Crown Commercial Service

Call Off Order Form for Management Consultancy Services

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FRAMEWORK SCHEDULE 4

CALL OFF ORDER FORM

PART 1 –CALL OFF ORDER FORM

SECTION A

This Call Off Order Form is issued in accordance with the provisions of the Framework Agreement for the provision of **Business Consultancy Services** dated **04 September 2018**.

The Supplier agrees to supply the Services specified below on and subject to the terms of this Call Off Contract.

For the avoidance of doubt this Call Off Contract consists of the terms set out in this Template Call Off Order Form and the Call Off Terms.

Order Number	**CS20287**
[redacted]	[redacted]
[redacted]	[redacted]
Date	27th October 2020 **("DATE")**

SECTION B

1. CALL OFF CONTRACT PERIOD

1.1.	**Commencement Date**: 27th October 2020
1.2.	**Expiry Date**: End date of Initial Period: 26th October 2021 End date of Extension Period: 26th April 2022 Minimum written notice to Supplier in respect of extension: **1 month**

2. SERVICES

2.1	**Services required**: The Department for Business, Energy and Industrial Strategy (BEIS) has responsibility for business, industrial strategy, science, innovation, energy, and climate change. BEIS is seeking to appoint commercial advisers to support a programme to develop and provide detailed design of low carbon hydrogen business models for the UK.

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Background

Policy Context to the Requirement

There is global consensus that hydrogen will be essential to successfully tackling climate change and meeting the UK's target to reach net zero emissions by 2050.

Hydrogen is an energy carrier with potential to support the UK's efforts to transform and decarbonise the energy system in line with our 2050 net zero target. Solutions and technologies that offer flexibility and optionality will be highly valuable in the transition to net zero. This is why we have seen a rapid upswing of interest in the role of hydrogen in a clean energy future, both here in the UK and internationally.

Hydrogen delivers gaseous energy that can be stored for long periods of time and in large volumes. It can be deployed flexibly and responsively across the energy system and can be used in applications similar to natural gas, without emitting carbon at the point of use. Hydrogen can be produced from a range of energy inputs, including fossil fuels, electricity, biomass and waste, and can be used across multiple sectors. If hydrogen production can be wholly switched to low carbon methods, its particular characteristics position is as an important, decarbonisation option, particularly in hard-to-electrify sectors and processes.

However, low carbon hydrogen is more expensive than high carbon alternatives, suggesting action will be required to address the cost differential, in particular through the development of a hydrogen business model. This is because we know from the development of other low carbon technologies that innovation is most effective when accompanied by supportive policy.

For hydrogen, this means tackling a number of factors which mean, in spite of government innovation funding and announcement of the £100m Low Carbon Hydrogen Fund, there remains a limited commercial case for investing in low carbon hydrogen production facilities. Effective business models are therefore a necessary complement to stimulate sustained private sector investment and expand the hydrogen economy to support our efforts in meeting net zero.

In order to achieve this, BEIS is developing the commercial models for carbon capture, usage and storage (CCUS) and low carbon hydrogen, following a consultation which was conducted during summer 2019.

We envisage separate commercial models for:

1. Power CCUS – carbon capture technology fitted to an electricity generating station.
2. Industrial CCUS – carbon capture technology fitted to an industrial emitter.
3. CO2 transport and storage – infrastructure to transport and permanently store captured CO2.
4. Hydrogen production – technology to produce a range of low-carbon hydrogen at scale for deployment across the energy system

For hydrogen, BEIS commissioned initial scoping work on potential business models following the consultation last summer. Outputs of this work are being completed in July 2020 and BEIS wishes to examine in more detail the potential business models to take forward this work.

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This advisory support is therefore to take forward the business model for hydrogen work to enable Government to announce a preferred business model in 2021.

Aims and Objectives

In July 2019, Government consulted on CCUS business models. This included options for designing a new commercial framework for CCUS and low carbon hydrogen. On hydrogen, Frontier Economics are undergoing work with preliminary outputs (to be completed in July 2020) to identify and evaluate, at a high-level, potential business models to unlock deployment of new low carbon hydrogen capacity, the results of which will need to considered and undergo further evaluation to test formally with industry and to enable Government to be in a position to select a preferred business model for hydrogen in 2021. Preliminary results of the study have been made available (see appendix A)

To achieve this BEIS wishes to commission financial advisory support to support the work needed to test in further detail potential models and support design work of a preferred model. Financial advisory support will likely be needed on:

- Testing the interactions with wider hydrogen, CCUS and energy system value chain of each potential model, including considering market distortions and/or impacts on other existing/proposed market mechanisms;
- Advising on the potential delivery and institutional arrangements for hydrogen business models;
- Developing an effective hydrogen commercial framework that will enable Government to select a preferred business model by end of Q1 2021;
- Advising on the detail design and implementation for the business model BEIS is minded to proceed with.

We envisage this work will be 12 months initially with a possibility of extending by a further 6 months. It is planned that specific milestones, workstreams and work packages will be planned and will be agreed with the successful supplier over the duration of contract, i.e. initial 12 months (and additional 6 month period). High level details of work packages to be fulfilled under the contract are contained within the specification.

Any further details of work packages provided to the supplier will be in line with this specification. BEIS will inform the winning supplier of the final requirements for each work package 4 weeks before commencement of each workstream.

Hydrogen Advisory support required

Further to previous work recently developed, we have a high-level assessment of potential hydrogen business models which could, subject to further assessment, consultation and analysis, support the deployment of low carbon hydrogen production in the UK. To support the acceleration of the work, we require financial advisory support on a range of issues over the next 12 months to enable Government to be in a position to confirm its preferred hydrogen business model in 2021, with interim milestones to develop its position during 2020.

Financial Advisory support will be commissioned over the term of the contract as specific work packages, to inform policy development and aid Government decision making. The following are anticipated outputs that may form work packages to be called off and agreed with successful supplier during the contract:

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	I. Assessing how the business model can unlock hydrogen deployment for a range of end use sectors in a way that supports our decarbonisation goals; II. Assessment of how business models could support a range of different hydrogen production methods; III. How support may be allocated, including potential competitive processes and scheme design (including allocation and contract length); IV. Financing costs of hydrogen production and which potential business model will lead to lower financing costs; V. Revenue flows and the options for how the business model will be funded (e.g. from consumers and/or taxpayers); VI. Integration with other CCUS business models, the wider hydrogen value chain including hydrogen distribution and other energy incentive schemes (e.g. offshore wind for electrolytic hydrogen); VII. Integration with end-use and testing potential business models' potential to distort existing incentives and/or markets; VIII. Risk allocation and where risks should reside (e.g. with private sector or with Government); IX. Potential delivery and institutional arrangements; X. High level framework on which heads of terms for the preferred business model could be based; XI. Potential interactions with the CCUS Infrastructure and Low Carbon Hydrogen Funds; XII. Design, build and review of cost and price models relating to hydrogen, plus supporting analysis that highlights all the significant impacts in each of a range of chosen scenarios; XIII. Assessment of pricing of risk and its allocation in projects; XIV. Support, analysis and review of any project financial models. Shadow modelling may be necessary; XV. Position papers on commercial and financial issues relating to the business model design, and/or negotiations with developers; XVI. Advice and support on valuations and financial viability for the construction and operation of projects; XVII. 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; XVIII. Commercial and financial advice and support on the development of any contractual documentation relating to low carbon hydrogen projects; XIX. Advice and support on the engagement with the financial sector, such as capital providers, rating agencies and other financial parties. XX. Transfer of knowledge from initial low carbon hydrogen projects to advise on the framework for an enduring business model. XXI. Inputs into the transfer of the contracts to regulators or industry bodies, where appropriate. XXII. Qualitative assessment and/or opinion letters of financial models and the final agreements with developers from a financial perspective, including contractual terms, risk allocation, and tax and accounting implications. XXIII. 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. XXIV. Auditable suite of documentation, covering the processes followed, information exchanged, and evaluations undertaken to achieve the above outcomes.

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XXV. Support on ensuring the business model effectively drives indirect benefits – innovation, supply chain, skills.

Work Packages
Further to the expected outputs described above, an example work package may include but is not limited to:

Selection and allocation of projects
To review in further detail the potential business models scoped out by Frontier Economics in particular their applicability to delivering both green and blue hydrogen;

- develop options and make a recommendation on whether and how a competitive process could be run to select initial hydrogen projects;
- advise on whether and how this should differ for small-scale (e.g. 1-10MW) and large-scale projects and/or for green (electrolytic) and blue (CCUS-enabled) projects;
- develop options and make a recommendation on how the maximum level and duration of subsidy should be determined in order to incentivise the most cost-effective projects to go ahead while delivering value for money for the taxpayer

The total number of work packages is yet to be determined by the Contracting Authority. However, it is anticipated that there will be a minimum of 5 work packages, and it is estimated to not exceed 10 work packages throughout the lifetime of the contract (This may change once the project has started and for the duration of the contract)

Expertise and capability

You will need to ensure you are able to demonstrate expertise of financial and commercial advisory capability, covering the following areas:

- Providing financial advice on major capital infrastructure projects;
- Capability in negotiating, structuring and/or arranging projects and complex transactions in relevant sectors, such as energy, industrial, oil and gas, and infrastructure;
- Understanding of the debt and equity investor markets in UK infrastructure and/or energy;
- Advising on business models and potential government support packages and/or subsidies;
- Negotiating contracts for major capital infrastructure projects on behalf of, or with Government;
- Financial modelling and risk assessment;
- Transaction services;
- Tax and accountancy support;
- Programme and risk management;

In addition, you will need to demonstrate sector knowledge including:

- Hydrogen sector (blue and green)
- Knowledge of renewable electricity and its application to green hydrogen
- CCUS and its relevance to blue hydrogen;
- Power generation markets;
- Energy and gas networks;

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- UK regulated markets and frameworks, including Regulated Asset Base models;
- Industrial sectors and markets;
- Oil & Gas/ Petrochemicals industry.

Ownership and Publication

Any outputs delivered in the fulfilment of the commissioned work will be in the ownership of BEIS.

Conflict of interest

It must be made clear in the tender if there are any conflicts of interest relating to the development of hydrogen projects.

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 within the organisation, and how these can be structured to ensure an impartial approach to the project is maintained.

Working Arrangements

The personnel allocated to the project by the successful supplier will have regular contact with BEIS and other appointed advisors, daily in some cases, and will be expected to attend meetings online via Microsoft teams or in 1 Victoria Street or at developer's offices in London at short notice (i.e. within 4 working hours). They will not be located in BEIS' offices themselves unless requested by the BEIS team but will nevertheless be expected to liaise closely as part of a virtual team with BEIS staff. (Due to the implications of COVID 19, this may not be possible, bids are therefore required to demonstrate capacity to attend meetings and perform work virtually).

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

The contract management meetings held by BEIS and the successful supplier will be held weekly, virtually by BEIS throughout the duration of the project.

Budget

It has been calculated, that the maximum budget for this project would be £1,000,000.00 excluding VAT. For the avoidance of doubt the initial contract has a potential maximum value of £500,000.00 excluding VAT. This contract has the option to be extended for an additional 6 month. The maximum value of the extension is £500,000.00 excluding VAT which is subject to budgetary approval.

Work packages will be developed in line with the scope and proposed outputs contained within this documentation and against the value of the contract, once the contract has started.

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	The contract is to be for a period of 12 months unless terminated or extended by the Department in accordance with the terms of the contract. The contract could be extended by up to 6 months (the Department provides no guarantee that any extension will be required), should any extension be required, the department will inform the supplier within 1 month of the end of the initial contracted period.

3. PROJECT PLAN

3.1	**Project Plan**: Project plan not required

4. CONTRACT PERFORMANCE

4.1.	**Standards**: As per Clause 11 Standards
4.2	**Service Levels/Service Credits**: Not applied
4.3	**Critical Service Level Failure**: Not applied
4.4	**Performance Monitoring:** Not applied
4.5	**Period for providing Rectification Plan:** In Clause 39.2.1(a) of the Call Off Terms

5. PERSONNEL

5.1	**Key Personnel**: **BEIS** [redacted] **Deloitte LLP** [redacted].

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5.2	**Relevant Convictions** Clause 28.2 of the Call Off Terms

6. PAYMENT

6.1	**Call Off Contract Charges** (including any applicable discount(s), but excluding VAT): The total contract value including optional extension shall not exceed £1,000,000.00 excluding VAT. However, there is no commitment to spend up to the maximum value. The initial contract period has a potential maximum value of £500,000.00 excluding VAT. This contract has the option to be extended for an additional 6 months. The maximum value of the extension is £500,000.00 excluding VAT which is subject to budgetary approval. All costs to be in alignment with AW5.2 Price Schedule (see Appendix 1)
6.2	**Payment terms/profile** (including method of payment e.g. Government Procurement Card (GPC) or BACS): Payment shall be made via BACS upon receipt of invoice and Purchase Order
6.3	**Reimbursable Expenses**: Not permitted
6.4	**Customer billing address** (paragraph 7.6 of Call Off Schedule 3 (Call Off Contract Charges, Payment and Invoicing)): All invoices should be sent to BEIS – Department for Business, Energy and Industrial Strategy C/O SBS, Queensway House, West Precint, Billinghman, TS23 2NF Invoices should be sent to: [redacted]
6.5	**Call Off Contract Charges fixed for** (paragraph 8.2 of Schedule 3 (Call Off Contract Charges, Payment and Invoicing)): Call of Contract charges shall remain fixed and firm for the duration of the contract
6.6	**Supplier periodic assessment of Call Off Contract Charges** (paragraph 9.2 of Call Off Schedule 3 (Call Off Contract Charges, Payment and Invoicing)) will be carried out on: Not Permitted
6.7	**Supplier request for increase in the Call Off Contract Charges** (paragraph 10 of Call Off Schedule 3 (Call Off Contract Charges, Payment and Invoicing)): Not Permitted

7. LIABILITY AND INSURANCE

7.1	**Estimated Year 1 Call Off Contract Charges**: The sum of £500,000

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7.2	**Supplier's limitation of Liability** Clause 37.2.1 of the Call Off Terms
7.3	**Insurance** (Clause 38.3 of the Call Off Terms): As per Clause 38.3 of the Call Off Terms

8. TERMINATION AND EXIT

8.1	**Termination on material Default** (Clause 42.2 of the Call Off Terms)): As per Clause 42.2.1(c) of the Call Off Terms
8.2	**Termination without cause notice period** (Clause 42.7 of the Call Off Terms): In Clause 42.7 of the Call Off Terms the customer shall have the right to terminate the Call off contract by giving 30 days termination notice
8.3	**Undisputed Sums Limit**: Per Clause 43.1.1 of the Call Off Terms, the undisputed limit shall be equivalent of 1 month's average call off contract charges.
8.4	**Exit Management:** In Call Off Schedule 9 (Exit Management)

9. SUPPLIER INFORMATION

9.1	**Supplier's inspection of Sites, Customer Property and Customer Assets:** Not Applicable
9.2	**Commercially Sensitive Information**: Clause 35.4.8 Suppliers Rates / methodologies

10. OTHER CALL OFF REQUIREMENTS

10.1	**Recitals** (in preamble to the Call Off Terms): Recital C - date of issue of the Statement of Requirements: **3rd August 2020** Recital D - date of receipt of Call Off Tender: **8th September 2020**
10.2	**Call Off Guarantee (Clause 4 of the Call Off Terms):** Not required
10.3	**Security**: Short form security requirements
10.4	**ICT Policy:** Not applied

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10.6	**Business Continuity & Disaster Recovery**: In Call Off Schedule 8 (Business Continuity and Disaster Recovery)
10.7	**NOT USED**
10.8	**Protection of Customer Data** (Clause 35.2.3 of the Call Off Terms): Supplier to provide data to the customer via email, powerpoint presentation or any other electronic method
10.9	**Notices** (Clause 56.6 of the Call Off Terms): Customer's postal address and email address: The Department for Business, Energy and Industrial Strategy, 1 Victoria Street, London, SW1H 0ET Supplier's postal address and email address: Deloitte LLP, New Street Square, London, EC4A 3HQ
10.10	**Transparency Reports** Not applicable
10.11	**Alternative and/or Additional Clauses from Call Off Schedule 14 and if required, any Customer alternative pricing mechanism:** Not applicable
10.12	**Call Off Tender**:

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10.13	**Publicity and Branding (Clause 36.3.2 of the Call Off Terms)** Clause 36.3 should apply

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10.14	**Staff Transfer** Annex to Schedule 10, List of Notified Sub-Contractors (Call Off Tender).
10.15	**Processing Data** The processing of personal data is not applicable to this requirement however Clause 35.3 of the call of terms applies
10.16	**MOD DEFCONs and DEFFORM** Call Off Schedule 15 NOT USED

FORMATION OF CALL OFF CONTRACT
BY SIGNING AND RETURNING THIS CALL OFF ORDER FORM (which may be done by electronic means) the Supplier agrees to enter a Call Off Contract with the Customer to provide the Services in accordance with the terms Call Off Order Form and the Call Off Terms.

The Parties hereby acknowledge and agree that they have read the Call Off Order Form and the Call Off Terms and by signing below agree to be bound by this Call Off Contract.

In accordance with paragraph 7 of Framework Schedule 5 (Call Off Procedure), the Parties hereby acknowledge and agree that this Call Off Contract shall be formed when the Customer acknowledges (which may be done by electronic means) the receipt of the signed copy of the Call Off Order Form 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	10/11/2020

For and on behalf of the Customer:

Name and Title	[redacted]
Signature	[redacted]
Date	17/11/2020

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