



Scotland's Public Sector Heat Decarbonisation Fund

Guidance Notes

October 2023

Contents

Contents	2
1. Introduction	4
1.1 Strategic Objectives	4
2. Application Type	4
2.1 Detailed Application	4
2.2 Concept Application	4
3. Eligibility Criteria	5
3.1 Eligible Organisations	5
3.2 Eligible Buildings	5
3.3 Eligible Technologies	5
3.3.1 <i>Air-to-air heat pumps</i>	6
3.3.2 <i>Heat Networks</i>	6
3.3.3 <i>Fossil Fuel Technologies</i>	6
3.3.4 <i>Biomass</i>	6
3.4 Applicant contribution	7
3.5 Eligible Costs	7
3.5.1 <i>Grant Timeframes</i>	7
3.6 Subsidy Control Rules	8
4. Project Criteria	8
4.1 Strategic Approach	8
4.2 Project Type	8
4.2.1 <i>Replacing Existing Fossil Fuel Heating Systems</i>	9
4.2.2 <i>Whole Building & Fabric First Approach</i>	9
4.2.3 <i>Energy Efficiency Technologies</i>	9
4.3 Impact Cost Ratios	9
4.3.1 <i>Carbon Cost Ratio</i>	9
4.3.2 <i>Energy Cost Ratio</i>	9
4.4 Current Electrical Capacity	10
5. Additionality	10
6. Responsibilities & Competencies	10
7. Application Process	10
7.1 Application Type	10
7.1.1 <i>Detailed Application</i>	11
7.1.2 <i>Concept Application</i>	11
7.2 Application and Supporting Documentation	11
7.3 Application Authorisation	13
8. Assessment Process	13
9. Assessment Outcomes	14
10. Funding Allocation	14
10.1 Successful Detailed Applications	15
10.2 Successful Concept Applications	15

11. Monthly Monitoring Requirements	15
11.1 Monitoring for Concept Applications Only	15
12. Payment Process	16
13. Timeline.....	17
14. Further Information.....	18
15. Contact	18
Annex A – Eligible Technologies.....	19
Annex B - Glossary.....	22
Annex B.1 General Glossary	22
Annex B.2 Supporting Documentation Glossary.....	23
Annex C - Examples of eligible projects and required supporting information	25

Scotland's Public Sector Heat Decarbonisation Fund

1. Introduction

The Scottish Government's Heat in Buildings Strategy, published in October 2021, focuses specifically on heating system change and sets out a number of actions to transform buildings to ensure that all buildings reach zero carbon emissions by 2045. To support the strategy, there is a commitment to invest £1.8 billion in funding over the Parliamentary term to 2026.

For the wider public sector, the Bute House Agreement seeks decarbonisation of these estates by 2038, seven years earlier than the 2045 target, to demonstrate leadership in driving energy efficiency and heat decarbonisation. To support this, the Programme for Government 2021-2022 committed to making £200 million of support available over the next five-year period to contribute to net zero and wider climate change targets.

Scotland's Public Sector Heat Decarbonisation Fund ('The Fund') will provide up to £20 million to support heat and energy efficiency projects in buildings owned by eligible Scottish public sector bodies, to meet zero direct emissions heating (ZDEH) requirements in the future.

1.1 Strategic Objectives

The Fund has two strategic objectives:

- To support projects that will replace existing fossil fuel heating systems with zero direct emissions heating (ZDEH) systems.
- To support energy efficiency projects where they can demonstrate that they are part of a whole building retrofit approach or broader strategy for heat decarbonisation (including connections to heat network). A key mechanism for achieving a 'whole building' approach is through the Net Zero Standard for Existing Buildings. For more information please contact info@netzerostandard.scot

Annex C has examples of projects that would be eligible under the fund. Please be aware that this list is designed to be indicative and is not exhaustive; if there is a project design that you believe may be eligible but is not clarified by this list, please contact the Salix team on ScotlandGrants@salixfinance.co.uk with the full details of the project.

2. Application Type

Applicants can submit one application per financial year. Multiple buildings, measures and/or projects can be included in one application provided that the application is compliant with the scheme criteria.

The Fund welcomes applications for capital projects that can be delivered by 31 March 2025.

It is recognised that projects are at differing stages of development in terms of becoming capital ready, in line with the scheme's eligibility criteria. Therefore, two types of application will be offered; Detailed and Concept. Further details can be found below and in section 7.1 Application Type.

Assessment of applications and allocation of funding will first consider Detailed Applications. Dependent on the funding available, Concept Applications will then be considered. Applicants are not allowed to submit both a Detailed and a Concept Application.

2.1 Detailed Application

- Single assessment approach
- Capital funding will be confirmed via Grant Offer Letter (GOL) after successful full assessment of the detailed application

2.2 Concept Application

- Two-stage assessment approach.
- Capital funding will be reserved, via a Reservation of Funding Letter (RFL), based on a successful Concept Application.
- Capital funding will be confirmed via Grant Offer Letter (GOL) at a later date pending submission of a Detailed Application and full, successful assessment of the detailed application.
- The Fund cannot be used for development and design costs incurred prior to the grant start date in the Grant Offer Letter.

3. Eligibility Criteria

3.1 Eligible Organisations

Public sector bodies that are subject to the Public Bodies Duties in the Climate Change (Scotland) Act 2009 are eligible to apply for The Fund. These organisations have previously been eligible to apply for the Scottish Energy Efficiency Loan Scheme (SEELS) as they are not influenced by borrowing restrictions.

Eligible bodies include:

- Local Authorities (this includes the local authority estate as well as any educational facilities within their ownership)
 - *Please note: schools will not be able to make a separate application; this should be covered within the relevant local authority's application)*
- Local Authority Arms-length external organisations (ALEOs)
 - *Please note: these bodies should take a strategic approach to their whole estate and ensure that the same sites are not included in applications submitted by both the ALEO and their parent local authority*
- Universities

Please note that the following organisations are currently not eligible for this scheme:

- Private sector organisations
- Public bodies classified by the Office for National Statistics (ONS) as Scottish central government: NHS Health Boards, further education colleges and central government departments (these organisations can access the [Scottish Central Government Energy Efficiency Grant scheme](#) instead)
- Public corporations
- Registered charities

3.2 Eligible Buildings

Public bodies should align applications with estate rationalisation plans and ensure that funding is only sought for buildings that are planned to remain in ownership and use; this is a priority of the [Infrastructure Investment Plan](#). Evidence will be requested during application to demonstrate that all buildings included in an application will be in the applicant's ownership for the blended useful life of all measures installed as part of the project. Buildings that have adopted the Net Zero Public Sector Buildings Standard and have had their 'Objective 1 Response' formally or provisionally accepted will be deemed to have met this eligibility requirement.

Only existing non-domestic buildings owned by eligible Scottish public bodies can be included in projects. Buildings rented/or on short term leases from the private sector are not eligible. Buildings that are currently under PPI/PFI contracts are not eligible unless it can be evidenced that they have received the prior agreement of the Scottish Government for an investment in heat decarbonisation or energy efficiency measures that have been clearly negotiated with partners to the agreement and would not be implemented without the grant.

The eligibility of buildings currently under long term leases will be considered on a case-by-case basis, subject to discussion between Salix and the applicant prior to the submission of their application.

Eligible public bodies that have a long-term lease arrangement for a building(s) from another public body (e.g. local government), in which the lease contract allows cost savings through improved energy efficiency to be passed to the eligible public body, are eligible to apply. If you are unclear regarding the eligibility of a building, please contact ScotlandGrants@salixfinance.co.uk

3.3 Eligible Technologies

The following energy efficiency and heat decarbonisation technologies are eligible, subject to the further details set out in Annex A:

- Zero Direct Emissions Heating Solutions
- Building Energy Management Systems
- Cooling
- Energy from Waste (excluding incineration)
- Heating
- Hot Water
- Insulation

- Lighting Controls
- Motors & Controls
- Renewable Energy
- Swimming pool covers
- Transformers
- Ventilation

Ineligible Projects: Projects that involve the implementation of technologies reliant on the use of fossil fuels are not eligible. This includes measures such as gas replacement boilers, hybrid heat pumps and combined heat and power technologies that run on fossil fuels, including on a partial basis.

Any projects that involve the new implementation of a fossil fuel system are not eligible and will not be accepted.

LED lighting is not an eligible technology, a full list of eligible technologies can be found in Annex A.

Specific requirements for air-to-air heat pumps, heat networks, fossil fuel technologies and biomass are detailed in the following sub-sections.

3.3.1 Air-to-air heat pumps

Air-to-air heat pumps are eligible providing:

- A detailed feasibility study and/or options appraisal show that alternative technologies are not viable.
- The building is currently air conditioned and both heating & cooling systems are being replaced by the Air-to-air heat pump.
- The predominant use of the technology is for heating.

3.3.2 Heat Networks

Connections to a district heating network will be eligible if the network has a clear decarbonisation plan in place no later than 2038 or the applicant has commissioned a study that demonstrates a credible route to decarbonising the heat network. Applicants must consider the [Heat Network Fund](#) prior to applying to this Fund.

3.3.3 Fossil Fuel Technologies

No new fossil fuel technologies can be implemented using either the Fund or the applicant's contribution.

The retention of existing systems is eligible providing:

- There are robust plans to replace the system with a zero direct emissions heating (ZDEH) alternative in line with public sector decarbonisation targets¹.
- The fossil fuel system is retained for the purpose of providing standby, back up and top up of heating under peak demand conditions. In this case, applications must demonstrate that the existing heating solution is optimised to achieve the maximum carbon benefit through the system's control philosophy.

3.3.4 Biomass

Applicants can apply for funding for biomass boilers. Applicants must demonstrate they will be operated in such a way as to be sustainable, as well as mitigating potential undesired effects on air quality. Applicants will need to demonstrate:

- Compliance with [SEPA Permitting Guidance for Biomass Combustion - PPC Technical Guidance TG22](#)
- Why biomass is more suitable than other low carbon alternatives, for example, where there is not appropriate infrastructure in place to support a heat pump.
- How they intend to mitigate any potential impacts on air quality particularly on people in the local area. Applications are not encouraged for biomass boilers in heavily built-up areas, unless there is a strong clear justification for the use of biomass boilers in place of another heat source.
- That they will obtain their biomass fuel from sustainable sources. [The Biomass Suppliers List](#), lists suppliers who have demonstrated that their wood fuel meets the sustainability criteria of the Renewable Heat Incentive scheme.
- How they intend to maintain their boilers to ensure the performance over the lifetime of the plant. Note the Microgeneration Certification Scheme has recently published a new Standard for the maintenance of biomass boilers.

¹ To achieve net zero by 2038 for public sector buildings.

3.4 Applicant contribution

Applicants must contribute 20% of the total eligible project costs.

- Projects must be in such a position that the Applicant can claim the full grant amount (80% the eligible project costs) by the grant end date of 31 March 2025. Projects may be completed after this date, but any additional project costs will have to be funded by the applicant.
 - Capital works supported by the Fund must be completed by 31 March 2025.
- If required, Distribution Network Operator costs may be included in the 20% applicant contribution.
 - Distribution Network Operator costs are not eligible to be claimed within the 80% grant funding.

3.5 Eligible Costs

Applicants can apply for up to £2.5 million worth of capital funding per organisation in this funding call.

Funding will be offered to cover the capital costs of purchasing, installing and commissioning eligible measures. Where projects combine building maintenance/refurbishment measures with energy measures, only the eligible energy measures will be funded.

Grant funding is to be used for capital costs, including:

- Financial costs incurred for the purchase of physical assets and materials.
- Financial costs of project build, installation, construction and commissioning.
- Financial costs of project management support solely for the capital aspect of the project e.g., external consultancy and management fees.
- Enabling and ancillary works may be included in the application where these are directly linked to the core zero direct emissions heating (ZDEH) system/capital asset being installed.
- Non reclaimable VAT for eligible capital costs.

The following are not eligible to be funded through the grant, nor declared as the applicant contribution:

- Existing employee costs.
- Resource costs associated with the project.
- Costs previously incurred prior to the agreed project start date.
- Costs associated with legislative planning requirements.
- Contingency accounted for in the cost of the project; applicants can state potential risks in their application and on submission of a change request, additional funding may be considered (subject to availability and evidence of need).
- Direct maintenance for whole or components of fossil fuel systems.
- For Concept applicants, the development costs to reach full Detailed application.

3.5.1 Grant Timeframes

Funding is available for both financial years 2023/2024 and 2024/2025. However, due to the time required to complete project designs and submit a Detailed Application, Concept Applications are not eligible to apply for funding in financial year 2023/2024.

- The grant start date will be the date the Grant Offer Letter (GOL) is issued by Salix to the grant recipient. For Detailed Applications it is expected that the grant start date will be February 2024. For Concept Applications the grant start date will be the date the Grant Offer Letter is issued at a later date pending submission of a Detailed Application and successful full assessment.
- The grant end date is the 31 March 2025, all capital works must be completed by this date.

Applicants must provide a spending profile in their application which they intend to deliver. It is encouraged to apply with a funding profile which best suits the delivery of the project. For example, if works are expected to start imminently and applicants, if successful, can quickly mobilise their contractors to begin works packages and place orders in February 2024 applications should include spending in financial year 2023/2024.

Applications with spending only in financial year 2024/2025 are welcome.

Following application it is at Salix's discretion to approve any changes to the spend profile during the assessment period. Funding will be allocated based on the spending profile submitted on application, once the Grant Offer Letter is signed there will be no opportunity to move funding between financial years.

3.6 Subsidy Control Rules

'Subsidy Control' means the United Kingdom's international commitments on subsidy control arising from, amongst others, the EU-UK Trade and Cooperation Agreement, World Trade Organisation Membership and commitments arising from international treaties and agreements to which the United Kingdom is a party.

All public sector organisations classed as 'economic actors' under the UK EU Trade and Cooperation Agreement must ensure compliance with the subsidy control rules and contact scotlandgrants@salixfinance.co.uk prior to making an application. A public sector organisation will be an 'economic actor' if it is engaged in an economic activity by offering goods or services on a market (see Article 363(1)(a) and (b) TCA).

Applicants will be required to declare any economic activity within their application, including its value within the total project award. Any subsidies will need to comply with the TCA Article 366 principles and transparency requirements as necessary. If, in respect of any economic activity, the Applicant has received less than £315,000 MFA over a period of three fiscal years, the grant would not be caught by the subsidy control rules. Further detail is set out in Chapter 7 of the UK Gov Subsidy Control Statutory Guidance. Applicants below this limit will need to complete a Minimal Financial Assistance (MFA) declaration, which will be set out in the Grant Offer Letter

4. Project Criteria

Grant funding will be provided to the applicant from Salix Finance on behalf of the Scottish Government's Energy and Climate Change Directorate.

Projects submitted for funding by eligible public sector organisations must meet the compliance criteria for each aspect listed below, which will be assessed via the Application Form. More detail on the following specific criterion is provided in this section.

- Strategic Approach
- Project Type
 - Replacing existing fossil fuel heating systems
 - Whole building & fabric first approach
- Energy efficiency technologies
- Impact cost ratios
 - Carbon Cost Ratio
 - Energy Cost Ratio
- Applicant Contribution

4.1 Strategic Approach

Applicants must demonstrate that their proposed project is planned as part of a strategic, whole building approach to achieving zero direct emissions heating (ZDEH) by 2038, demonstrating that all of the following criteria have either:

- i) Already been carried out;
- ii) will be achieved by the project for which funding is being applied; or
- iii) are covered by high level plans to achieve them in the future

Applicants must also demonstrate the Strategic Business Need of the project and that the building(s) is an important strategic asset:

- Applicants should provide a convincing case for a sustained need for the building(s) in question.
- Reference should be made to alignment with the applicant's Asset Strategy, Place-based reviews and the priorities of the Infrastructure Investment Plan.

4.2 Project Type

The Fund welcomes two project types:

- Fabric First and Zero Direct Emissions Heating
- Fabric First only

Applicants will be asked to select the project type on application and should apply the following guidance accordingly for their project type.

4.2.1 Replacing Existing Fossil Fuel Heating Systems

In cases where heating systems are being replaced, Applicants must be using a fossil-fuelled heating system with a reasonable service age to warrant replacement and be replacing it with a zero direct emissions heating (ZDEH) system.

4.2.2 Whole Building & Fabric First Approach

In designing projects, applicants should:

- Apply a 'whole building' approach comprising energy conservation measures and other works which reduce the heat or electrical demand, considering all factors that contribute to a building's energy consumption.
- Apply a 'fabric first' approach to improving building fabric to the level appropriate for all buildings listed in the application form. Expected measures to be considered include cavity wall insulation, external wall insulation, loft insulation, and glazing.

Where the above improvements are omitted from the strategy, applicants must sufficiently demonstrate that they have been considered and are not reasonably viable, including but not limited to where applicants have already implemented an optimal level of insulation in the building(s) included in the scope of the project.

A key mechanism for achieving a 'whole building' approach is through the Net Zero Standard for Existing Buildings. This sets out how to improve energy efficiency and decarbonise heat in a building to achieve net zero objectives. Organisations can register for the Standard which would showcase that they are demonstrating this approach. For more information please contact info@netzerostandard.scot

4.2.3 Energy Efficiency Technologies

Projects designed to solely retrofit energy efficiency measures are eligible for funding and fall under Fabric First Only project type. This option is viable, provided that the application includes fabric improvements accounting for direct carbon savings². Technologies such as cavity wall insulation and double-glazing account for direct carbon savings, whilst technologies such as lighting controls and Solar PV are only associated to indirect carbon savings³. A full list of eligible technologies can be found in Annex A and direct and indirect savings are described in Annex B.

4.3 Impact Cost Ratios

4.3.1 Carbon Cost Ratio

A Carbon Cost Ratio (CCR) will be used to appraise the project benefit over the project lifetime. This will be used to assess projects of a similar nature and as a measure of value for money. No threshold has been set but efficient projects will generally achieve £450/tCO₂e or lower.

- The CCR will be automatically calculated by the Salix Support Tool included in the Application Form.
 - We recognise that there may be circumstances where this level cannot be satisfied and for these situations, the Applicant is requested to set out clear reasons why some 'flexibility' of the CCR is required. Salix reserves the right to determine what constitutes reasonable 'flexibility' and this may not be provided to all projects that request it.
- Typical examples could be (but are not limited to):
 - Reduced operational hours of buildings, such as schools, whose heating systems are used for less time than other buildings which minimises the amount of carbon that can be displaced, resulting in a higher CCR.
 - Rural location of buildings may impact availability and cost of contractors and materials.
 - Buildings needing enhanced levels of insulation to support the transition to heat pump solution.
 - The introduction of heat storage system with the heat pump where the principle aims are to use the heat pump system at non-peak times of the electricity grid.
 - The introduction of innovative heat solutions; e.g., ground and river source heat pumps, which may in cases be more expensive to implement but are more efficient than other solutions.
- Please note that stating any of the above alone will not be sufficient and a good level of detail, including bench marking, will be required in the application form to support the consideration for a high CCR.

4.3.2 Energy Cost Ratio

An Energy Cost Ratio (ECR) will indicate the cost to save a kWh over the project lifetime. The ECR takes into consideration the lifetime energy savings apportioned by each technology listed in the scope of the project in

² **Direct carbon** refers to the carbon emissions that are emitted either directly within an organisation's site boundary from combustion of fossil fuel, or where district heat networks are used the carbon emissions that are emitted from the combustion of fossil fuel in a district heating plant room. For most public sector organisations this will primarily be fossil fuels (gas, oil and coal) which are combusted on site.

³ **Indirect carbon** refers to the carbon emissions from power generated off site by another organisation. For the vast majority of public sector organisations this will primarily be carbon emissions arising from grid electricity use.

relation to the total cost. The ECR will be automatically calculated by the Salix Support Tool included in the Application Form.

4.4 Current Electrical Capacity

At the time of application, applicants need to demonstrate that checks on their current electrical capacity have been undertaken. In doing so, they should look to understand what their maximum electrical capacity is, how close they currently are to reaching that capacity, and what additional capacity requirements, peak demand reduction, load shifting, or demand response are necessary to support a zero direct emissions heating (ZDEH) system.

Where required, applicants should demonstrate they have engaged appropriately with their DNO to facilitate any required upgrade in electrical capacity. If required, applicants must be able to provide this evidence to Salix when requested during technical assessment.

5. Additionality

The following must apply to the proposed project for the application to remain eligible:

- The measures concerned are not required to be implemented by law (including building or health and safety legislation) or other relevant legislation such as planning.
- The measures are not being installed with a view to financial gain through a commercial heat supply agreement (other than the reduction of costs through increased energy efficiency).
- The installation of the measures concerned has not begun.
- Full funding for the project or energy efficiency elements of the project has not been agreed via another source.
- In the Scottish Government's reasonable opinion, the project would not take place without the grant support.

6. Responsibilities & Competencies

The applicant and their partners are assumed to be competent and fully responsible for the projects to be supported by the Fund. This includes, but is not limited to:

- Project identification and development, including establishment of firm costs and calculated estimated savings.
- Reasonable project sequencing and due care to ensure no double counting of carbon savings when considering multiple projects on the same site.
- Procurement of the capital project. Procurement routes must be communicated as part of the application process and should demonstrate the selection of suitable supplier(s) following the Applicant's procurement procedure.
- Management of the delivery of the capital project.
- Reporting on project progress.
- Post project completion activities including any verification of savings.
- Assessing and mitigating the risk of fraud in the procurement, supply chain and implementation of projects as per the Grant Offer Letter terms and conditions
- Ensuring that all consultants and contractors involved in the provision of services in relation to the proposed project(s) hold and maintain appropriate professional indemnity insurance to cover all the services to be carried out and that copies of the relevant certificates are obtained.
- Public sector applicants must also ensure that all professional consultants and/or contractors provide invoices, receipted invoices, and completion certificates (where appropriate) in relation to the services carried out on the project(s) as they may be required for audit of the project(s).
- During and on completion of the project, Salix will be engaging Applicants through surveys which will help Salix continually improve its services. It is a requirement of the scheme that these surveys sent via email are completed by the Applicant by the required deadline.
- The public sector applicant must ensure that accountability for the application, project delivery and governance sit with the Authorising Official and main contact in the grant recipient organisation, and that this cannot be transferred to contractors. It is the grant recipient's responsibility to ensure that contractors are delivering projects in line with the grant agreement.

7. Application Process

There will be one call for funding in financial year 2023/2024 for projects that will complete all capital works by 31 March 2025.

7.1 Application Type

Two types of application will be offered: Detailed Application and Concept Application.

Assessment of applications and allocation of funding will consider Detailed Applications first. Depending on the remaining funding available, Concept Applications will then be considered. Applicants are not allowed to submit both a Detailed and a Concept application.

7.1.1 Detailed Application

- Single assessment approach
- Applicants will have typically set their decarbonisation strategy, undertaken feasibility studies to identify specific project(s), have commenced design work, begun procurement and be at a point where works are ready to begin to deliver the project(s).
- Applicants must complete all sections of the application form in full.
- Capital funding will be confirmed via Grant Offer Letter (GOL) after successful full assessment of the detailed application.
- The funding will be used to support the implementation of the project through to completion.

Detailed applications must provide a spending profile in their application which they intend to deliver with the intended breakdown of the grant value across the financial years. It is encouraged to apply with a funding profile which best suits the delivery of the project. Detailed applications with spending in both financial years 2023/2024 and 2024/2025 are acceptable. Applications with spending in financial year 2024/2025 **only** are also welcome.

7.1.2 Concept Application

Concept Applications aim to enable applications for projects where the full project design is not yet complete but where the applicant is looking to secure funding for the eventual capital works programme. On successful assessment of a Concept Application, the applicant will have up to 19 May 2024 to further develop their project towards a Detailed Application. Please note that funding will be allocated to Detailed Applications before Concept applications will be considered.

- Two-stage assessment approach.
- Applicants will have typically set their decarbonisation strategy, undertaken feasibility studies to identify specific project(s) and begun design work. There will be elements of design to confirm and project(s) is likely to be pre-tender.
- Applicants must Step 1, Step 2, Step 5.2 of the application form in full, and Checklist, Step 3, Step 4 and Step 5.1 on a partial basis subject to project type (Zero Direct Emissions Heating or Only fabric first) and/or application type (Detailed or Concept).
- Capital funding will be reserved, via a Reservation of Funding Letter (RFL), based on a successful Concept Application.
- Capital funding will be confirmed via Grant Offer Letter (GOL) at a later date pending submission of a Detailed Application and full, successful assessment of the detailed application.
- A Detailed Application must be submitted to Salix no later than 19 May 2024 for the application to remain live and to access the reserved capital funding. This is to ensure adequate time is allocated for the assessment of the detailed application and delivery of the capital works prior to the grant end date.
- The confirmation of reserved funding via GOL is not guaranteed and availability is subject to the project being developed to the required stage by the agreed timeframe. If progress and/or project feasibility is deemed insufficient, or the Detailed Application fails assessment, a GOL will not be issued, capital funding will not be awarded and the reserved funding reallocated.
- The Fund cannot be used for development and design costs incurred prior to the grant start date in the Grant Offer Letter.
- No grant funding can be utilised prior to the grant start date, which will be confirmed via the Grant Offer Letter following full, successful assessment of the Detailed Application.

Due to the time required to complete project designs and the Detailed Application, Concept Applications are not eligible to apply for funding in financial year 2023/2024.

7.2 Application and Supporting Documentation

Applicants can submit one application per financial year and are not allowed to submit both a Detailed and a Concept application. Multiple buildings, measures and/or projects can be included in one application provided that the application is compliant with the scheme criteria.

Private organisations can support the preparation of the application; however, the online application must be completed and submitted directly by the public sector applicant, not an external consultant or contractor. Applications submitted by a private organisation will not be accepted.

Once the application has been submitted, there will be no opportunity to provide further information. Please ensure that the application submitted is as robust as possible and includes all mandatory information as a minimum.

The supporting evidence below is requested to support the information provided in the Application Form.

Please see Annex B.2 for a full description of the specified documentation.

	Essential	Desirable: Applicants are asked to provide these where available or applicable
Detailed Application	<p>Application Form</p> <p>Authorising Official Confirmation</p> <p>Counter Fraud Authorisation</p> <p>Energy Saving Calculations</p> <p>EPC Certificates</p> <p>Feasibility Study Including: Site Surveys, Schematics, Survey of current heat distribution System, evidence of the efficiency of the existing heating system/s, evidence of existing electrical capacity, evidence of the heated area (m²) and evidence of current fossil fuel and electrical energy use</p> <p>Heat Loss Survey and evidence of impact on building heat loss</p> <p>Project Costs Including: Indicative cost of all the measures included in the scope of the project, quotations, costs breakdown and applicant financial contingency (funded through applicant contribution) allocated to the project</p> <p>Project Programme</p> <p>Risk register</p>	<p>Data Sheet</p> <p>DNO quotations</p> <p>Energy and Carbon Monitoring Report evidencing data through metering, frequency and duration</p> <p>Energy Bills</p> <p>Energy Contract</p> <p>Evidence of current fuel costs</p> <p>Firm Pricing</p> <p>Heat Decarbonisation Plan</p> <p>Metering Data</p> <p>Letter of intent to local DNO</p> <p>Photographic evidence of existing boiler, including manufacturer code and serial number. Where this is not possible, a service report or a maintenance report.</p> <p>Report of building refurbishment</p> <p>Salix Peak Heat Loss Tool or equivalent</p>
Concept Application	<p>Applicant financial contingency allocated to the project</p> <p>Application Form</p> <p>Authorising Official Confirmation</p> <p>Counter Fraud Authorisation</p> <p>Energy Saving Calculations</p> <p>EPC Certificates</p> <p>Evidence of current fossil fuel and electrical energy use</p> <p>Project Programme</p> <p>Risk Register</p>	<p>Cost Breakdown</p> <p>Energy and Carbon Monitoring Report evidencing data through metering, frequency and duration</p> <p>Energy Bills</p> <p>Evidence of heated area (m²)</p> <p>Evidence of the efficiency of the existing heating system/s</p> <p>Evidence of current fuel costs</p> <p>Feasibility Study</p> <p>Heat Decarbonisation Plan</p> <p>Metering Data</p> <p>Photographic evidence of existing, including manufacturer code and serial number. Where this is not possible, a service report or a maintenance report.</p> <p>Salix Peak Heat Loss Tool</p> <p>Site Surveys</p>

7.3 Application Authorisation

All applications must be authorised for submission by an appropriate Authorising Officer within the applicant organisation (this could include Director of Finance or Chief Executive/Vice Principal). Written confirmation clearly stating the application has received approval from the Authorising Official is required at time of submission. Applications that do not provide this will not be assessed until written confirmation is provided.

8. Assessment Process

Salix and the Scottish Government want to ensure a fair approach to allocating funding; therefore, a quality-based assessment approach will be taken.

Applications will undergo initial delivery-based quality checks for eligibility and completeness before being progressed into the technical assessment.

The specified mandatory documents are essential for the assessment of the application, failure to provide all documentation may result in the failure of the application.

The technical assessors will conduct their assessment and will only ask for clarifications if a score is unable to be determined. As such, applicants should ensure someone within the organisation can be available to deal with any queries during this period. Applicants should endeavour to respond to any queries during the assessment process within three working days. Delays to responses may result in the failure of the assessment.

The Clarification points will not be an opportunity to provide additional information once the application has been submitted; this is to ensure that there is fairness across the process and that the quality of application is determined from the outset.

To ensure Salix allocates funding to applications that are well evidenced and have a strong likelihood of success, each application will be measured against the following five criteria:

For Detailed Applications:

Criteria	Weighting within Application Form
Strategic Assessment	20%
Technical Feasibility	30%
Financial Costs	20%
Project Delivery	20%
Social Impact	10%
Total	100%

For Concept Applications:

Criteria	Weighting within Application Form
Strategic Assessment	25%
Technical Feasibility	30%
Financial Costs	5%
Project Delivery	30%
Social Impact	10%
Total	100%

Please refer to the 'Scoring Criteria' tab of the Application Form for a breakdown of which questions are applicable to each scoring section.

Each question in the application form will be worth 4 marks and scored using the following methodology:

0	Response is inadequate. The response fails to demonstrate an ability to meet the requirement.
1	Response is generally poor. The response addresses some elements of the requirement but contains insufficient/limited detail or explanation to demonstrate how the requirement will be fulfilled.
2	Response is relevant and acceptable. The response addresses a broad understanding of the requirement but may lack details on how the requirement will be fulfilled in certain areas.
3	Response is relevant and good. The response is sufficiently detailed to demonstrate a good understanding and provides details on how the requirements will be fulfilled.
4	Response is completely relevant and excellent overall. The response is comprehensive, unambiguous and demonstrates a thorough understanding of the requirement and provides details of how the requirement will be met in full.

Applications will be ranked, and funding allocated according to the score achieved during the assessment process.

To be eligible for funding, applications must achieve a minimum score of 65% across the application. The funding available will be allocated to the most successful applications.

Applications which do not meet the minimum requirements will not be considered for funding. Unsuccessful applicants will be provided feedback to assist with future applications to The Fund.

Detailed Applications and Concept Applications will be assessed using the above methodology; however, scores will be reviewed separately with funding being allocated to successful Detailed Applications first, followed by successful Concept Applications subject to funding availability.

A 'deliverability call' will be scheduled between the main contact, Authorising Official and consultants (if applicable) to discuss in further detail the project plans and risk assessment. This will not contribute to the final score.

Successful Concept Applications will be asked to confirm to Salix at least one month prior to submission of their Detailed Application to ensure Salix has availability of assessors to complete the assessment within timeframes. Detailed Applications must be submitted no later than 19 May 2024.

9. Assessment Outcomes

Feedback will be provided to all applicants in a timely manner and an appeal process can be started whereby indication of an appeal request is received in writing within seven days from written receipt of the application outcome.

Part of the feedback on projects may include recommendations to apply to alternative, more appropriate, sources of funding for support.

10. Funding Allocation

The Scottish Government is making £20m available for this financial year 2023/2024. Funding for the next financial year 2024/2025 will be announced in early 2024.

Funding cannot be transferred across financial years. Any underspend across the programme will be transferred back to the Scottish Government at the end of the financial year.

It is important to note that while the total amount of grant funding available in the financial year 2024/2025 will not be known until early 2024, the Scottish Government has made a commitment to making £200m available for projects up to 2026. Therefore, applicants should set out **clearly** the funding they will require within Year 1 (FY 23/24) and Year 2 (FY 24/25) on application.

10.1 Successful Detailed Applications

Applicants with successful Detailed Applications will receive a Grant Offer Letter (GOL). The Grant Offer Letter sets out the value of grant funding awarded to the grant recipient, the terms & conditions of the funding, and Schedules relating to the ongoing monitoring of the project and drawdown of grant funds.

The grant start date will be the date the Grant Offer Letter is issued by Salix. No grant funding can be utilised to capital works which took place prior to the grant start date.

10.2 Successful Concept Applications

Applicants with successful Concept Applications will receive a Reservation of Funding Letter (RFL). The RFL sets out the value of grant funding that has been reserved for the applicant to implement the capital works. The offer of capital funding is based on the condition that the applicant, at a later agreed date, submits a Detailed Application which successfully meets the scheme criteria and passes full technical assessment.

Applicants should endeavour to keep the grant value requested on the Detailed Application as close to the value of reserved funding as possible, subject to availability of funding a small increase in grant value may be permitted.

Following successful full technical assessment of the Detailed Application, a Grant Offer Letter will be issued as above to confirm the grant funding awarded. No grant funding can be utilised for development work prior to the submission of the Detailed Application. The grant start date will be the date the Grant Offer Letter is issued by Salix. No grant funding can be utilised to capital works which took place prior to the grant start date.

11. Monthly Monitoring Requirements

The Grant Offer Letter (GOL) or Reservation of Funding Letter (RFL) sets out how regular contact with Salix will be maintained and what is required from the grant recipient. This will include scheduled meetings, monthly monitoring reports with updates to risk registers, project programmes and payment profiles. All grant recipients will be allocated a dedicated Salix relationship manager to assist with queries and help support the project.

For grant recipients who have larger projects, these meetings may include a senior manager from the Salix team.

Salix aims to facilitate the successful delivery of all approved projects by efficiently administering the scheme. Practical support and guidance based on the knowledge acquired from previous projects and from working with a wide range of agencies is offered.

Experience from delivering previous grant schemes has shown that those grant recipients that start early and have a clear project plan from the beginning have a higher chance of successfully delivering projects. The grant recipient's Salix relationship manager will seek to arrange a call post issuing the GOL to discuss the project plan. Key areas to consider are:

- Planning permissions required, and the timetable to achieve these
- Key milestones planned, and risks to successful delivery noted
- Supply chain management and lead times for key equipment and materials
- Internal governance and approval process
- Payment forecast (when the grant recipient will expect to be requesting payments from Salix)
- Distribution Network Operator (DNO) engagement and potential upgrades required

All grant recipients are required to provide Salix with monthly monitoring reports on the project risks and progress towards key milestones during the delivery of the project. The reporting template will be included in the Grant Offer Letter with the separate document provided by relationship managers, with the first report due the first month after the Grant Offer Letter is signed and returned to Salix. The report should detail updates on the key work that took place that month, focus for the next month, dates key milestones will be achieved, expected changes to the project programme (cost and/or scope), risks and mitigation measures and the grant drawdown schedule. This, together with monthly meetings between the grant recipient and relationship manager, will be the key mechanism for tracking progress and risks towards project completion and is a requirement of the grant funding.

11.1 Monitoring for Concept Applications Only

Monthly monitoring for successful Concept Applications will be carried out to ensure outstanding project development progresses as planned and that the applicant remains able to submit a Detailed Application within the stated timescales and budget.

Concept Applicants who receive a Reservation of Funding Letter will be required to forecast monthly to Salix; the expected value and, expected submission date of their Detailed Application, this is to manage available funding and to book a slot for testing of the Detailed Application.

12. Payment Process

Recipients will be able to make payment claims monthly during the delivery and completion of their project and will be encouraged to make regular drawdowns. Grant recipients will be required to forecast payment claims to Salix, with the first payment profile due shortly after receipt of the Grant Offer Letter.

Payments will be made in arrears to the grant recipient following the payment timeframes stipulated within the Terms and Conditions.

Salix will make payments as requested (up to a maximum of a monthly basis) following the submission of necessary supporting information (e.g., invoices and proof of payment by the grant recipient).

The grant will be provided in instalments in the amounts and at the times set out in the Payment Profile, subject to the following requirements:

- The grant recipient provided to Salix an accurate forecast in line with the forecasting deadlines found in the Grant Offer Letter (GOL).
- Salix must receive a completed payment request accompanied by the supporting documentation to evidence the amount being claimed and proof of payment before any claim for payment can be processed.
- The claim for expenditure must be signed by an Authorising Official from the Eligible Body
- Full conditions that will be set out in the Terms and Conditions accompanying the Grant Offer Letter are met.

For spend in FY 2023/2024 all funds must be claimed from Salix by 31 March 2024. This includes submission of a complete payment request including complete evidence of the amount being claimed and proof of payment.

For spend in FY 2024/2025 all funds must be claimed from Salix by 31 March 2025. This includes submission of a complete payment request including complete evidence of the amount being claimed and proof of payment.

Further payment guidance will be published at a later date.

13. Timeline

Phase	Action	Date
Launch	Scheme Announced – Guidance, Application Form and Terms & Conditions published	October 2023
Application Preparation	Webinars	October/ November 2023
	Application portal opens	November 2023
Application Assessment	Application portal closes	December 2023
	Application assessments	December 2023/ January 2024

Detailed Applications		
Assessment Outcomes	Grant Offer Letters issued	February 2024
Project Delivery	Grant start date	Grant Offer issue date (February 2024)
	Project Delivery	Grant Offer issue date (February 2024) – March 2025
Completion	Grant end date	31 March 2025

Concept Applications		
Assessment Outcomes	Reservation of Funding Letter issued	February 2024
Project Development	Detailed design works	February – May 2024
	Full assessment	Booked with Salix by 19 May 2024
	Grant Offer Letter Issued	Post successful technical assessment
Project Delivery	Grant start date	Grant Offer issue date
	Project Delivery	Grant Offer Letter issue date – March 2025
Completion	Grant end date	31 March 2025

14. Further Information

- Salix reserves the right to request further supporting information from any applicant where required.
- All application information submitted to Salix will be treated in confidence and in line with Salix's Privacy Policy.
- Further guidance on completing your application can be found on the resources section of the website.

15. Contact

Please contact ScotlandGrants@SalixFinance.co.uk with any questions.

Annex A – Eligible Technologies

Suggested Eligible Technologies		
<p>The following list sets out the suggested eligible technologies for the Scotland grant scheme. If projects intend to use technologies that are not listed below, we recommend applicants discuss with Salix prior to submitting their application. Each technology, can count towards Direct and/or Indirect Carbon Savings and have defined Lifetime and/or Persistence factors, all of which contribute to the CCR calculation (£/tCO₂eLT), shown in the Application Form Guidance tab.</p>		
Project Type	Work Type	Lifetime
ZDEH	Air source heat pump (air to water)	20.00
	Air source heat pump (air to air)	20.00
	Ground source heat pump	25.00
	Water source heat pump	25.00
	Connect to existing district heating	30.00
	Hot water - electric point of use heaters	12.00
	Solar thermal	25.00
	Biomass	20.00
	Electric boiler	20.00
	Electric radiant strip heater	10.00
	Electric radiant panel heater	20.00
Project Type	Work Type	Persistence Factor
Building Energy Management Systems (BEMS)	BEMS - not remotely managed	6.84
	BEMS - remotely managed	8.42
Cooling	Cooling - control system	6.84
	Cooling - plant replacement/upgrade	8.21
	Energy efficient chillers	14.44
	Free cooling	13.68
	Replacement of air conditioning with evaporative cooling	13.68
Energy from Waste	Anaerobic digestion	15.20
Heating	Heat recovery	10.83
	Heating - discrete controls	6.84

	Heating - distribution pipework improvements	15.20
	Heating - zone control valves	11.88
	Replace steam calorifier with plate heat exchanger	28.50
	Steam trap replacements	15.20
	Thermal stores	18.00
Hot Water	Flow restrictors	14.00
	Hot water - distribution improvements	18.00
	Hot water - efficient showers	8.00
	Hot water - efficient taps	11.00
Insulation - building fabric	Cavity wall insulation	30.00
	Double glazing with metal or plastic frames	28.00
	Dry wall lining	30.00
	External wall insulation	30.00
	Loft insulation	27.00
	Floor insulation - suspended timber floor	27.00
	Floor insulation - solid floor or other type	30.00
	Roof insulation	30.00
	Secondary glazing	7.92
Insulation - draught proofing	Insulation - draught proofing	29.25
Insulation – other	Automatic speed doors	8.45
	Automatic/revolving doors	8.45
	Draught lobby (external)	29.25
	Draught lobby (internal)	29.25
	Radiator reflective foil (external walls)	8.00
Insulation – pipework	Heating pipework insulation (external)	9.00
	Heating pipework insulation (internal)	22.50
Lighting Controls	Lighting - discrete controls	8.89
	Lighting control system centralised	10.26

Motor Controls	Fixed speed motor controls	11.40
	Motors - flat belt drives	11.40
	Variable speed drives	10.26
Motor Replacement	Motors - high efficiency	15.00
Renewable Energy	Small hydropower	22.80
	Solar PV	22.50
	Wind turbine	17.60
Swimming	Swimming pool covers (manual)	7.92
	Swimming pool covers (motorised)	8.45
Time Switches	Time switches	6.84
Transformers	Low loss	30.00
	Transformer tapping change	30.00
Ventilation	Fans - air handling unit	23.75
	Fans - high efficiency	14.25
	Phase change material	23.75
	Ultrasonic humidifiers	7.22
	Ventilation - distribution	30.00
	Ventilation - presence controls	6.84

Annex B - Glossary

Annex B.1 General Glossary

Term	Explanation
Authorising Official	Is an individual from an eligible organisation in a position of authority to approve and sign official and legal documentation associated with the grant and project. For example, this may be a chief executive or financial officer, or another senior official from within the eligible organisation that has delegated authority to approve and sign official and legal requests that are linked to the organisations project. This individual should be identified and agreed upon before application and should be part of the project governance structure.
Carbon Cost Ratio (CCR)	The funding required to save a tonne of direct carbon (tCO ₂ e) over the lifetime of the project.
Energy Carbon Ratio (ECR)	The cost required to save a kWh over the lifetime of the project (£/kWhLT)
Detailed Application	A fully evidenced, designed and thorough application at the procurement stage. The applicant should be able to answer all questions in the application form.
Concept Application	Applications are expected to be in the design stage, with feasibility studies and surveys already carried out. The applicant should fill out the application form in part, as outline in Section 7.1.2
Direct carbon	Refers to the carbon emissions that are emitted either directly within an organisation's site boundary from combustion of fossil fuel, or where district heat networks are used the carbon emissions that are emitted from the combustion of fossil fuel in a district heating plant room. For most public sector organisations this will primarily be fossil fuels (gas, oil and coal) which are combusted on site.
District heating	Is where heating for several buildings in a local area is provided from an external plant room or rooms. The heating is typically transmitted to each building via a network of highly insulated underground hot water or steam pipes. It is also known as heat networks or teleheating. The heat is often obtained from a cogeneration plant burning fossil fuels or biomass, but heat-only boiler stations, geothermal heating, heat pumps and central solar heating are also used, as well as heat waste from nuclear power electricity generation.
Fabric First Approach	Refers to maximising the performance of the components and materials that make up the building fabric itself, before considering the use of mechanical or electrical building services systems.
Indirect carbon	Refers to the carbon emissions from power generated off site by another organisation. For the vast majority of public sector organisations this will primarily be carbon emissions arising from grid electricity use.
Lifetime of measures	Applicants should refer to manufacturer's guidance or industry standard references, such as CIBSE Guide M to help them understand how to assess whether their system is coming to the end of its useful life. This may mean heavily used heating plants are replaced earlier than those receiving less wear and tear and evidence will be required.
Persistence factor methodology	The persistence factor is the lifetime of the energy efficiency technology averaged to factor in degradation. The persistence factor is used in the calculation of cost to save a tonne of CO ₂ e over the lifetime of an application (£/tCO ₂ eLT). The Persistence Factors for individual technologies employed by Salix are based on, and are consistent with, those derived by the Carbon Trust.
Sequencing	Approach taken to input the savings for insulation and zero direct emission heating systems. Firstly, each building fabric improvement and/or energy

	efficiency measure must be phased so that the post kWh links to the next pre kWh. Then the calculated reduced energy consumption should be used as the “current fuel displaced” for the low carbon heating measure, unless all fossil fuels will not be displaced. This will prevent double counting savings or calculating savings beyond the building usage. If the savings from the energy efficiency measures and low carbon solution exceed the building usage, an error message will appear. This approach is to ensure no double counting of carbon savings when considering multiple projects on the same site occurs.
Whole Building Approach	Where all factors that contribute to a building’s energy consumption are considered together to identify the most cost-effective way to achieve the objective. For example, improving the insulation levels of the building will reduce the overall size of the required heating system and reduce fuel bills. Investment in reducing peak electricity consumption can reduce the need to upgrade the building’s electrical infrastructure necessary to accommodate the installation of a heat pump.
Zero Direct Emissions Heating System (ZDEH)	Heating system which produces zero direct greenhouse gas emissions within the curtilage of the building(s) that are subject of the application under normal operating conditions. Examples of technologies included: Air Source Heat Pumps (ASHPs), Ground Source Heat Pumps (GSHPs), Water Source Heat Pumps (WSHPs), and District Heat Networks (DHNs).

Annex B.2 Supporting Documentation Glossary

Document	
Authorising Official Confirmation	Please refer to Salix website for documentation.
Counter Fraud Authorisation	Please refer to Salix website for documentation.
Energy Saving Calculations	These are to be provided in an unlocked excel file, evidencing the rationale and the methodology used to determine the reduction in kWh by the measures being installed.
Feasibility Studies	<p>Site Surveys, Schematics, Survey of current heat distribution System, evidence of the efficiency of the existing heating system/s, evidence of existing electrical capacity, evidence of the heated area (m2) and evidence of current fossil fuel and electrical energy use. These are all information Salix expects to receive from applicants in order to conduct the assessment of applications with the purpose of:</p> <ul style="list-style-type: none"> • Capturing the baseline information of the building, existing fabric measures and current heating system. • Comparing with the proposed project demonstrating the benefits provided by the measures implemented.
Peak Heat Loss Survey and evidence of impact on building heat loss	<p>As Applicants are expected to reduce the heat demand within a building as far as practical and cost-effective before installing the new zero direct emission heating system, it is not expected that the size of new heating system in terms of peak heat output will be larger than the fossil fuel heater they are replacing. Applications for zero direct emission heating system with a higher peak heat output than the plant they are replacing will be refused unless a clear, technically sound justification is provided.</p> <p>To size the new low carbon heating system, the peak heat loss of the building needs to be calculated. For example, this can be done by:</p> <ul style="list-style-type: none"> • Measuring all the fabric and ventilation/infiltration heat losses for the coldest day of the year based on geographic location. • Estimating air change rates that can be used for ventilation rate. • Accounting areas of the walls, floors, roof, windows and doors and their U values.

Project Costs	Indicative cost of all the measures included in the scope of the project, costs breakdown and applicant financial contingency allocated to the project.
Project Programme	A GANTT chart (or similar) clearly displaying the project programme including any contingency.
Risk Register	Please refer to Salix website for preferred template.
Applicant financial contingency allocated to the project	Document highlighting the contingency value that is not included in the project/grant costs, any document type is accepted, a word or excel document for example.

Annex C - Examples of eligible projects and required supporting information

The following list is not exhaustive of all eligible projects and should be used as a guide to what projects are expected to entail. An additional supplementary guidance document can be found on the Salix website with more advice on how to apply.

- Replace fossil fuel heating systems with zero direct emissions heating (ZDEH) systems in buildings where appropriate energy efficiency works have already been carried out.
- Develop a strategic approach (whole building retrofit) to a number of sites where both energy efficiency measures are to be installed alongside fossil fuel heating system replacements.
- Install energy efficiency works in a building to enable connections to a heat network where this connection can be evidenced as committed to by the applicant.
- Install energy efficiency works in a building to enable a zero direct emissions heating (ZDEH) system to be installed at a later date, where the future installation can be evidenced as being committed to by the applicant¹
- Install energy efficiency works in a building which already has a zero direct emissions heating (ZDEH) system or a connection to a heat network.

Note 1: evidence of an applicant's commitment to achieve a heating solution consistent with the conditions of this funding scheme include the following:

- a copy of a signed agreement to connect to a heat network for which there is a plan to achieve zero direct emissions by 2038.
- a copy of a signed agreement to install a zero direct emissions heating (ZDEH) system by 2038.
- a letter of commitment to implement one of the above two solutions, signed by the Senior Responsible Owner of the project.
- the relevant Building(s) are registered to adopt the Net Zero Public Sector Buildings Standard with a Project Registration Form signed by the Senior Responsible Owner of the project or equivalent standard.

Note 2: Applications for investments in energy efficiency and demand response measures that do not reduce direct emissions within the building(s) curtilage must be accompanied by a clear explanation of their intent and justification in terms of how they contribute to Scotland achieving the best value route to net zero. Examples could include:

- Reduction in excessive heating energy costs.
- Reducing peak and total electricity demand, thereby improving other electricity consumers' access to the local electricity distribution network.
- Improving the capability of a zero direct emissions heating (ZDEH) system of meeting the building(s)'s heating demand without the need for additional combustion-based heat sources to be installed in the future.