



Welcome to

Introduction to CfD Allocation Round 5

23 February 2023

ofgem



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Electricity Market Reform
Delivery Body



Department for
Energy Security
& Net Zero

Introduction to the day

CfD delivery partners



Department for
Energy Security
& Net Zero

- Policy
- Regulations

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Delivery Body

- Registration
- Qualification
- Reviews
- Allocation

ofgem

- Appeals
- DB Regulation


**LOW CARBON
CONTRACTS COMPANY**

- Minor and
Necessary
modifications
- CfD Counterparty

Agenda

10:00	Welcome and today's agenda	DESNZ
10:10	CfD policy context, auction parameters, AR5 and future rounds	DESNZ
10:30	Overview of the Allocation process	National Grid ESO
11:00	LCCC Overview (Minor & Necessary Modifications, pre-bidding, post-allocation)	LCCC
11:30	Disputes	Ofgem
11:40	*** Break ***	
11:50	Introduction to EMR Portal	NG ESO
12:25	Q&A panel	All
13:10	Wrap-up and key takeaways	DESNZ
13:15	*** Close ***	



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& Net Zero

Context

Main Changes for AR5

Timings

Contract Changes

Auction Parameters

Supply Chain Process

Future



Department for Energy Security & Net Zero

Contracts for Difference Team Members

Angela Patel – *Head of CfD Operations and Delivery*

Kieran Power – *CfD Policy and Contracts*

Matthew Allen – *CfD Policy Manager*

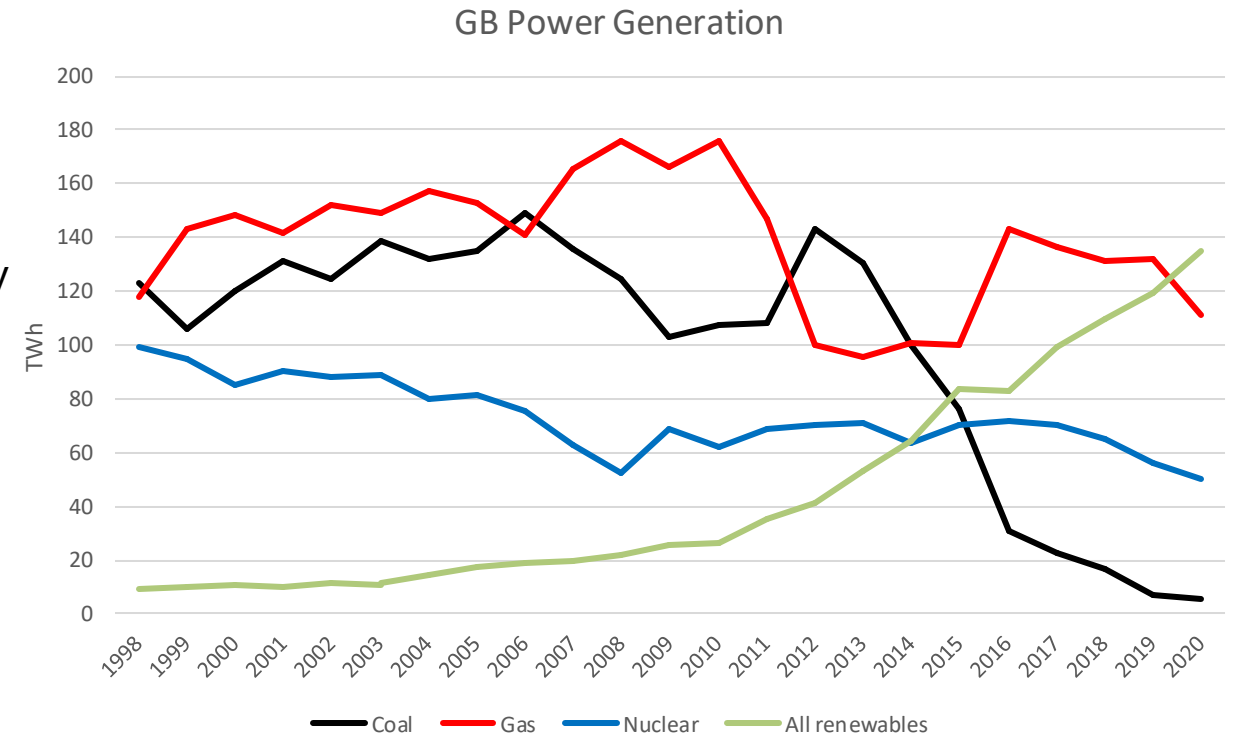
Relve Spread – *CfD Parameters Lead*

Myra Fazal – *CfD Policy & Comms*

Context

- New dedicated Department for Energy Security and Net Zero.
- Commitment to fully decarbonise the electricity supply system by 2035, subject to security of supply. To achieve this, we will need to build all low carbon techs close to their maximum technical limit.
- Importance of harnessing industrial benefits of clean energy transition - the 'green industrial revolution'.
- Renewable share of overall electricity generated in UK in 2021 was ~40%: mainly offshore wind (11.4%), onshore wind (9.4%), biomass (wood pellets) (8.7%), and solar (4%).
- Contracts for Difference Scheme (CfD) is UK's flagship scheme to support low carbon generation
- Awarded contracts of around 27GW, including 20GW offshore wind.

Source: BEIS, June 2021 (National Statistic)



Main CfD Changes for AR5

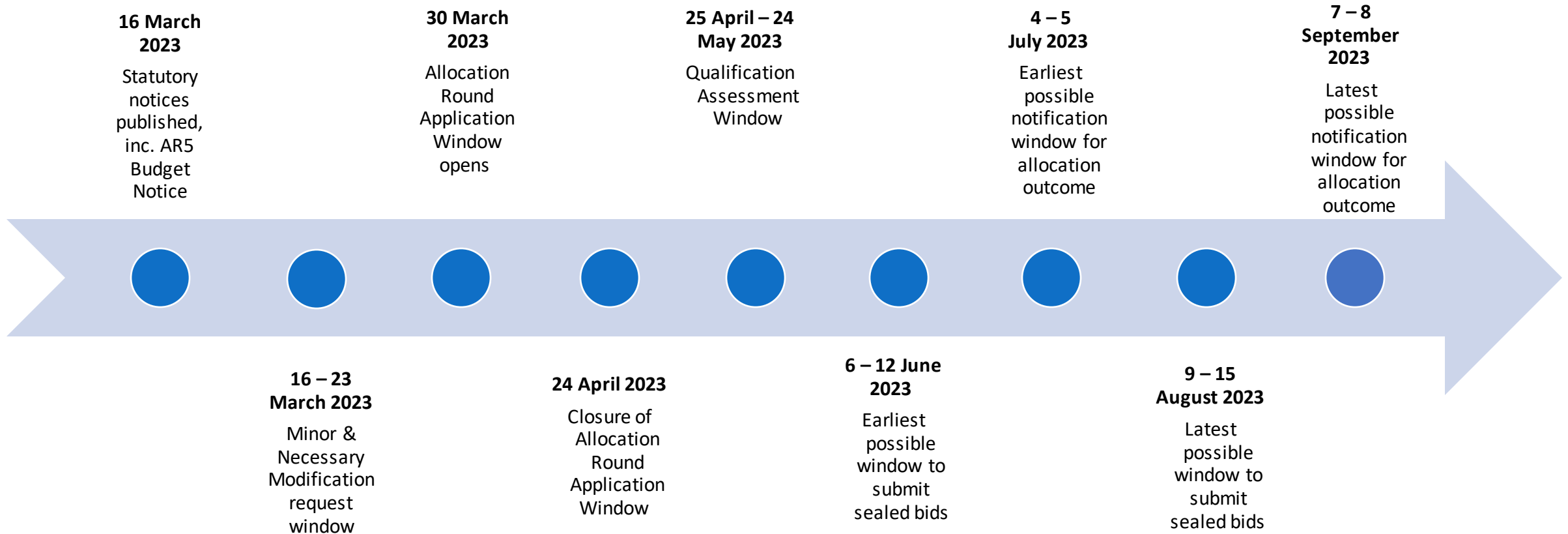
Annual auction –
streamlined timeline

Supply Chain Plan changes

Pot structure: OFW and
RIW in Pot 1

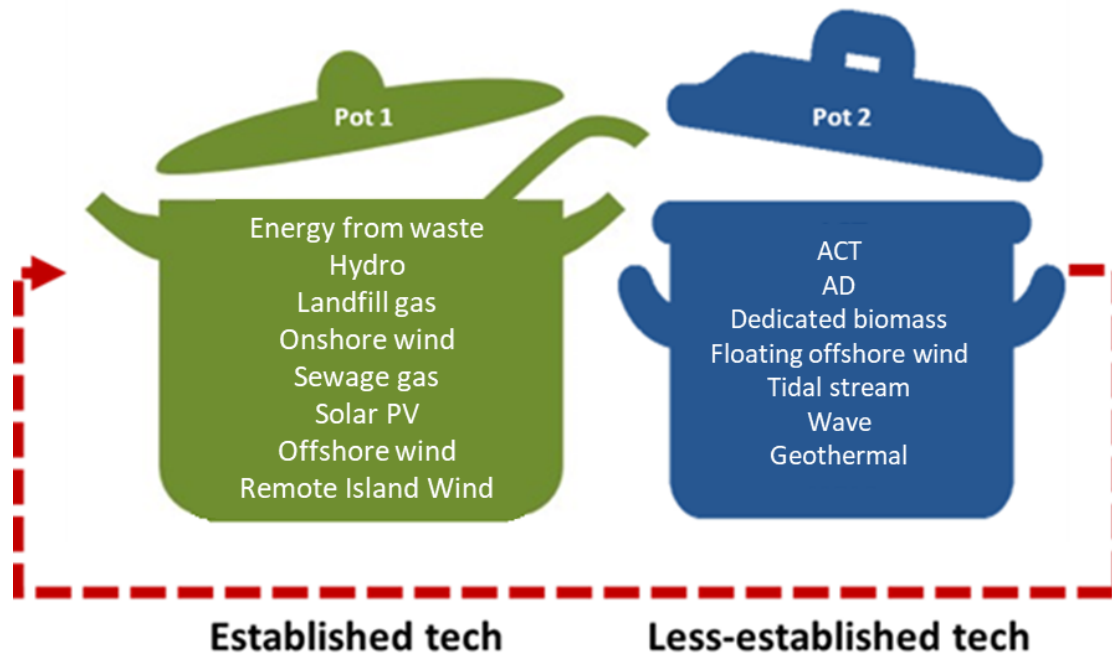
16 March – Final Budget
and Contract publication

Provisional Timings



Auction Parameters

- AR5 Budget Notice will be published on 16 March.
- ASPs reflect expected project pipeline and economic environment.
- Target commissioning date (TCD) should be within the delivery years (DYs)



Administrative Strike Prices (£/MWh 2012)

Technology	AR4 ASP	AR5 ASP
ACT	190	182
Anaerobic Digestion	128	136
Biomass	163	162
Energy from Waste	121	116
Floating Offshore Wind	122	116
Geothermal	133	119
Hydro	93	89
Landfill Gas	62	62
Offshore Wind	46	44
Onshore Wind	53	53
Remote Island Wind	62	53
Sewage Gas	151	148
Solar	47	47
Tidal Stream	211	202
Wave	258	245

Supply Chain Process

- Inclusion of Floating Offshore Wind projects in the Supply Chain Plan process for FOW projects of any capacity
- Introduction of feedback sessions into the assessment process.
- Raising of pass mark from 50% to 60% (apart from the bespoke Floating Offshore Wind questionnaire).
- Introduction of clearer template.

Future

Future CfDs must...



Consider the electricity system as a whole and continue to make a positive contribution as we transition to Net Zero



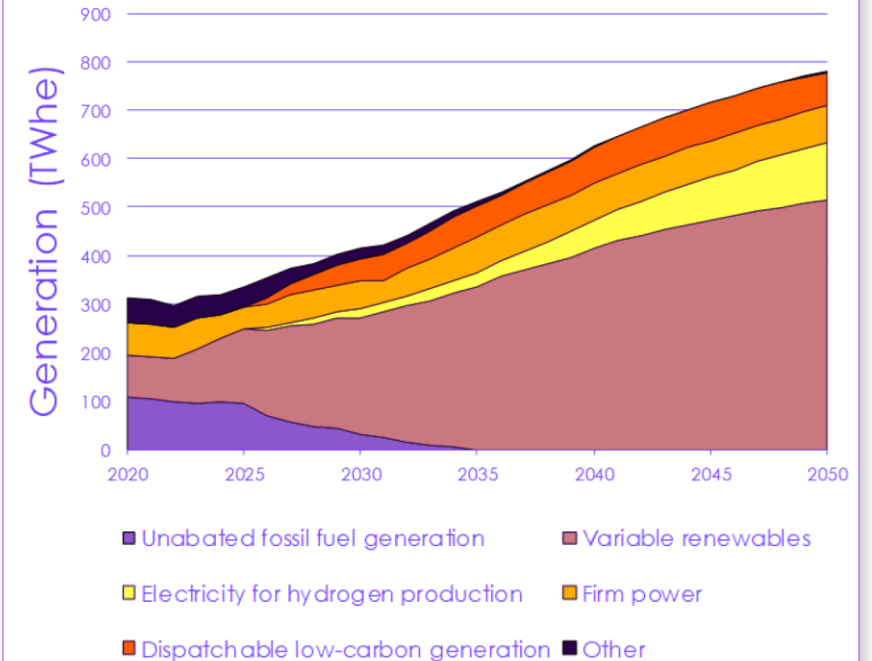
Facilitate renewable deployment to meet CB6 targets



Continue to provide good **value-for-money** for the consumer

- Our recent consultation on considerations for future CfD rounds highlighted our commitment to continue to review and evolve the CfD scheme alongside our changing electricity system on our journey to Net Zero.
- The consultation closed on 7 February, and we are currently analysing responses.
- We will continue to engage with stakeholders, and further consultation will be undertaken on potential future policy change.

Figure 3.4.c Illustrative generation mix for the Balanced Net Zero Pathway (2020-50)



Source: CCC analysis.

Notes: Chart reflects UK electricity generation. Additional capacity is available through interconnection. Unabated fossil fuel generation includes coal and gas. Variable renewables include wind and solar. Firm power includes nuclear. Dispatchable low-carbon generation includes gas CCS, BECCS and hydrogen.

Figure taken from: *The Sixth Carbon Budget. The UK's path to Net Zero*. Climate Change Committee, Dec 2021.

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Department for
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& Net Zero

Contracts for Difference AR5 Launch Event
23 February 2023



Contracts for Difference EMR Delivery Body

Version 1.00
23 February 2023

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Capitalised terms used in this document shall have the same meanings given in the Contracts for Difference (Allocation) Regulations 2014 (as amended).

Please note that the rules outlined in the Allocation Framework for AR5 and Contracts for Difference (Allocation) Regulations 2014 (as amended) take precedence over this guidance document and participants are encouraged to familiarise themselves with these rules and regulations, and if appropriate seek legal advice, before proceeding with an application.

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Contents

- **Introduction**
- **Contracts for Difference Process Overview**
- **Registration**
- **Application & Qualification**
- **Allocation**
- **Future Engagement**



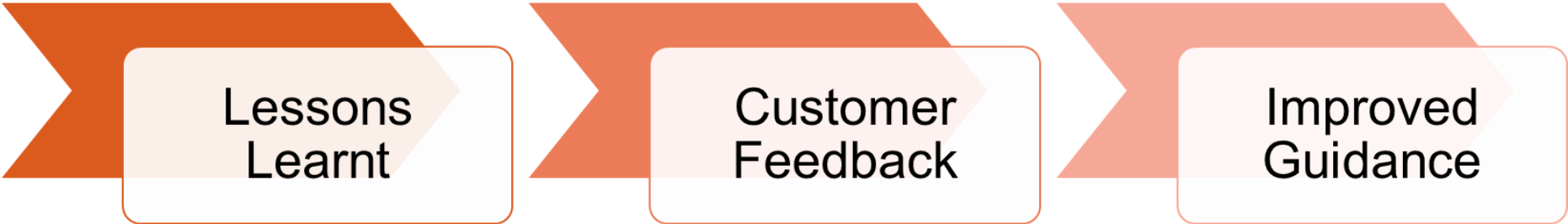
Introduction to the EMR Delivery Body

Our Roles and Responsibilities

National Grid ESO is the Delivery Body for Electricity Market Reform (EMR). Our responsibilities include:

- Assessment and qualification of applications and to notify applicants of the decision of qualification
- Determination of disputes regarding the decision of CfD qualification (Reviews)
- Valuation of all applications, including the reporting to the SoS, and the subsequent assessment as to whether an auction is required to determine which applicants will be awarded a CfD
- Run the CfD Allocation process
- Production of reports as required by Delivery Partners (DESNZ, OFGEM & LCCC)
- Provide LCCC with the information necessary to offer a CfD contract to the Successful Applicant

Review of Allocation Round 4



AR5 Updates



Eligible Technologies and Pots for AR5

Pot 1 – Eligible Technologies and Applicable Delivery Years

Applicable Delivery Years	Technology Type	
2025/26, 2026/27 and 2027/28	Energy from Waste with CHP	Onshore Wind (>5MW)
	Hydro (>5MW and <50MW)	Remote Island Wind (>5MW)
	Landfill Gas	Sewage Gas
	Offshore Wind	Solar PV (>5MW)

Pot 2 – Eligible Technologies and Applicable Delivery Years

Applicable Delivery Years	Technology Type	
2026/27 and 2027/28	ACT	Geothermal
	Anaerobic Digestion (>5MW)	Tidal Stream
	Dedicated Biomass with CHP	Wave
	Floating Offshore Wind	

CfD Operational Changes for AR5

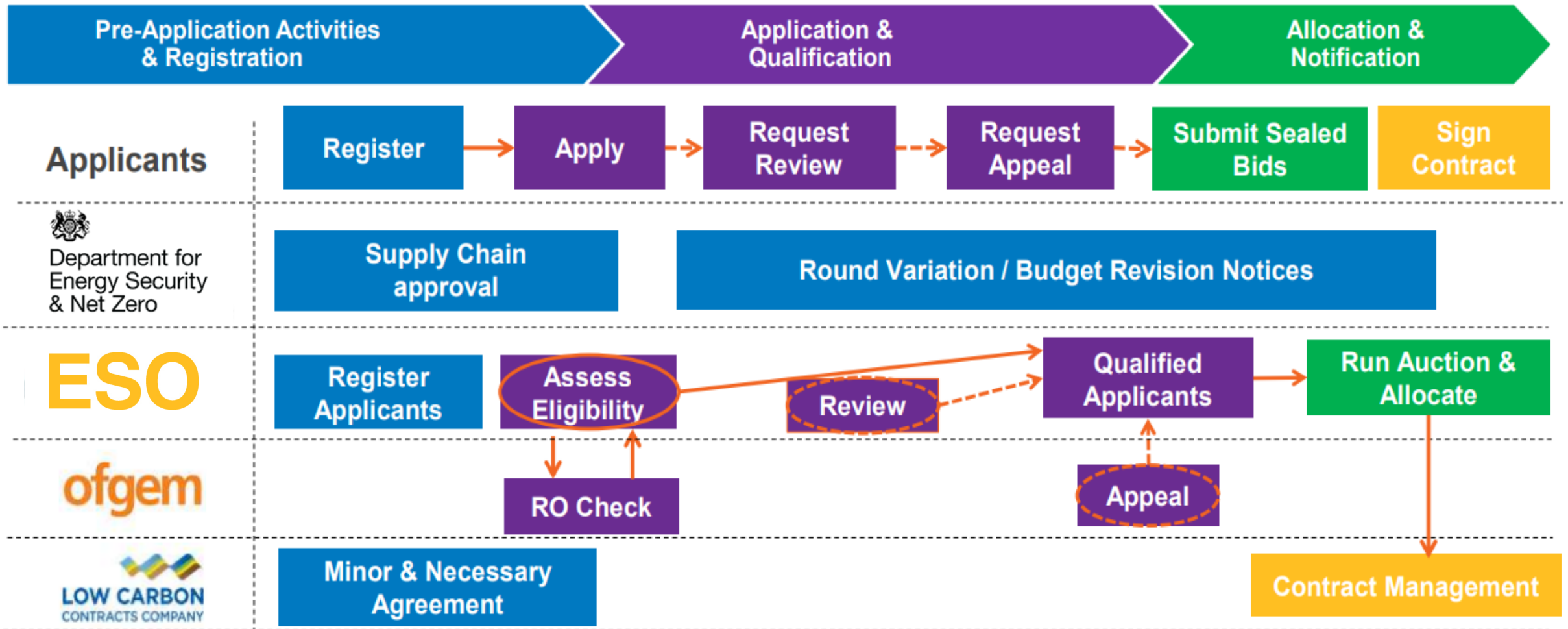
Operational Changes for AR5 related to the Application/Allocation Process

- If the technology type of the CfD Unit is Floating Offshore Wind, there is now a requirement to provide a **Supply Chain Plan Approval Statement** as apart of the Application.
 - The requirement remains the same as Allocation Round 4 for all other technology types. If the capacity of the CfD unit is to be 300 MW or greater, then the applicant must provide a valid Supply Chain Plan Certificate as apart of the Application.
- The eligibility criteria has been changed for Applicants wishing to enter into a **Private Network CfD Agreement** for Allocation Round 5.
 - The new requirement to be eligible to apply for a Private Network CfD Agreement is that the applicant must be a Private Network Generator (as defined in Schedule 1 of the Allocation Framework).
 - The Applicant must also provide a signed director's declaration confirming that the applicant meets the full definition of Private Network Generator (as defined in Schedule 1 of the Allocation Framework).
- The **Target Dates definitions** have been updated in the Allocation Framework (Schedule 1)
 - Clarification added to the definition of **Target Commissioning Date** that it must be within the Delivery Years (except for the later phases of phased OFW).
 - Confirmation that the earliest date that the **Target Commissioning Window Start Date** can fall is such that the final day of the Target Commissioning Window falls on the first day of the applicable Delivery Year.

CfD Process Overview



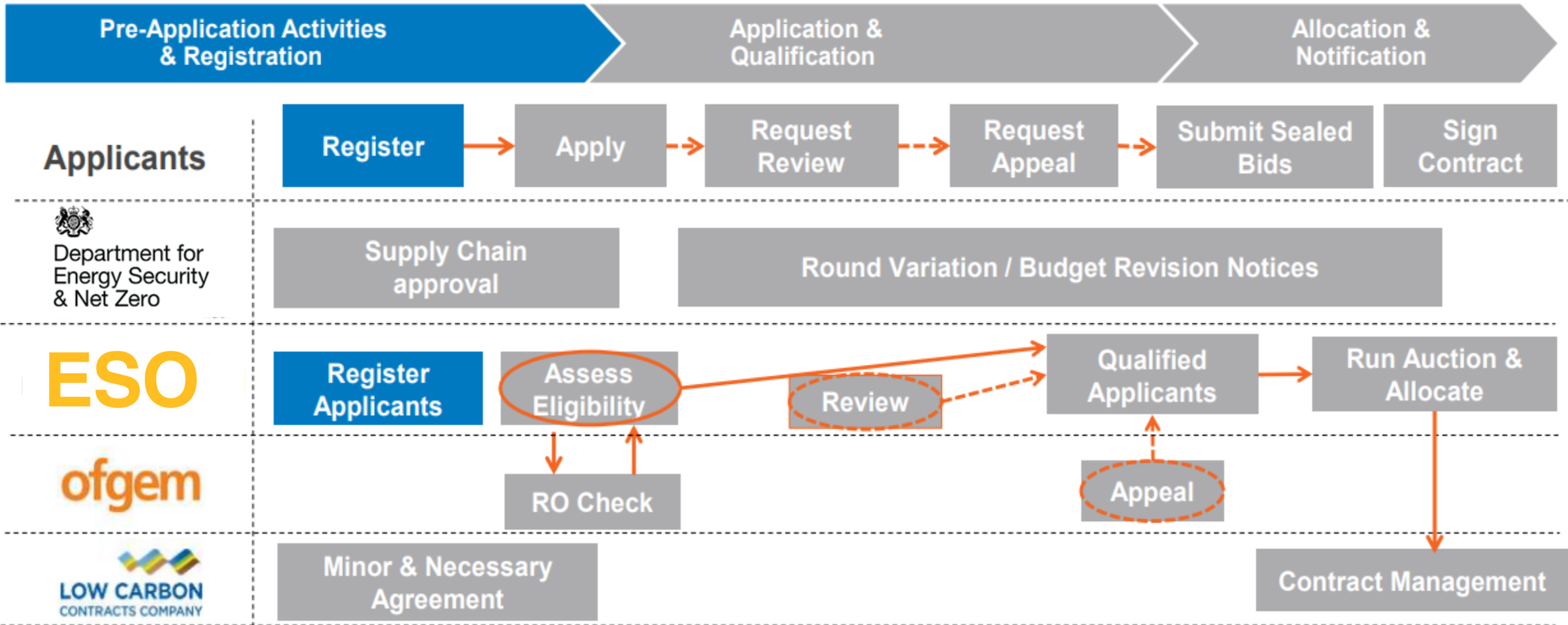
CfD Allocation Round Process Overview



Company Registration



Registration Process Overview



Registration

CfD Portal Registration for AR5

Authorised Person must sign and date the Registration Form (action is performed electronically)

Company Details and Company Number must match **exactly** Companies House

CfD Company Registration & User Management Guidance Document and Guidance video's are available from **23/01/2023**

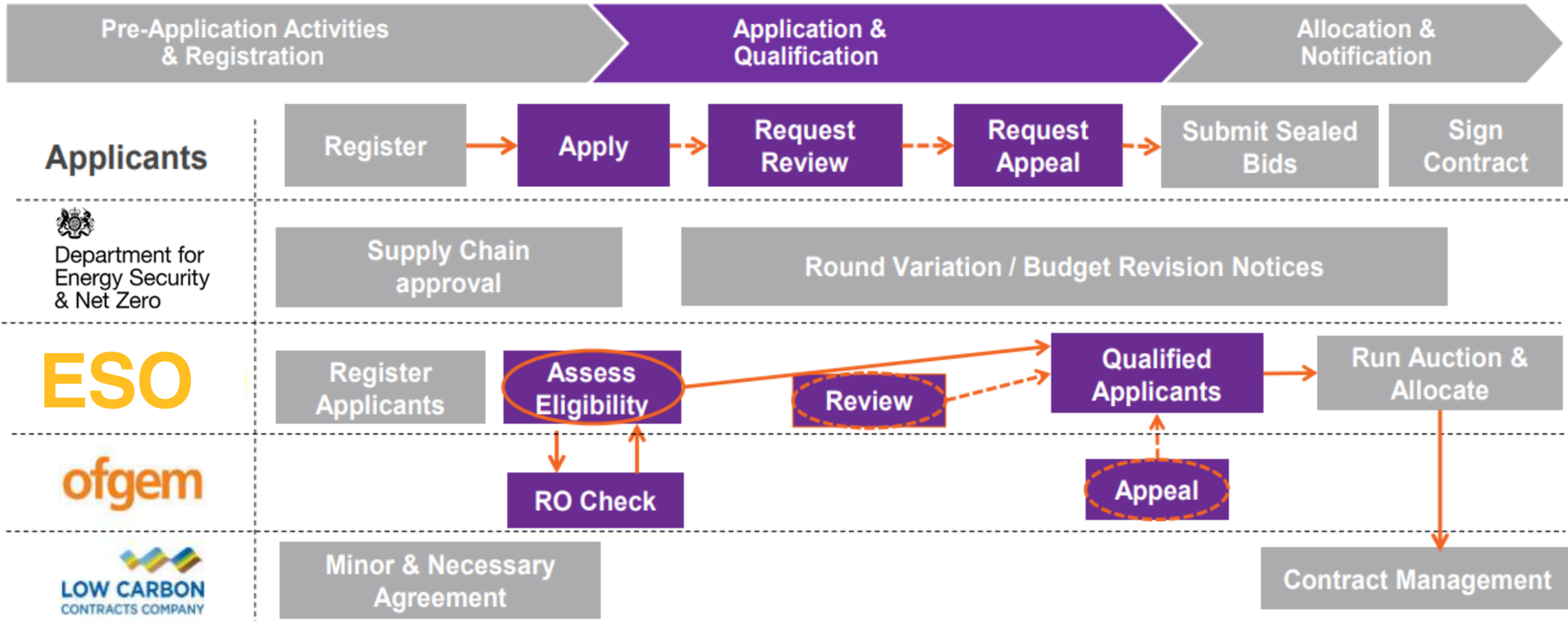
Registration Window opens on **23 January 2023** and closes on **24 April 2023**.

Whilst we will endeavour to process all applications, any registration requests received after the 17 April cannot be guaranteed due to the time required to process

Application and Qualification



Application & Qualification Process



Preparing for the Application Window (1/4) Legislation and Key Documents

- **Contracts for Difference (Allocation) Regulations 2014**
Sets out the general rules for the qualification and allocation processes
- **Contracts for Difference (Definition of Eligible Generator) Regulations 2014**
Sets out the main criteria of an eligible generator
- **Contracts for Difference (Miscellaneous Amendments) Regulations**
Various versions available where parts of the 2014 legislation has been amended
- **Contracts for Difference Allocation Framework (AF) for Round 5**
Draft AF was published by DESNZ on 14th December 2022.
- **Final CfD Allocation Round 5 Guidance Document**
Final version will be published by NG ESO in March 2023

Preparing for the application (2/4) – Key Criteria for the Application

Eligibility Criteria	Requirement	Documentary Evidence	Checks against the CfD Application
Statements in relation to supply chains	The Applicant must provide a statement in accordance with Regulation 26(4).	Copy of statement issued by the SoS.	Name and Dates
Applicable planning consents	The Applicant must demonstrate that either the applicable planning consents enable the proposed CFD Unit to be established or altered and electricity generated from the proposed CFD Unit to be supplied to the NTS, the Distribution System, or a Private Network.	Copy of all applicable planning consent(s), including a signed and dated planning decision notice.	Location, MW, Dates and Technology
Connection Agreements	The Applicant must explain whether— A direct Connection, Partial Connection, Private Connection or none applies.	Copy of the Connection/Private Agreement applicable.	Location, MW, Dates and Technology
Non-receipt of other funds under Government schemes	Confirm that its Application is not an excluded Application under Regulation 14 and an accreditation does not apply to the CFD Unit.	A Map.	Name, Location
Incorporation	In the Application, the Applicant must provide evidence of whether it is a UK registered company; VAT registered; or a company that is not registered in the UK; and registered for tax if not registered in the UK.	Certificate of incorporation or registration & VAT Certificate of Registration or Tax certificate	Registration Number(s)
Maps	Map showing the scale, name, shape of the CFD Unit and the Longitude and Latitude (in WGS84 format to 3 decimal places) of the extreme coordinates of the site where the CFD Unit is located.	A Map.	Location

Preparing for the application (3/4) – Key Criteria (Technology Specific)

Remote Island Wind (RIW)

Regulation 27A(3)

A **schematic diagram demonstrating** that the Generation Circuit between the CfD Unit and the Main Interconnected Transmission System consists of not less than 50km of cabling, not less than 20km of which is subsea cabling.

Offshore Wind (Floating)

Regulation 27ZA(2,4)

A colour-coded depth chart of the consented area with the project area boundary clearly marked, showing the different depths of the water.

A declaration signed by a Director, stating that the relevant CFD Unit will meet all the FOW conditions.

Statements in relation to supply chains plan made by the Secretary of State

Advanced Conversion Technology (ACT)

Regulation 28

A **process flow diagram** demonstrating that the CfD Unit will meet the Physical Separation Requirement

Preparing for the application (4/4) – Target Dates (1/2)

Target Commissioning Window

means the period in which the generation of electricity must take place by a CFD unit once it is established or altered, the duration of which is listed in the allocation framework for each type of eligible generating station.

Target Commissioning Date

means the intended date, being a date within the target commissioning window, for the generation of electricity to begin by a CFD unit once it is established or altered; and with the exception of secondary phases of Phased Offshore Wind CFD Units, the latest date that the Target Commissioning Date can fall is the last day of the final Delivery Year.

Target Commissioning Window Start Date

means the date on which the target commissioning window begins; and the earliest date that the Target Commissioning Window Start Date can fall is such that the final day of the Target Commissioning Window falls on the first day of the applicable Delivery Year.

Relevant Delivery Year

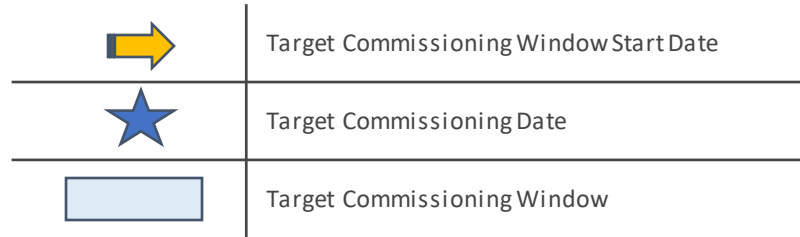
Means the Delivery Year in which the Target Commissioning Window Start Date specified in an Application falls, unless the Target Commissioning Window Start Date falls before the first applicable Delivery Year, in which case the Relevant Delivery Year will be the first applicable Delivery Year

Preparing for the application (4/4) – Target Dates (2/2)

Worked examples for applicants in Pot 1

Delivery Years: 2025/26, 2026/27, 2027/28

Valuation Years: 2028/29, 2029/30



Application Details	Target Dates	1 Year Before Delivery Years		Delivery Years				Valuation Years					
		01/04/2024	01/10/2024	01/04/2025	01/10/2025	01/04/2026	01/10/2026	01/04/2027	01/10/2027	01/04/2028	01/10/2028	01/04/2029	01/10/2029
Application 1 Onshore Wind 12 Month TCW	TCWSD: 01/04/2025 TCD: 01/10/2025 TCWED: 31/03/2026												
Application 2 Hydro 12 Month TCW	TCWSD: 01/05/2027 TCD: 31/03/2028 TCWED: 30/04/2028												
Application 3 Solar PV 3 Month TCW	TCWSD: 01/09/2025 TCD: 01/10/2025 TCWED: 31/12/2025												
Application 4 Landfill Gas 6 Month TCW	TCWSD: 01/01/2025 TCD: 01/04/2025 TCWED: 31/07/2025												
Application 5 Offshore Wind (x3 Ph) 12 Month TCW	TCWSD: 01/10/2026 P1 TCD: 30/09/2027 TCWSD: 01/10/2027 P1 TCD: 30/09/2028 TCWSD: 01/04/2028 P1 TCD: 31/03/2029												

The TCWSD of first phase can be before the start of the first applicable delivery year, but the TCD must be inside of the applicable delivery years.

The TCD must be a date no later than 31st March of the final applicable Delivery Year

The first phase is targeted to complete (TCD) by a date no later than 31st March of the final applicable Delivery Year

the TCD of the final phase is no later than 2 years after the TCD of the first phase.

Submitting your Application

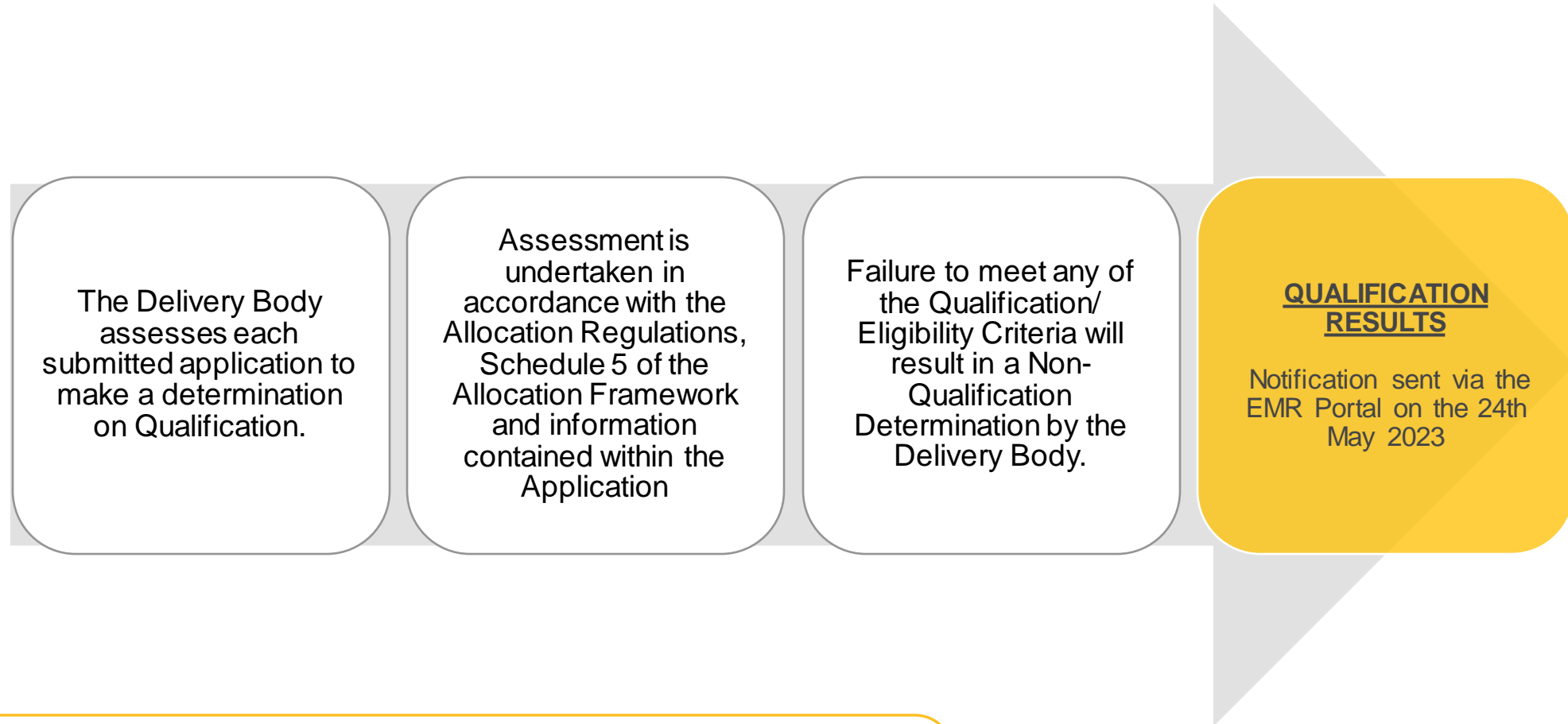
Application Submission Window: 30th March 2023 – 24th April 2023

- ✓ Check that all mandatory fields have been completed; and
- ✓ Check that declarations are completed; and
- ✓ Check that all uploaded documents provided are signed and dated; and
- ✓ Check that a Map of the CfD Unit has been uploaded in Question “New G”; and
- ✓ Check that all coordinates for the CfD Unit are provided and are correct; and
- ✓ Check that all contact details for contract issuing are correct and as expected for the application; and
- ✓ You have referred to ‘Application Form Common Errors’ document for Allocation Round 5.

Once the Application Window closes at 5pm on 24th April 2023 you will be unable to make any further changes to your application.

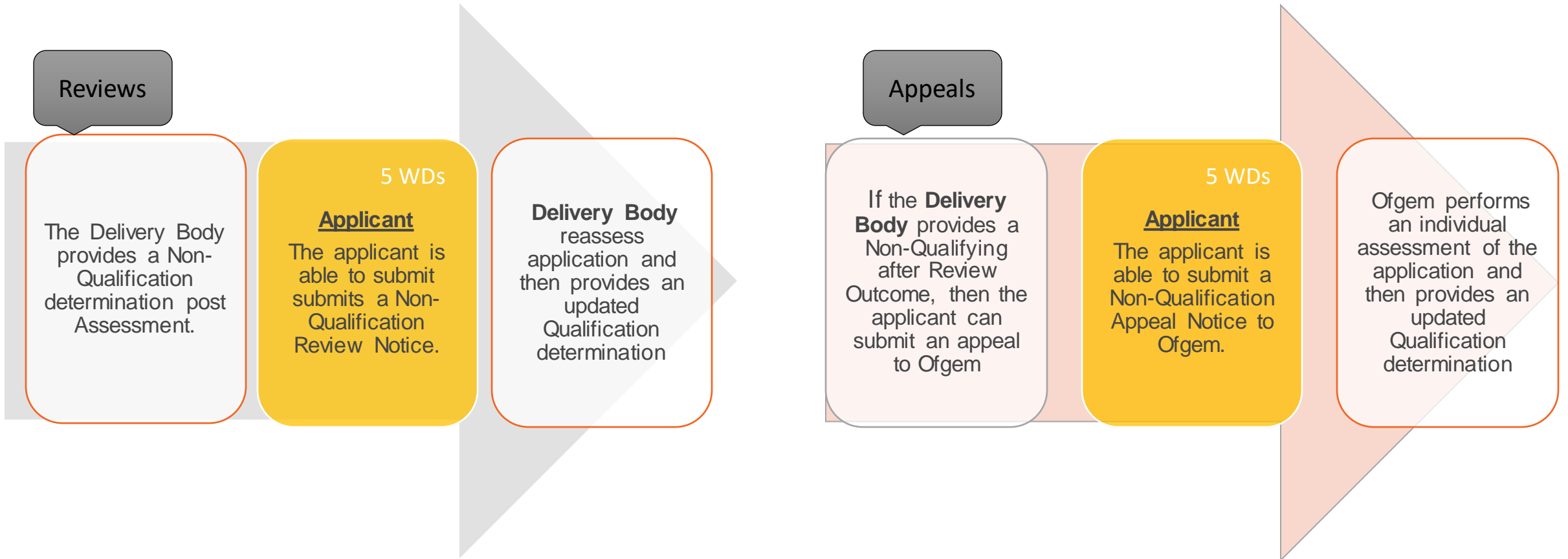
Qualification Assessment Window

Delivery Body Assessment Window: 25th April 2023 – 24th May 2023



Reviews Process

Delivery Body and Ofgem Reviews Window: 25th May 2023 – 28th July 2023



High-Court Appeals Process Overview

If Ofgem upholds a non-qualification determination

Applicant

Has 28 calendar days, after the date on which the notice is received, to appeal to the High Court

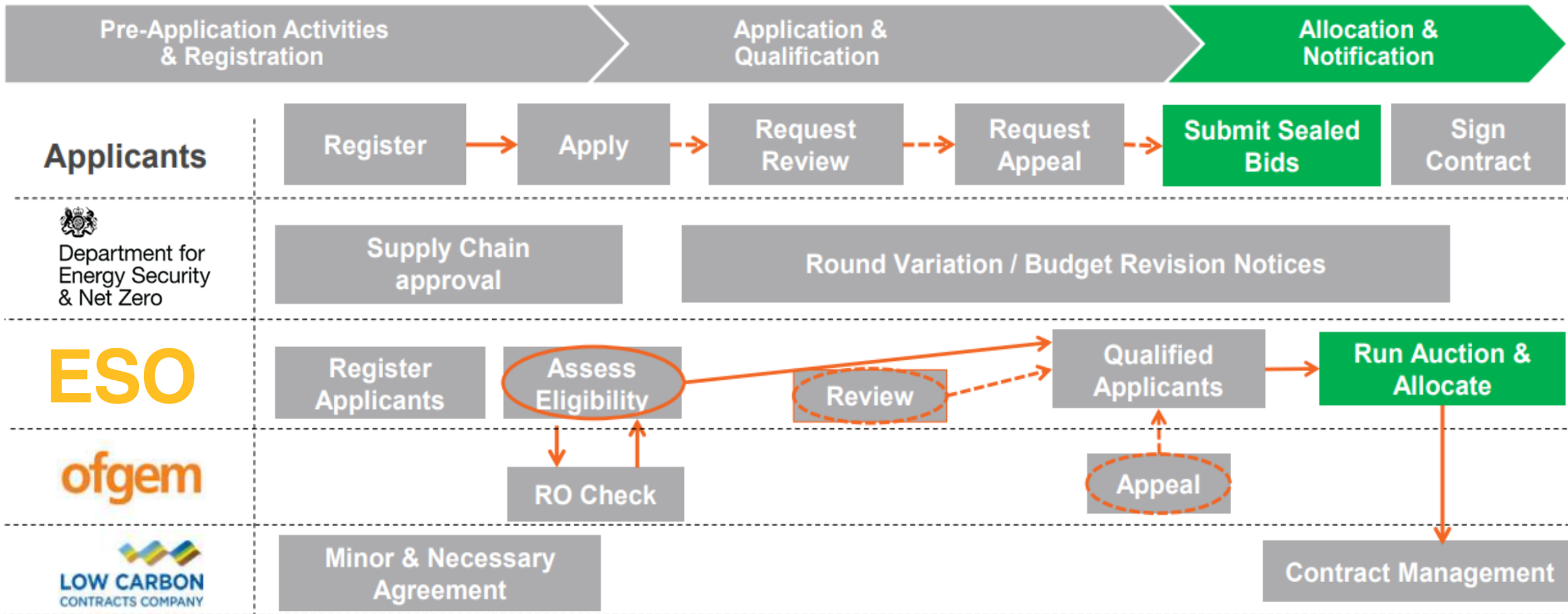
High Court Could:

- **Uphold** original decision, *or*
- Ask Ofgem to **reconsider**, *or*
- Direct Delivery Body to **Qualify** Applicant

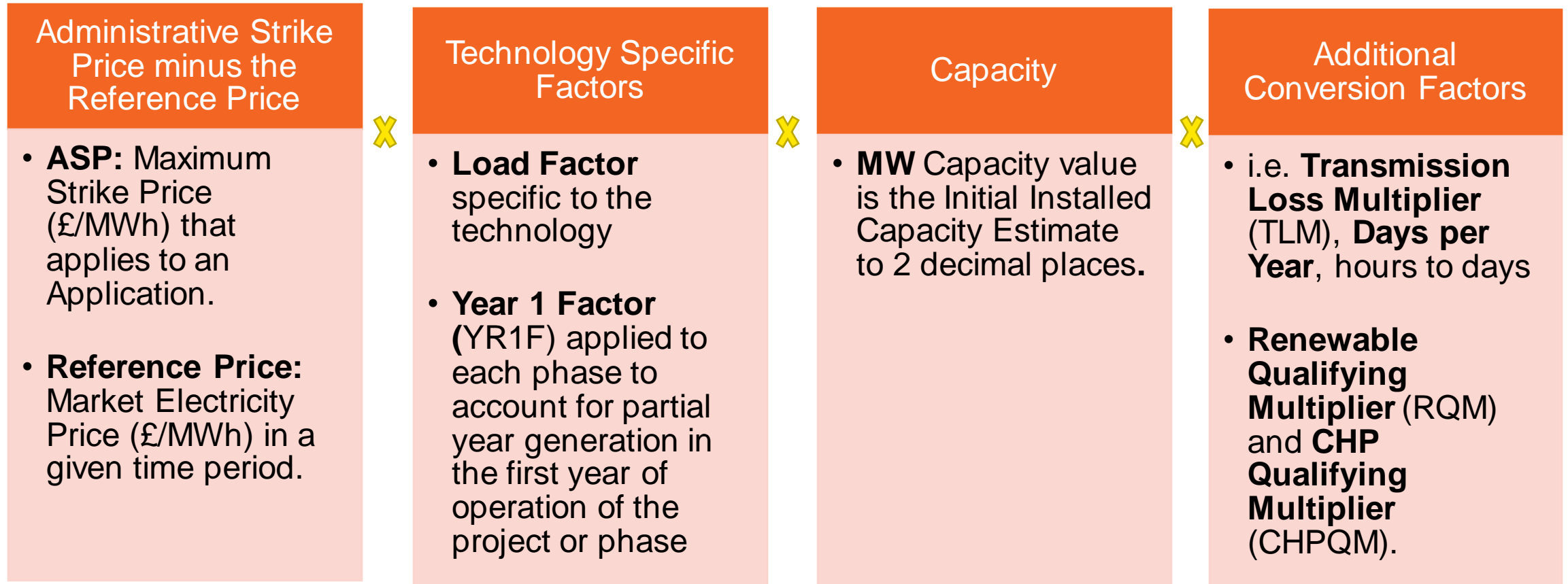
Allocation



Allocation & Notification Process



Valuation Formula



*The Valuation formula will be stated in the Final Allocation Framework

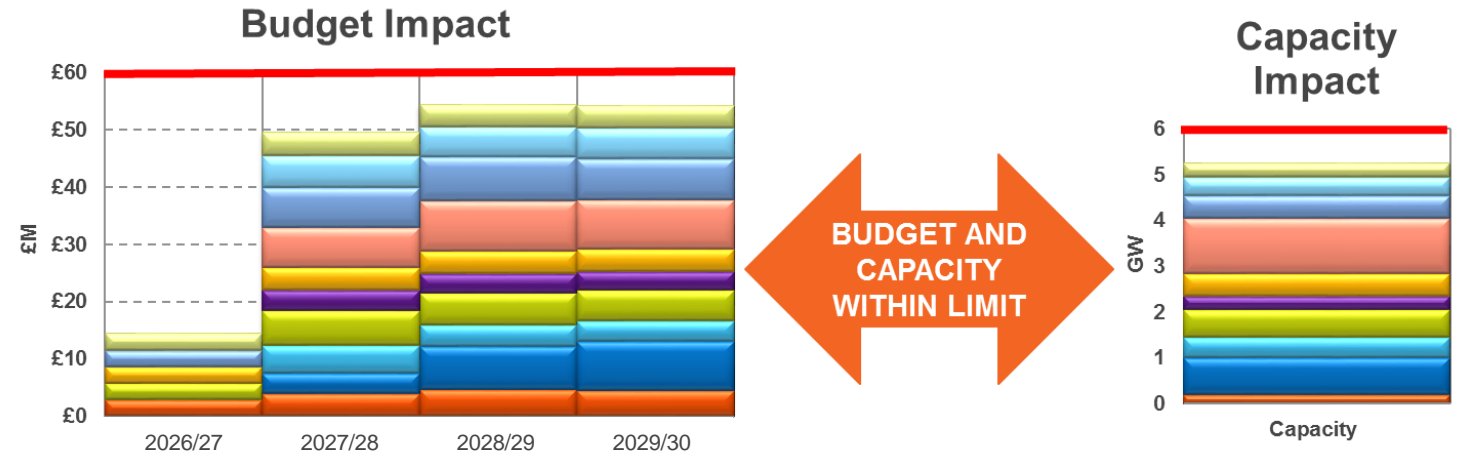


Auction Determination

Unconstrained Allocation

Unconstrained allocation is where all qualifying applications fit within both the **budget** and **capacity** constraints.

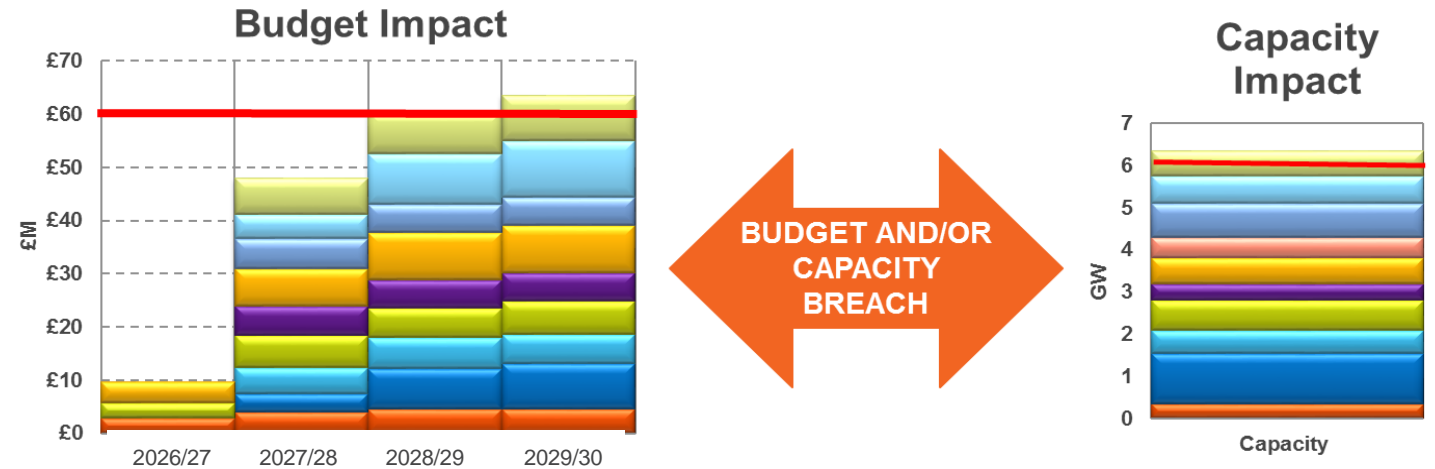
This would result in no auction and **all applications shall be awarded a CfD at their respective Administrative Strike Price.**



Constrained Allocation

Constrained allocation is where the Delivery Body determines that qualified applications exceed the relevant constraints, i.e. the pot value and/or the overall capacity limit.

This scenario would trigger the requirement to hold an auction to competitively allocate the budget to Successful Applicants.



Applicant Submission of Sealed Bids

Valuation determines constrained allocation [Notice of Auction sent to Qualifying Applicants]

Applicant sealed bids submission window – 5 Working Days

Maximum of 4 sealed bids allowed [Max 2 per Delivery Year]

Sealed Bids submitted via the EMR Delivery Body Portal

Default bids will be assigned to Applicants who do not submit a bid

Changes that can be made to each Sealed Bid:

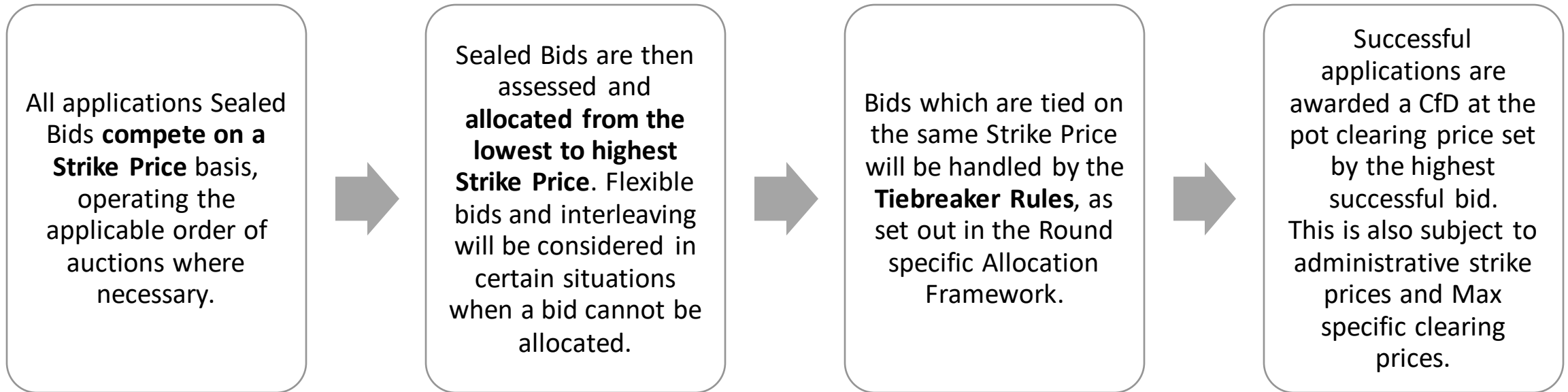
Strike Price
(in 2012 Values)

Target
Commissioning
Window Start Date
(TCWSD)

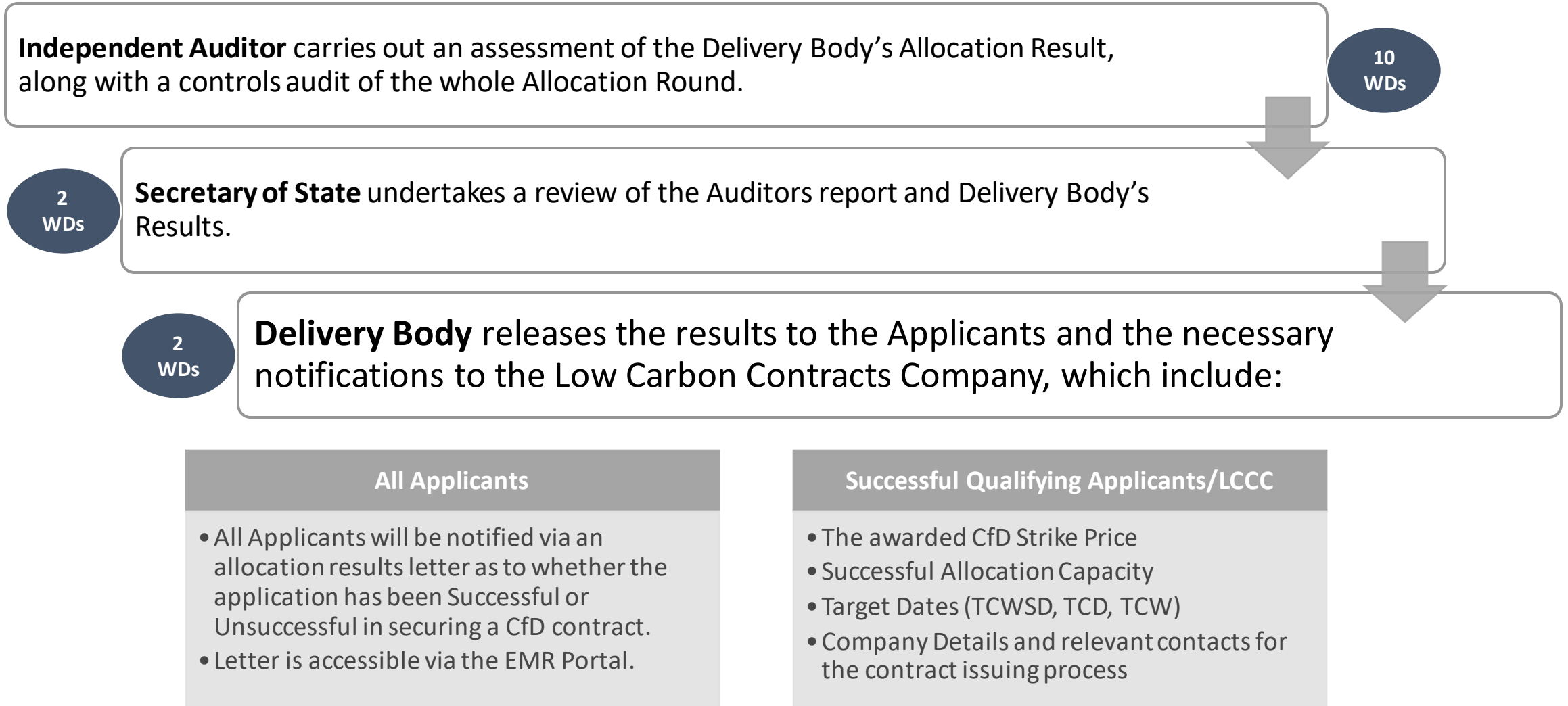
Target
Commissioning
Date
(TCD)

Capacity
(MW)

Competitive Auction Process



CfD Notification - Post Competitive Auction or Allocation Process



Future Engagement



How will we support you in AR5

Guidance Documentation

- Guidance documents will be available on the [EMR Delivery Body Portal](#) in order to support you throughout the Allocation Round 5 Process.

Applicant Support

- For any queries for the CfD Delivery Partners, please submit your query via the Allocation Round 5 resource Portal via <https://www.cfdallocationround.uk>.
- You can also reach the Delivery Body team via phone on 01926 655300, Option 2.

Guidance Videos/Webinars

- CfD Guidance Videos will be made available during the Round to help support and provide visual guidance.
- We will be hosting webinars in the run up to key Allocation Processes, such as the Application and Auction.

Continuing the conversation

Thank You

Contracts for Difference Team

Reach us at:

Telephone: 01926 655300 [Option 2]

Email: .box.emr.cfd@nationalgrid.com

For further information on ESO publications please visit: nationalgrideso.com

Electricity System Operator Faraday House
Warwick Technology Park Gallows Hill
Warwick CV34 6DA



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Contracts for Difference AR5 Launch Event
23 February 2023

Contracts for Difference (CfD) – Allocation Round 5

23/02/2023

LCCC

Scheme Development, Legal and Scheme Operations and Contract Management

Disclaimer

LCCC does not speak on behalf of government and we do not make policy.

These slides are for educational purposes only.

When we refer to the CfD, we are referring to the standard power sector CfD to which we are the counterparty.

The content of slides and any statements made by LCCC in the presentations are provided in good faith, however, neither the content of the slides nor any statements made are (or are intended to be) any form of representation, undertaking, warranty or legal advice and do not (and are not intended to) take precedence over the provisions of the CfD, the terms of which shall always prevail.

Agenda

1. Introduction & Agenda
2. About LCCC
3. Minor & Necessary
3. Contract Production, Issuing & Signature
4. CfD Milestones



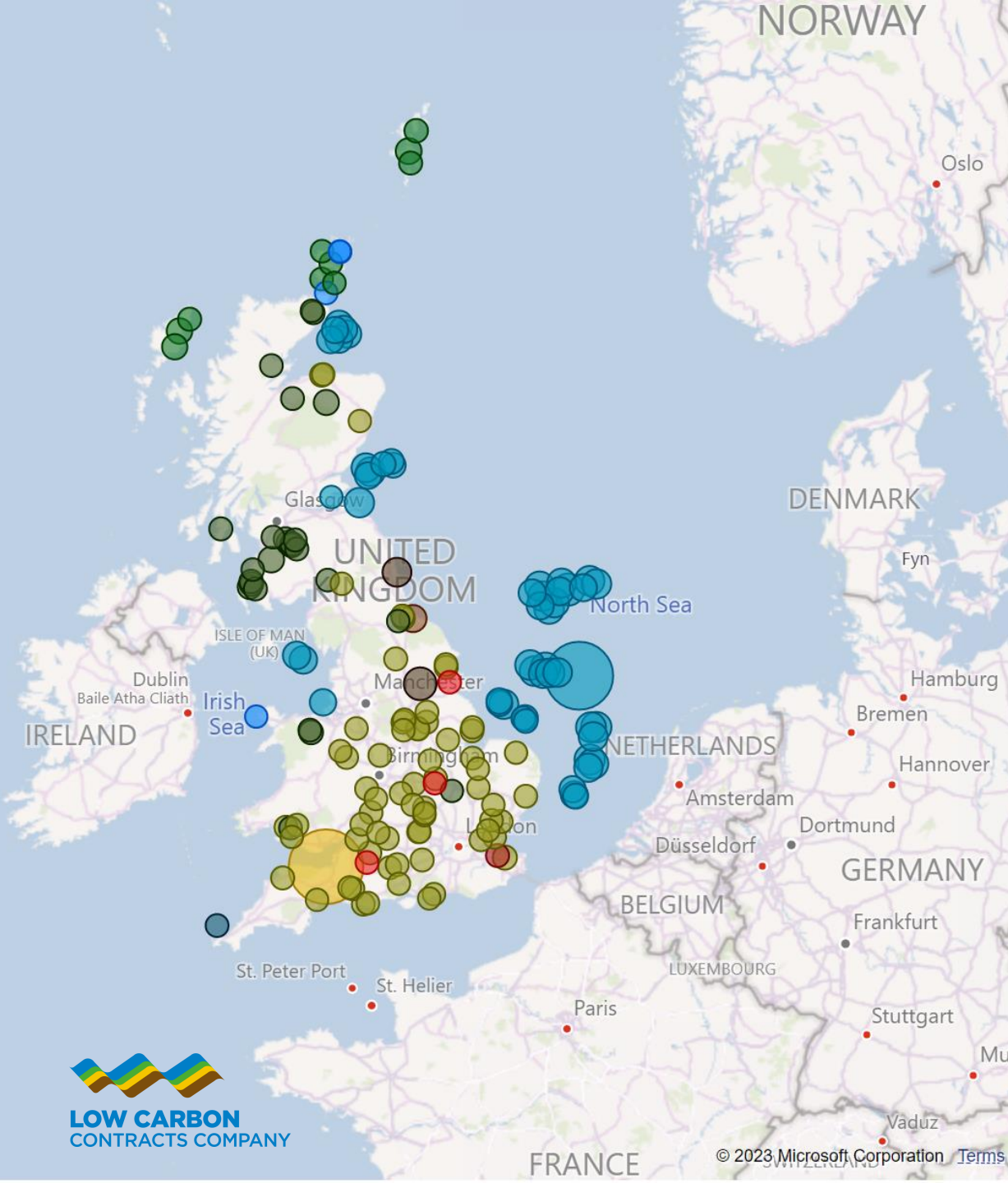


LOW CARBON CONTRACTS COMPANY

An independent, non-profit private company
owned by the Secretary of State for Energy
Security and Net Zero (ESNZ)

Our Vision...
is to be at the heart
of the delivery of the
UK's goal for **secure,**
affordable and
sustainable
electricity

**LCCC's Guiding
Principle...**
Is to **maintain investor
confidence** in the CfD
Scheme and **minimise
costs to consumers**



The Success of the CfD Mechanism

- LCCC is the counterparty to 167 projects managed under CfDs.
- Once all contracted assets are operational, they will total 29.7GW.
- 38.8% of the UK's current total generating capacity of ~76.5GW.
- The CfD works as designed and has paid back £590m to suppliers in the last four quarters.

Our expansion into new schemes

Low Carbon Hydrogen

Industrial Carbon Capture Agreement

Dispatchable Power Agreement

Nuclear RAB

Subject to legislation

Subject to legislation

Designated counterparty to the Dispatchable Power Agreement

Designated as revenue collection counterparty for nuclear Regulated Asset Base (RAB) model.

Counterparty to the Low Carbon Hydrogen Agreement

Counterparty to the Industrial Carbon Capture Agreement

LCCC engaged advisory work with DESNZ for the development of the schemes

Pre-Application window

What considerations need to be made before Application window?



Minor and Necessary Modifications

The process for M&N modifications include:

- Engage in preliminary discussions with LCCC
- Apply for modifications during the **M&N Modification Request Window**
- Opens after publication of Allocation Round Notice
- Closes no less than 20 working days before the application closing date specified in the Allocation Round Notice

Information to be provided must include:

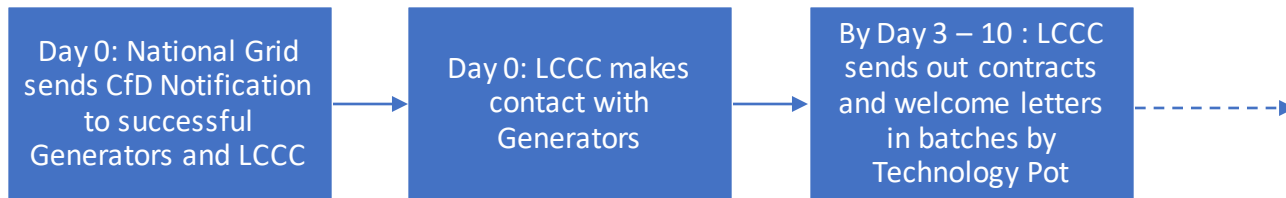
- Short description of change
- Proposed amendment in tracked changes to the CfD wording
- Explanation of why it is both minor AND necessary

Determination before application closing date ensures applicants can submit, amend or withdraw their applications based on this determination

Contract Production

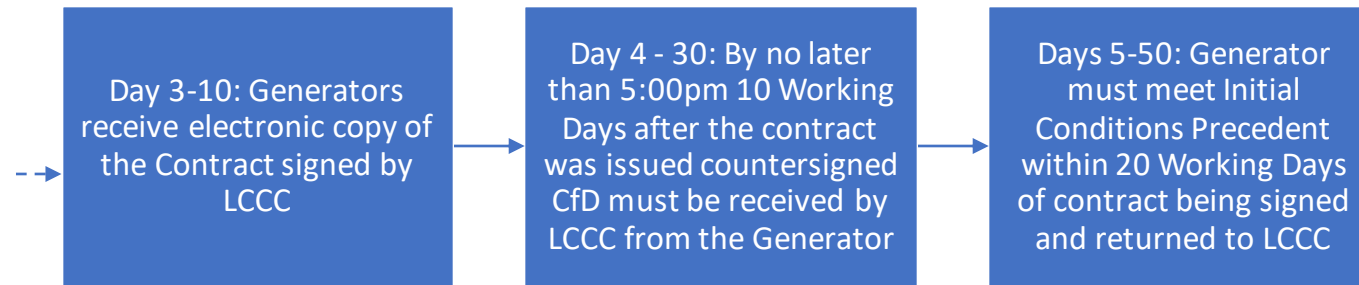
Day 0 to 10 following successful auction

nationalgridESO



Contract Signing

Day 4 to 50 following successful auction

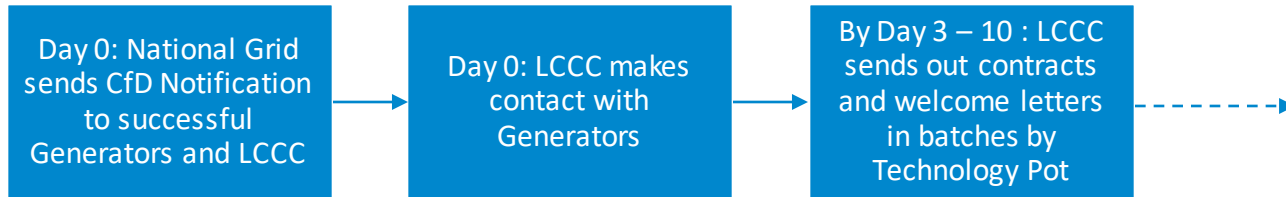


To note: LCCC can only offer a contract to a party named in the CfD Notification. It can only be that party who signs the agreement

Contract Production

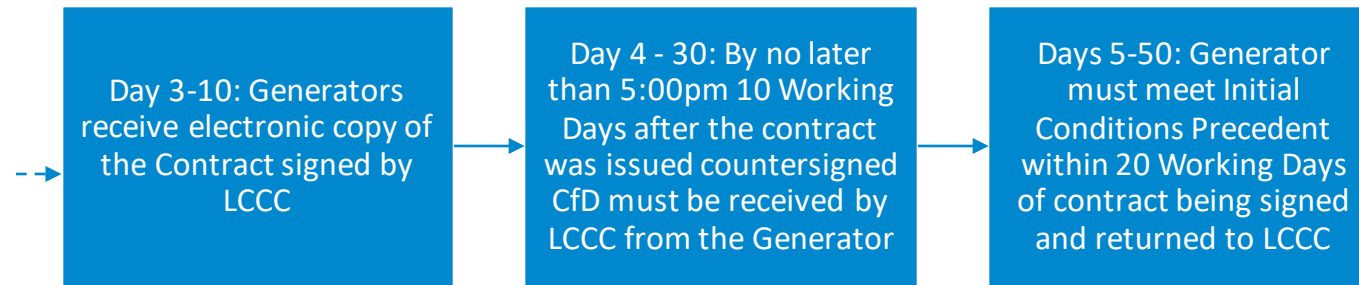
Day 0 to 10 following successful auction

nationalgridESO



Contract Signing

Day 4 to 50 following successful auction



To note: LCCC can only offer a contract to a party named in the CfD Notification. It can only be that party who signs the agreement

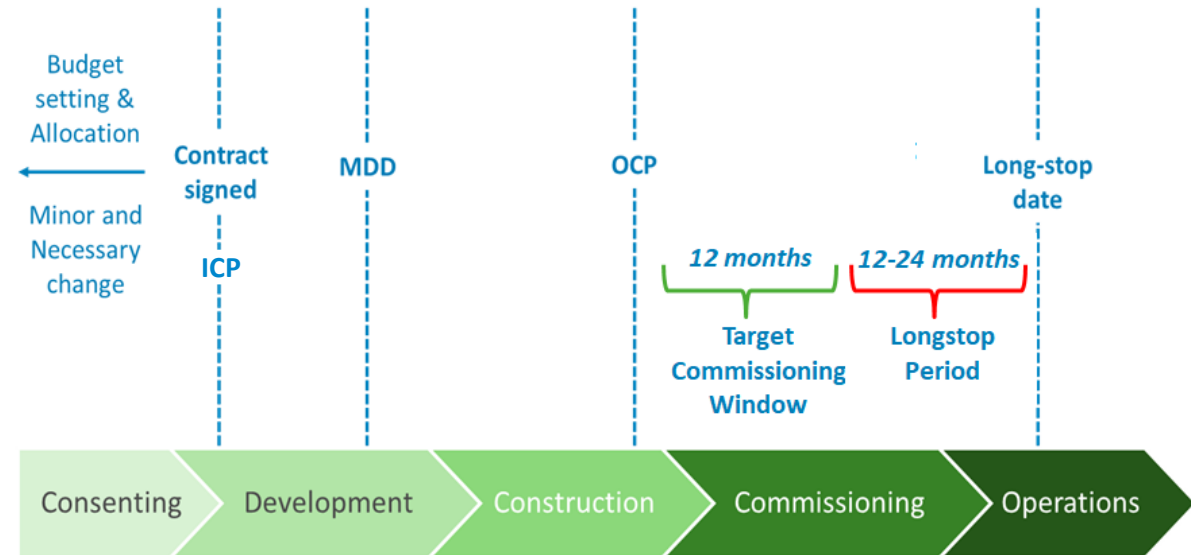
CFD Milestones

Initial Conditions Precedent (ICP),
Milestone Delivery Date (MDD),
Operational Conditions Precedent (OCP),
Target Commissioning Window (TCW)
& Longstop Date



CFD milestone overview

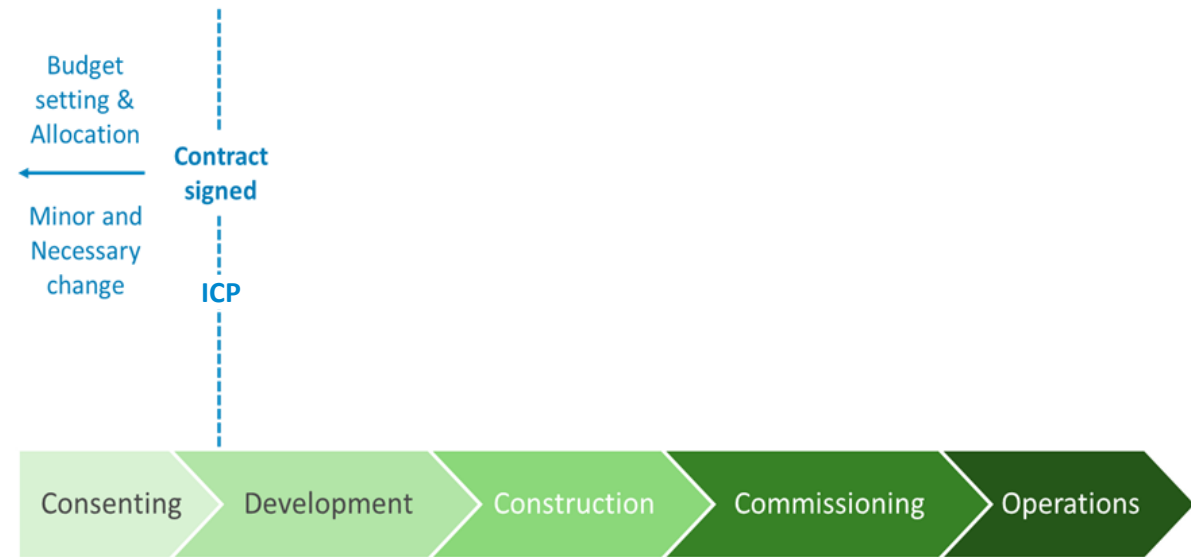
- **Initial Conditions Precedents (ICP)**
 - Conditions must be fulfilled after signing contract
- **Milestone Delivery Date (MDD)**
 - Demonstrate material and timely project commitment
- **Operational Conditions Precedent (OCP)**
 - Conditions must be fulfilled prior to the Start Date
- **Target Commissioning Window (TCW)**
 - A Start Date after the TCW End Date results in contract erosion (i.e. reduced subsidy payments)
- **Long Stop Date**
 - Date by which Generator must produce declared amount of electricity



Initial Conditions Precedent (ICP)

- First contractual milestone, requires Generators to provide specific information to demonstrate they can legally enter into a CfD and perform their obligations
- Within 20 Business Days of signing the CfD, Generators must provide:

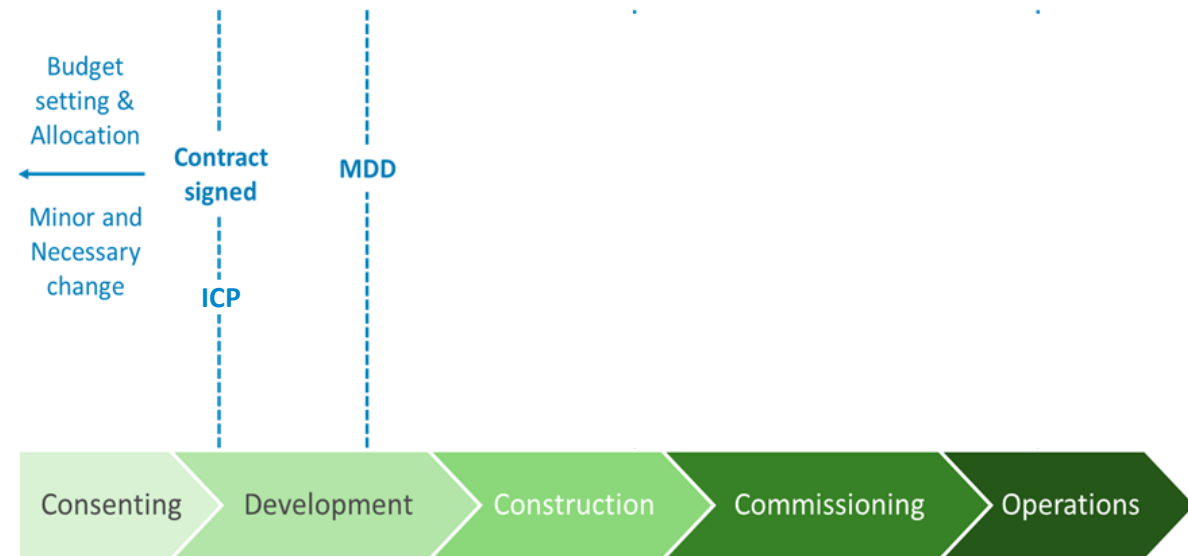
- **(A) Legal Opinion** – Confirming the Generator’s legal capacity and authority to enter into / perform the CfD
- **(B) Know Your Customer (KYC) information** - LCCC must be satisfied of the legal identity, ownership and control of the Generator
- **(C) Facility Description** - Details of the assets comprising the Facility and a map or plan of the Facility
- **(D) Electricity Storage Facility** - Details of energy storage assets which are intended to be located within or are associated with the Facility
- **(E) Facility Description (ACT only)** – Requires Advanced Conversion Technology projects to include a process flow diagram of the Facility, demonstrating compliance with the Physical Separation Requirement



Failure to fulfil the Initial Conditions Precedents provides LCCC with a right to terminate the CfD

Milestone Delivery Date (MDD)

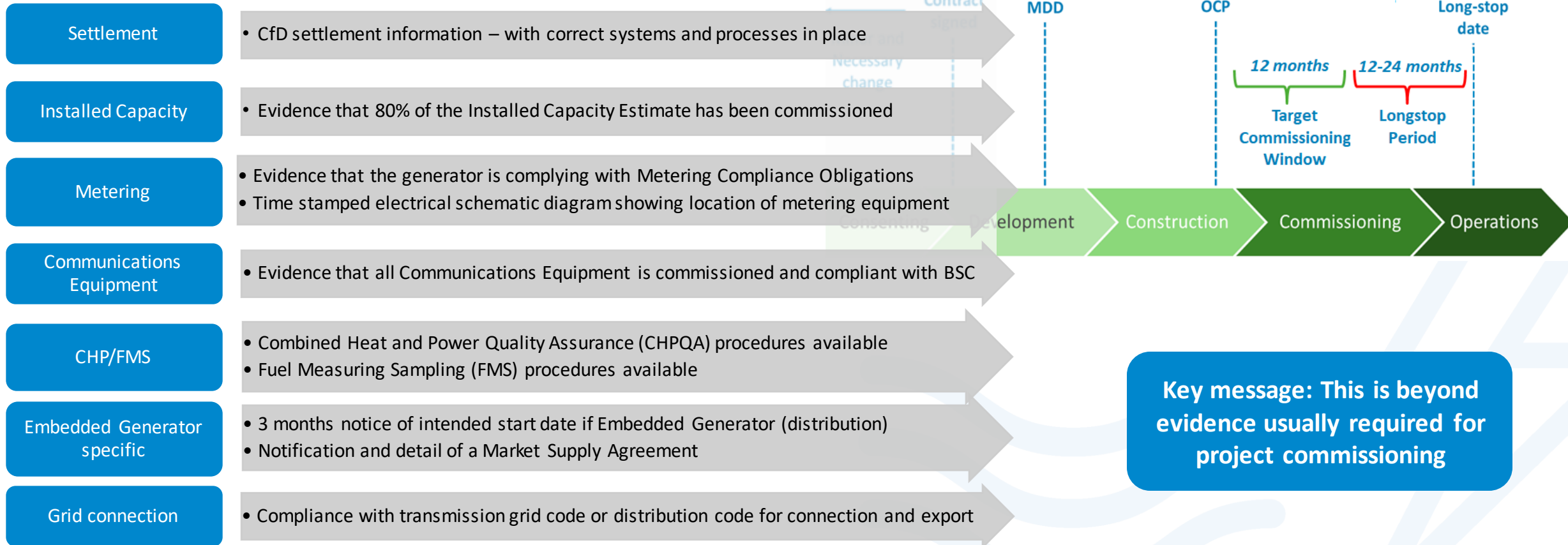
- Milestone Requirement (MR) confirms progress of Projects and intends to deter speculative bids and mitigate risk of CfD budget blocking
- Within 18 months of the CfD being granted, the Generator must provide evidence via:
 - A. the “10% spend” route - demonstrating that it and its direct shareholders have spent 10% or more of a project’s pre-commissioning costs; or
 - A. the “Project Commitments” route - including
 - i. A board resolution to progress the project
 - ii. Evidence of sufficient financial resources to meet the Total Project Spend
 - iii. Site Leases and Necessary Consents
 - iv. Executed Material Equipment contracts
- A Directors' Certificate is required to affirm information accuracy



Failure to meet the MR by the MDD provides LCCC with a right to terminate the CfD

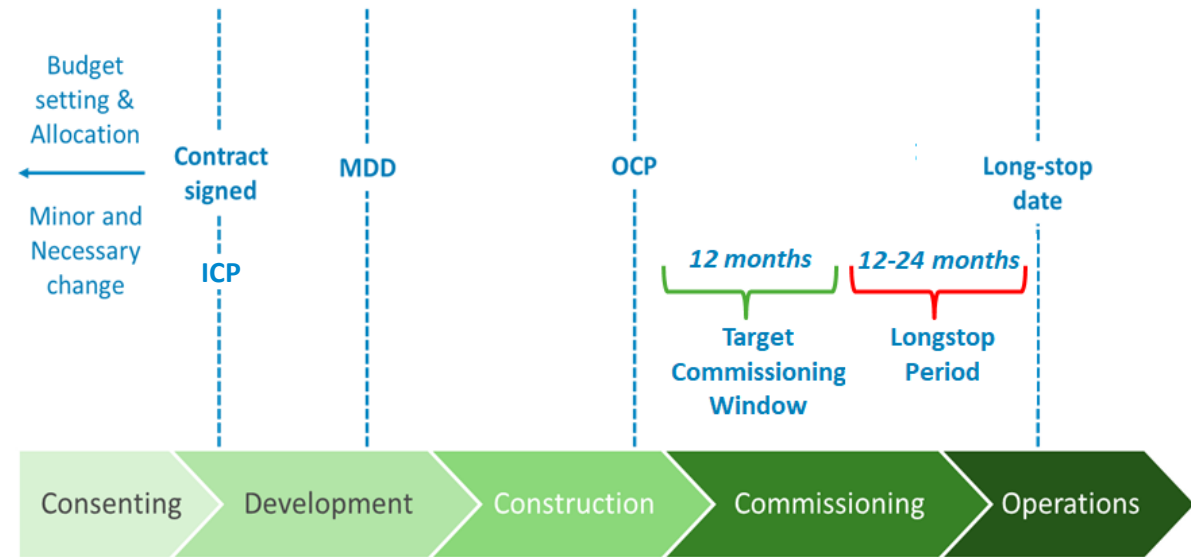
Operational Condition Precedents (OCPs)

- Generator must complete the OCPs before issuing a Start Date Notice



Target Commissioning Window and Longstop Date

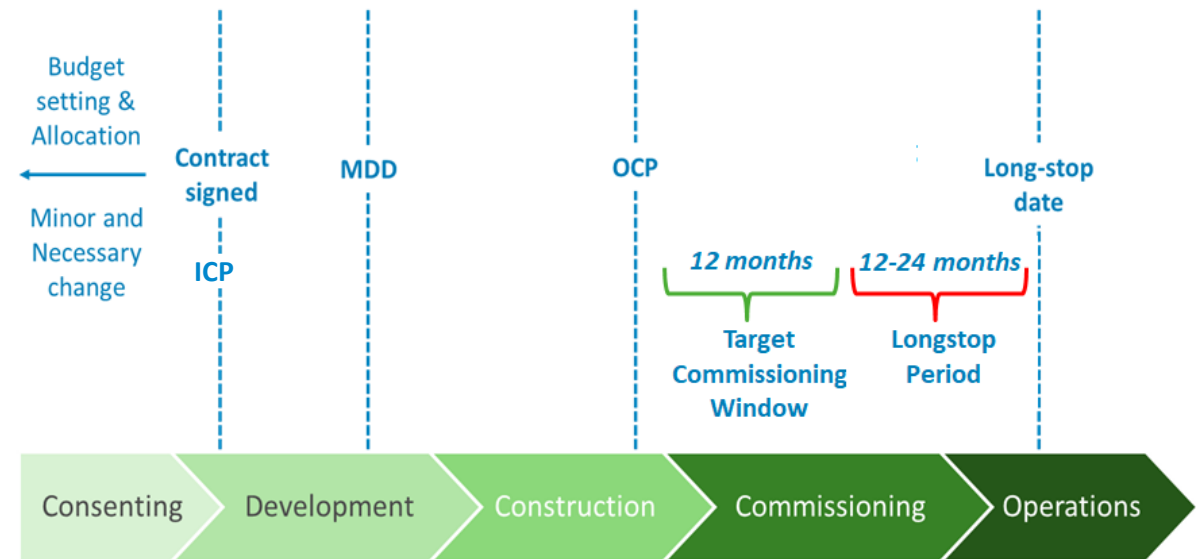
- LCCC has reduced reporting requirements for Generators and we now only require the expected Start Date and the Installed Capacity on;
 - the Agreement Date;
 - a monthly basis for the 6 months prior to the Expected Start Date; and
 - upon request, or when a Generator becomes aware there is a change.



- The Start Date cannot occur before commencement of the Target Commissioning Window (TCW)
- The CfD's 15-year term will begin to erode after the last day of the TCW regardless of whether the Start Date has occurred
- The CfD may be terminated where the Generator does not achieve the Start Date and / or commission at least the Required Installed Capacity (RIC) before the Longstop Date
- Required Installed Capacities are 85% for offshore wind and 95% for all other technologies

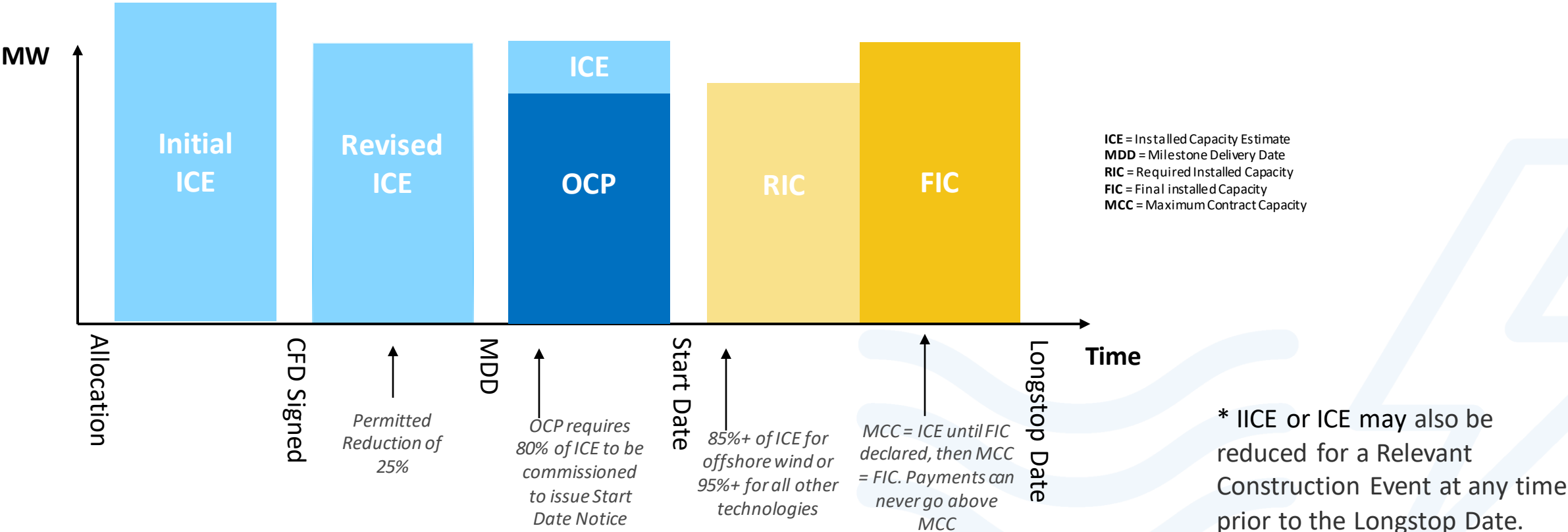
Final Installed Capacity (FIC)

- Generator must declare Final Installed Capacity (FIC) no later than 10 working days after the Longstop Date
- FIC can be no higher than Installed Capacity Estimate (ICE) and no lower than Required Installed Capacity (RIC)
- Level of difference payment is capped at the declared FIC – this is the Maximum Contract Capacity (MCC)
- Any generation in excess of the MCC may be sold as merchant capacity but LCCC must be consulted
- FIC is the last of the CfD milestones but equally important as failure to comply confers a right of contract termination



Installed Capacity Journey

“**Installed Capacity**” is the capacity of the Facility (expressed in MW) were it to be operated at optimal conditions on a continual basis at the maximum capacity possible without causing damage to it, net of any loads due to operating the Facility and any losses incurred between the generators and the meter



What if my project is delayed?

- CfD provides protection to generators against delays to grid connection works and Force Majeure events
- MDD, end of TCW and LSD may be extended day for day based on evidence of the impacts on the project



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Contracts for Difference AR5 Launch Event
23 February 2023

Contracts For Difference

Ofgem's Role in the CfD Appeals Process

Robin Dunne

Ofgem is the Office of Gas and Electricity Markets. We are a non-ministerial government department and an independent National Regulatory Authority, recognised by EU Directives. Our role is to protect consumers now and in the future by working to deliver a greener, fairer energy system.

We do this by:

- **working with Government, industry and consumer groups to deliver a net zero economy at the lowest cost to consumers.**
- **stamping out sharp and bad practice, ensuring fair treatment for all consumers, especially the vulnerable.**
- **enabling competition and innovation, which drives down prices and results in new products and services for consumers.**

“

The information provided in these slides should be read in conjunction with the *Contracts for Difference (Allocation) Regulations 2014 (as amended)* (the “CfD Regulations”).

If there is any inconsistency between the statutory documents and these slides, the statutory documents take precedence.

”

Ofgem's Role in the CfD Appeals Process

IF

an applicant's prequalification submission is rejected

AND

the DB has undertaken a non-qualification ("Tier 1") review and upheld the rejection

THEN

the CfD applicant can submit a ("Tier 2") appeal to Ofgem under Reg 43 of the CfD Regulations

THEN

Ofgem must assess and resolve this appeal between the NGENSO Delivery Body ("the DB") and the applicant

How to request resolution of a dispute



If the DB has issued a non-qualification notice after a Tier 1 review, the applicant can apply to Ofgem for a Tier 2 review



The appeal notice to submit to Ofgem can be found in Appendix 2 of our [Disputes Guidance](#)

This is submitted to EMR_DR@ofgem.gov.uk within 5 working days of the DB Tier 1 decision

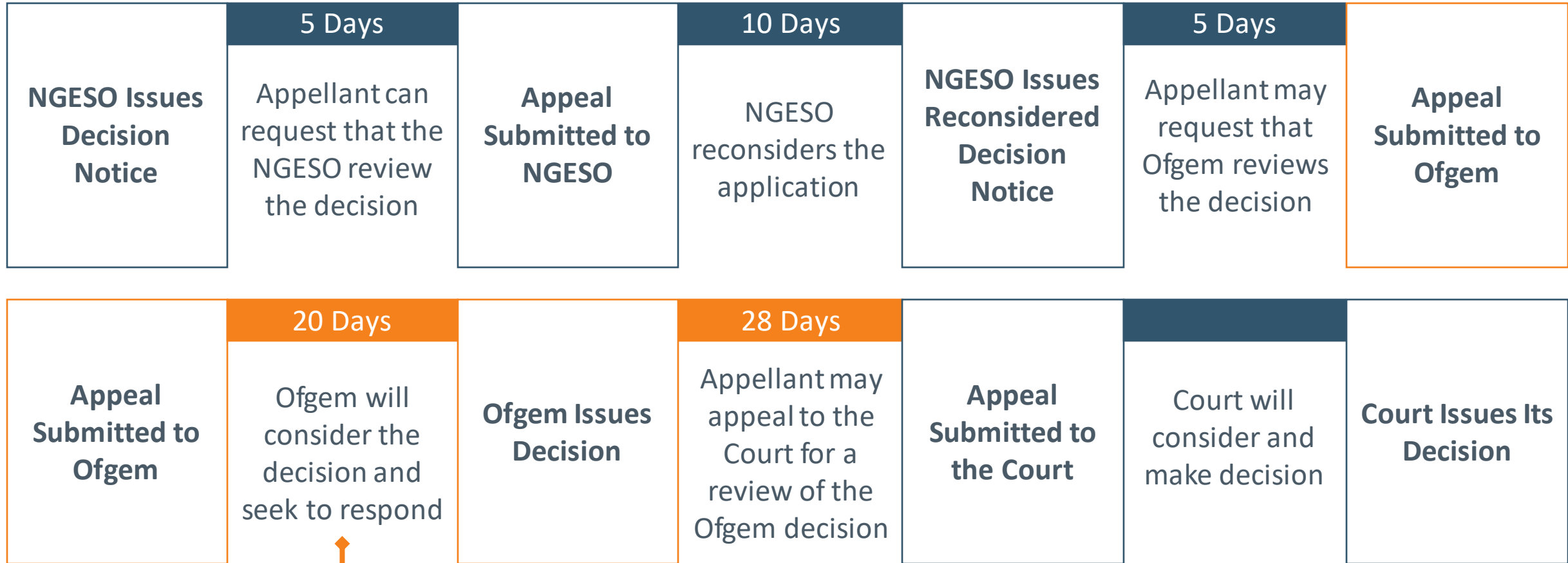
Ofgem will confirm receipt



Ofgem will consider the appeal and will then uphold or overturn the DB decision

This decision will then be published on our website

Indicative Appeal Timeline



Ofgem may exceed the 20 day target if this is necessary, e.g. to reach a robust, rational and procedurally fair decision, or due to a high volume of applications. If this is the case, Ofgem will inform parties to the dispute how much additional time will be required.

Appeal: Required Information

Appeal Notice



- Statement identifying disputed part of DB decision and setting out key facts
- Summary of grounds for dispute.
- Succinct arguments supporting each of the grounds
- Schedule listing further documents submitted

- Non-qualification determination
- Tier 1 decision notice
- Evidence submitted to DB for Tier 1 Review
- Indication of what evidence DB had at Tier 1 review
- Other relevant evidence

Accompanying Documents



Upon receiving the appeal notice:



Ofgem will notify the DB that an appeal has been submitted



Ofgem will only review the decision made by the DB - applicants should only provide information submitted with their original application or information that clarifies a believed DB misunderstanding



Ofgem will consider whether the DB correctly applied the CfD Regulations and CfD Allocation framework correctly, based on the evidence they had before them at the time of the decision



Ofgem will send a copy of our decision to the applicant and the DB, and will publish a copy on our website

Successful Tier 2 Appeal



- Ofgem may determine that an appellant does qualify
- Regulations 51 and 52 of the CfD Regulations explain how this affects participation in the allocation process if the round has already commenced

Unsuccessful Tier 2 Appeal



- Once we have issued a decision notice, we will not consider the dispute further
- If we decide not to overturn the DB's decision, the appellant can appeal to the Court to reconsider our decision

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Delivery Body



Department for
Energy Security
& Net Zero

Coffee break

11.25am–11.40am

The background of the slide features a close-up, artistic photograph of a telescope's internal mechanism, possibly a mirror or lens assembly, rendered in shades of blue and green. Several bright green light rays or fiber optic cables are shown entering from the left and interacting with the central component, creating a sense of advanced technology and data flow.

CfD AR5 Launch Event

Section 2 Application Breakout

Thursday 23rd February 2023

Legal Disclaimer and Copyright

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Capitalised terms used in this document shall have the same meanings given in the Contracts for Difference (Allocation) Regulations 2014 (as amended).

Please note that the rules outlined in the Allocation Framework for AR5 and Contracts for Difference (Allocation) Regulations 2014 (as amended) take precedence over this guidance document and participants are encouraged to familiarise themselves with these rules and regulations, and if appropriate seek legal advice, before proceeding with an application.

Confidentiality

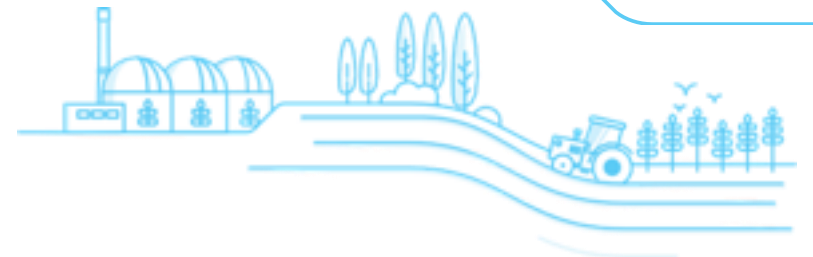
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Contents

- **Application Portal Demo**
- **Application Guidance**



EMR Portal Application Demo

Electricity Market Reform

Electricity Market Reform (EMR) aims to deliver low carbon energy supplies whilst maintaining security of supply and minimising the cost to the consumer. EMR introduces two key mechanisms to provide incentives for the investment required in our energy infrastructure.



Latest News

[REFRESH](#)

[Capacity Market: Reminder System Outage on the EMR Delivery Body Website an...](#)
published 10 Feb 2023

[Relevant Balancing Services Guidance - Official Consultation now open](#)
published 7 Feb 2023

[Contracts for Difference: AR5 draft guidance documents are now available & ...](#)
published 6 Feb 2023

[Capacity Market: Now Available – New Portal Delivery Update Webinar](#)
published 6 Feb 2023

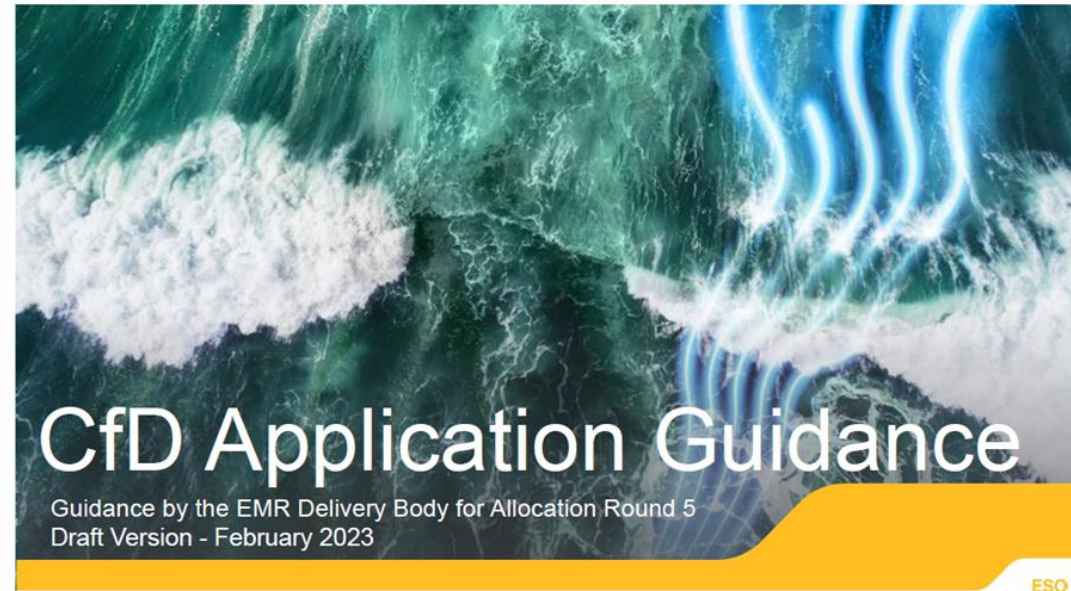
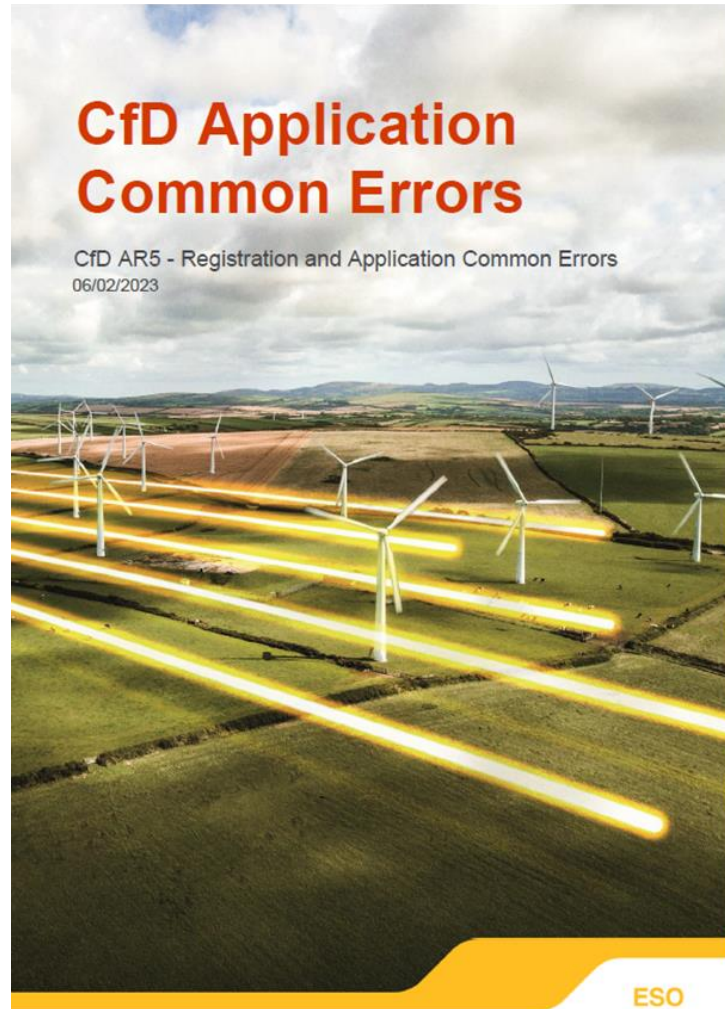
[Final T-1 and T-4 Capacity Market Auctions Guidelines are available and Con...](#)
published 23 Jan 2023

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Further Support on the Application Submission



Category : Allocation Round 5 Guidance Document (6)

-  CfD AR5 Application Form Common Errors v1.0
-  CfD AR5 Application Guidance - Draft v2.0
-  CfD AR5 Guidance - All System Application Questions v1.0
-  CfD AR5 Pre-Application Activities Guidance v2.0
-  CfD Company Registration and User Management Guidance v2.0

The background of the slide features a close-up, artistic photograph of a telescope's internal mechanism, possibly a mirror or lens assembly, rendered in shades of blue and green. Several bright green light trails or fiber optic cables are visible, extending from the bottom left towards the center of the frame, creating a sense of dynamic energy and technology.

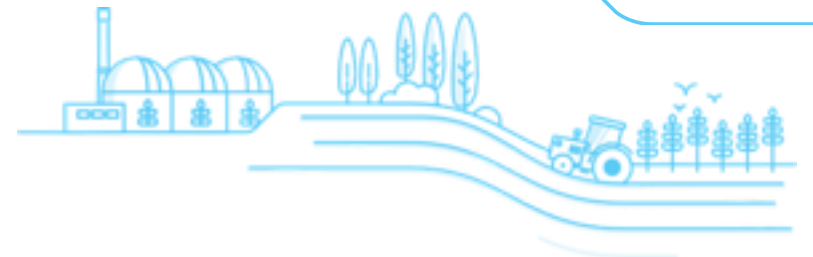
CfD AR5 Launch Event

Section 2 Allocation Breakout

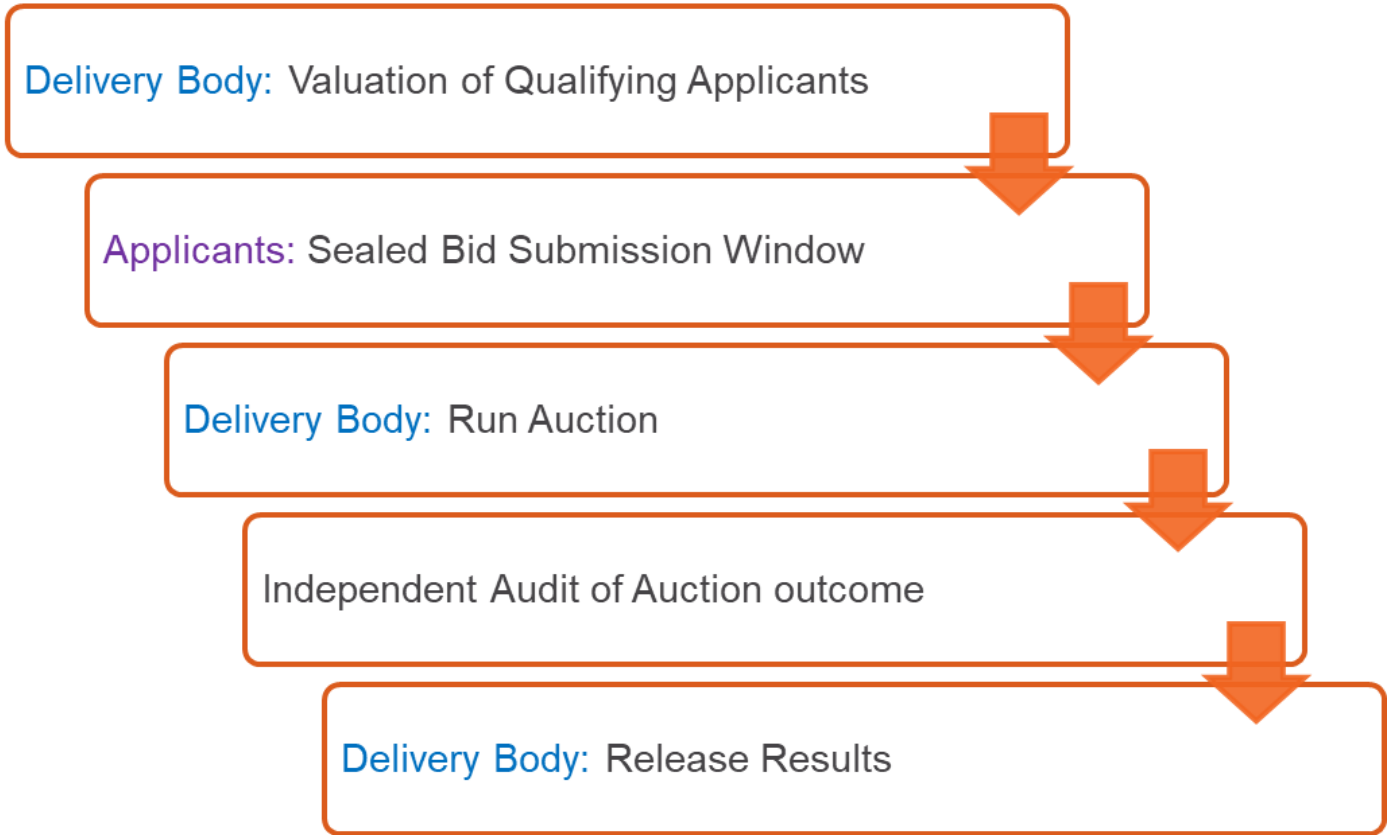
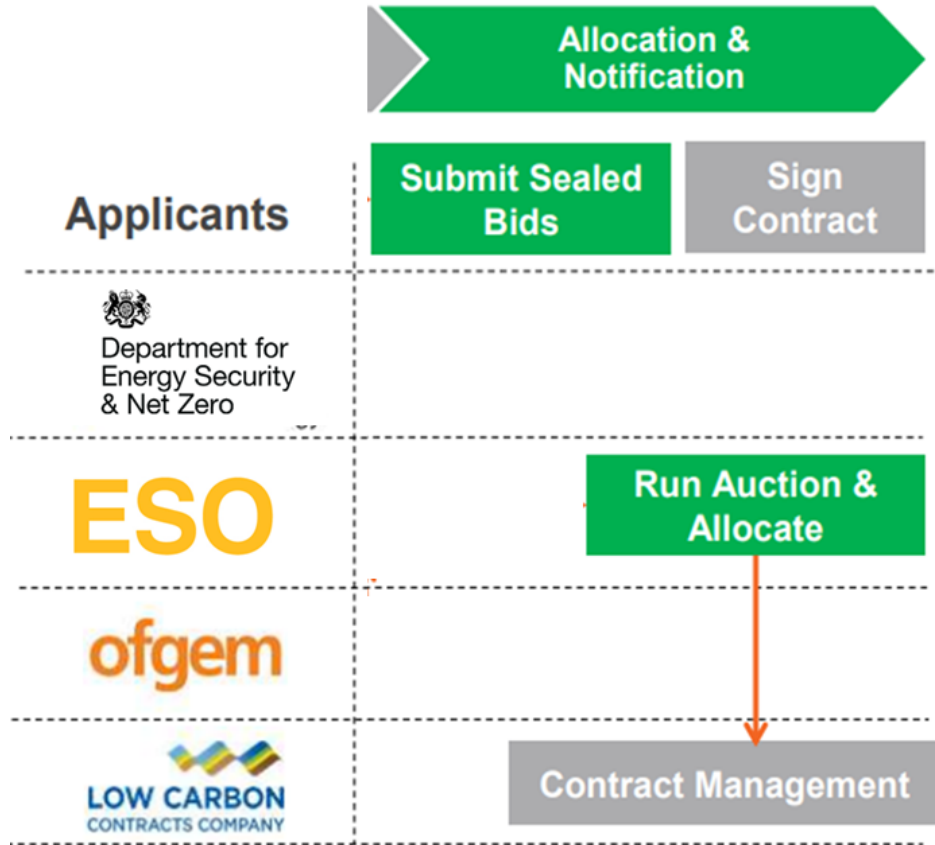
Thursday 23rd February 2023

Contents

- **AR5 Auction Rules**
- **Valuation and Budget Impact**
- **Sealed Bids**
- **Auction Types**
- **Bid Stack and Auction Scenarios**



Overview of Allocation and Notification Process



Overview of Auction Rules

Key Auction Rules

What does this mean?

9. Allocation Process

- Determining which Auctions will take place for the Allocation Round based on the valuation of the applications.

11. Submission of Sealed Bids

- Criteria for the submission of sealed bids
- Rule 12 further details the requirements of Phased Offshore Wind CfD Units

14. Soft Constraints

- Soft Constraints can apply to a budget and must be expressed in capacity terms such as a Pot Capacity Cap or Overall Capacity Cap, and/or a Minimum or Maximum. Any bid which causes the Monetary Pot or Monetary Budget to be exceeded is unsuccessful

15. Order of Auctions

- Minimum auctions must be carried out prior to any other auctions that are required.
- If multiple auctions subject to a Minimum or in accordance with Rule 18, the budget notice will specify the order of auctions .

16. Minimum auctions

- Any unsuccessful Qualifying Applications under the Minimum auction or that are not subject to the Minimum must be considered in the auction in relation to the relevant Pot or Overall Budget (as appropriate).

17. Auction in relation to Pots or the Overall Budget

- All bids are to compete based on strike price, being stacked from lowest to highest
- Bids subject to a Maximum are to be cleared to a separate maximum specific clearing price

18. Maximum only auction

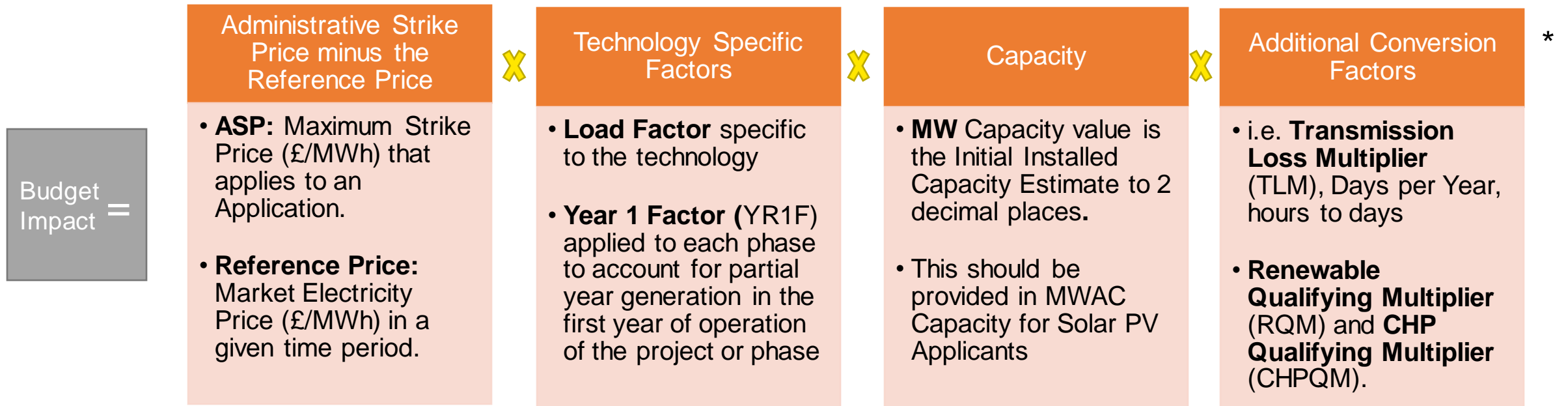
- A maxima only auction is triggered when the capacity sum or cost in £ would exceed the maxima, but the cumulative Monetary Pot or Budget and/or any applicable Pot or Overall Capacity Cap is not exceeded.

19. Tiebreaker Rules

- Triggered when two or more sealed bids in an auction have the same Strike Price and both/all cannot result in Successful Applications.

Valuation of Applications

- All qualifying applications must be valued by the Delivery Body in respect of each of the years specified in the Budget Notice.
- Where a Pot Capacity Cap or Overall Capacity Cap is stated in the Budget Notice and/or where Minima and/or Maxima are stated in MW, the method for the Applications Valuations of capacity will be the sum of the capacity of all relevant Applications.
- The method of calculation for determining the monetary Applications Valuations (including valuation of Applications to which Minima and/or Maxima that are stated in pounds sterling apply) is set out in Schedule 2 (“Valuation Formula”). The Valuation Formula combines the following four components to calculate the overall budget impact.



*Refer to Schedule 2 for the exact valuation formula and the relevant definitions and/or value for each term.

Overview of Sealed Bids

Sealed Bid Submission

Where the valuation of all Qualifying Applications determines that an auction is necessary, applicants will be invited to submit sealed bids via the EMR Delivery Body Portal.

Applicants will be sent a Notice of Auction.

Each Sealed Bid form must contain:

- the Applicant's proposed **Strike Price** in £/MWh*
- the **Capacity** of the CFD Unit (in MW)**
- the Applicant's Target Dates;
 - **Target Commissioning Window Start Date** [TCWSD]
 - **Target Commissioning Date** [TCD]

Add New Sealed Bid	
Strike Price Bid (£/MW)	46.00
Capacity (MW)	300.00
TCW Start Date	01/04/2025
TCD	01/06/2025

Save Cancel

* The Strike Price should be entered in 2012 Values

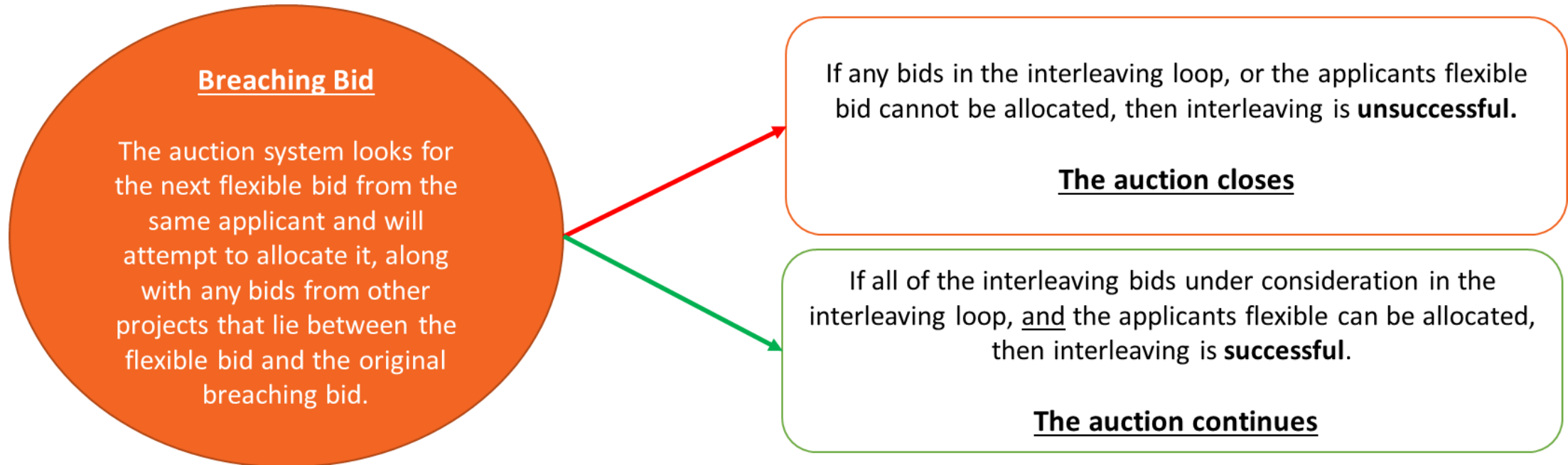
** The Capacity for Solar PV CfD Units should be stated in MWAC Capacity



A video tutorial and guidance document on how to submit Sealed Bids will be published on the EMR DB website closer to the submission window.

The basics of Flexible Bids and Interleaving

- Applicants may submit up to four Flexible Bids in total, with a maximum of two per delivery year.
- Assessment of Flexible Bids and/or Interleaving occurs when a bid breaches the budget (£) and/or capacity cap (MW) and there are still bids from the same Qualifying applicant present in the bid stack.



Order of Auctions and Auction Types

Order of Auctions

- Allocation Framework Rule 15
- Determines the Order of Auctions, Minimum auctions run first

Minimum Auctions

- Allocation Framework Rule 16
- Flexible Bids can be considered, but not interleaving

Auction in relation to Pots or the Overall Budget

- Allocation Framework Rule 17
- Flexible Bids and interleaving can be considered

Maximum Only Auction

- Allocation Framework Rule 18
- Flexible Bids and interleaving are not considered

Auction Examples

We will now look to cover some general examples of the different auction types that are applicable for Allocation Round 5. These are general examples and applicants should review the allocation framework rules for further understanding.

Auction in relation to Pots or Overall Budget

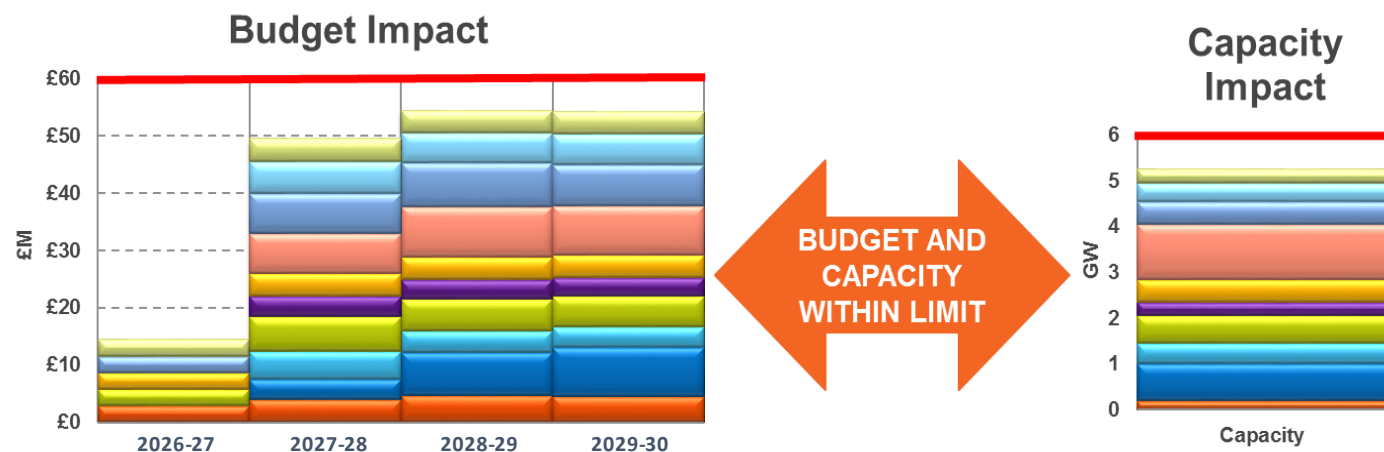
- The Bid Stack
- **Scenario 1** – Auction in relation to Pots or Overall Budget with a breach of the Monetary Budget
- **Scenario 2** – Auction in relation to Pots or Overall Budget with a breach of the Capacity Cap
- **Scenario 3** – Successful Interleaving
- **Scenario 4** – Unsuccessful Interleaving

An example that we won't cover is unconstrained allocation.

Unconstrained Allocation

Opposite is an example of unconstrained allocation, where all qualifying applications fit within both the budget and capacity limits.

This would result in no auction being run and all applications will be awarded a CfD contract at the technology specific Administrative Strike Price.



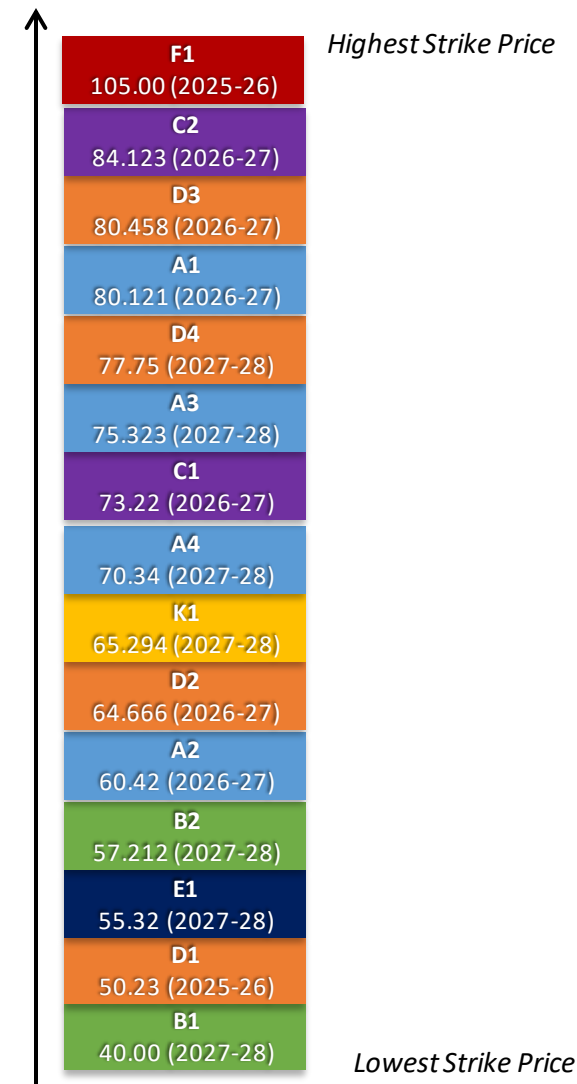
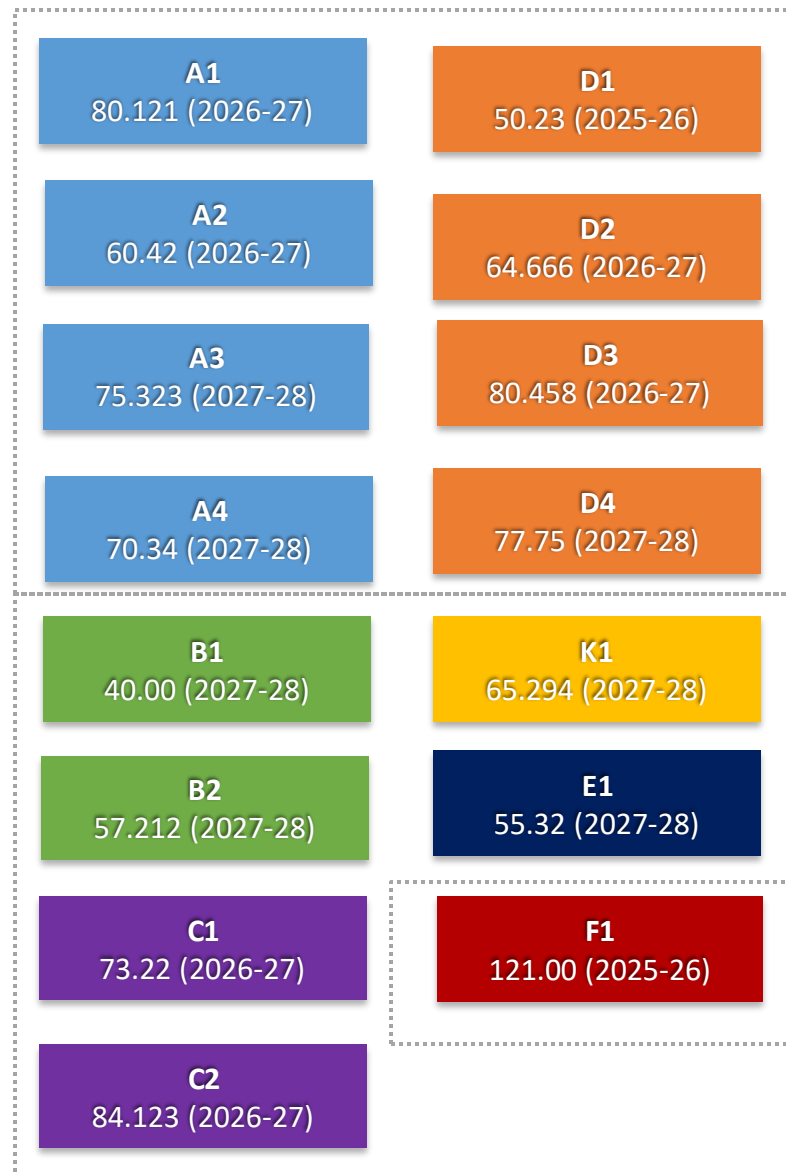
Auction in relation to Pots or the Overall Budget

AR5 Allocation Breakout Session



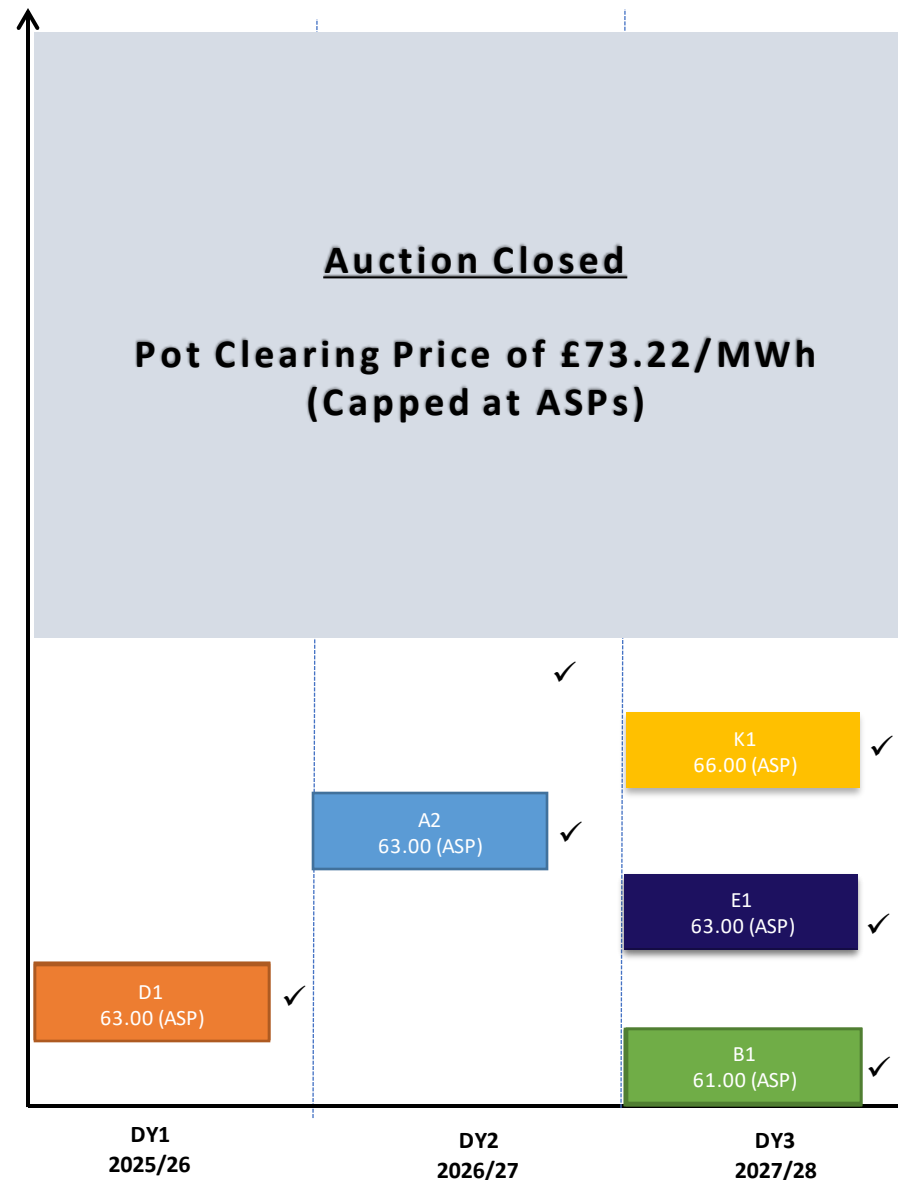
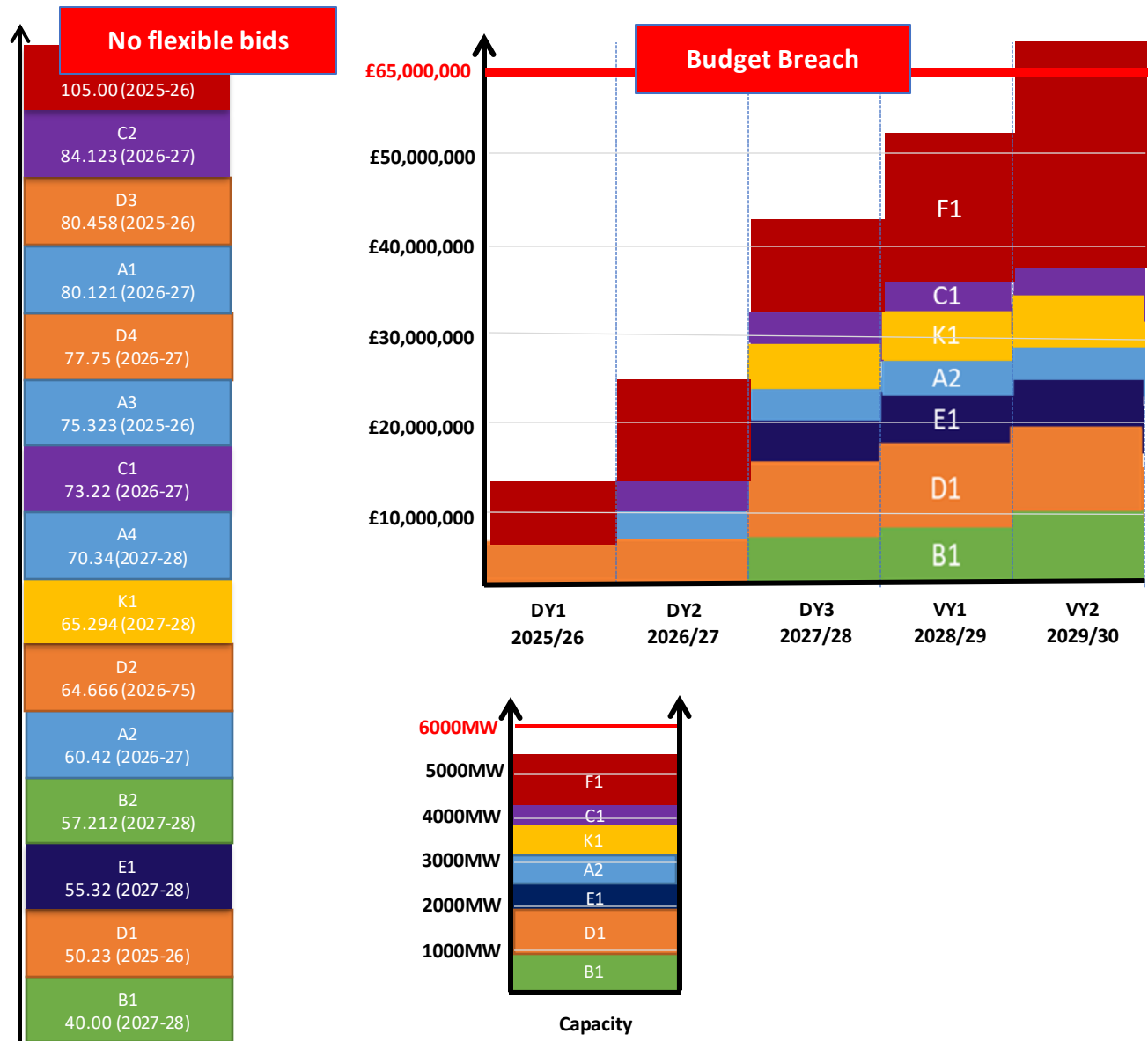
Bid Stack

- Bids in this example have been **grouped by application**.
- **Pot Budget: £65,000,000**
- **Pot Capacity: 6,000 MW**
- **Delivery Years: 2025-26, 2026-27 and 2027-28**
- **Applications A and D have four Sealed bids** each. The TCWSD of the original applications were in either the first or second Delivery Year (2025-26 or 2026-27)
- **Applications B and C have two Sealed bids** each. The TCWSD of the B's application was in the final (third) Delivery Year (2027-2028).
- **Application E and K both submitted one Sealed bid** and have TCWSDs in the third Delivery Year (2027-28)
- **Application F did not submit a sealed bid** so was assigned a default sealed bid based.
- **Sealed bids** are initially 'stacked' from the lowest price to the highest price regardless of Delivery Year, Capacity, TCD, TCWSD etc. Known as 'Bid Stack'.
- When a new bid is being assessed, this is provisional, and **all previously successful bids will be uplifted to the provisional strike price**; with the exception of technologies whose ASP have already been reached and/or are subject to separate clearing price for the relevant maximum.



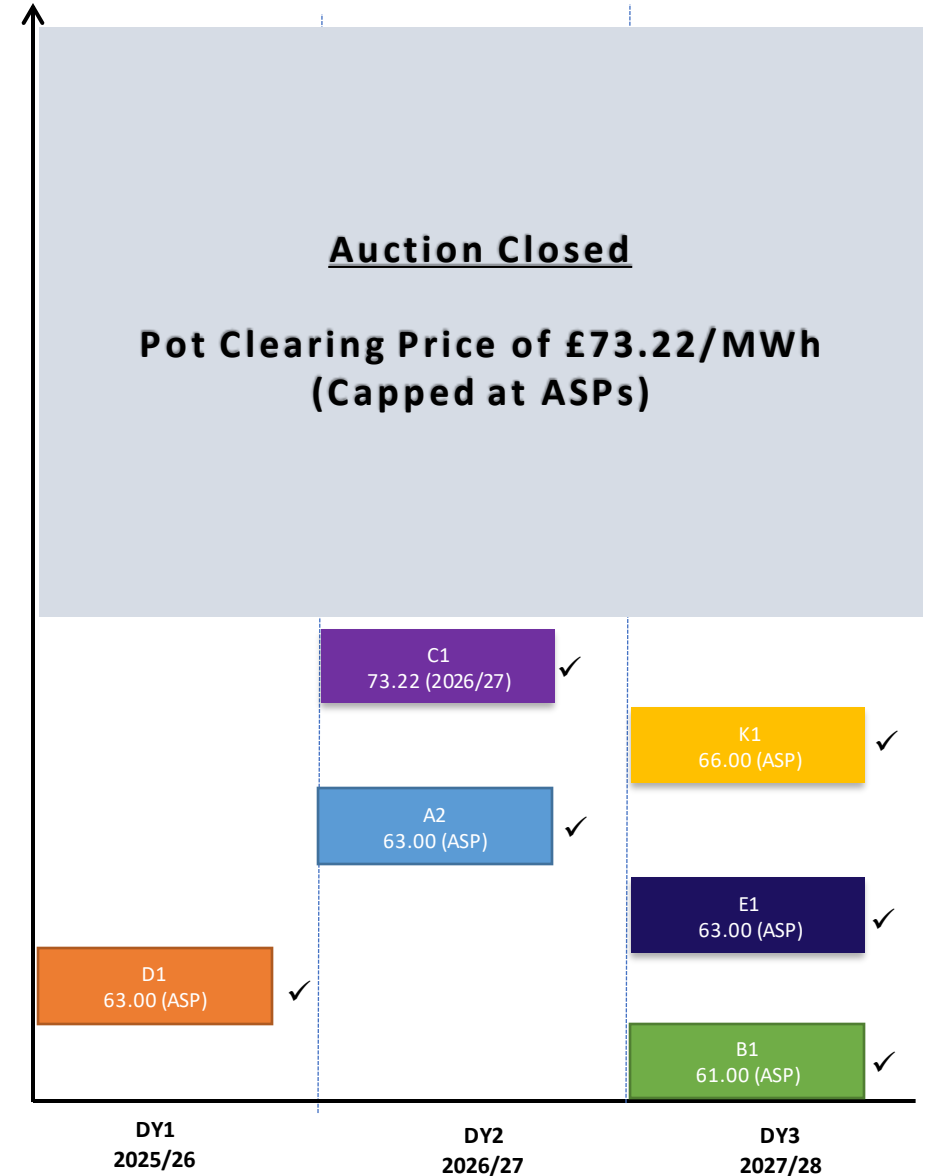
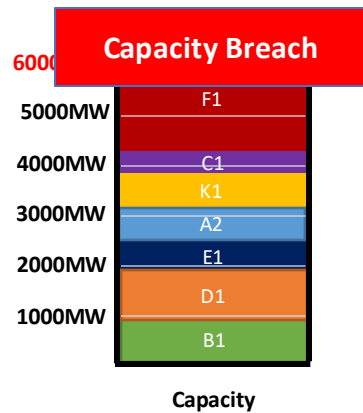
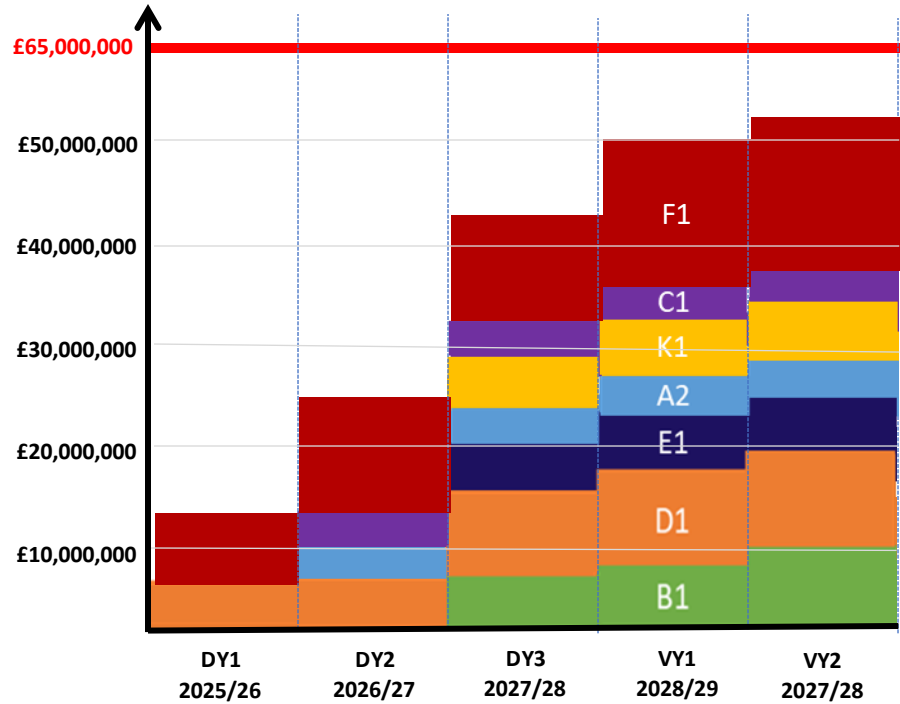
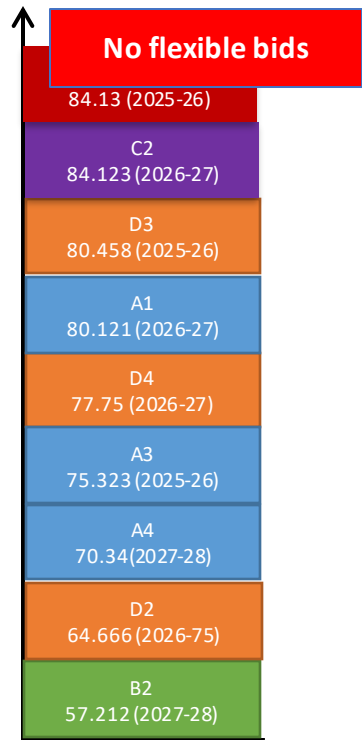
Scenario 1 – General Auction Principles

The valuation of sealed bids in these examples are for illustrative purposes only.

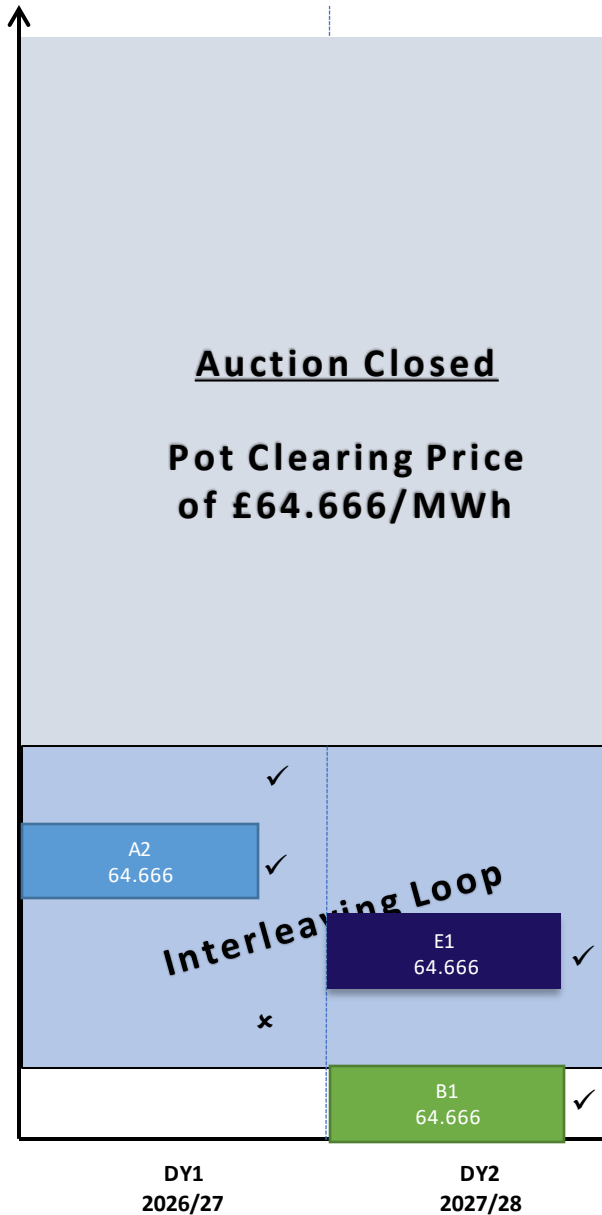
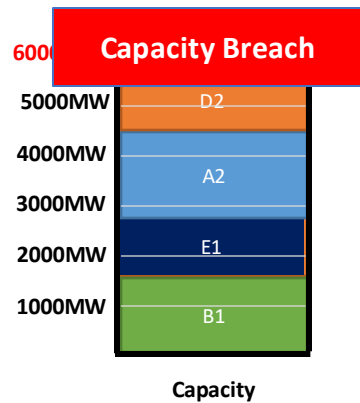
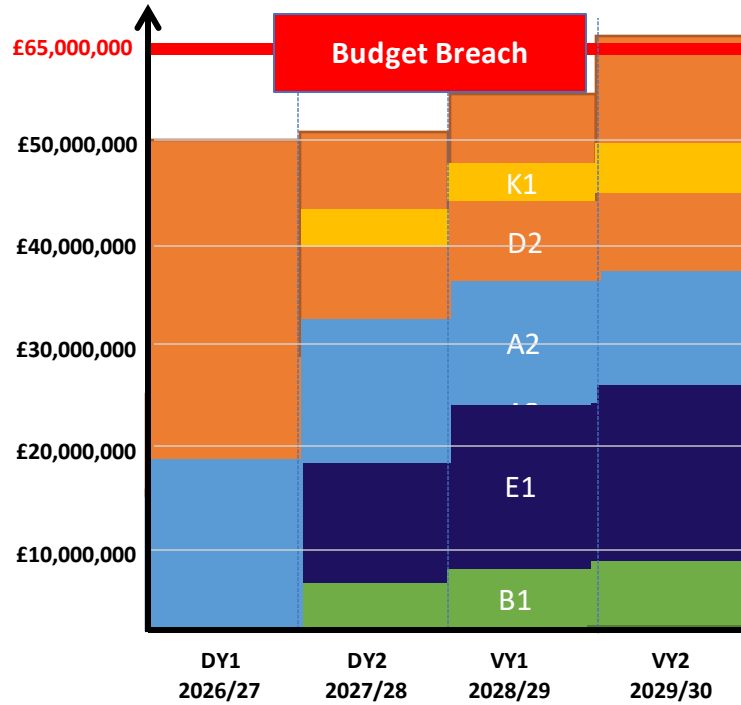
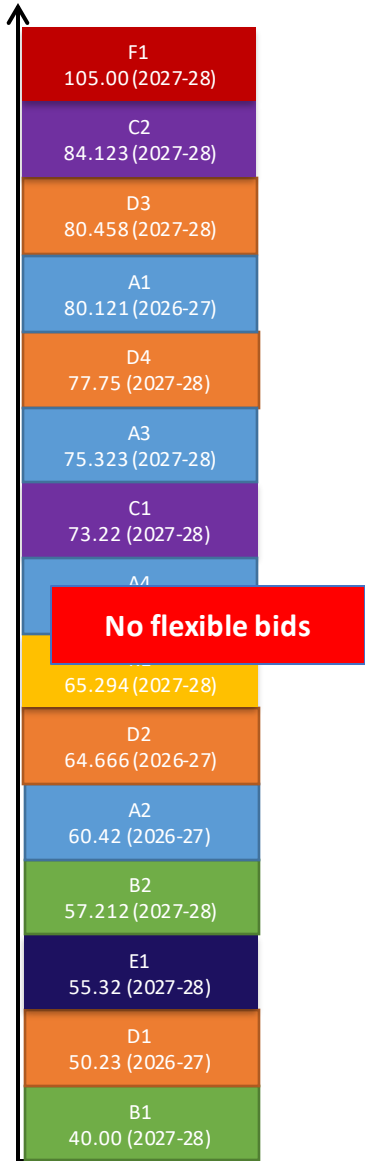


Scenario 2 – General Auction Principles: Capacity Breach (Hard)

The valuation of sealed bids in these examples are for illustrative purposes only.

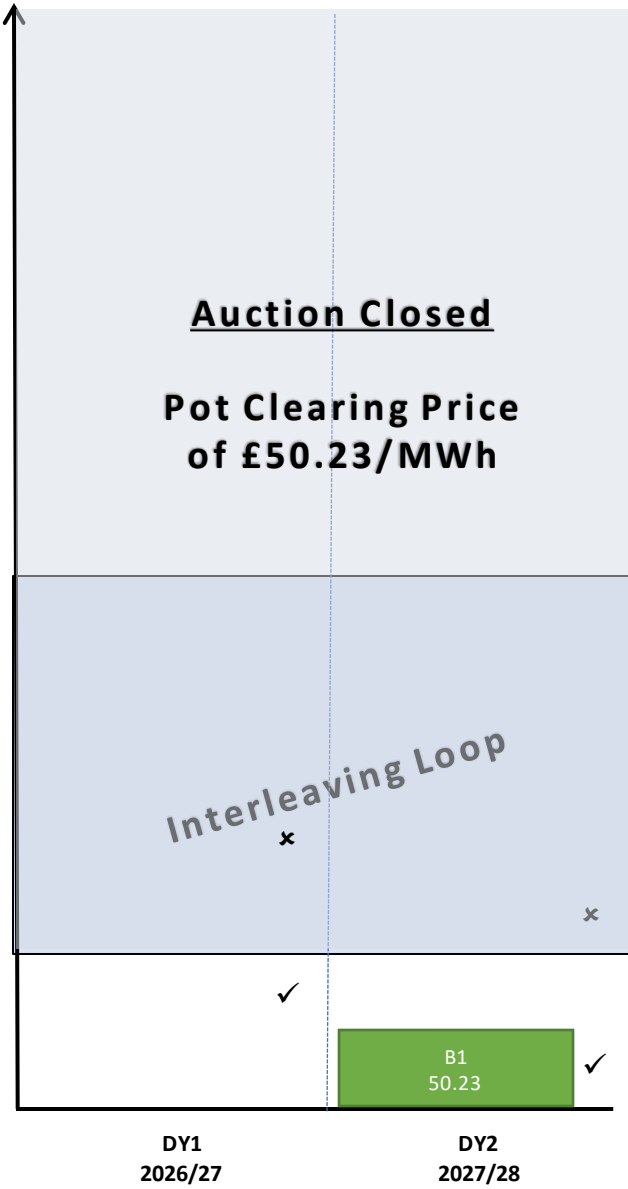
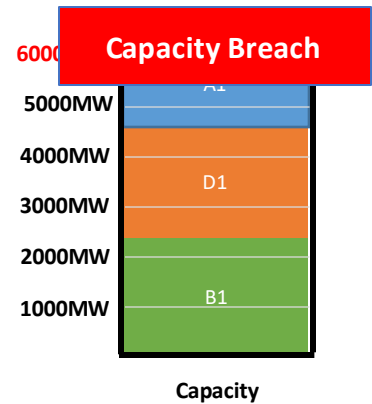
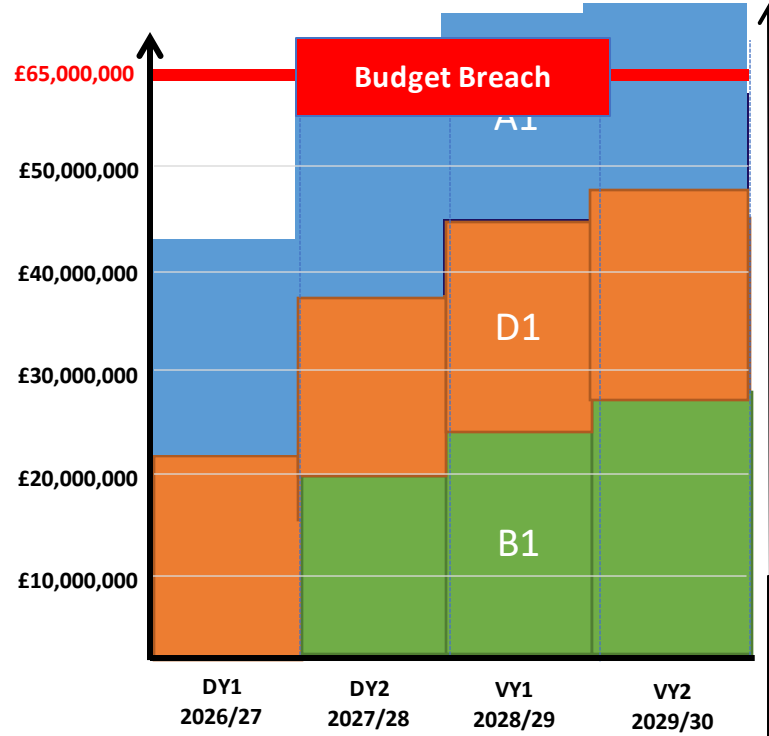
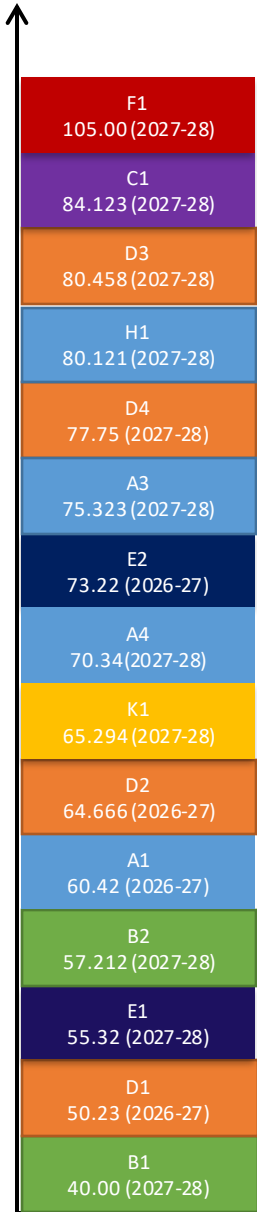


Scenario 3 – Successful Interleaving



Scenario 4 – Unsuccessful Interleaving

The valuation of sealed bids in these examples are for illustrative purposes only.



Further Support on Sealed Bids and the Auction




Department for
Business, Energy
& Industrial Strategy

Contracts for Difference Scheme for renewable electricity generation

Allocation Round 5: Draft Allocation
Framework, 2022

Recap

In Today's session we covered:

- Application Portal Demo
- Valuation and Budget Impact
- Sealed Bids
- Auction Types
- Auction Examples



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& Net Zero

Contracts for Difference AR5 Launch Event
23 February 2023

Q&A panel



Department for
Energy Security
& Net Zero

Chair: Kieran Power, DESNZ

Panellists:



Department for
Energy Security
& Net Zero

- Kieran Power
- Matthew Allen
- Relve Spread

nationalgridESO

Electricity Market Reform
Delivery Body

- Thomas Fish
- George Hunt



LOW CARBON
CONTRACTS COMPANY

- Robin
Woolnough
- Kevin Mettam

The logo for Ofgem, consisting of the word "ofgem" in a bold, lowercase, orange sans-serif font.The logo for National Grid ESO, featuring the text "nationalgridESO" in a blue, lowercase, sans-serif font, with "nationalgrid" in blue and "ESO" in orange. Below it, the text "Electricity Market Reform Delivery Body" is written in a smaller, orange, sans-serif font.

Department for
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Thank you

Contracts for Difference AR5 Launch Event
23 February 2023