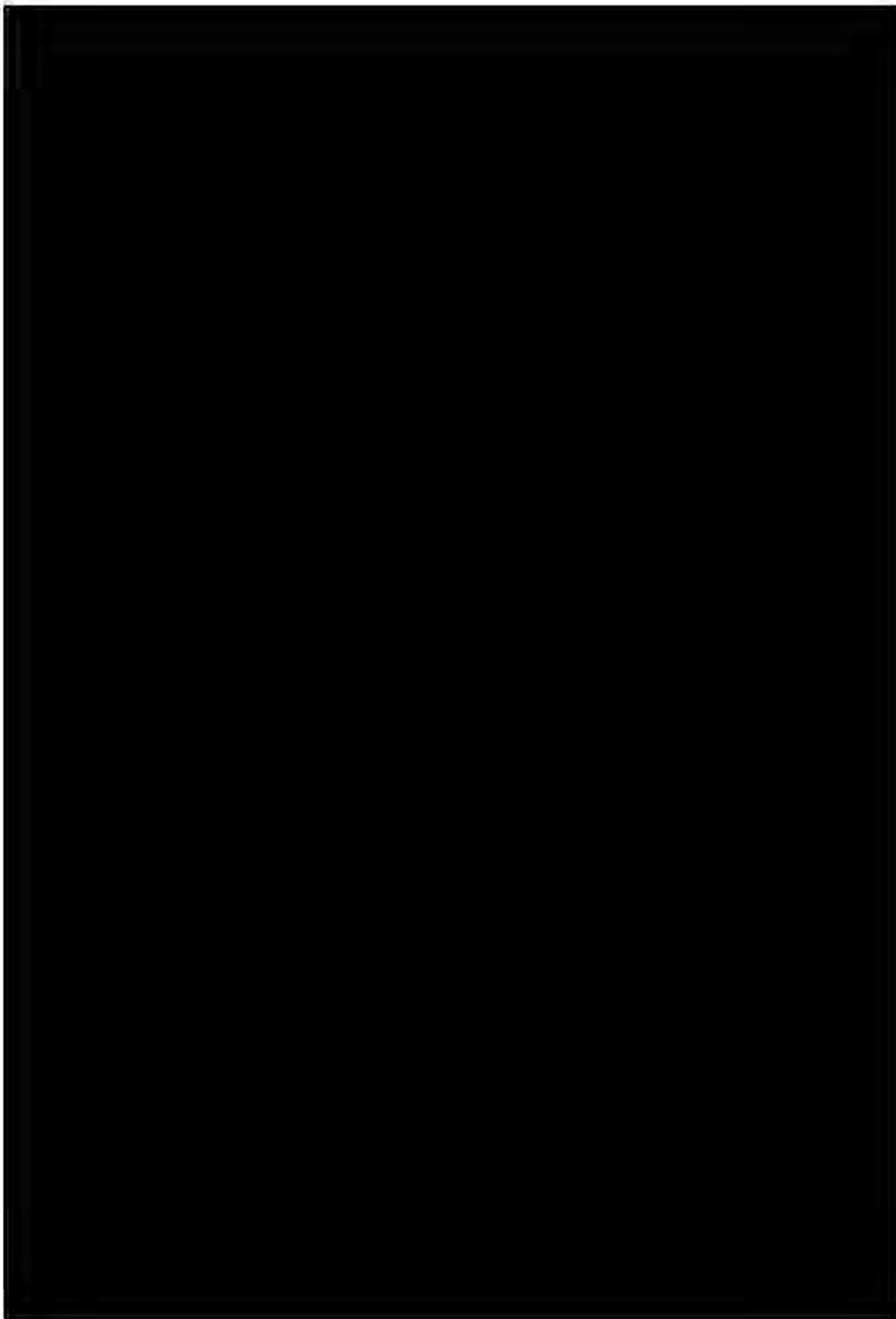












## Part 2: Contract Terms



Contract Terms v6.0