

Public Sector Decarbonisation Scheme Guidance: Distribution Network Operator (DNO) costs

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Introduction

Many Public Sector Decarbonisation Scheme (PSDS) projects will require electrical upgrade works from their Distribution Network Operator (DNO). Due to the nature of this work, payment upfront may be required to secure any capacity prior to the works taking place. In these circumstances, you may claim these costs without the need for invoices to support the payment claim. This allows you to secure the electrical capacity needed to install your equipment in a timely and efficient manner. Therefore, claims related to DNO works can be an **exception** to our typical payment rules.

What are the costs incurred for DNO works?

To secure any capacity in the network, DNOs often require some form of payment upfront. However, due to strain on national electrical infrastructure, upgrade works can have long lead times. As a result, the works may not be completed for several months after payment has been made. If the works are paid for within the grant period, this is considered eligible spend regardless of whether the works take place within the grant period.

Eligible DNO costs may include:

- Connection offer expenses
- Application or design fees
- Connection charges
- Capacity charges
- Network reinforcement costs,
- Trenching and cabling
- Substation construction and enabling works
- Legal fees

How can we claim PSDS funding for DNO costs?

If there are any costs associated with connecting the equipment being installed, the DNO will send a formal quotation outlining the associated costs including contestable and non-contestable works. Dependent on the size of the upgrade being applied for, there may also be application or design fees associated with putting the quotation together (these may also be referred to as connection offer expenses). To secure any capacity, you'll be required to pay a proportion of the costs upfront. You may claim these costs from Salix by providing:

Option A (preferred)

- Invoice from the Distribution Network Operator (DNO), Independent Distribution Network Operator (IDNO) or Independent Connections Provided (ICP)

- The site being claimed for must be clearly identifiable on the invoice. If this isn't clear, please provide further supporting information such as the original quotation
- Invoices from third party organisations or consultants (including utilities/connections services companies) will only be accepted when accompanied by supporting evidence such as the acceptance letter or quotation from the DNO

Option B

If invoices are not available, all three of the below documents must be provided for a valid payment request:

- Signed acceptance form
 - The letter must clearly show whether you have opted for the contestable and non-contestable works or just the non-contestable works
 - Unsigned letters can't be accepted
- Original quotation from the DNO showing the upgrade works applied for, including the value of contestable and non-contestable works
- Proof of payment such as a receipt or redacted bank statement

Where payment is made without an invoice, your Salix relationship manager will follow up with you to request the invoice when this becomes available.

Please see the end of this document for an example of a DNO acceptance form.

What if the invoice is not directly from the DNO?

Invoices from third party organisations or consultants (including utilities/connections services companies) will only be accepted when accompanied by supporting evidence such as the acceptance letter or quotation from the DNO. Contestable works may be invoiced by an Independent Distribution Network Operator (IDNO) or Independent Connections Provider (ICP).

Non-contestable and contestable works

Non-contestable and contestable works refer to the different categories of works associated with the distribution network and electrical connections.

Non-contestable costs are those expenses associated with the design, planning and management of electrical connections and distribution network services, which must be carried out by the DNO. Payment requests for non-contestable works should be evidenced with an invoice or quotation from the DNO.

Contestable costs are those works which can be carried out by alternative suppliers or service providers, allowing you as the grant recipient to consider different pricing and timescales available. Payment requests for contestable works may be evidenced with invoices from an Independent Distribution Network Operator (IDNO) or Independent Connections Provided (ICP). A list of all IDNOs and ICPs can be found here: [List of all electricity licensees including suppliers | Ofgem](#)

Please note if an organisation is not listed on the Ofgem website, they are **not** an ICP or IDNO.

What if our project is delayed past the grant end date?

Where only DNO upgrades remain to be completed after the Grant End Date, your project must follow the delayed completion process. This requires approval by Salix and a Grant Amendment Letter confirming the reasons for the delay and the new expected completion date. Please see the delayed completion guidance on the 'Completing your project' page of our website for more information.

DNO costs paid upfront during the grant period may be claimed from your PSDS grant funding. Any payments made after the grant end date are not eligible to claim.

What if our project abandons after we have claimed DNO costs upfront?

Due to the nature of making payment upfront, there is some risk that a project abandons prior to the works being completed for reasons outside your control. If your project has to be abandoned and DNO costs have already been claimed, please investigate refund options with the DNO.

- Connection offer expenses are not typically refundable
- Payment made for works which have not yet commenced may be eligible for a refund so please contact the DNO

Any DNO costs which are refunded must either be deducted from your final payment claim or repaid to Salix.

In accordance with good stewardship of public funds, please endeavour where possible to obtain a refund on works paid for but not carried out. Public Sector Decarbonisation Scheme funding must not be claimed for DNO upgrades where the low carbon heating works are not being carried out.

Further guidance

Please see our website for further information and frequently asked questions about Distribution Network Operators:

- [Working with your Distribution Network Operator](#)
- [Who are the Distribution Network Operators?](#)
- [Distribution Network Operator glossary](#)
- [Frequently asked questions](#)

We also host regular webinars with speakers from the various Distribution Network Operators. Please keep an eye on the events page on our website and subscribe to our newsletter for updates on when these webinars will be taking place and who will be speaking.

Example acceptance form:

Section 5 Acceptance Form

Job Reference:

Site Address:

Please return your completed form by post or email:

UK Power Networks (Operations) Ltd
Connections Finance, 3rd Floor
Energy House
Hazelwick Avenue
Three Bridges, Crawley, RH10 1EX

Email: ConnectionAcceptance@ukpowernetworks.co.uk

Please indicate which option you accept:

A UK Power Networks carries out all of the requested 'contestable' and 'non-contestable' works required for your connection Price excluding VAT £148,190.35 Price including VAT £177,828.42

B UK Power Networks carries out all the 'non-contestable' work and the 'contestable closing joint'. The ICP carries out all other requested 'contestable' work Price excluding VAT £11,842.24 Price including VAT £14,210.68

C UK Power Networks carries out the 'non-contestable' works only. The ICP carries out all of the works classified as 'contestable' Price excluding VAT £10,055.95 Price including VAT £12,067.13

Payment Profile

I understand that the Price, including VAT, must be paid in full to accept the Quote. I also understand that where VAT has been charged a Tax Invoice for the Price will be issued by UK Power Networks on receipt of payment.

Please indicate your method of payment:

Cheque Please make cheques payable to UK Power Networks (Operations) Ltd and put our reference number on the back.

Debit/Credit Card Please call 0203 282 0610 and have your card to hand. We are sorry we cannot accept American Express/Diners Club.

BACS/CHAPS Account: Sort Code: Account Number:
UK Power Networks Ref. Number:
(You MUST include this reference so we know which job is being paid):

www.ukpowernetworks.co.uk

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Demonstrates acceptance of contestable and non-contestable works (Option A)

Example acceptance form extract from quotation contract for UKPN. A signed copy of this can be used to support a payment request without an invoice