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# Heat Network Delivery Models

Structures for delivering successful projects



# Summary of routes to market

	Delivery structure	Brief description
1	3rd Party ESCo	The Project Sponsor enters into an energy services agreement with a 3rd party to deliver the heat network through an ESCo.
2	Concession	The Project Sponsor enters into a concession agreement with a 3rd Party ESCo to deliver the heat network.
3	Joint Venture ESCo	The Project Sponsor jointly establishes an ESCo with a Joint Venture Partner to deliver the heat network.
4	Project Sponsor ESCo	The Project Sponsor establishes a wholly owned ESCo to deliver the heat network.
5	In-house Delivery	The Project Sponsor develops the heat network without establishing a stand-alone delivery vehicle.

## Financing heat networks in the UK:

<https://www.gov.uk/government/publications/financing-heat-networks-in-the-uk-guidebook>

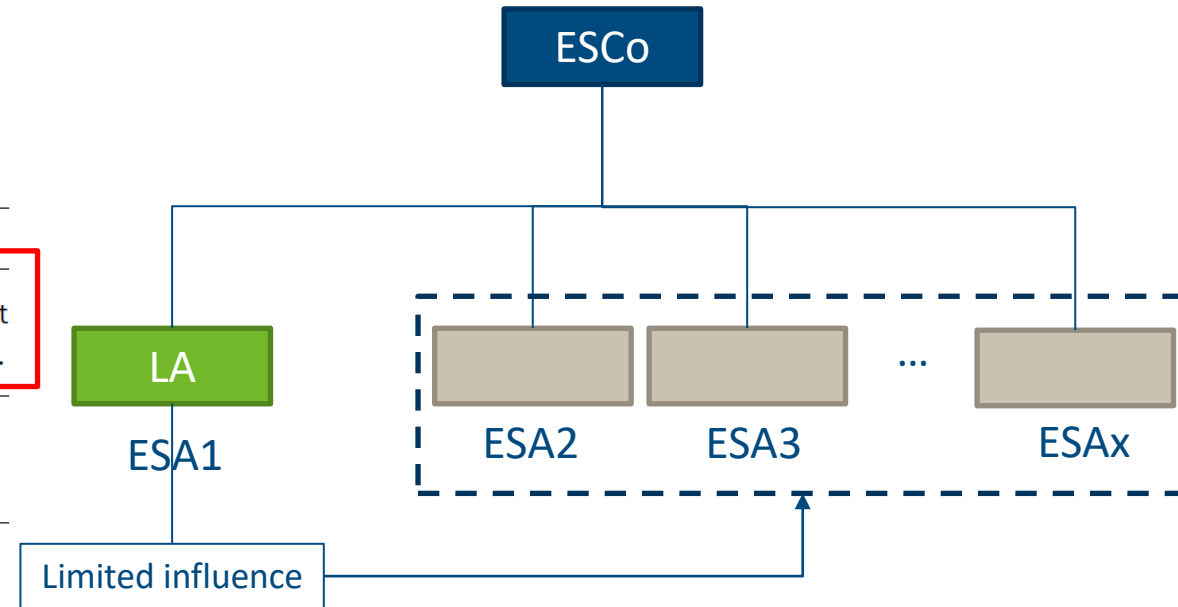


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### Key issues:

- Do we have the ability to encourage expansion?
- Can we ensure fair and consistent prices across the network?
- Are we a big enough anchor load such that the ESCo will secure remaining ESA necessary?
- How does this fit with zoning?

### Key advantages:

- Simplicity

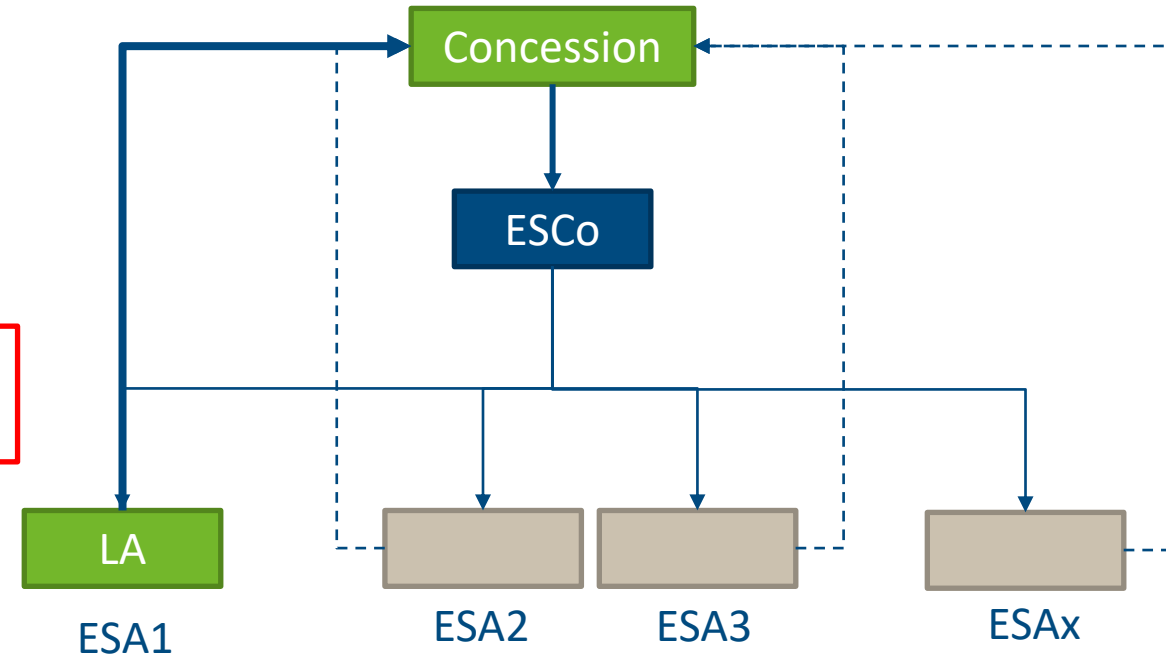


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## Establish through concession agreement:

- master ESA to ensure tariff consistency/transparency
- mechanism for network expansion
- minimum service performance requirements
- Delivery risk passed to concessionaire
- How does this fit with zoning?

## Challenges

- Complex to procure but potentially less so than DBOM



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All of these options (to varying degrees) require capital at risk of the LA.

LA must be comfortable in:

- Managing project risk
- Securing internal approvals for investment
- Managing Public Contracts Regulations (PCR) / Utility Contracts Regulations (UCR) requirements

Some LAs may simply not have the capital available to take such an option forward.

## Core routes being explored currently where a project has been sufficiently developed:

1. BHIVE
2. Joint Development Agreement

