



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

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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. DNO works are an **exception** to the scheme criteria where payment can be made in advance of actual works taking place. We are able to allow DNO costs to be claimed upfront due to authorisation from the scheme funders, the Department for Energy Security and Net Zero (DESNZ).

Therefore, in these circumstances, you may claim these DNO costs prior to the works being completed. This allows you as the grant recipient to secure the electrical capacity needed to install your equipment in a timely and efficient manner.

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 DNO costs?

If there are any costs associated with connecting the equipment being installed, the DNO will send you 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 us by providing:

Option A (preferred)

- Invoice from the Distribution Network Operator (DNO), Independent Distribution Network Operator (IDNO) or Independent Connection Provider (ICP)
 - The site being claimed for must be clearly identifiable on the invoice. If this isn't clear, you should 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
 - Proforma invoices from the DNO can be accepted only if supported by the evidence listed below in option B

Option B

- Signed acceptance form letter
 - The letter must clearly show whether you have opted for the contestable and non-contestable works or just the non-contestable works
 - Unsigned letters won'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

All three documents must be provided for a valid payment request

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

Please note that DNO payment claims are required to be forecasted and submitted within the usual deadlines, and un-forecasted claims will not be paid. If you submit an un-forecasted claim, your relationship manager will discuss this with you and re-forecast it in line with forecasting deadlines.

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 the signed acceptance form letter and quotation from the DNO. Contestable works may be invoiced by an Independent Distribution Network Operator (IDNO) or Independent Connections Provider (ICP).

What are non-contestable and contestable works?

When you apply to connect your equipment to the electrical grid, the DNO will send a formal quotation outlining the associated costs. This will include contestable and non-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 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 Provider (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.

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.

Example acceptance form

Please find below an 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.

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:

	Please tick one only	Price excluding VAT	Price including VAT
A UK Power Networks carries out all of the requested 'contestable' and 'non-contestable' works required for your connection	☒	£146,190.35	£177,628.42
B UK Power Networks carries out all the 'non-contestable' work and the 'contestable' closing part. The ICP carries out all other requested 'contestable' work	☐	£11,842.24	£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'	☐	£10,055.95	£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/Clubs Card.

☒ 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):

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Shows the grant recipient has accepted contestable and non-contestable works (Option A)



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.



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