



WELSH GOVERNMENT SMART LIVING SCHEME

**Smart Living Whole System Research and Innovation for
Decarbonisation (WSRID) 1.0 Phase 1
SBRI Contract for Innovation Challenge**

COMPETITION GUIDANCE

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Introduction to Smart Living

What is the Smart Living scheme?

Smart Living is the Welsh Government’s decarbonisation innovation programme, with a mission to:

1. **Catalyse** decarbonisation innovation solutions to place-based and needs-led issues.
2. **Develop** concepts and designs for building net zero carbon decarbonisation pathways using whole system designs across multiple sectors and vectors.
3. **Bridge** known market failures affecting the ability of business innovation to flourish and provide solutions by connecting businesses with public bodies and academia.
4. **Engender** broader functional interactions between actors, buildings, networks, natural and engineered infrastructure to enable sufficient scope for systems analysis providing robust solutions for place-based issues on a modular basis.

First established in 2015, Smart Living’s core aim is to catalyse and support diverse pre-market innovative decarbonisation projects, focusing on place-based and needs-led solutions that require trialling in the real world before they can be adopted and rolled out at scale. It also aims to accelerate the development of innovative activities by providing a continuous pathway from concept to pilot for innovation in decarbonisation, removing barriers which can cause delays.

Taking this approach, the scheme aims to deliver additional benefits beyond its scope, capturing social and economic benefits locally.

Scheme principle	Benefits
Led by public sector organisations, delivered by private sector	<ul style="list-style-type: none"> • Enhances public sector leverage in decarbonisation beyond their own estates into their local areas for wider benefits and services • Directs benefits to participating businesses and their employees through increased business, profits and wages. • Focuses innovation support where it complements Wales’ climate change and energy policy. • Creates consortia of key stakeholders and initiation of business clusters providing local benefits, sharing of risks and encouraging local investment.
Place-based	<ul style="list-style-type: none"> • Delivers innovation that complements the local characteristics and inherent potential of a local area.

	<ul style="list-style-type: none"> • Tailors innovation to address the specific needs of local communities.
Whole-systems approach	<ul style="list-style-type: none"> • Fosters networks of innovation to support local authority and partner organisations to deliver projects within local contexts. • Connects system actors to encourage knowledge exchange and capacity building. • Provides a platform for collaboration amongst stakeholders, including between Welsh Government and industry. • More effectively identifies system-wide funding and/or resource gaps to reduce the risk of duplicated efforts. • Gives greater clarity on Welsh Government's priorities, which in turn increases the confidence across industry. • Increases the productivity and reduces the negative environmental impacts of an engineered system.
Needs-led	<ul style="list-style-type: none"> • Avoids duplication of efforts and resources. • Deploys of funding that aligns with changing policy, technologies and markets.

Smart Living scheme projects are usually delivered in partnership for and with Welsh local governmental and public sector actors and led by commercial organisations and academic institutions. They also link into later stage Welsh Government initiatives and other public and private investment.

The scheme piloted five consecutive Small Business Research Initiative (SBRI)¹ programmes for whole system (WBRID) and hydrogen-led (HYBRID) decarbonisation between 2021 and 2024. The WBRID and HYBRID programmes were both pilots to explore policy and strategic aspirations for decarbonisation and innovation across Wales.

The Smart Living SBRI programmes have to date provided funding as both small seed funding pots for early design and feasibility studies for innovative 'demonstrator' projects; and with funds of between £25,000 and £500,000 to develop feasibility studies and work plans which led into fully deployed demonstrator projects on the ground.

¹Please note, on UK Level, the 'SBRI' framework has recently been renamed 'Contracts for Innovation' by Innovate UK (May 2024). On Welsh Government operational level it will be known as SBRI Contract for Innovation for the purposes of this competition. See [Innovate UK Contracts for Innovation – UKRI](#) for more information.

A total of 39 projects received pre-commercial support and funded across the innovative whole system (WBRID) and hydrogen-led (HYBRID) SBRI pilot programmes. Over 85% of these first wave projects are being supported and continually developed beyond the scope of SBRI funding provided through the Smart Living scheme. Case studies for 6 of the Phase Two demonstrator projects can be found on the Welsh Government website: [Smart Living - Case Studies from SBRI Pilot HYBRID and WBRID Programmes](#).

What are the strategic and policy drivers for Smart Living?

Smart Living is critical to the delivery of Welsh Government's Climate and Nature innovation mission, which has been identified as one of four missions to achieve Welsh Government's vision to "create and nurture a vibrant innovation culture for a strong, fairer, and greener Wales".² In addition to being a strong signal for Welsh Government's intent to support innovation for decarbonisation across Wales, Smart Living has been informed by and continues to be framed by a set of key strategies, policies and programmes in Wales, including:

- The goals outlined in the [Welsh Government Innovation Strategy](#) and [Delivery Plan](#), including the Environment and Nature goals: "*To use innovation to reduce the level of carbon emissions generated by homes and transport*" and "*innovate to accelerate the development and take up of renewable energy generation and storage*". The Innovation Strategy has developed an action plan to help drive cross-sectoral involvement in, contribution to and response to innovation activity.
- The Welsh Government's [Economic Mission: priorities for a stronger economy \(2023\)](#), which provides a focus on net zero skills and opportunities for green growth and green jobs, aligning with the purpose and mission of Smart Living. Innovation is a key feature of the vision, which includes goals to "*Increase the number, impact, diversity and ambition of businesses that are innovation active within Wales.*" and "*Increase the access to specialist private investment into technological generative innovation.*".
- [Stronger, fairer greener Wales: net zero skills 2023](#) sets out a plan for delivering skills required to achieve net zero in Wales. Smart Living aims to support skills development by foster capacity building and knowledge exchange through communities of practice.
- The [Climate Action Wales: Public engagement strategy 2023 to 2026](#) on the attitudes, barriers and motivations to action on climate change from the Net Zero Wales Plan. Community engagement to highlight the co-benefits of decarbonisation can result in behavioural change. This aligns with Smart Living's support for community co-development and co-ownership of solutions.
- The [Wellbeing for Future Generations \(Wales\) Act 2015](#), which aims to improve the social, economic, environmental and cultural well-being of Wales. The [Just Transition Framework \(2024\)](#), which highlights opportunities for utilising innovation for community engagement and participation in addressing

² [Wales innovates: creating a stronger, fairer, greener wales | GOV.WALES](#)

- the climate crisis. Smart Living aims to promote citizen science to support the development of solutions which are tailored to the needs of local communities.
- The [New Warm Homes Programme: policy statement \[HTML\] | GOV.WALES](#), is Welsh Government's primary mechanism for tackling fuel poverty, which is a key priority that Smart Living aims to address. More information on Welsh Government's policy and programmes addressing fuel poverty can be found at: [Nest Warm Homes Programme | GOV.WALES](#), [Plenary 12/03/2024 - Welsh Parliament \(senedd.wales\)](#), [Nest Warm Homes Programme | GOV.WALES](#), [Get help with energy efficiency in your home from Nest | GOV.WALES](#).
 - The [Net Zero Wales Carbon Budget 2 \(2021 – 2025\)](#), which sets out how the Welsh Government will meet its second carbon budget, and the associated [Welsh Government Net Zero strategic plan \(2022\)](#), which outlines initiatives and targets for the journey to net zero. Regional Energy Plans (REPs) and Local Area Energy Plans (LAEPs) are a key commitment set out in **Policy 20: De-risking and integrating investment in Wales through energy planning**. A LAEP is a tool designed to inform strategic decisions about where different low carbon technologies are deployed, to meet local energy needs, and to maximise the cost effectiveness and local benefits of decarbonisation. It is clear that Smart Living has an important role in facilitating pre-market innovation to develop the necessary knowledge, capabilities for achieving the optimal solutions to deliver the desired outcomes in LAEPs, as well as building stronger routes to market and commercial cases to attract future investment from national organisations such as Innovate UK and local organisations such as Ynni Cymru. LAEPs prioritise place-based, whole systems solutions to decarbonising the energy system and by default, support Welsh Government's objective of 1.5GW of local ownership of renewable generation by 2035, and identify ways to alleviate capacity pressures on the distribution network which is struggling to keep up with increasing installation of renewable generation assets.

WSRID complements [Ynni Cymru's](#) objectives to expand locally-owned renewable energy used and generated in Wales and to accelerate the transition to and deployment of Smart Local Energy Systems (SLES).

More detail on Welsh Government's policies related to climate change, energy transition and innovation can be found at: <https://gov.wales/climate-change> , <https://gov.wales/low-carbon-energy> and [Innovation strategy for Wales | GOV.WALES](#).

The Whole System Research & Innovation for Decarbonisation 1.0 (WSRID 1.0) SBRI Contracts for Innovation Programme

Description

Experience from those involved in previous Smart Living SBRI innovation programmes [WBRID](#) and [HYBRID](#) highlights the need for:

- Learning from innovative projects to address net zero carbon and economic aspirations and create tangible transformation on the ground.
- Delivering credibly in this field to enable capture of potential innovation funding opportunities from UK, Europe and private businesses when they arise and are appropriate.
- Exploring a capital bridging mechanism for development leading to a regularised pipeline for successful decarbonisation innovation projects in Wales.
- Maintaining a continuous competitive approach which encourages quality involvement and activities supporting Wales' pathway.
- Addressing structural and difficulties affecting funding for decarbonisation innovation in Wales.
- Supporting innovation complementing and learning from Ynni Cymru's mission to expand community-owned renewable energy generation and Smart Local Energy Systems (SLES). SLES will bring together energy supply, storage and use to create energy-smart places, enabled by the latest technologies.

Building on the successes and learnings from past Smart Living SBRI Contracts for Innovation programmes, the Welsh Government is currently seeking applications from public sector organisations to propose place-based, decarbonisation challenges that will be the focus for a new SBRI Contracts for Innovation programme called the **Whole System Research and Innovation for Decarbonisation 1.0 (WSRID 1.0) SBRI Contracts for Innovation Programme**.

As part of this programme, Welsh Government is looking to award up to a potential £2 million across two separate phases between 2024-2026.

Objectives

All Welsh Local Authorities will have a LAEP by the end of 2024, which will be a tool designed to inform strategic decisions about where different low carbon technologies are deployed, informed by place-based energy needs and network characteristics, as well as cost effectiveness, and the extent to which they deliver economic and social benefits now and in the future. The LAEPs make it clear that to achieve the pace and scale required to fully decarbonise the energy system within the constraints of the current system will require substantial pre-market innovation to prime local supply chains, develop the necessary skills and do the groundwork so that technologies can scale quickly once proven.

The WSRID 1.0 programme will support a competitive process to develop, test and access innovative solutions to the decarbonisation challenges and needs that realise the energy priorities identified in Regional Energy Plans (REP) and the Local Area Energy Plans (LAEP) covering each local authority in Wales. The objectives set in these plans are framework for challenge identification and project selection for the WSRID 1.0 programme, reinforcing its place-based, whole-systems and needs-led principles. Using the LAEPs as the framework for this programme will make sure that funding is provided where it is most needed, and for solutions that provide the maximum benefit to the local communities where they are located. It will help build local capabilities and skills and leave a strong foundation from which local communities and businesses feel empowered and able to play an active role in the Net Zero transition.

The LAEPs identify 6 important energy system themes, which enforce the strategic and policy drivers that have been mentioned above:

1. Decarbonising heating in homes, prioritising those households that are experiencing or at risk of fuel poverty.
2. Electrifying passenger transport infrastructure and services.
3. Making active travel and public transport the mode of choice through developing smart, integrated transport networks.
4. Maximising Wales' potential for onshore renewable generation whilst retaining local ownership and benefits.
5. Decarbonising key industrial clusters across Wales.
6. Invest in additional capacity on the electricity network where it is needed most and incentivise consumers to offer flexibility services.

These themes, alongside WSRID 1.0 principles and the broader Smart Living mission statement should be considered when developing your challenge application.

Delivery model

The programme will be delivered using the SBRI Contracts for Innovation Challenge Owner model. This model is the UK's pre-commercial procurement framework that offers organisations and businesses a unique opportunity to work directly with the public sector to develop new solutions for public sector challenges and/or needs.

It enables the public sector to engage with innovative suppliers, co-create and test solutions in real-world situations. It can reduce the risk and cost of innovation, increased efficiency and quality and improved social and environmental impacts. For more information on the general SBRI Contracts for Innovation model, visit the [Innovate UK Contracts for Innovation website](#).

The WSRID 1.0 programme will follow this model and be delivered in two phases, with a preliminary application process to identify distinct innovation challenges, and suitable public sector organisations to act as "Challenge Owners". More information

about the roles and expectations for Challenge Owners can be found in Appendix C – Roles and responsibilities.

1. **Challenge identification by Public Sector organisations (this application)**

Welsh Government is seeking applications from public sector organisations on challenges that align with the objectives of the WSRID 1.0 Programme. Funding of £100,000 will be awarded to each selected Challenge Owner, who will be responsible for running a competition to identify projects that address the challenge. Up to 5 distinct Challenges will be chosen for funding at this stage across Wales. **The call for Challenges will open on 2 September 2024 and be open for submissions for one month.**

2. **Competition Phase One (3 months)**

The appointed Challenge Owners will then run a competition to identify innovative projects to address their chosen challenge. Applicants can apply for a share of the funding allocated to the competition. Proposals for projects at this stage should concentrate on addressing a particular challenge, and proving the scientific, technical and commercial feasibility of the proposed solution. The results of Phase One determine whether the solution should go further to Phase Two in 2025-2026.

Note: not all projects will automatically progress to the second phase. This will be determined through another competitive process.

Contract award: A minimum of two projects and a maximum of four projects within the total funding envelope of £100,000 granted to each Challenge Owner.

Duration: 3 months from date of contract award. **All Phase One Challenge projects must complete by 31 March 2025.**

3. **Competition Phase Two (12 months)**

The main research and development effort takes place in Phase Two, which aims to produce a well-defined prototype or Demonstrator for each selected innovation. At the end of Phase Two it is intended that what has been developed will be manufactured and marketed as a way of fulfilling requirements. Projects which successfully complete Phase Two should have a pathway to commercialisation.

Contract award: A total of £1.5 – 2 million is anticipated to be available across the Demonstrator projects in Phase 2.

Duration: 12 months from date of contract award.

The [Welsh Government Energy Service](#) (referred to as the Energy Service from herein) will be supporting with the delivery of the WSRID 1.0 Programme. Since 2018, the Energy Service has supported public sector organisations to reduce greenhouse gas emissions and increase locally owned renewable energy generation with technical, commercial, funding and procurement advice. Aligning with the key themes of the WSRID 1.0 Programme and broader Smart Living principles, the Energy Service has acted as a key stakeholder in the development of Local Area Energy Plans in 22 unitary authorities in Wales and in the identification of emerging innovative solutions to address public sector decarbonisation needs. As a result of

this experience, the Energy Service is well-placed to offer technical support to organisations involved in the WSRID 1.0 Programme. More information on the projects supported by the Energy Service and their impact can be found in the [Welsh Government Energy Service Annual Report 2022-2023](#).

Eligible organisations for Challenge Owners

Only public sector organisations are eligible to submit a Challenge application. This includes but is not limited to:

- Welsh Local Authorities
- City Deals and Regional Growth Bodies in Wales
- NHS Wales Health Programme Boards and Trusts

Roles and responsibilities

The challenge, and related competition must be clearly owned by a public sector organisation (the 'Challenge Owner') and successful submissions must demonstrate sufficient and appropriate resource allocation for its duration. The Challenge Owner will be responsible for investigating themes within the challenge and procuring contractors to deliver projects that meet the specification of the challenge. The Challenge Owner will also be responsible for the day-to-day management of successful challenges, with advisory support from Welsh Government. Participating public bodies will assist Welsh Government in refining the programme parameters through feedback on process, documentation, barriers/issues, and interaction with other competition Challenge owners.

Scope of the programme

As the WSRID 1.0 Programme aims to fund innovative projects to develop the energy priorities of the REPs and LAEPs, the challenges proposed should address one or more of the themes identified in the LAEPs and/or REPs. It is also important to note that as an innovation programme, WSRID focuses on the identification of unique, innovative solutions to a unique challenge where commercially available solutions do not exist or are not suitable. Funding will not be awarded where the challenge will result in duplicating existing innovation or work in progress by others.

Preparing your application

Key dates

The following table summarises key dates for the WSRID 1.0 Programme up to Phase One completion:

Open date	Monday 2 September 2024
Online Briefing event	13 September 2024
Close date	30 September 2024
Interviews with Challenge Owner applicants	Week beginning 7 October
Decision Release	14 October 2024
Funding awarded to Challenge Owners	17 October 2024
Feedback provided	17 October 2024
Phase One Commences – Project Supplier Procurement	18 October 2024
Phase One Projects Delivered	Monday 31 March 2025

*All dates may be subject to change

The competition for Phase 2 projects will run in the financial year 2025-2026.

The Application Form can be found online on <https://www.gov.wales/smart-living-scheme>.

The application should describe how the identified challenge will address the objectives of the WSRID 1.0 programme.

In completing an application, the applicant must demonstrate a well thought through challenge that clearly addresses the objectives of the WSRID 1.0 Programme. The application must show evidence the ability to mobilise a team and roll out a competition to deliver projects to address the challenge at pace. Throughout the process, ownership remains with the Challenge owner with Welsh Government helping de-risk the approach and adopting different roles depending on the needs of the individual competitions and projects.

An overview of the information required in the application form can be found below:

Section 1 – applicant details	1.1	Specify a senior responsible owner (SRO) for delivering the competition.
	1.2	Details of the individual responsible for day-to-day project management and competition.
	1.3	Details of all other in-house project staff who will support the management of the challenge and any consultancy support that will be required.

Section 2 – the challenge	2.1	Title and abstract for Challenge that can be used for publishing.
	2.2	How the proposed Challenge addresses themes of the WSRID 1.0 programme (outlined in this document).
	2.3	Justify the strategic fit in local, regional, Welsh and UK context.
	2.4	Describe what a successful outcome of the Challenge would look like.
	2.5	Research undertaken to confirm proposed Challenge/need.
	2.6	Description of organisation’s suitability for application.
Section 3 - Project Management and Delivery	3.1	Describe the project management plan for Challenge.
	3.2	Describe procurement process for identifying suppliers to deliver the Challenge projects.
	3.3	Describe the key risks (Political, economic, social, technical, legal, and environmental) in delivery, and please describe how they would be mitigated.
	3.4	Brief description of your delivery team.
	3.5	Describe your Challenge’s key stakeholders and your external engagement and communications strategy.
	3.6	Describe your communications and procurement strategy being used to attract potential businesses to respond to the Challenge.
Section 4 – Financial details	4.1	Provide breakdown of costs by grant/administration costs and costs for Phase One.
	4.2	Describe project monitoring and evaluation process.
Section 5 - Signatories		Provide dated proof of approval from lead applicant and designated Senior Responsible Officer.

Table 1. List of questions in the WSRID 1.0 Application Form

Challenge and Project Funding Amount and Duration

Applications must list all costings inclusive of VAT.

Challenges

In Phase One, funding of up to £500,000 will be awarded to up to 5 Challenge Owners (up to £100,000 each). They will then be responsible for running subsequent competitions to award and allocate funding to suppliers to deliver innovative feasibility projects.

Projects

It is expected that in Phase One a minimum of two projects and a maximum of four projects will be awarded within the total funding envelope of £100,000 granted to each Challenge Owner. Further funding in the region of £1.5 to £2 million is likely to be available in Phase Two for Challenge Owners to deliver the Demonstrator phase of the WSRID 1.0 programme.

Intervention rates have been set at of 100% in Phase One and 50% to 100% in Phase Two.

The total funding available for the competition can change. The funders (Welsh Government) have the right to:

- Adjust the provisional funding allocations
- Vary the scale and budget depending on the nature of the challenge and likely costs incurred in developing solutions.

Any project applications must have at least 50% of the contract value attributed directly and exclusively to Research and Development (R&D) services, including solution exploration and design. R&D can also include prototyping and field-testing the product or service. This lets you incorporate the results of your exploration and design and demonstrate that you can produce in quantity to acceptable quality standards.

R&D does not include:

- commercial development activities such as quantity production
- supply to establish commercial viability or to recover R&D costs
- integration, customisation or incremental adaptations and improvements to existing products or processes.

Funding only provides finance towards the WSRID 1.0 contract funding and associated costs (i.e. the money that ultimately reaches the supplying business or other third-party supplier organisation involved in the process).

Local Authority costs (own staffing and resources) associated with the management and administration of the competition are not eligible for funding support.

Briefing and Networking Event

All Challenge Owner applicants and any downstream project delivery suppliers that are interested in finding out more about the WSRID 1.0 competition are invited to attend a 2-hour online briefing event on 13 September 2024 (subject to change). Two events will be held in North Wales and South Wales respectively in in-person/hybrid format for convenience. This event is an opportunity for interested applicants to network with potential partners and collaborators, ask questions about the competition and meet experts from the Welsh Government.

Please register your interest for the briefing event by emailing WSRID@energyservice.wales. Please write '**Briefing Event Registration**' in the email subject line and specify in the email body which of the two events you would like to attend.

Submitting an application

The deadline for submission is 23:59 on 30 September 2024.

By submitting an application, you agree to the terms of the draft contract which is available in the supporting documentation. Submission does not guarantee financial support from the Welsh Government.

Please send your completed application to WSRID@energyservice.wales.

Applications will only be accepted by email before 23:59 on 30th September 2024.

Please write '**WSRID 1.0 2024 - Full Challenge Application**' in the email subject line to make sure the application is not missed.

Please provide evidence of senior support from authorised signatories. Electronic submissions containing scanned signatures are acceptable or other supporting emails from appropriate senior representatives of the lead applicant.

Further information

Applicants are encouraged to seek advice and guidance from the Welsh Government Energy Service WSRID team. Some participating public bodies may have experience in previous SBRI Contracts for Innovation competitions which can be brokered to help others. Details on public bodies involved in previous SBRI competitions can be found by referring to the case studies published on the Welsh Government website: [Smart Living - Case Studies from SBRI Pilot HYBRID and WBRID Programmes](#).

If you have any questions about the application process or broader programme, feel free to email us at: WSRID@energyservice.wales.

Assessment Process

The final decision on your application will be made by the Welsh Government programme Smart Living Programme Board. Where appropriate, you may be asked to provide further information or clarification on details contained within your application.

The deadline for submission is **23:59 on 30 September 2024**. Short-listed applicants will be invited to attend an interview in the week beginning 7 October 2024.

Welsh Government reserves the right to change submission and/or notification dates.

All eligible applications will be considered by the project Smart Living Programme Board against criteria outlined below. **Applicants will be invited to deliver a short, timed 10 minute presentation to the Smart Living Programme Board members.** The

presentation will be followed by 45-50 minutes of questions and answers on your proposal.

Applicants will be advised of the decision of the Smart Living Programme Board within one week of the interview, unless further correspondence advises otherwise.

Funding will be awarded to successful Challenge applications that are approved by the Smart Living Programme Board.

The application will form the basis for the Challenge and will be the document upon which the funding agreement between the Welsh Ministers and the applicant is based unless agreed otherwise.

Assessment Criteria

The Smart Living Programme Board will consider Challenge applications against criteria of:

- Quality of Challenge proposal [Application questions 2.1 and 2.2]
- Strategic Fit and addressing key economic actions including decarbonisation, skills development and LAEP objectives [Application question 2.3]
- Potential to encourage local and regional benefits and promote collaboration through communities of practice [Application question 2.4]
- Commercialisation potential [Application question 2.4]
- Research undertaken to identify challenge [Application question 2.5]
- Need for innovative solutions to address the challenge [Application question 2.6]
- Challenge owner commitment – including resources and willingness to manage and deliver the challenge [Application section 3]
- Monitoring and evaluation strategy [Application question 4.2]

Criteria will be assessed on the basis of:

Assessment Table			Max Score Available (100)
Capability	Evidence	Remark	
Applicant likely to be able to meet requirements of the programme	Application Content is comprehensive and relevant and substantiated by independent evidence where possible	Absolute Confidence	100

	Application is sufficient (in qualitative terms), convincing, and credible.	Confidence	80
Small risk that applicant will not be able to meet requirements of the programme	Application has minor gaps, or to a small extent is unconvincing or lacks credibility	Minor Concerns	60
Moderate risk that the applicant will not be able to meet requirements of the programme	Application has moderate gaps, is unconvincing or lacks credibility	Moderate Concerns	40
Significant risk that the applicant will not be able to meet the needs of the programme	Application has major gaps, is unconvincing or lacks credibility in many respects	Major Concerns	20

Applications which do not provide sufficient evidence against the criteria will be asked to provide additional detail to address points raised by the Smart Living Programme Board in order to progress award the challenge. Learnings from this process will be used to inform and improve future shaping of the programme.

Appendix A – Legal terms and conditions

Intellectual Property

Intellectual property is retained by businesses participating in the competitions, with user rights exercised by the Challenge owner under a separate contract under fair and reasonable terms.

Challenge owners are encouraged to seek their own legal advice on the treatment of IP when contracting with businesses in line with pre commercial procurement rules.

Most questions from participating businesses centre around intellectual property. The statement below has been used by Welsh Government in the past and attempts to clarify the position. It is provided to help you as a potential WSRID competition manager to understand the terms you would need to engage with businesses on.

“Intellectual Property Statement

In running the WSRID competition, Welsh Government must comply with the European Commission Pre-commercial Procurement rules and the [Procurement Act 2024](#). We encourage commercialisation of all new products and process that might

result from this competition, and it is not our intention in any way to disadvantage any organisation from successfully exploiting any IP generated through the project.

However, in recognition of our risk sharing through our funding and support in the research and development and in keeping with the requirements of the Pre-Commercial Procurement rules, we as the public purchaser would like to ensure that others have the opportunity to benefit from our investment in the new innovations supported through this WSRID process. This includes an option to require successful applicants to provide free unlimited access to all intellectual property which may be generated through the WSRID funding to the Welsh Government, and to third parties by way of non exclusive licences under market conditions.

Any further development or activities which incur additional costs by the applicant at a later date and beyond the WSRID would require a separate legal agreement and must comply with government tendering rules.

A successful WSRID project does not guarantee that the Welsh Government will procure the resulting innovation”.

UK Subsidy Control Act 2022

Subsidy Control overlays the European Union (EU) and World Trade Organisation (WTO) rules on subsidies.

SBRI Contracts for Innovation competitions involve procurement of R&D services at a fair market value and are not subject to subsidy control criteria that typically apply to grant funding.

WSRID in adopting SBRI Contracts for Innovation model, utilises the UK implementation of the EU Pre-Commercial Procurement framework which allows exemption from public procurement directives for the procurement of Research and Development (R&D) services (see Art 16f of 2004/18/EC, Art 24e of 2004/17/EC).

SBRI is a tool that offers exemption from EU Procurement rules when procuring R&D services. Public Sector Organisations will be deemed to be those bodies in Wales which are spending public sector money and are subject to EU procurement rules.

Responsibility resides with the Welsh Public Sector Organisation leading the challenge to ensure compliance with Subsidy Control rules, as Challenges must fit within EU and SBRI pre-commercial procurement rules:

i) **The scope is R&D services only:** R&D can cover activities such as solution exploration and design, prototyping, up to the original development of a limited volume of first products or services in the form of a test series.

"Original development of a first product or service may include limited production or supply in order to incorporate the results of field testing and to demonstrate that the product or service is suitable for production or supply in quantity to acceptable quality

standards". R&D does not include commercial development activities such as quantity production, supply to establish commercial viability or to recover R&D costs, integration, customisation and incremental adaptations.

(ii) **The application of risk-benefit sharing:** In pre-commercial procurement, the public purchaser does not reserve the R&D results exclusively for its own use: Public authorities and industry share risks and benefits of the R&D needed to develop new innovative solutions that outperform those available on the market.

(iii) **A competitive procurement designed to exclude State aid:** Organising the risk-benefit sharing and the entire procurement process in a way that ensures maximum competition, transparency, openness, fairness and pricing at market conditions enables the public purchaser to identify the best possible solutions the market can offer.

Public sector organisations can apply for 100% of funding for their eligible costs under the following conditions:

- they are undertaking research, which can be experimental, theoretical or critical investigation work to gain knowledge, skills or understanding vital to the project
- they meet requirements for dissemination of their project results and they state in the application how they will do this
- they include their eligible costs for research purposes in the total research organisation involvement
- they make sure they are not applying for funding towards costs which are already being paid by the public purse such as labour and overheads

Confidentiality

Whilst the Welsh Government will take all reasonable steps to protect any information designated by you as confidential which is disclosed as part of an Application, it is important that you are aware of limitations placed by the Freedom of Information Act 2000 (the "Act") on the Welsh Government's ability to comply with your expectations of confidentiality. The Welsh Government can only preserve the confidentiality of your information in accordance with its obligations under the Act.

Appendix B – SBRI Contracts for Innovation process

SBRI Contracts for Innovation provide innovative solutions to challenges faced by the public sector. This can lead to better public services and improved efficiency and effectiveness. A programme run using SBRI Contracts for Innovation model:

- supports economic growth and enables the development of innovative products and services through the public procurement of R&D
- generates new business opportunities for companies
- provides a route to market for their ideas

- bridges the seed funding gap experienced by many early-stage companies

SBRI Contracts for Innovation competitions are open to all organisations that can demonstrate a route to market for their solution. The SBRI Contracts for Innovation model is particularly suited to small and medium-sized businesses, as the contracts are of relatively small value and operate on short timescales. Developments are 100% funded and focused on specific identified needs, increasing the chance of exploitation. Suppliers for each project will be selected by an open competition process and retain the intellectual property generated from the project, with certain rights of use retained by the contracting authority. The model provides excellent opportunity to establish an early customer for a new technology and to fund its development.

For more information please visit: <https://www.ukri.org/what-we-do/browse-our-areas-of-investment-and-support/innovate-uk-contracts-for-innovation/>

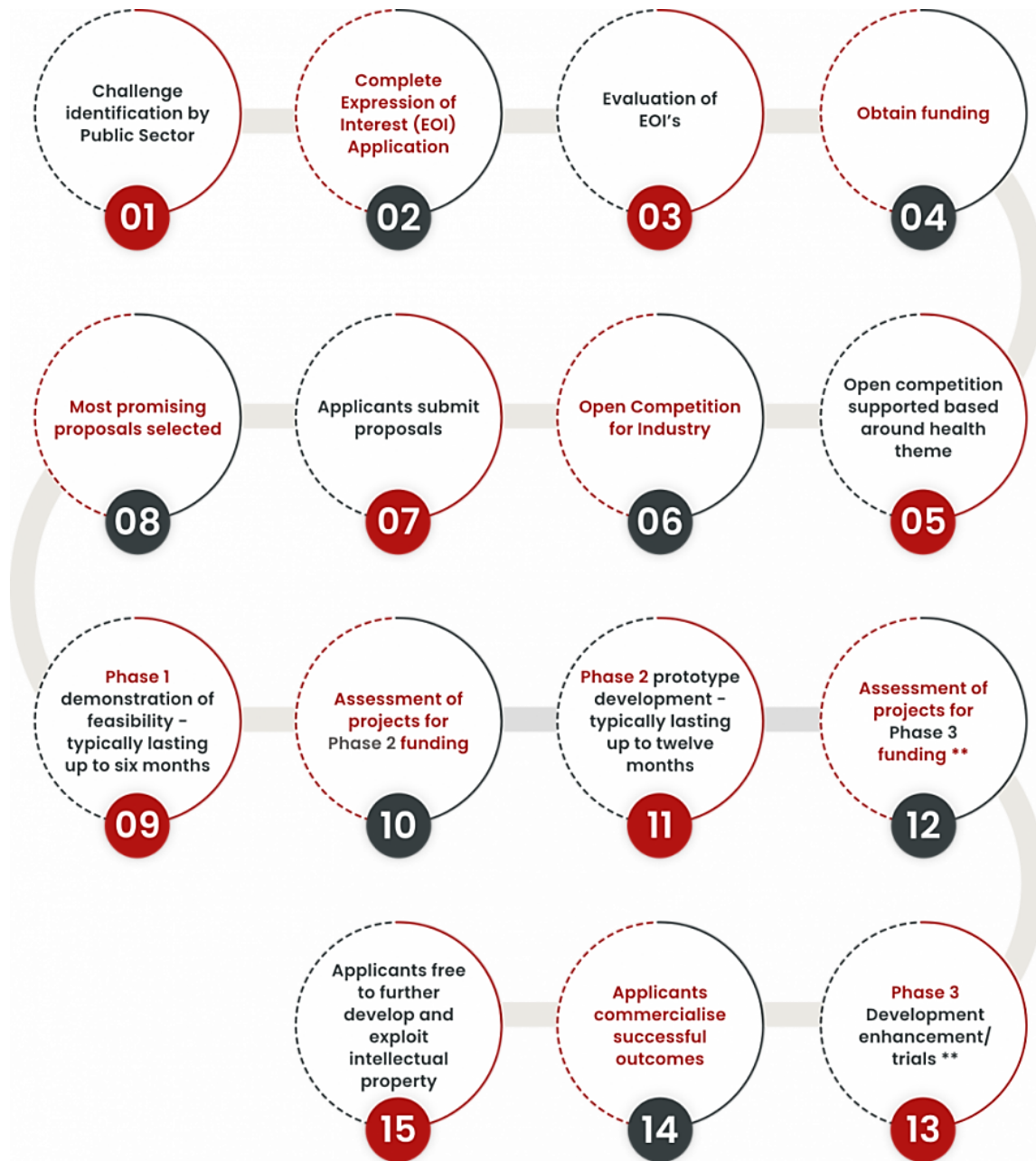


Figure 1. Example of generic process for SBRI Contracts for Innovation. Source: <https://sbriwales.co.uk/sbri-process>

Appendix C – Roles and responsibilities

The following diagram summarises the respective roles and responsibilities of the functions required to deliver the WSRID 1.0 SBRI Contractions for Innovation Programme to the end of Phase One.

Welsh Government	Challenge Owners	Project Suppliers
Develop guidance documents for programme	Establish appropriate governance to run competition.	Complete and submit proposal.
Application briefing and clarification for prospective Challenge Owners and project candidates.	Identify place-based decarbonisation challenge.	Prepare regular monitoring reports against project KPIs.
Appraise applications and agree challenges.	Complete and submit application form.	Prepare final project report.
Issue grant award letters to successful candidates.	Run procurement process for Phase One (tender, clarification, appraisal, contract award and issue, administering finance).	
Preparatory work with Challenge Owners (e.g. assist with documentation, communication, queries)	Day-to-day contact for projects in receipt of funding.	
Report to Programme Board at key decision points.	Establish regular project progress monitoring and evaluation processes in line with SBRI Contracts for Innovation processes.	
Provide advice and guidance to Challenge Owners to support tender process.		
Process and manage grant claims.		
WGES to develop WSRID community of practice through delivery of knowledge sharing workshops with projects		
WGES to provide bespoke technical advice		

to challenge owners and their projects.		
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Appendix D – Glossary

Term	Definition
Challenge	A specific whole system decarbonisation problem or need identified in the context of the LAEPs that needs to be addressed. There is funding available for up to 5 challenges in Phase One of the WSRID 1.0 Programme.
Challenge Owner	A public organisation funded to deliver the Challenge, tasked with investigating themes within it and procuring contactors to run projects.
Competition	A competitive procurement process that awards a contract(s) to the supplier(s) that scores the highest against a set of defined criteria.
Programme	Refers to the group of challenges and projects identified as part of WSRID 1.0
SBRI Contracts for Innovation	The Small Business Research Initiative model. This is the UK public sector’s leading pre-commercial procurement vehicle which procures research and development to support the creation of new products and solutions to address perceived unmet needs. SBRI was used for the HYBRID and WBRID programmes under Smart Living. Since May 2024, SBRI has been rebranded by UKRI to “Contracts for Innovation”, hence referred to in this document as SBRI Contracts for Innovation.
Place-based	A place based approach acknowledges that the implementation of net zero commitments and goals will be more successful if the solutions both relate to the unique context in which they are applied, and mobilise localised resources, action and engagement. ³
Whole-systems	Whole-system approaches refer to connecting solutions in a smart system or to provide the opportunity to be, such that there is an interaction between different energy systems. Cost and operational efficiency are key principles to the approach across energy generation, production and to reduce losses and create exchange opportunities.

³ Place based approaches to net zero, Mott Macdonald (2021)