

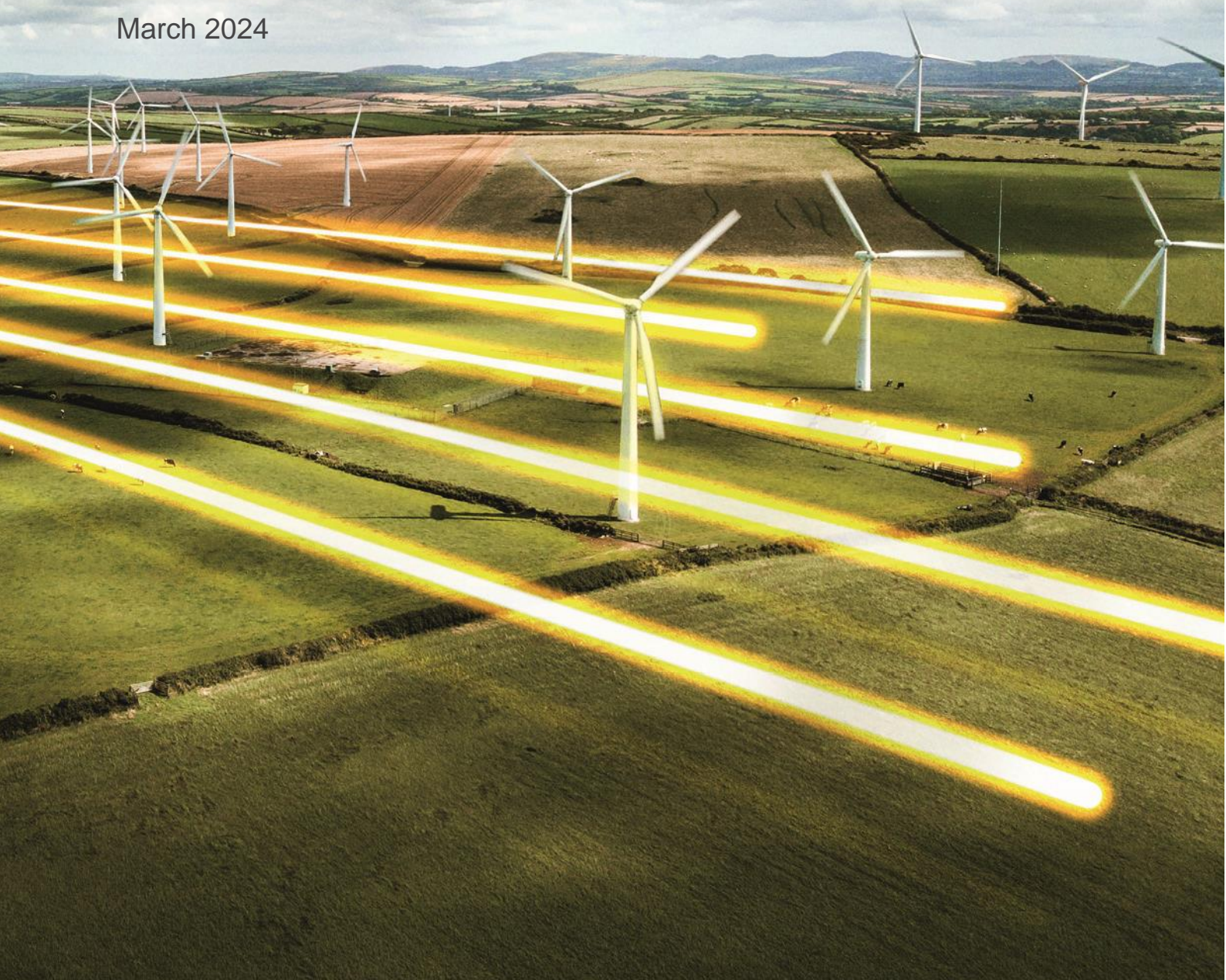
Publicly Available

CfD Allocation Round 6 (AR6) - Guidance

Guidance Document

Version 1.0

March 2024



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1. Purpose

This guidance document provides Applicants with step-by-step instructions on how the Allocation process is run for the 2024 Contracts for Difference (CfD) Allocation Round.

2. Considerations

This guidance document is intended to be used by organisations:

- (a) considering whether to make an Application to participate in the CfD Scheme.
- (b) who have a qualified application and will be required to participate in the later stages of the Allocation Round.

This guidance document serves as a reference tool and is intended for information only. It is imperative for Customers to seek independent advice where deemed necessary.

3. Key Statutory Documents for AR6

3.1 Applicable Regulations

The Applicable Regulations from the Contracts for Difference (Allocation) Regulations 2014 (as amended) are:

- Part 3 – Budgets applicable to allocation rounds
- Part 5 – Allocation processes
- Part 6 – CfD Notifications

3.2 Applicable Rules

The Applicable Rules from the CfD Allocation Round 6 Final Allocation Framework are:

- Rule 6. Valuation of Applications
- Rule 7. Notices of determinations
- Rule 8. Non-Qualification Reviews and Qualification Appeals
- Rule 9. Allocation Process
- Rule 10. Notice of Auction
- Rule 11. Submission of sealed bids
- Rule 12. Phased Offshore Wind CfD Units
- Rule 13. Withdrawal of Applications and sealed bids
- Rule 14. Soft Constraints
- Rule 15. Order of auctions
- Rule 16. Minimum auctions
- Rule 17. Auction in relation to Pots or the Overall Budget
- Rule 18. Maximum only auction
- Rule 19. Tiebreaker Rules
- Rule 21. Delay after completion of Allocation Processes
- Rule 22. CfD Notifications

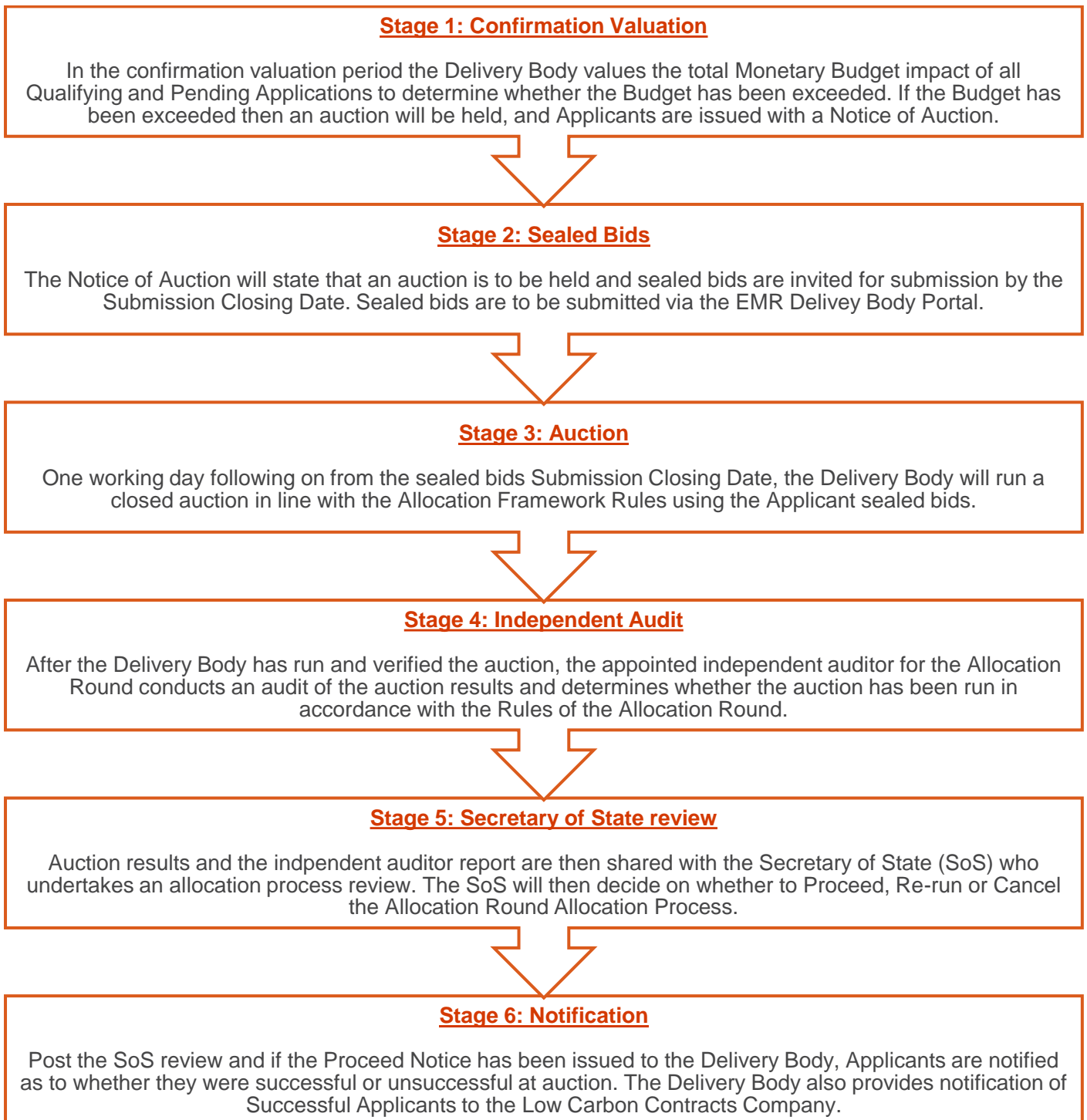
- Rule 24. Notification to the Authority and the Secretary of State of auction irregularity

3.3 Applicable Statutory Notices

The Applicable statutory notices for Allocation Round 6 are:

- Core Parameters Notice
- Budget Notice
- Allocation Framework

4. Allocation Process Overview Diagram



Eligible Technologies and Delivery Years

The eligible technologies, Delivery Years and pot structure have been taken from the AR6 Core Parameters Notification, published 16 November 2023.

4.1 Pot 1

The applicable Delivery Years for Pot 1 are 2026/27 and 2027/28, and the eligible technologies are: Energy from Waste with CHP, Hydro (>5MW and <50MW), Landfill Gas, Onshore Wind (>5MW), Remote Island Wind (>5MW), Sewage Gas, and Solar Photovoltaic (PV) (>5MW).

4.2 Pot 2

The applicable delivery years for Pot 2 are 2027/28 and 2028/29, and the eligible technologies are: Advanced Conversion Technologies, Anaerobic Digestion (>5MW), Dedicated Biomass with CHP, Floating Offshore Wind, Geothermal, Tidal Stream, and Wave.

4.3 Pot 3

The applicable Delivery Years for Pot 3 are 2027/28 and 2028/29, and the eligible technologies are: Offshore Wind.

5. Valuation

During the Application Valuation process, the Delivery Body assesses the collective value of all qualifying applications for each Delivery Year against the Pot Budget and/or the total capacity against any applicable capacity cap, and any applicable Maximum or Minimum, to determine if a competitive allocation process (auction) is required.

5.1 Valuation Timings

Pursuant to Regulation 29(5), the Applications Valuations will be determined—

- a) within 1 Working Day after the Application Closing Date in respect of all Applications; and
- b) where no Review Notices have been given under Regulation 20, within 1 Working Day after the Non-Qualification Review Request Date in respect of Qualifying Applications; or
- c) where one or more Review Notices have been given under Regulation 20, within 1 Working Day after the Appeals Deadline Date in respect of Qualifying Applications and Applications subject to a Non-Qualification Review or a Qualification Appeal; and
- d) where the Authority have concluded that any appeals are successful under Regulation 46, the Delivery Body must provide the Secretary of State with an updated valuation within 1 Working Day of that determination.

The outputs of the valuation are not published to industry or shared with Applicants.

5.2 Valuation Formula

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 of the Allocation Framework (“Valuation Formula”).

The components used the Valuation Formula are published in the round specific Allocation Framework and the same calculation is used for assessing sealed bids if an auction is required.

Administrative Strike Price minus Reference Price	Days/Year 1 Factor (YR1F)	Capacity	Technology Specific Factors	General Conversion Factors
<ul style="list-style-type: none"> • ASP: Maximum Strike Price (£/MWh) that applies to an Application. • Reference Price (intermittent or baseload): Market Electricity Price (£/MWh) in a given time period. 	<ul style="list-style-type: none"> • Days is the number of days in a year. • YR1F is a factor applied to each project or – in the case of phased projects – each phase to account for partial year generation from the TCWSD in the first year of operation of the project/phase. 	<ul style="list-style-type: none"> • IICE - the initial installed capacity estimate MW value provided by applicants at the application stage 	<ul style="list-style-type: none"> • Assumed load factors and other multipliers *(see round specific Allocation Framework for full details) 	<ul style="list-style-type: none"> • Transmission Losses, hours to days etc. *(see round specific Allocation Framework for full details)

Figure 1 - Valuation Formula

5.3 Valuation Process

- 5.3.1 **Valuation calculation** - Following the assessment, data (as stated in schedule 2) is taken from each individual Qualifying Application and the Valuation Formula is applied to determine the Budget impact of those Applications.
- 5.3.2 **Budget and capacity impact** - The Delivery Body determines whether the valuation of all the qualified Applications exceeds the overall pot Budget. The total capacity for all qualifying Applications is also used to determine whether the capacity limit for the round has been exceeded.
 - (a) **Unconstrained allocation** - If both the Budget and/or Capacity Cap are not exceeded, each qualifying Application shall be offered a CfD Contract at their technology specific Administrative Strike Price; this is known as unconstrained allocation.
 - (b) **Constrained allocation** - If the Budget and/or Capacity Cap is exceeded, then the Delivery Body shall run an auction between all qualifying applicants; this is known as constrained allocation. Qualifying and Pending Applicants will be issued with a Notice of Auction with the request to submit sealed bids for use in an auction.
- 5.3.3 The timings of the valuations are stated on the [allocation round timeline](#).

6. Sealed Bids

Where an auction (constrained allocation) is required, in accordance with the round specific Allocation Framework, the Delivery Body shall issue a Notice of Auction to all relevant qualifying and pending applicants, inviting the submission of sealed bids.

Sections 8.1 – 8.5 detail a high-level overview for the sealed bid aspect of the allocation round. Further information on the [EMR Delivery Body Portal](#) sealed bid process and the validation rules can be found in the dedicated sealed bid guidance document and video.

6.1 Who can submit sealed bids

Where an Auction is necessary, in accordance with the Round specific Allocation Framework, the Delivery Body will issue a Notice of Auction to all qualifying and pending applicants, inviting them to submit Sealed Bids.

6.2 When can sealed bids be submitted?

Sealed bids must be submitted during the sealed bids submission window, details of which shall be set out in the Notice of Auction. Once the window has closed the Delivery Body shall not be able to accept any further bids.

6.3 How are sealed bids submitted?

Sealed bids are submitted using the EMR Delivery Body Portal. A separate guidance video will be made available to explain how this process works in practice. Applicants can withdraw bids and resubmit during and up until the end of the sealed bids submission window. The Withdrawal of sealed bids is also managed through the EMR Delivery Body Portal.

6.4 What changes can be made to sealed bids?

Applicants can vary the Capacity, Target Commissioning Date (TCD), Target Commissioning Window Start Date (TCWSD) and Strike Price of each sealed bid. None of the sealed bids are required to have the same capacity or Target Dates as the application, so all four flexible bids may have different capacity and/or target dates. These changes can be submitted on or before the Submission Closing Date. Sealed bid validation rules are outlined in the next section.

6.5 Consequences of not submitting or withdrawing sealed bids

Where no sealed bid is submitted, or if all sealed bids are withdrawn and not re-submitted by an applicant by the submission window closing date, the Delivery Body will assign the applicant a single bid with the Administrative Strike Price, Target Commissioning Date, Target Commissioning Window Start Date and Capacity, as specified in the original application.

7. Allocation

Once the Qualification Process has been completed and there are no more Applications to be determined, the Delivery Body will proceed with the allocation process.

- If the valuation of all Qualifying Applications determines an auction is required, then sealed bids are required to be submitted. This is an example of constrained allocation.
- If the valuation of all Qualifying Applications determines no auction is required, agreements shall be issued based on the details provided within the Original Application and at the technology specific ASP. This is an example of unconstrained allocation.

7.1 Allocation Process Chart

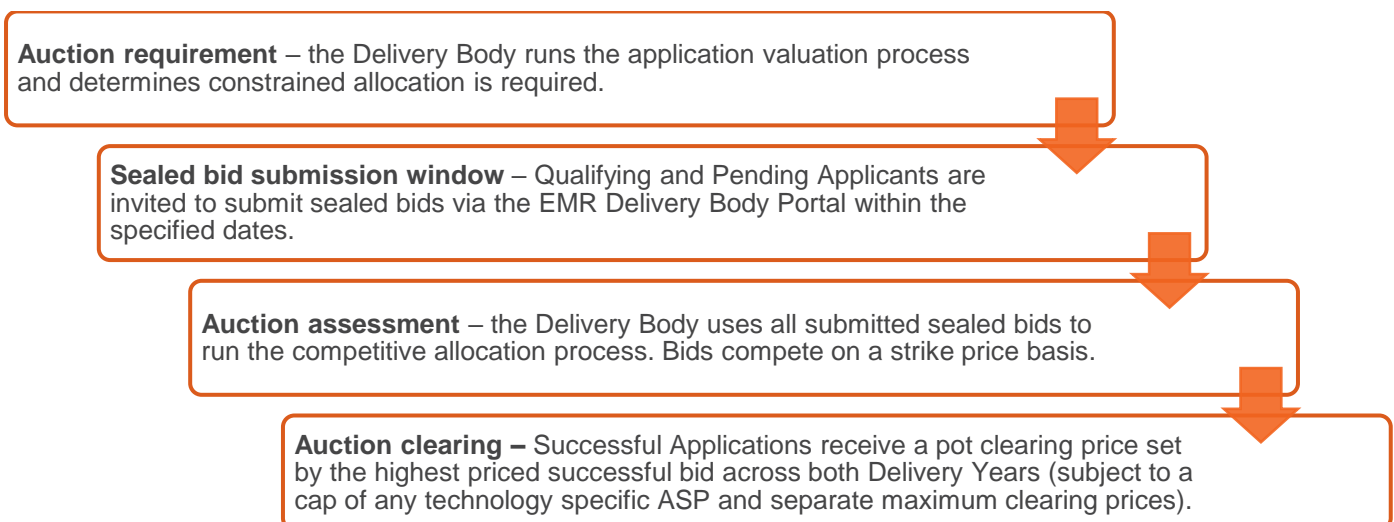


Figure 2 - Allocation Process Chart

7.2 Auction General Principles

An auction is run using sealed bids from those Applicants who have been determined to be Qualifying or Pending and sealed bids are submitted via the EMR Delivery Body Portal.

- All application sealed bids compete on a Strike Price basis and only one bid from each Application can be successful.
- Sealed bids are considered in a bid stack from the lowest to highest Strike Price.
- Sealed bids tied on the same Strike Price are handled by tiebreaker rules set out in the Allocation Framework.
- The auction is pay as clear and Successful Applications will receive a clearing price, set by the highest successful bid across both Delivery Years (subject to a cap at ASP and/or separate maximum clearing price).
- Interleaving rules are used to ensure best use of the relevant Pot or Overall Budget (as appropriate), allowing Flexible Bids to be considered where the Applicants first bid was unsuccessful.
- During the auction, if a bid exceeds (breaches) either the Budget or Capacity Cap and does not exceed a Minimum or Maximum, the interleaving rule comes into effect, other than in Minimum auctions, where flexible bids are only accepted if there are no interleaving bids. Here, the auction system shall look for a Flexible bid from the same Applicant and shall attempt to allocate this bid along with any other bids that are between this and the bid that originally caused the breach. If all the bids can be allocated, interleaving is successful, and the auction continues. If any of the bids in the interleaving loop cannot be allocated, then the auction shall close.

7.3 Allocation Types

7.3.1 Unconstrained Allocation. Figure 3 shows an example of unconstrained allocation, where all Qualifying Applications fit within both the Budget and Capacity cap. This would result in no auction being held and all Applications being awarded a CfD agreement at the technology specific ASP.

In the event of an unconstrained allocation, a Notice of Auction will not be issued, and Applicants will not be able to withdraw their applications at this point. Applicants will be deemed as Successful in the Allocation process.

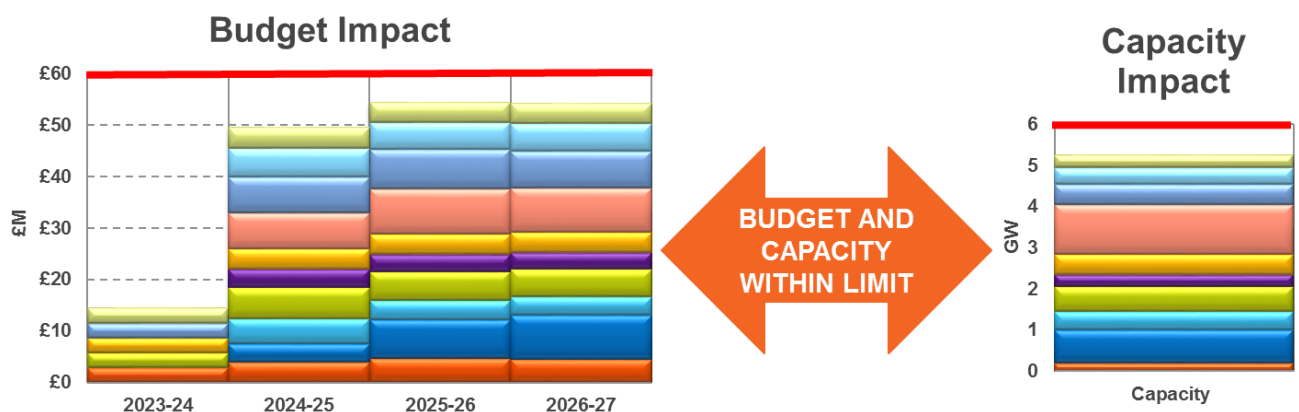


Figure 3 - Unconstrained Allocation

7.3.2 Constrained Allocation. Figure 4 shows an example of constrained allocation, where the Delivery Body determines that Qualified Applications exceed the applicable Budget and/or the Capacity cap. This scenario would trigger the requirement to hold an auction to competitively allocate contracts.

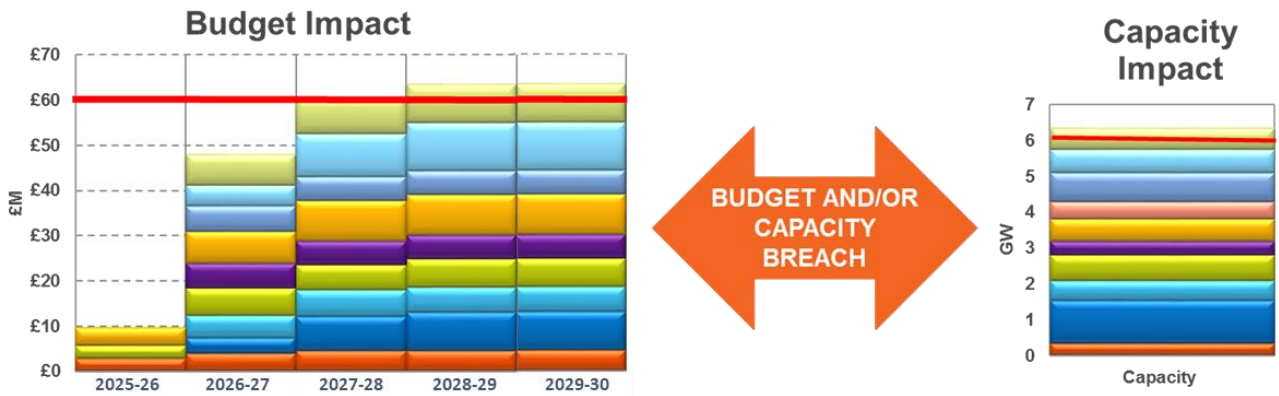


Figure 4 - Constrained Allocation

7.4 Delays to Allocation

Where there is a delay in the Allocation Process, pursuant to Regulation 40, and a direction has been given by the Secretary of State (SoS), the Delivery Body will issue all relevant Applicants with a Variation Notice. The Variation Notice allows Applicants to delay the relevant TCD and TCWSD of the application.

The Delivery Body will perform the Application Valuation and Allocation process in respect of all Qualifying Applications or Sealed Bids and where new TCD and/or TCWSD were submitted, the Delivery Body will consider the new TCD and/or TCWSD and use the Administrative Strike Price of the relevant Application or Sealed Bids, as was submitted prior to the Process Delay.

7.5 Independent Audit

7.5.1 Delivery Body Independent Audit Requirements

- Regulation 36 sets out the obligations placed on the Delivery Body to ensure an Independent Audit (Process Audit) of the Valuation and Allocation calculations is carried out. Immediately following completion of the Allocation Process, the Delivery Body will instruct the Independent Auditor to conduct a Process Audit.
- The Independent Auditor will verify if the Delivery Body has used the Valuation Rules, Allocation Rules and Applicants details, appropriately, to determine the outcome of the Allocation Process. The Independent Auditor will provide an Audit Report which sets out:
 - a) whether or not the auditor considers that calculations have been made correctly and accurately; and
 - b) where applicable, identifies any calculations which the auditor considers were not correctly or accurately made, and identifies the consequences of those calculations.

7.5.2 SoS Allocation Review

- The SoS will have two days from receipt of notification from the Delivery Body, to review the Auditors' Report with the Delivery Body's recommendation, to determine if the Allocation Process must proceed to Notification, Re-Run, or be Terminated.
- If the SoS does not respond within two working days, the Delivery Body will proceed with its recommendation.

7.5.3 Publishing of the Independent Audit

- The Independent Auditor Assurance report will be published on the [EMR Delivery Body Portal](#) once CfD Notifications have been released to all applicants.

8. CfD Notification

At the end of an Allocation Round, the Delivery Body will give written notice to each Qualifying Applicant setting out whether the Applicant is a Successfully Qualifying Applicant or Unsuccessful Qualifying Applicant.

8.1 Notifications

Notifications will be provided securely to Applicants via the [EMR Delivery Body Portal](#) the notification information includes:

- applicants will receive a letter stating whether the Application was successful or unsuccessful in securing a CfD agreement.
- successful applications will also receive an annex letter which contains information provided at the application stage, as well as the outcome of the successful bid. This data includes the awarded Strike Price, Successful Allocation Capacity, TCWSD and TCD.

8.2 View Allocation Results

At the end of an Allocation Round, the Delivery Body will give written notice to each Qualifying Applicant setting out whether the Applicant is a Successfully Qualifying Applicant or Unsuccessful Qualifying Applicant. The process to view the results can be found below:

- Step 1: Log into the [EMR Delivery Body Portal](#)
- Step 2: Go to My EMR and Applications
- Step 3: Search for the applicable CfD Application
- Step 4: Click on the Allocation Results Letter button to download.
- Step 5: Applicants that are successful will also be able to download an annex letter which contains the application details.



Figure 5 - Viewing Allocation Results

8.3 Low Carbons Contract Company Notification Process

On the date of notification, the Delivery Body will securely transfer the information related to the successful applications to the Low Carbon Contracts Company (LCCC). LCCC will then proceed to send out contracts to the successful applicants making a formal offer of a CfD.

Further information on this process can be found on the [published timeline](#) and via this [LCCC guidance document](#).

9. Frequently Asked Questions

9.1 Question: Can the budget be increased during the Allocation Round?

After the application window has closed the Delivery body assesses Applications and once all Applications are determined to be qualifying, provides the SoS the valuation of eligible Applications. This is when the SoS can consider whether to increase the budget. Further details are provided in Regulation 11 and 12, as well as Rule 10 of the Allocation Framework.

9.2 Question: What if the first bid (lowest bid) breaches the capacity or budget constraint and don't have a flexible bid?

The scenario where “the first bid (lowest bid) breaches the capacity or budget constraint and doesn't have a flexible bid” is not a valid scenario. Rules 16, 17 and 18 of the Allocation Framework state that the Delivery Body must determine:

- any bid that would exceed the Monetary Pot or Monetary Budget is unsuccessful.
- any bid that would exceed any applicable Pot Capacity Cap or Overall Capacity Cap is unsuccessful, unless the Budget Notice specifies that a Soft Constraint applies to the applicable Pot Capacity Cap or Overall Capacity Cap.
- any bid which would exceed any applicable Maximum (in terms of capacity or monetary value) is unsuccessful, unless the Budget Notice specifies that a Soft Constraint applies to the Maximum.
- any bid which would exceed the Minimum (in terms of capacity or monetary value) is unsuccessful, unless the Budget Notice specifies that a Soft Constraint applies to the Minimum.

Therefore, as shown above, before the auction is run and the bid stack is formed, any bids that would exceed the Monetary Pot or Monetary Budget, any applicable Pot Capacity Cap or Overall Capacity Cap, any applicable Maximum would be unsuccessful (subject to any soft constraints).

9.3 Question: Can you confirm how clearing prices change where you have maxima or minima in the Pot? i.e. do only projects of the same technology clear one another?

All technologies in the same Pot will clear to the same Pot Clearing Price, subject to any Administrative Strike Prices, and Maxima specific clearing prices. This information can be found in Rules 16, 17 and 18 of the Allocation Framework. A summary of these rules has been provided below:

The Delivery Body must use the Strike Price of the bid under consideration as the provisional clearing price for that Qualifying Application and any relevant Qualifying Application(s) that the Delivery Body has already determined to be Successful Application(s), capped at the relevant Administrative Strike Price.

Should a Qualifying Application be cleared at a higher price than the clearing price of any relevant Minimum auction(s), then the Qualifying Applications from that/those Minimum auctions should also be cleared at this price.

Maximum bids are also cleared to a separate Maximum only clearing price for each Maximum, rather than the provisional clearing price of the bid under consideration, unless that bid is subject to the same Maximum.

9.4 Question: Is there a video explaining the scenarios, interleaving bids available to view?

The content delivered at the AR5 Launch Event, explaining the interleaving process, is available to view on EMR Delivery Body's portal in the [Round 5 Document area](#). The interleaving bids process is further explained in Rule 17.6 of Allocation Framework. The Delivery Body will also be producing an updated guidance video reflective of the Allocation Round 6 Budget Notice to support Applicants in the Round. This will then address any Maxima, Minima or soft constraints that are applicable.

10. Glossary of Terms

ASP: “Administrative Strike Price” has the meaning given in Regulation 2(1).

Bid: “Flexible Bid” has the meaning given in Regulation 51(10).

Budget Profile: means the budget for all Relevant Delivery Years and Valuation Years, as set out in the Budget Notice;

Budget Notice: has the meaning given in Regulation 2(1);

Budget Revision Notice: has the meaning given in Regulation 2(1);

Capacity: “Initial Installed Capacity Estimate” means the Generator’s initial estimate of the Installed Capacity as notified to the Delivery Body in an Application or Flexible Bid.

CfD Agreement: means the agreement entered into between the CfD Counterparty and the Eligible Generator pursuant to an offer made by the CfD Counterparty pursuant to section 14 of the Energy Act 2013;

CfD Notification: has the meaning given in section 12(1) of the Energy Act 2013;

CfD Unit: has the meaning given in Regulation 2(1);

Constrained Allocation: where the Delivery Body determines that Qualified Applications exceed the applicable Budget and/or the Capacity cap. This scenario would trigger the requirement to hold an auction to competitively allocate contracts.

Delivery Year: “Delivery Year” has the meaning given in Regulation 2(1).

Initial Installed Capacity Estimate: means the Generator’s initial estimate of the Installed Capacity as notified to the Delivery Body in an Application or Flexible Bid;

Monetary Budget: has the meaning given in paragraph (a) of the definition of Overall Budget in Regulation 2(1);

Monetary Pot: has the meaning given in Regulation 11(2)(c) in relation to a division of the Overall Budget as defined in Regulation 2(1);

Notice of Auction: has the meaning given in Rule 10;

Original Application: means the Application submitted to the Delivery Body prior to the Application Closing Date;

Overall Budget: has the meaning given in Regulation 2(1);

Overall Capacity Cap: has the meaning given in paragraph (b) of the definition of Overall Budget in Regulation 2(1);

Pot: has the meaning as given in Regulation 2(1);

Rules: “Rules” means the rules set out in the Allocation Framework and a reference to any particular Rule is a reference to these rules.

Strike Price: has the meaning given in Regulation 2(1);

Successful Allocation Capacity: means the capacity stated in an Application or sealed bid which is determined by the Delivery Body to be a Successful Application pursuant to these Rules;

Successful Application: means an Application in respect of which, further to an Allocation Process, a CFD Notification may be made or, in the case of an Application in respect

Target Dates: “Target Dates” has the meaning given in Regulation 2(1).

TCD: “Target Commissioning Date” has the meaning given in Regulation 2(1). The earliest date that the Target Commissioning Date can fall is the first day of the first Delivery Year, and (with the exception of later 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;

TCW: “Target Commissioning Window” has the meaning given in Regulation 2(1).

TCWSD: “Target Commissioning Window Start Date” has the meaning given in Regulation 2(1). Following amendments to Regulation 51, The Target Commissioning Window Start Date now determines the initial point of valuation and the Relevant Delivery Year. 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.

Unconstrained Allocation: all Qualifying Applications fit within both the Budget and Capacity cap. This would result in no auction being held and all Applications being awarded a CFD agreement at the technology specific ASP.

11. Legal Disclaimer and Copyright

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