

# Introduction to Allocation Round 6 Online event

22 February 2024

# Contracts for Difference delivery partners



Department for  
Energy Security  
& Net Zero

- **Policy**
- **Regulations**

**ofgem**

- **Appeals**
- **Delivery Body  
Regulation**

**nationalgrid**ESO

**Electricity Market Reform**  
Delivery Body

- **Registration**
- **Qualification**
- **Reviews**
- **Allocation**



**LOW CARBON**  
CONTRACTS COMPANY

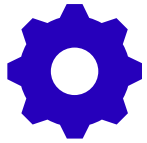
- **Minor and Necessary  
Modifications**
- **CfD Counterparty**

# Agenda



10:00	Welcome, CfD delivery partners, agenda	DESNZ
10:10	Policy context, changes from AR5, core parameters, key dates	DESNZ
10:30	National Grid ESO overview: CfD process, registration, application, allocation	National Grid ESO
<b>11:00</b>	<b>Break</b>	
11:05	Key CfD terms and signing process (minor and necessary modifications, pre-bidding, post-allocation)	Low Carbon Contracts Company
11:35	Disputes	Ofgem
11:45	Application portal demo and allocation process in depth	National Grid ESO
<b>12:20</b>	<b>Break</b>	
12:30	Q&A panel	All
13:15	Wrap-up	DESNZ
<b>13:20</b>	<b>Ends</b>	

# CfD microsite (allocation round resource portal)



Single repository of **all information** about AR6 (and other rounds) published by the delivery partners



Essential resource for applicants



Access all relevant publications in one place



View key dates for the round



Find the answer to your question on the FAQ page



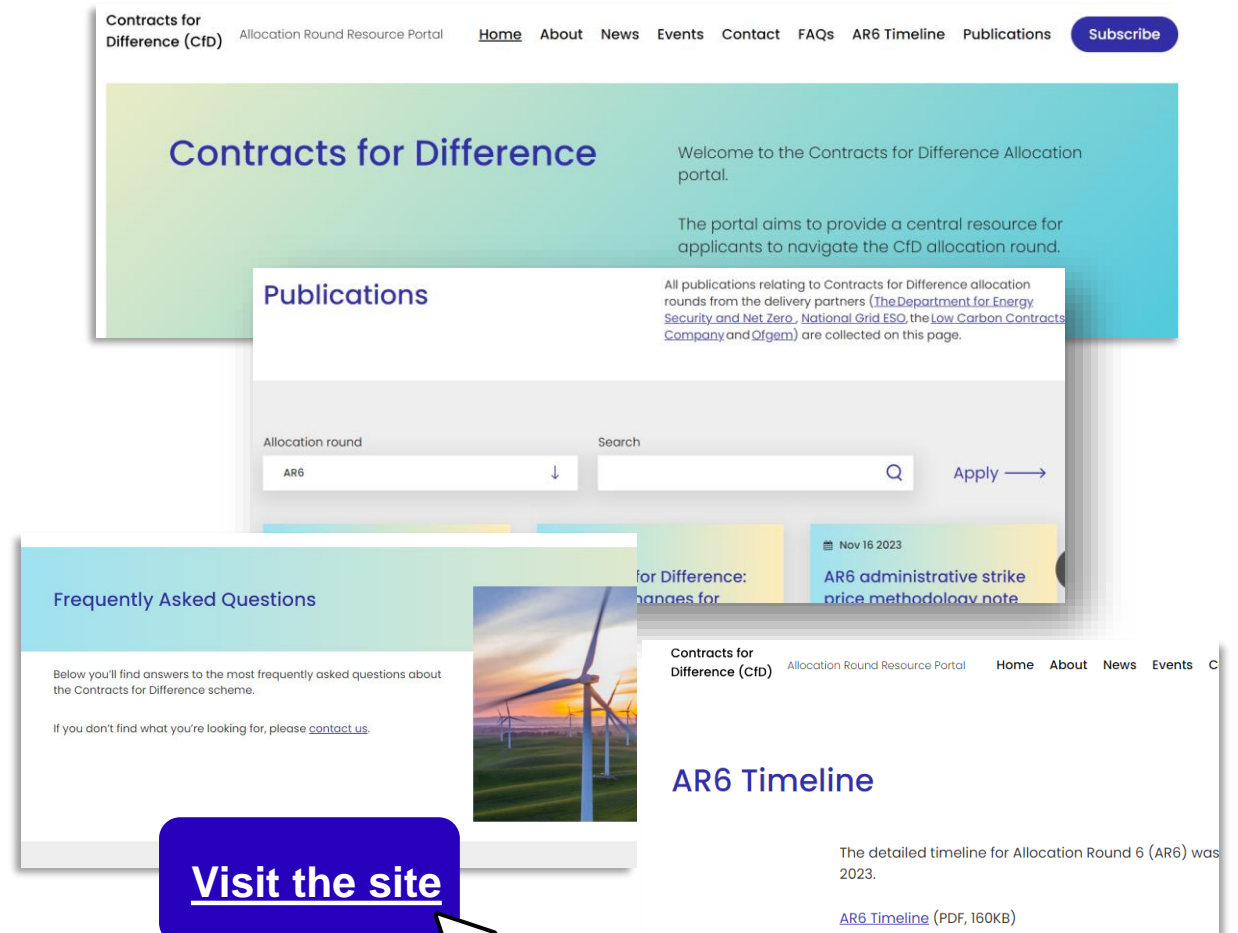
Watch video tutorials



Register to attend events



Contact the delivery partners



Contracts for Difference (CfD) Allocation Round Resource Portal

Home About News Events Contact FAQs AR6 Timeline Publications [Subscribe](#)

## Contracts for Difference

Welcome to the Contracts for Difference Allocation portal.

The portal aims to provide a central resource for applicants to navigate the CfD allocation round.

### Publications

All publications relating to Contracts for Difference allocation rounds from the delivery partners (The Department for Energy Security and Net Zero, National Grid ESO, the Low Carbon Contracts Company and Ofgem) are collected on this page.

Allocation round: AR6 Search:  Apply

### Frequently Asked Questions

Below you'll find answers to the most frequently asked questions about the Contracts for Difference scheme.

If you don't find what you're looking for, please [contact us](#).

### AR6 Timeline

The detailed timeline for Allocation Round 6 (AR6) was 2023.

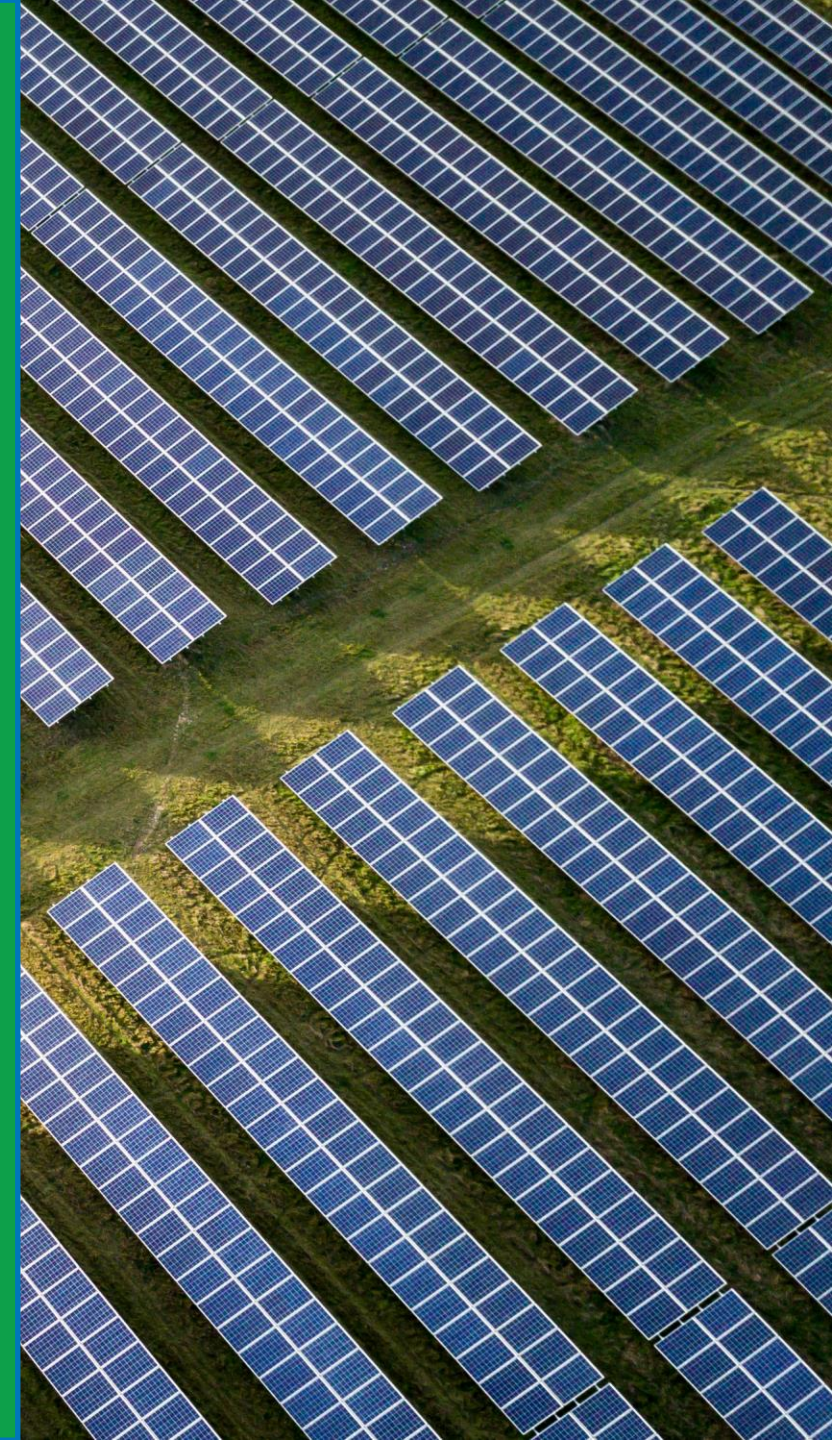
[AR6 Timeline](#) (PDF, 160KB)

[Visit the site](#)





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# Policy context

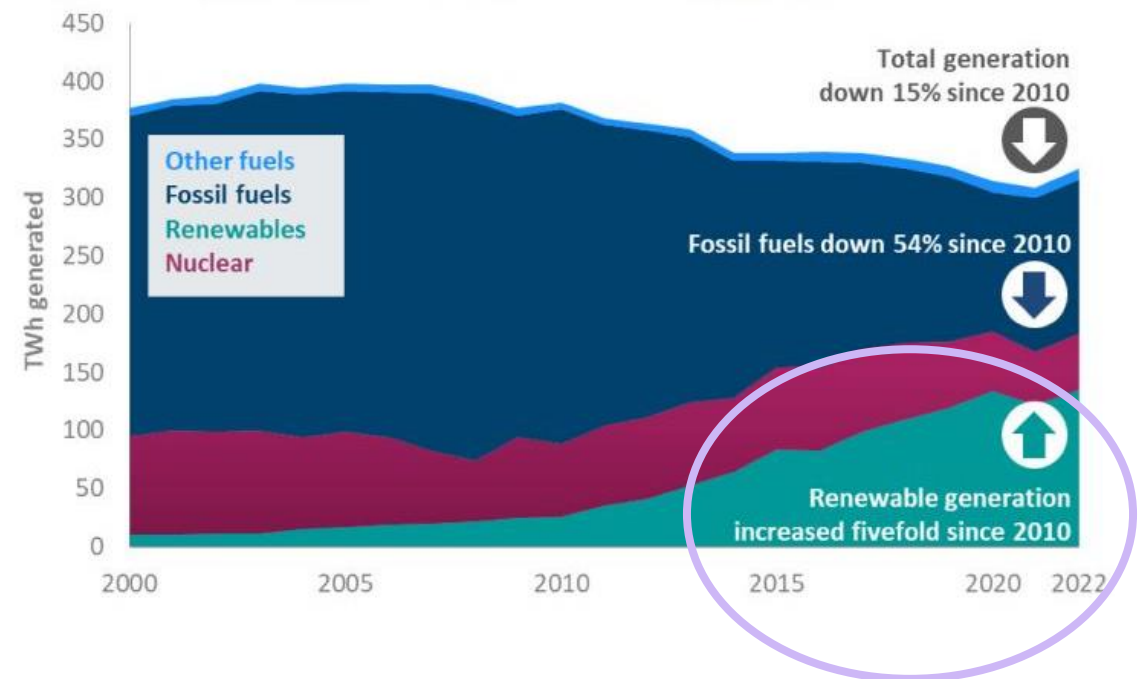


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- The government is committed to delivering a secure, affordable and **decarbonised power system by 2035** and is continuing to make progress.
- As the government's key tool for deploying low-cost renewables, the **Contracts for Difference (CfD) scheme is crucial to achieving this aim.**
- **AR6 will be the second annual CfD round**, opening just six months after the results of AR5. The government is now holding CfD rounds on an annual basis to help accelerate renewables deployment (previously, rounds were held every two years).
- Macroeconomic volatility continues to impact the renewables sector, particularly offshore wind, and domestic energy prices remain elevated. Like AR5, **AR6 will take place against a challenging economic backdrop.**

Table source: Digest of UK Energy  
Statistics: Electricity, July 2023

Electricity generation by fuel, 2000 to 2022



Renewables accounted for a record  
**41.5%** of generation in 2022

# One policy change from AR5

Generators that directly supply **offshore installations**, i.e. offshore oil and gas facilities, will be ineligible for the **Private Network CfD Agreement** from AR6 onwards

This is to prevent consumers from subsidising electrification of the offshore oil and gas sector, ensuring that the CfD scheme continues to offer value for money to the households and businesses that ultimately fund it.



# Significant adjustments to Administrative Strike Prices (ASPs)

Technology	AR6 ASP £/MWh (2012 prices)	% change from AR5 ASP
Onshore Wind	64	+21%
Solar PV	61	+30%
Landfill Gas	69	+11%
Hydro	102	+15%
Energy from Waste	181	+56%
Sewage Gas	162	+9%
Remote Island Wind	64	+21%
Advanced Conversion Technologies	210	+15%
Anaerobic Digestion	144	+6%
Dedicated Biomass with CHP	179	+10%
Geothermal	157	+32%
Floating Offshore Wind	176	+52%
Tidal Stream	261	+29%
Wave	257	+5%
Offshore Wind	73	+66%

- ASPs are the **maximum** prices available to technologies in the auction.
- Since AR5, we have undertaken a **comprehensive review of our independent evidence base** on project costs. This demonstrates the **material cost pressures** being faced by renewable project developers in the context of challenging macroeconomic conditions.
- Full details of the approach for determining ASPs is provided in the **ASP methodology note**:



[ASP methodology note](#)



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# Other core parameters for AR6

Pot	Technologies	First delivery year	Second delivery year
1 – Established Technologies	Onshore Wind	2026/27	2027/28
	Solar PV		
	Landfill Gas		
	Hydro		
	Energy from Waste		
	Sewage Gas		
	Remote Island Wind		
2 – Emerging Technologies	Advanced Conversion Technologies	2027/28	2028/29
	Anaerobic Digestion		
	Dedicated Biomass with CHP		
	Geothermal		
	Floating Offshore Wind		
	Tidal Stream		
	Wave		
3 – Offshore Wind	Offshore Wind	2027/28	2028/29





# Proposed contract changes for AR6

The government has consulted on the below changes to the CfD Standard Terms and Conditions and the Private Network CfD Agreement for AR6. The consultation response and final contract documents for AR6 are due to be published by **13 March 2024**.

**Streamline Know Your Customer checks** to ensure that generators provide relevant information to the Low Carbon Contracts Company when required.

**Amend the Private Network CfD Agreement** to make generators that directly supply offshore installations ineligible for that Agreement.

**Adjust the Change Control Procedure** in order to clarify an ambiguity in Annex 2 of the Standard Terms and Conditions.

**Update the definition of Milestone Delivery Date (MDD)** to accommodate extensions to the MDD in the event of delays relating to the mitigation of windfarm interference with air defence radar.

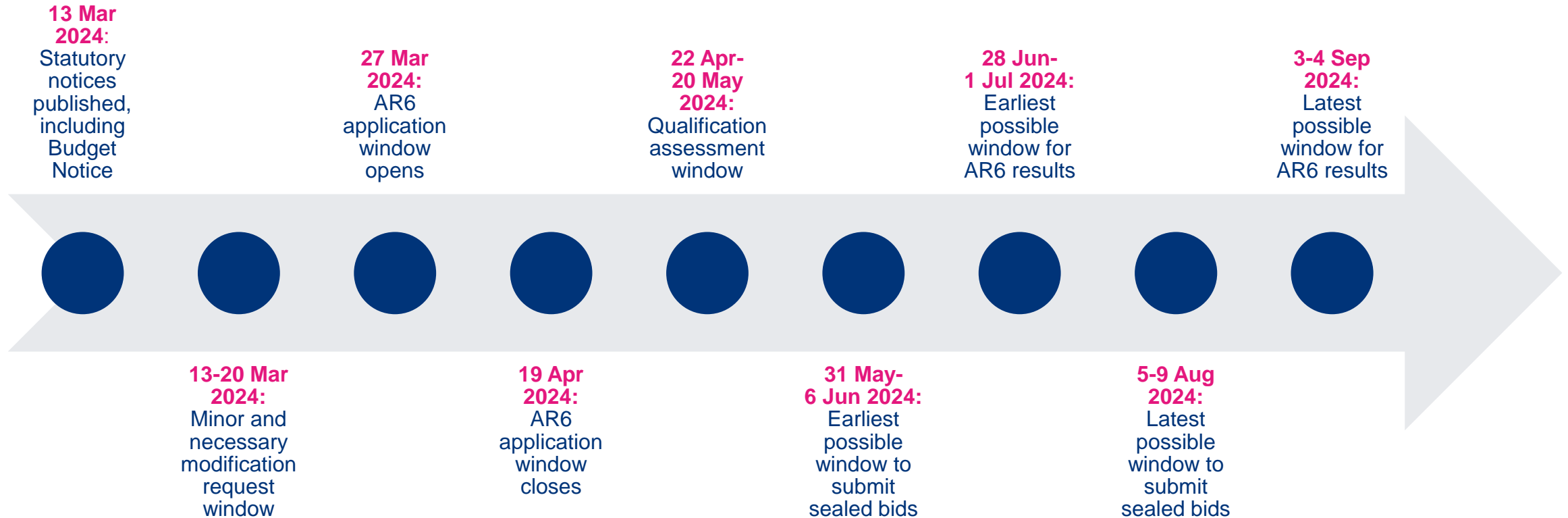
FiT CONTRACT FOR DIFFERENCE  
STANDARD TERMS AND CONDITIONS

Version 5  
16 March 2023

# Key dates for AR6



Department for  
Energy Security  
& Net Zero



[All AR6 timeline scenarios](#)

# Supply Chain Plan process

- Developers of **projects with a capacity of 300MW or more** and **all floating offshore wind projects** are required to complete a Supply Chain Plan (SCP) questionnaire as part of their application for an **SCP Statement**, which they **must obtain** from the Secretary of State in order to **participate in a CfD allocation round**.
- There are **separate questionnaires** for offshore wind and onshore wind projects, solar projects, and floating offshore wind projects.
- Four scored criteria: **green growth, infrastructure, innovation** and **skills**.
- Commitments need to be **clear, specific, measurable** and **unambiguous**.
- **SCP applicants who go on to win a CfD will need to obtain a SCP Implementation Statement** to demonstrate delivery of (or progress towards) their commitments.



To encourage competitive, productive and efficient supply chains for low-carbon electricity generation projects, and to accelerate investments in a broad range of established and less-established low-carbon technologies to help ensure delivery of our net zero objectives



[More information about SCPs](#)



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# AR7 and beyond

The CfD scheme needs to evolve to accommodate the complex challenges and new configurations of the energy transition.

## AR7



Proposed introduction of **Sustainable Industry Rewards** to tackle supply chain challenges and accelerate offshore wind (fixed and floating) deployment

### Other proposals under consideration:



[AR7 and future rounds policy consultation](#)

- **Enabling repowering projects** to apply for a CfD in AR7 in limited circumstances (for onshore wind projects)
- **Expanding the phased CfD policy** to floating offshore wind projects
- **Streamlining the appeals process** for annual auction rounds
- **Introducing changes to metering** to better enable CfD generators to co-locate with other assets

## BEYOND





# Contracts for Difference EMR Delivery Body

Allocation Round 6 Online Event – Main Session  
Thursday 22 February 2024



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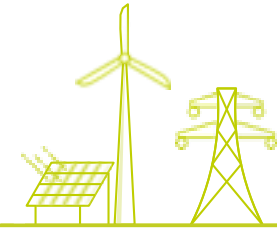
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# Contents

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





# Meet the CfD Team

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**Becky Thomas**  
CfD Delivery Manager



**Marina Kranyez**  
CfD Analyst



**Helen Mukkara**  
CfD Analyst



**Jat Sembi**  
CfD Analyst



**Tom Fish**  
CfD Analyst



# EMR Delivery Body



## Roles and Responsibilities

National Grid ESO is the Delivery Body for Electricity Market Reform (EMR). Our responsibilities for CfD Allocation Rounds 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 Secretary of State, and the subsequent assessment as to whether an auction is required
- Coordinating the CfD Allocation process
- Production of reports as required by Delivery Partners (DESNZ, OFGEM & LCCC)
- Providing LCCC with the information necessary to offer a CfD contract to successful Applicants

# Review of Allocation Round 5



Lessons  
Learnt

Customer  
Feedback

Improved  
Guidance



A futuristic, curved hallway with blue lighting and people walking. The hallway is illuminated with a cool blue light, creating a sense of depth and perspective. The walls and ceiling are curved, and there are several recessed lights. In the distance, a few people are walking away from the camera. The overall atmosphere is clean, modern, and high-tech.

# AR6 Updates



# Eligible Technologies and Pots for AR6

## Pot 1 – Eligible Technologies and Applicable Delivery Years

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

## Pot 2 – Eligible Technologies and Applicable Delivery Years

Applicable Delivery Years	Technology Type	
2027/28 and 2028/29	ACT	Geothermal
	Anaerobic Digestion (>5MW)	Tidal Stream
	Dedicated Biomass with CHP	Wave
	Floating Offshore Wind	

## Pot 3 – Eligible Technologies and Applicable Delivery Years

Applicable Delivery Years	Technology Type
2027/28 and 2028/29	Offshore Wind

# CfD Operational Changes for AR6

## BM Unit Metered Volume Declaration (Rule 4.1(f) of the Allocation Framework)

- A new declaration (**Declaration H11**) has been added which requires all applicants to confirm they are aware that it is a contractual obligation that the BM Unit Metered Volume and, in the case of a Private Network Generator, the Metered Volume, comprises all output electricity generated by the Facility.

## Crown Estate Lease for Offshore Generating Stations (Rule 4.1(g) of the Allocation Framework)

- Where the Application is for an Offshore Generating Station, the Applicant must demonstrate that a lease or an agreement for lease has been granted by the Crown Estate in respect of the location of the relevant CfD unit as required by Regulation 27(2) of the Contracts for Difference Allocation Regulations 2014 (as amended). Please refer to Question B31
- A copy of the lease document or an agreement for lease granted by the Crown Estate in respect of the location of the relevant CfD Unit must be provided. Please refer to question B32/B32a in the CfD Application.
- An exclusivity agreement granted by Crown Estate Scotland through the Innovation and Targeted Oil and Gas leasing round does not satisfy Regulation 27(2) of the Contracts for Difference Allocation Regulations 2014, as stated in Schedule 5 of the Allocation Framework. Please see Declaration H12 in the CfD Application Form.

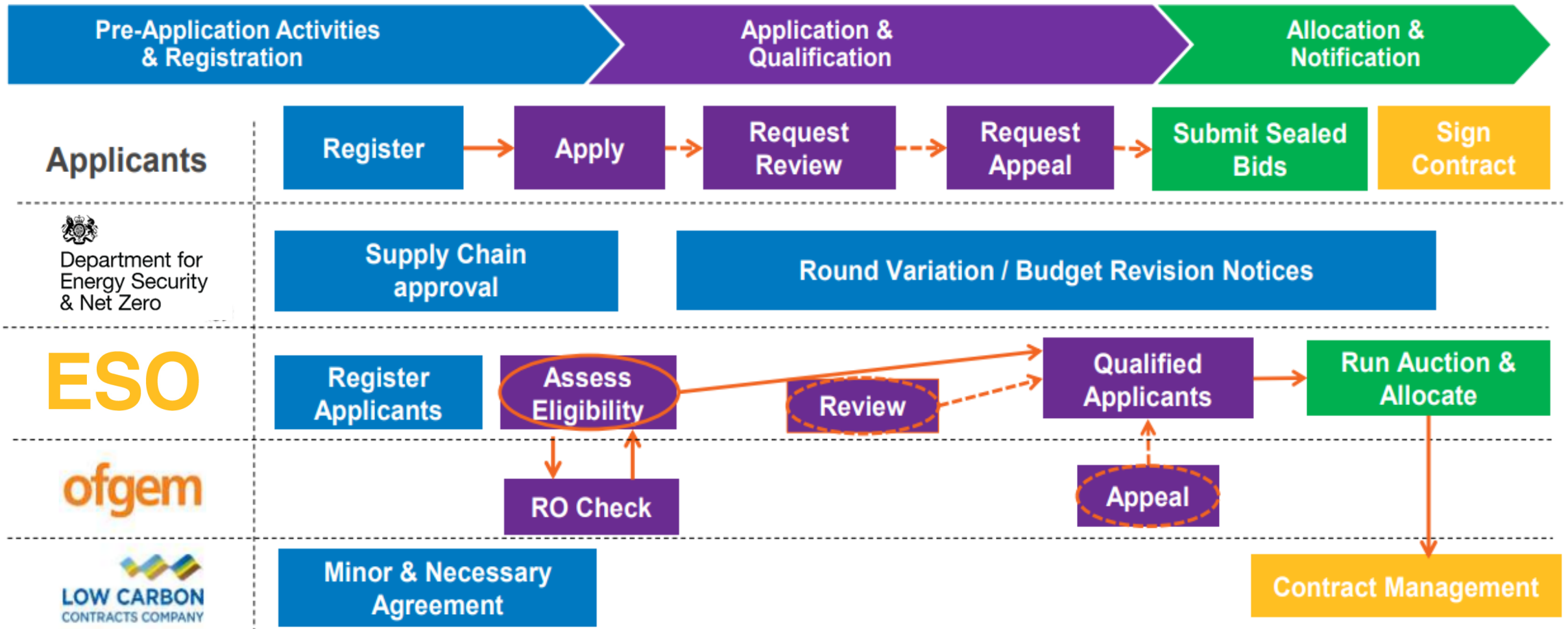
## Private Wire Agreements (Rule 4.1(e) of the Allocation Framework)

- For Private Wire agreements, it is now a requirement for the Applicant to confirm that it will not, via a Private Network or directly connected cable, supply electricity to an Offshore Installation (as defined in Schedule 1 of the Allocation Framework); or a person that supplies electricity via a Private Network or directly connected cable to an Offshore Installation. The Applicant must also provide a signed directors declaration Please refer declaration F6 & F7 in the CfD Application Form.

# CfD Process Overview



# CfD Allocation Round Process Overview

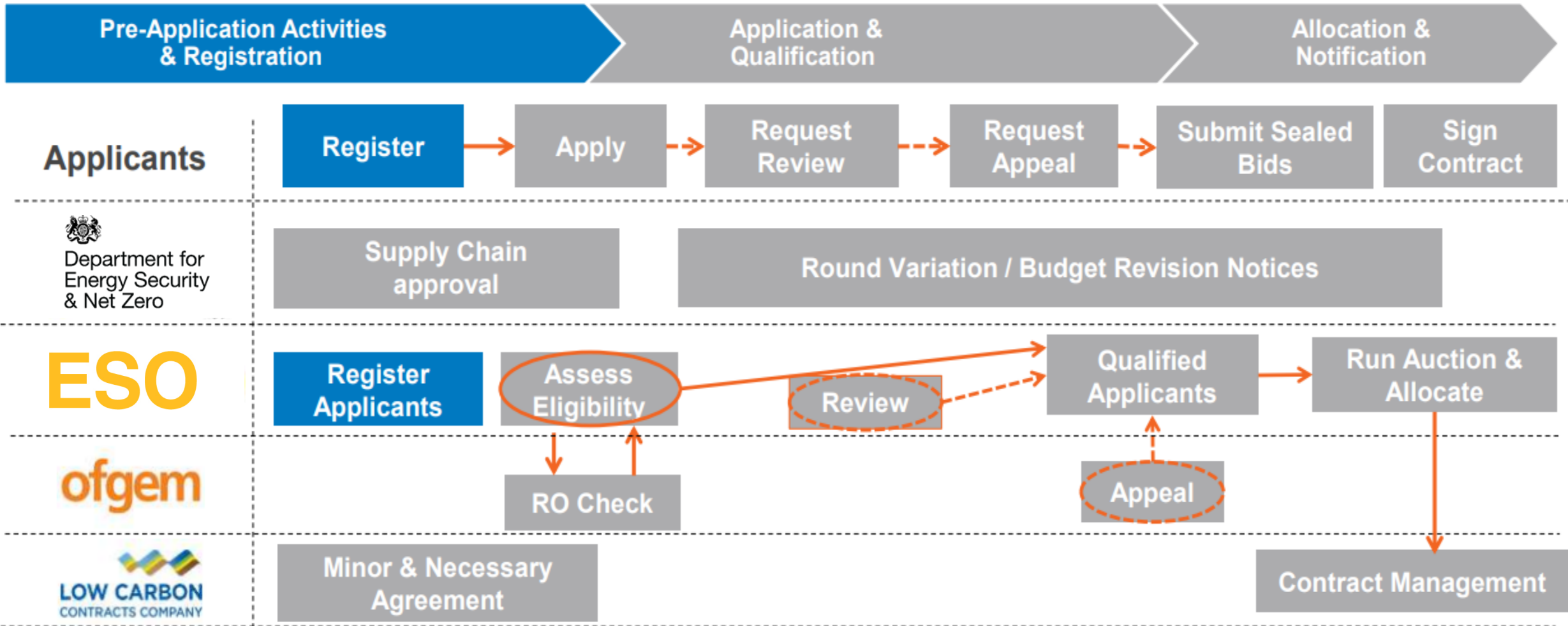






# Company Registration

# Registration Process Overview



# CfD Company Registration

## CfD Portal Registration for AR6

Registration Window is now open and will close on **19 April 2024**. [You can register your company here.](#)

If you have registered your company for a previous allocation round then you will not need to re-register.

[CfD guidance documents and Guidance videos are now available here.](#)

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

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

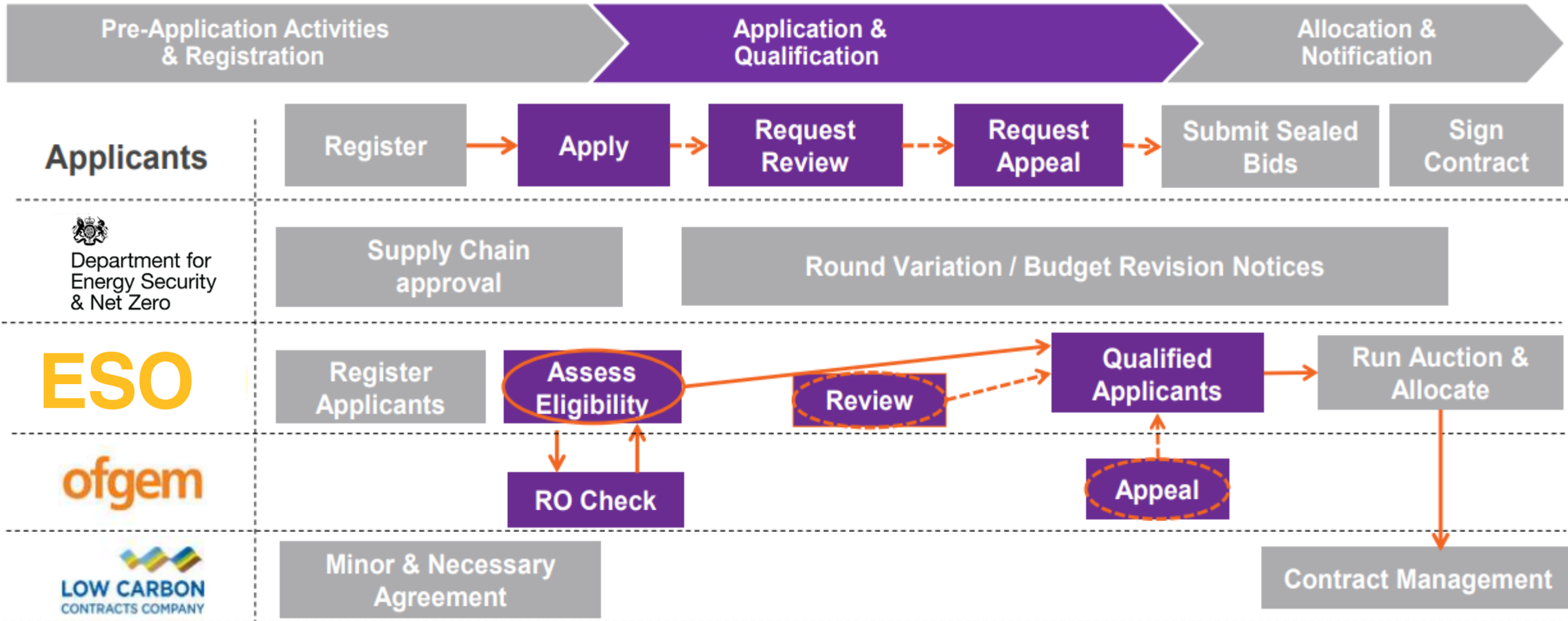
Whilst we will endeavour to process all registrations, any registration requests received after the 12<sup>th</sup> April cannot be guaranteed due to the time required to process



An aerial photograph of a river with white water rapids. The water is a mix of dark green and white foam. Overlaid on the right side of the image are several bright blue, wavy, energy-like streaks that resemble lightning or digital data paths. The text 'Application and Qualification' is written in large white letters across the lower left portion of the image.

# Application and Qualification

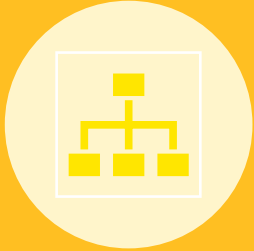
# Application & Qualification Process





# Preparing for the Application Window

## Legislation and Key Documents



### **Contracts for Difference (Allocation) Regulations 2014**

Sets out the general rules for the qualification and allocation processes



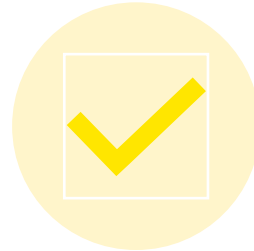
### **Contracts for Difference (Miscellaneous Amendments) Regulations**

Various versions available where parts of the 2014 legislation has been amended



### **CfD Allocation Round 6 Guidance Documents**

Provisional documents are available now Final version will be published by NG ESO in March 2024



### **Contracts for Difference (Definition of Eligible Generator) Regulations 2014**

Sets out the main criteria of an eligible generator



### **Contracts for Difference Allocation Framework (AF) for Round 6**

Draft AF was published by DESNZ on **16<sup>th</sup> November 2023**.



These documents are essential to help understand how the allocation round operates. We recommend that applicants familiarise themselves with these documents.

# Key Criteria for the Application

Eligibility Criteria	Requirement	Documentary Evidence	Checks against the CfD Application
<b>Statements in relation to supply chains</b>	The Applicant must provide a statement in accordance with Regulation 26(4).	Copy of statement issued by the SoS.	Name and Dates
<b>Applicable planning consents</b>	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
<b>Connection Agreements</b>	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
<b>Non-receipt of other funds under Government schemes</b>	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
<b>Incorporation</b>	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)
<b>Maps</b>	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

# Key Criteria (Technology Specific)

There are some requirements for a CfD Application that are only applicable to certain technologies



## 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 no 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

# Target Date Definitions

## 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

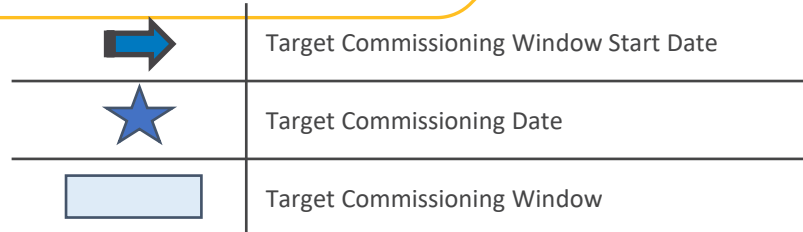


# Target Dates

## 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					
		01/04/2025	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	01/04/2030	01/10/2030
<u>Application 1</u> <b>Onshore Wind</b> 12 Month TCW	TCWSD: 01/04/2026 TCD: 01/10/2026 TCWED: 31/03/2027			➡	★								
<u>Application 2</u> <b>Hydro</b> 12 Month TCW	TCWSD: 01/05/2028 TCD: 31/03/2029 TCWED: 30/04/2029							➡	★				
<u>Application 3</u> <b>Solar PV</b> 3 Month TCW	TCWSD: 01/09/2026 TCD: 01/10/2026 TCWED: 31/12/2026			➡	★								
<u>Application 4</u> <b>Landfill Gas</b> 6 Month TCW	TCWSD: 01/01/2026 TCD: 01/04/2026 TCWED: 31/07/2026			➡	★								
<u>Application 5</u> <b>Offshore Wind (x3 Ph)</b> 12 Month TCW	TCWSD: 01/10/2027 P1 TCD: 30/09/2028 TCWSD: 01/10/2028 P1 TCD: 30/09/2029 TCWSD: 01/04/2029 P1 TCD: 31/03/2030					➡	★			➡	★		

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: 27<sup>th</sup> March 2024 – 19<sup>th</sup> April 2024

Check that:

- ✓ All mandatory fields have been completed
- ✓ All declarations are completed
- ✓ All uploaded documents provided are signed and dated
- ✓ A Map of the CfD Unit has been uploaded in Question “G”
- ✓ All coordinates for the CfD Unit are provided and are in the correct format
- ✓ All contact details for contract issuing are correct and as expected for the application
- ✓ You have referred to ‘Application Form Common Errors’ document for Allocation Round 6

Once the Application Window closes at 5pm on 19<sup>th</sup> April 2024 you will be unable to make any further changes to your application.

# Qualification Assessment Window

Delivery Body Assessment Window: 22<sup>nd</sup> April 2024 – 20<sup>th</sup> May 2024

The Delivery Body assesses each submitted application to make a determination on Qualification.

Assessment is undertaken in accordance with the Allocation Regulations, Schedule 5 of the Allocation Framework and information contained within the Application

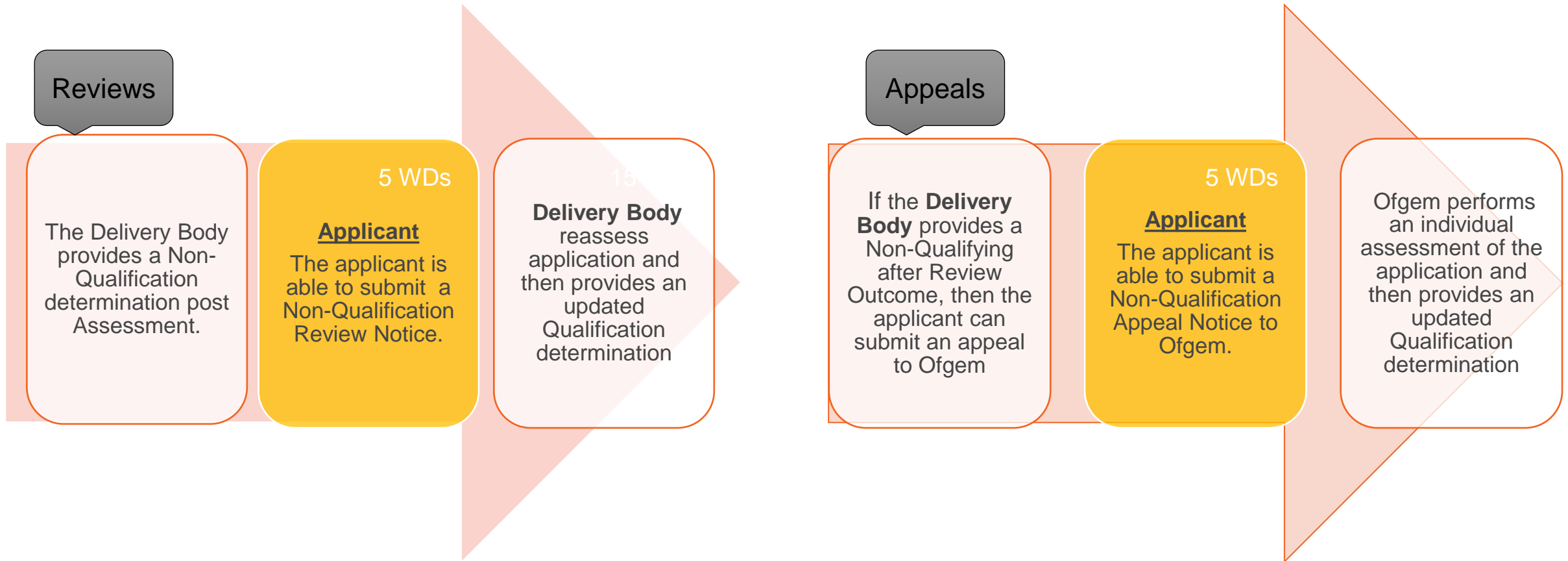
Failure to meet any of the Qualification/ Eligibility Criteria will result in a Non-Qualification Determination by the Delivery Body.

## QUALIFICATION RESULTS

Notification sent via the EMR Portal on the 20<sup>th</sup> May 2024

# Reviews Process

Delivery Body and Ofgem Reviews Window: 21st May 2024 – 24<sup>th</sup> July 2024





# 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

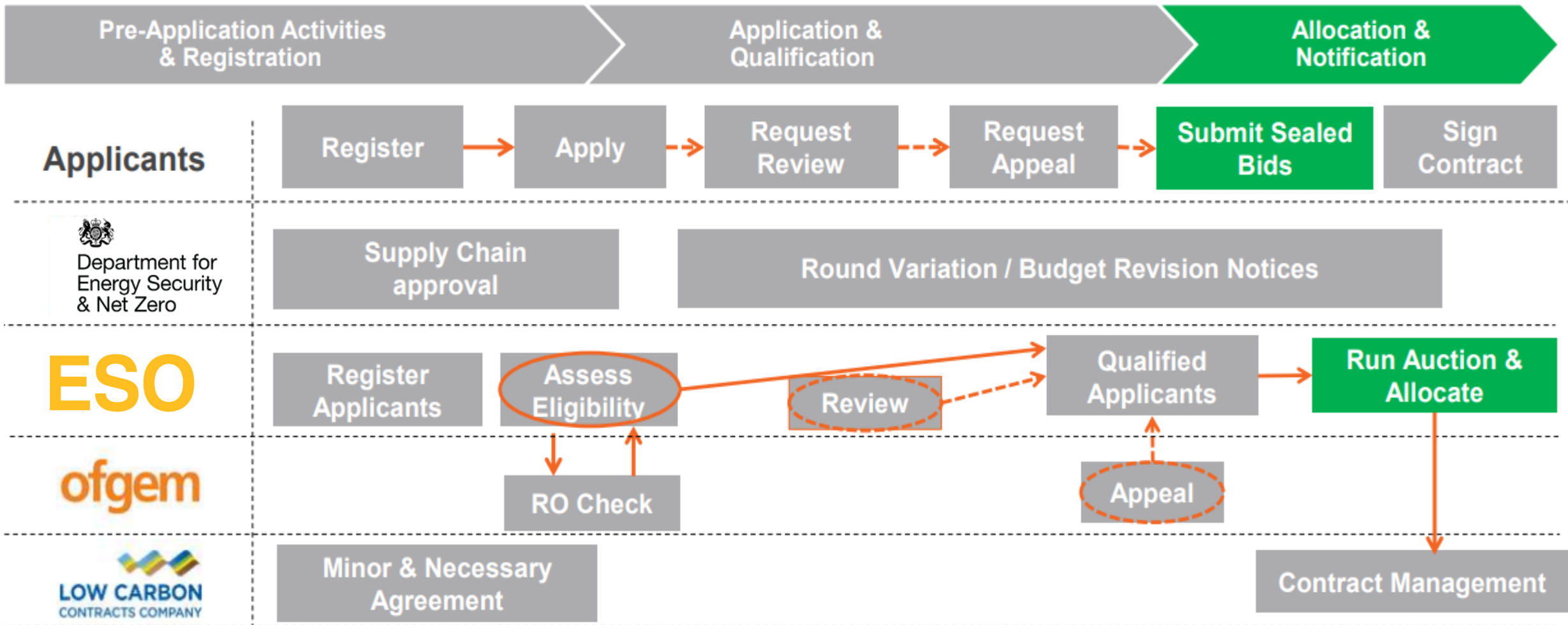
High Court Could:

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

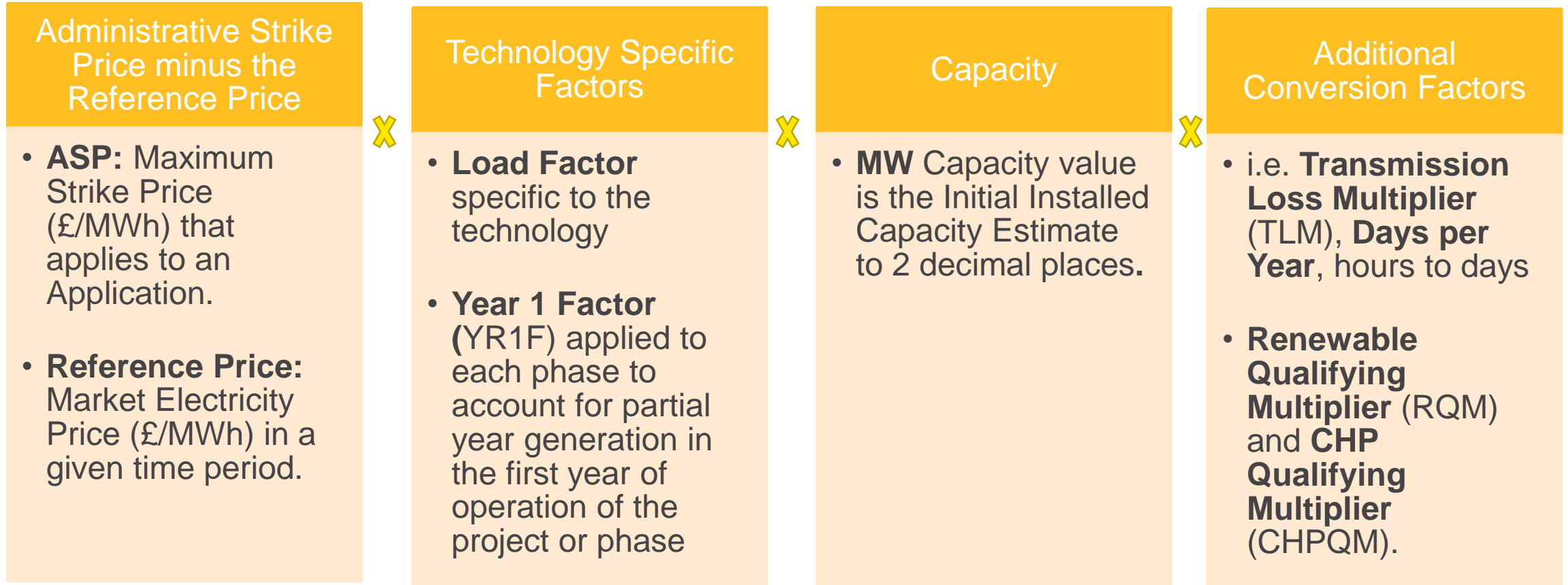
A landscape photograph of a field at sunset. The sun is low on the horizon, casting a warm glow. The field is green and yellow, with a line of trees in the background. Several bright green, glowing light trails curve across the field, suggesting a long-exposure shot of a moving light source. The overall mood is serene and futuristic.

# Allocation Process

# Allocation & Notification Process



# Valuation Formula



\*Refer to Schedule 2 for the full Valuation Formula.

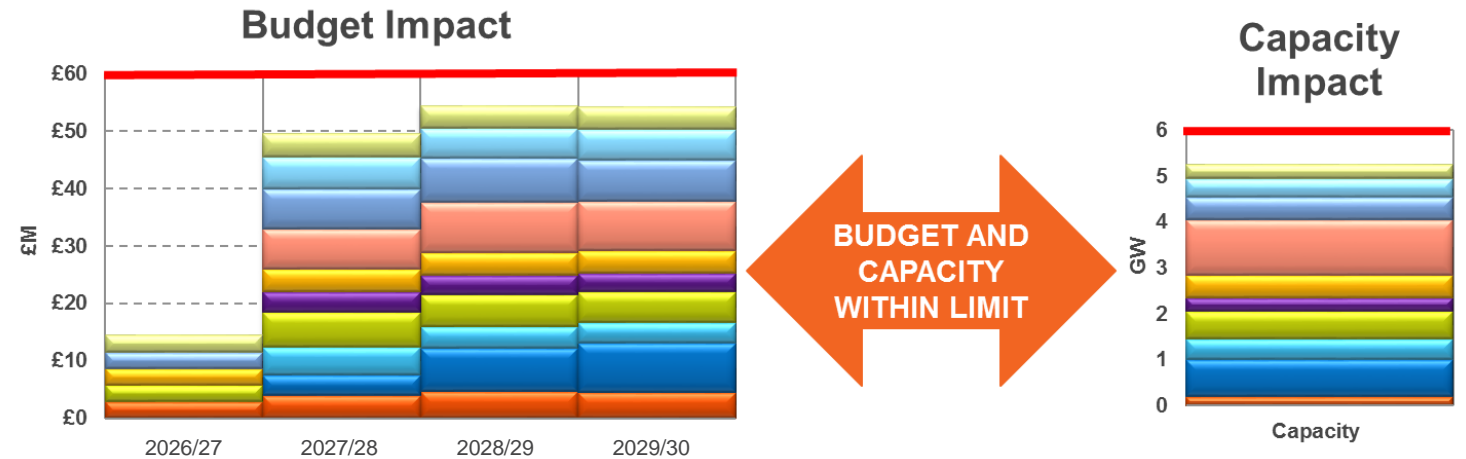


# Auction Determination

## Unconstrained Allocation

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

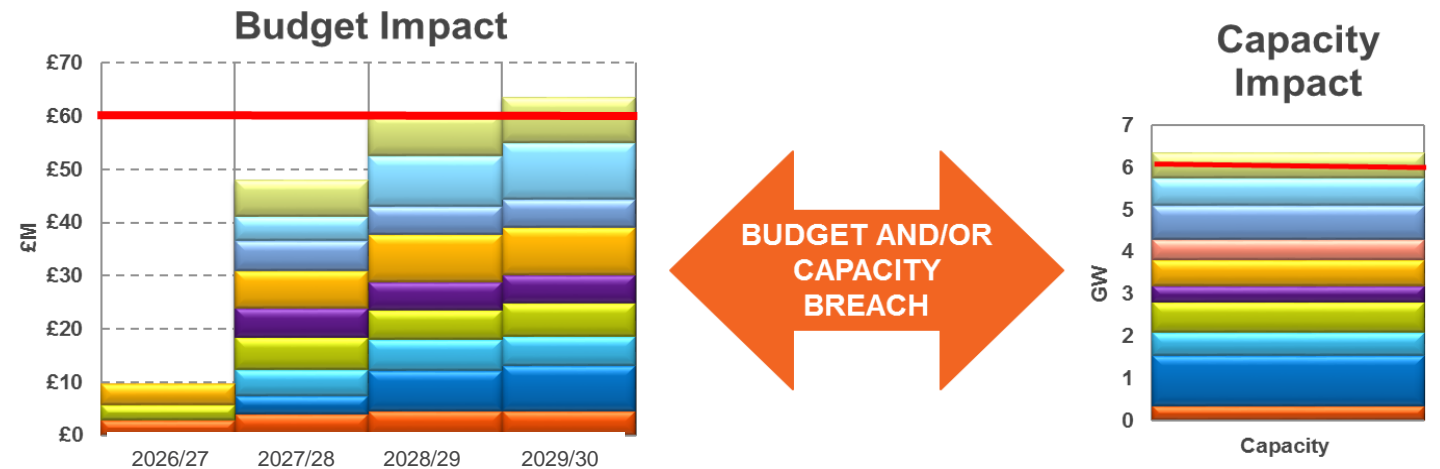
This would result in no auction and **all applications shall be awarded a CfD at their respective Administrative Strike Price.**



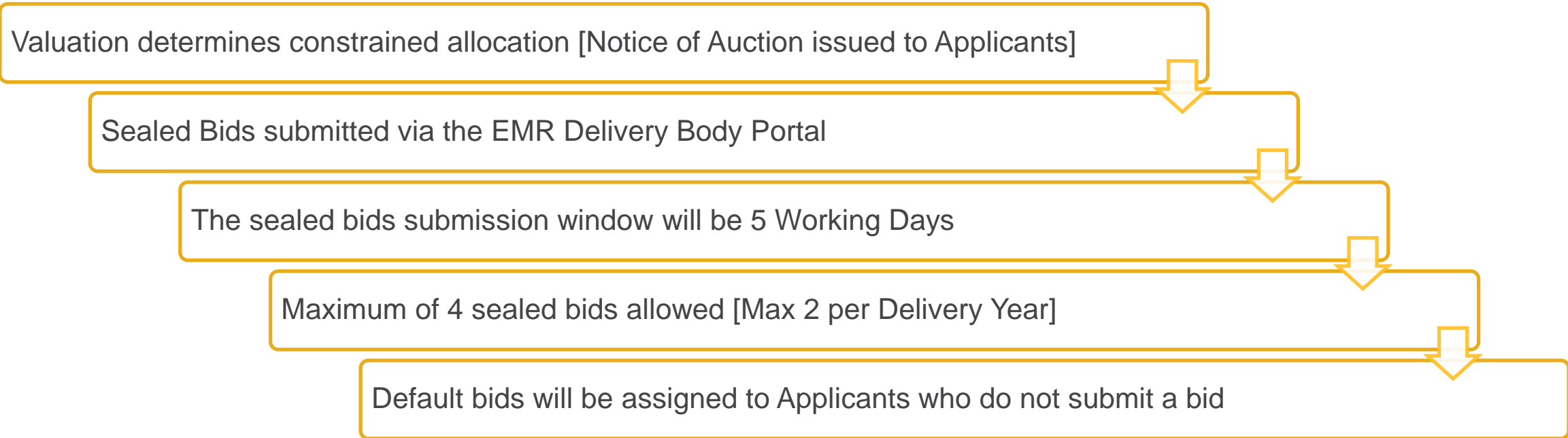
## Constrained Allocation

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 Applicants.



# Applicant Submission of Sealed Bids



## Changes that can be made to each Sealed Bid:



# Competitive Auction Process

All applications  
Sealed Bids  
**compete on a  
Strike Price** basis,  
operating the  
applicable order of  
auctions where  
necessary.



Sealed Bids are  
then assessed and  
**allocated from the  
lowest to highest  
Strike Price.**  
Flexible bids and  
interleaving will be  
considered in  
certain situations  
when a bid cannot  
be allocated.



Bids which are tied  
on the same Strike  
Price will be  
handled by the  
**Tiebreaker Rules,**  
as set out in the  
Round specific  
Allocation  
Framework.



Successful  
applications are  
awarded a CfD at  
the pot clearing  
price set by the  
highest successful  
bid.  
This is also subject  
to administrative  
strike prices and  
Max specific  
clearing prices.

# CfD Notification - Post Competitive Auction or Allocation Process

**Independent Auditor** carries out an assessment of the Delivery Body's Allocation Result, along with a controls audit of the whole Allocation Round.

10  
WDs

2  
WDs

**Secretary of State** undertakes a review of the Auditors report and Delivery Body's Results, and will decide whether to Proceed, Re-run or Cancel the Allocation Process.

2  
WDs

**Delivery Body** releases the results to the Applicants and the necessary notifications to the Low Carbon Contracts Company, which include:

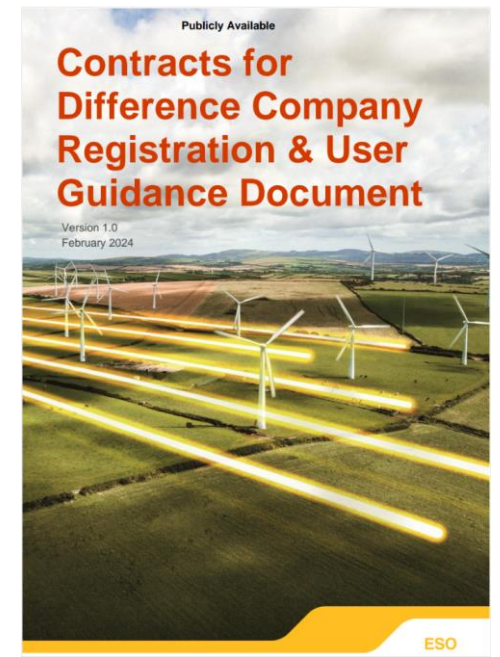
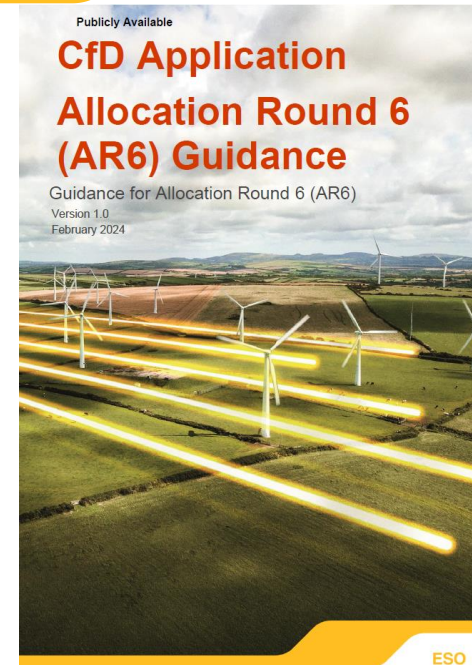
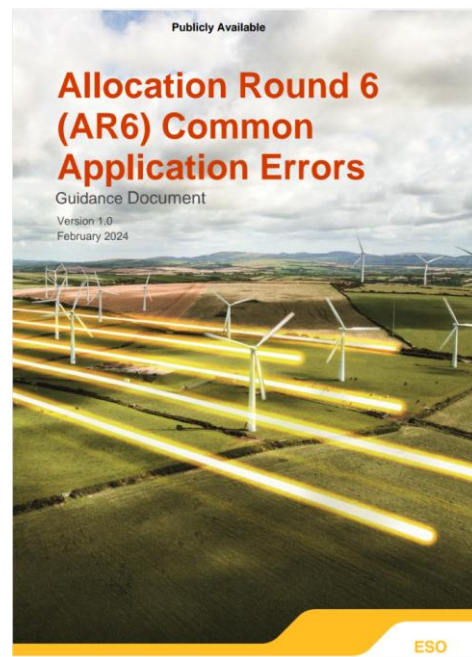
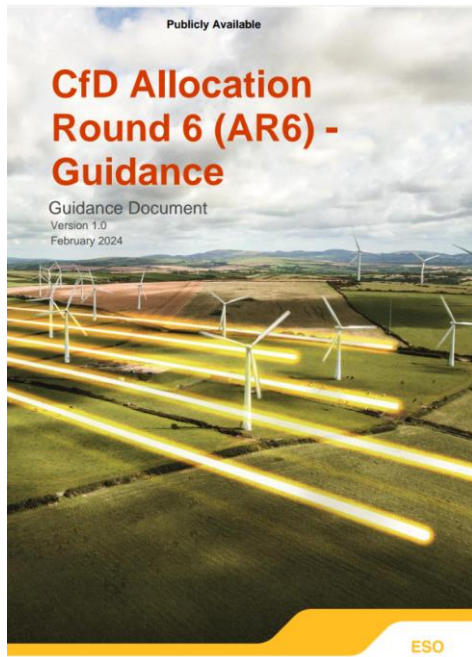
## All Applicants

- All Applicants will be notified via an allocation results letter as to whether the application has been successful or unsuccessful in securing a CfD contract.
- Letter is accessible via the EMR Portal.


## Successful Qualifying Applicants/LCCC

- The awarded CfD Strike Price
- Successful Allocation Capacity
- Target Dates (TCWSD, TCD, TCW)
- Company Details and relevant contacts for the contract issuing process

# Applicant Guidance and Support for the Allocation Process



Tutorial Videos 

Guidance Documents 



# Future Engagement



# How will we support you in AR6

## Guidance Documentation

- Guidance documents are available on the [CfD Microsite](#) & [EMR Delivery Body Portal](#) to support you throughout the Allocation Round 6 Process.

## Applicant Support

- For any queries for the CfD Delivery Partners, please submit your query via the [CfD Microsite](#).
- You can also reach the EMR Delivery Body Contracts for Difference team via phone on 01926 655300, Option 3.

## Guidance Videos/Webinars

- CfD Guidance Videos are available on the [EMR Delivery Body YouTube page](#).
- We will be hosting an Applicant Readiness Webinar on in the run up to the Application Window on 21 March 2024. We will be in touch with more details closer to the time.

# Continuing the conversation

Thank You

## Contracts for Difference Team

Reach us at:

**Telephone:** 01926 655300 [Option 3]

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

For further information on ESO publications please visit: [nationalgrideso.com](http://nationalgrideso.com)

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









Department for  
Energy Security  
& Net Zero

**nationalgrid**ESO  
Electricity Market Reform  
Delivery Body

**ofgem**



**LOW CARBON**  
CONTRACTS COMPANY

# Break

11.00am–11.05am

**Introduction to Allocation Round 6 Online event**

22 February 2024





**Contracts for Difference (CfD) –  
Allocation Round 6**

22/02/2024

**LCCC**

Policy, Legal 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

- 01** Introduction and Agenda
- 02** About LCCC
- 03** Minor & Necessary
- 04** Contract Production, Issuing & Signature
- 05** CfD Milestones



## Why are we here?

### Our mission is...

“...to **shape and implement schemes** which enable low-carbon investment at least cost to the consumer”

### Our vision is...

“...to **accelerate the delivery of net zero**”

# Overview

## The roles we play...

### Today – our current schemes:

- Independent Counterparty to the low carbon electricity Contracts for Difference (CfD) scheme
- Settlement Body for the Capacity Market scheme
- CfD counterparty (Hinkley Point C)
- Counterparty to first Hydrogen Production contracts

### Tomorrow – we are working with industry to develop and implement schemes where we are the counterparty to:

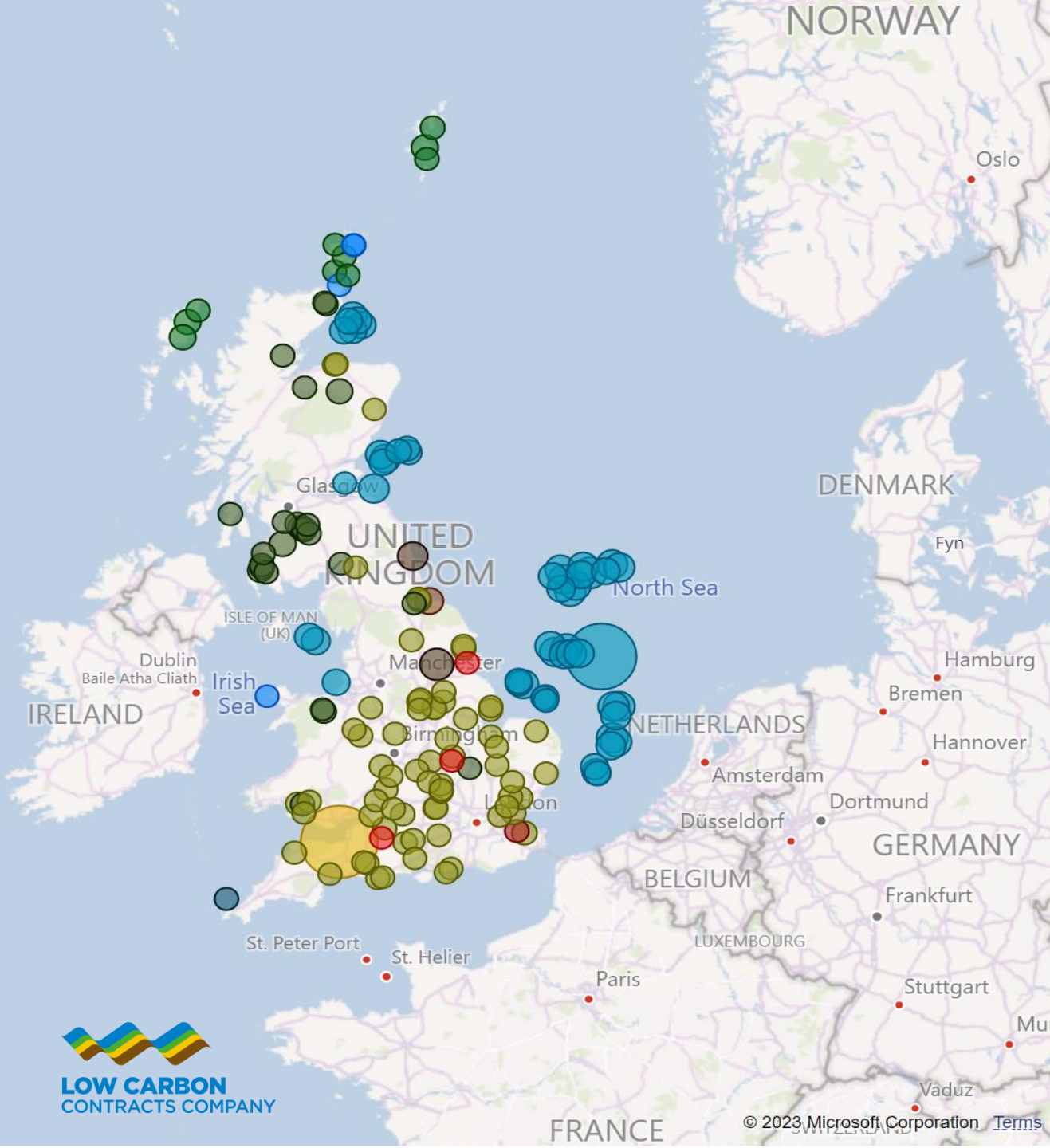
- Industrial Carbon Capture Usage and Storage (CCUS)
- Energy-from-Waste CCUS
- Dispatchable Power Agreement (power CCUS)
- Settlement body for Nuclear Regulated Asset Base (Sizewell C)

## Key characteristics of the CfD

- CPI indexed
- 15-year revenue stability
- LCCC have levy raising powers reducing counterparty risk
- Supported by legal provisions and protections (i.e. force majeure, change in law)
- Quoted as “the gold standard” by the investor community







## The Success of the CfD Mechanism

- 240 projects managed under CfDs
- 29.5GW renewable generation once operational
- 17% of the UK's total capacity in 2030 of ~173GW (according to FES system transformation scenario)
- £1.45b paid to generators in the last four quarters (2023)



# Pre – Application Window

What considerations need to be made before application window?



# Minor and Necessary Requests

## The process:

1. **Engage early** with us
2. Apply during the **M&N Modification Request Window**
3. Opens after publication of Allocation Round Notice
4. 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

You can find the recording of last year's M&N webinar which takes you through the process on our website [here](#) as well as our guidance on making a M&N application.

# Contract Production

## Day 0 to 10 following successful auction

nationalgridESO



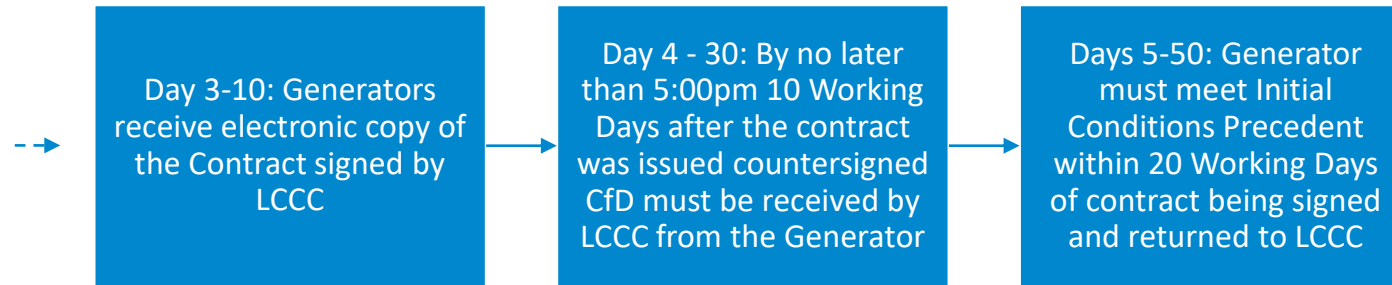
Day 0: National Grid sends CfD Notification to successful Generators and LCCC

Day 0 -3: LCCC makes contact with Generators

By Day 3 – 10 : LCCC sends out contracts and welcome letters in batches

# 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**



## You said, we did - Zero

In response to valuable feedback from AR5 Generators, we have taken significant steps to enhance user experience within Zero, LCCC's platform for onboarding and managing contracts.

### This includes:

- Streamlining the onboarding process based on user suggestions
- Implementing the functionality for Contract Managers to add new users to the system which results in generators being able to involve more than one person in completing tasks.
- Enhancing overall usability of the platform for a more user-friendly experience

We highly value feedback and are dedicated to implementing it to ensure that the CfD journey is as smooth and efficient as possible.

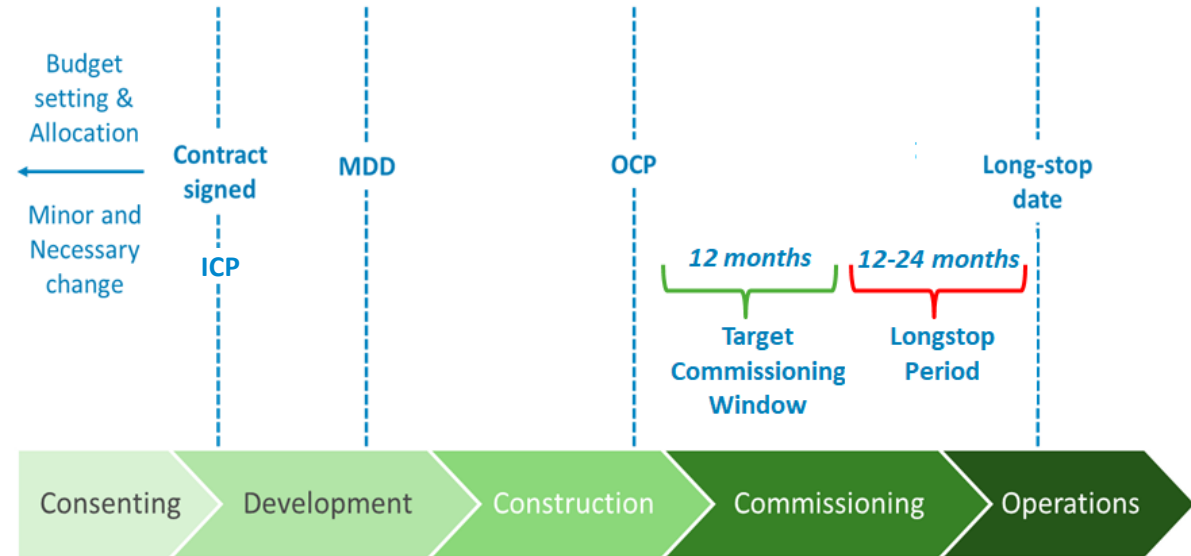




**CfD Milestones**

# CfD milestone overview

- **Initial Conditions Precedents (ICP)**
  - Conditions must be fulfilled before contract is in effect
- **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



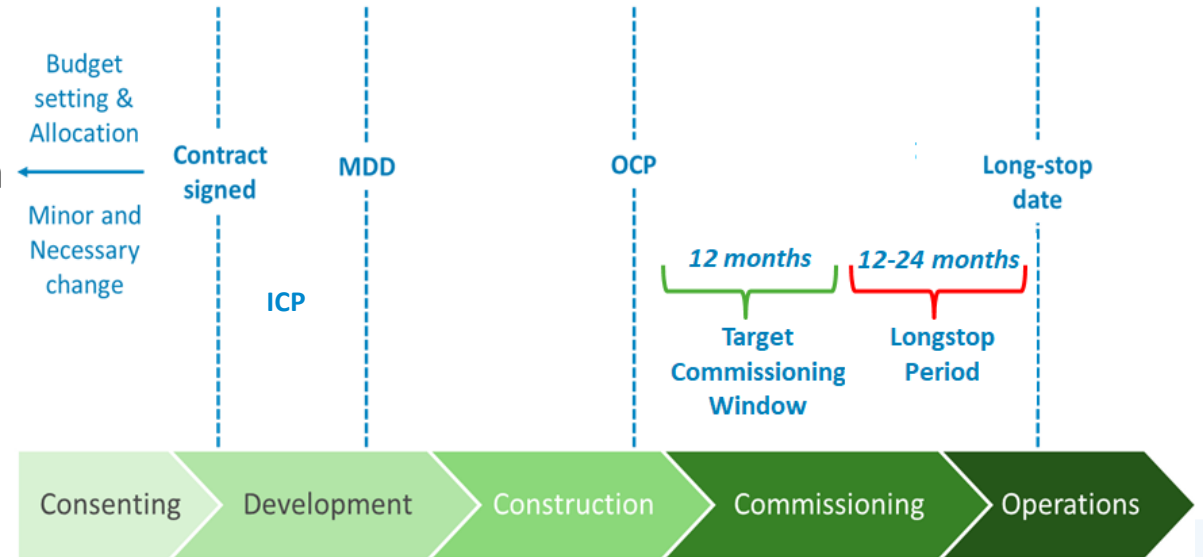


# Initial Condition Precedent (ICP)

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 associate 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



Access the ICP Guidance [here](#)

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

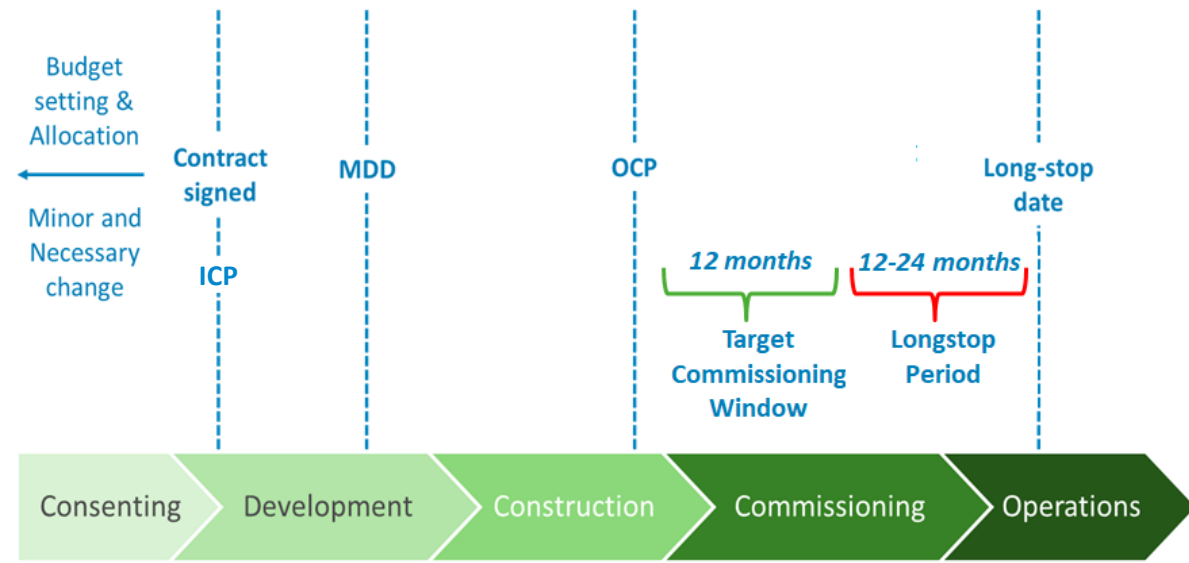
# Milestone Delivery Date (MDD)

Access the MDD  
Guidance [here](#)

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
- B. 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
  - v. A Directors' Certificate is required to affirm information accuracy.

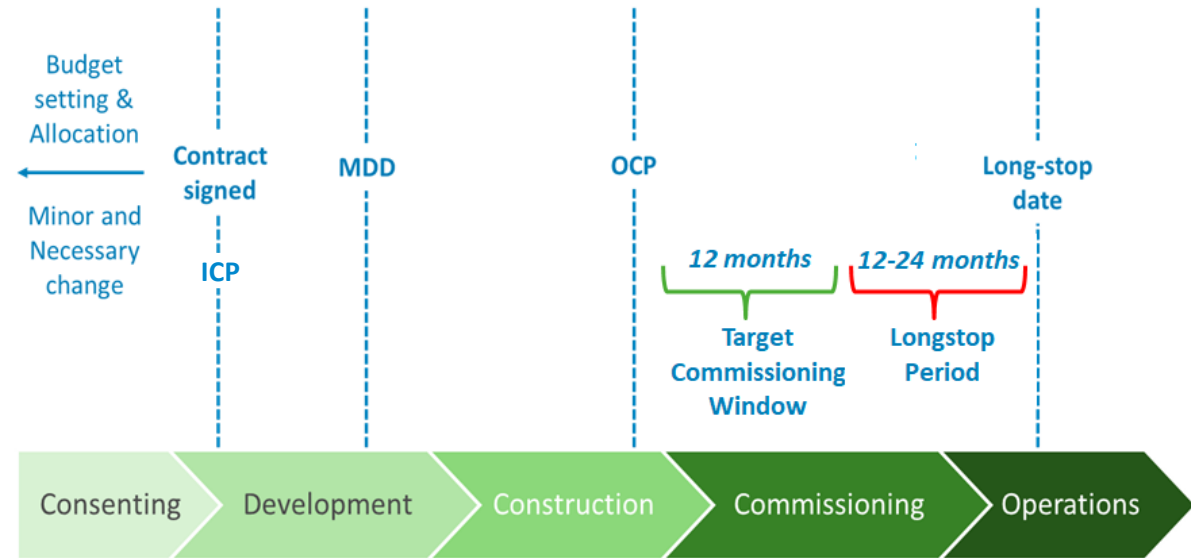


Failure to meet the MR by the MDD provides LCCC with a right to terminate the CfD



# Target Commissioning Window and Longstop Date

- Reporting requirements are expected Start Date and the Installed Capacity on the :
  - Agreement Date
  - monthly basis for the 6 months prior to the Expected Start Date
  - upon request and
  - when a generator becomes aware there is a change

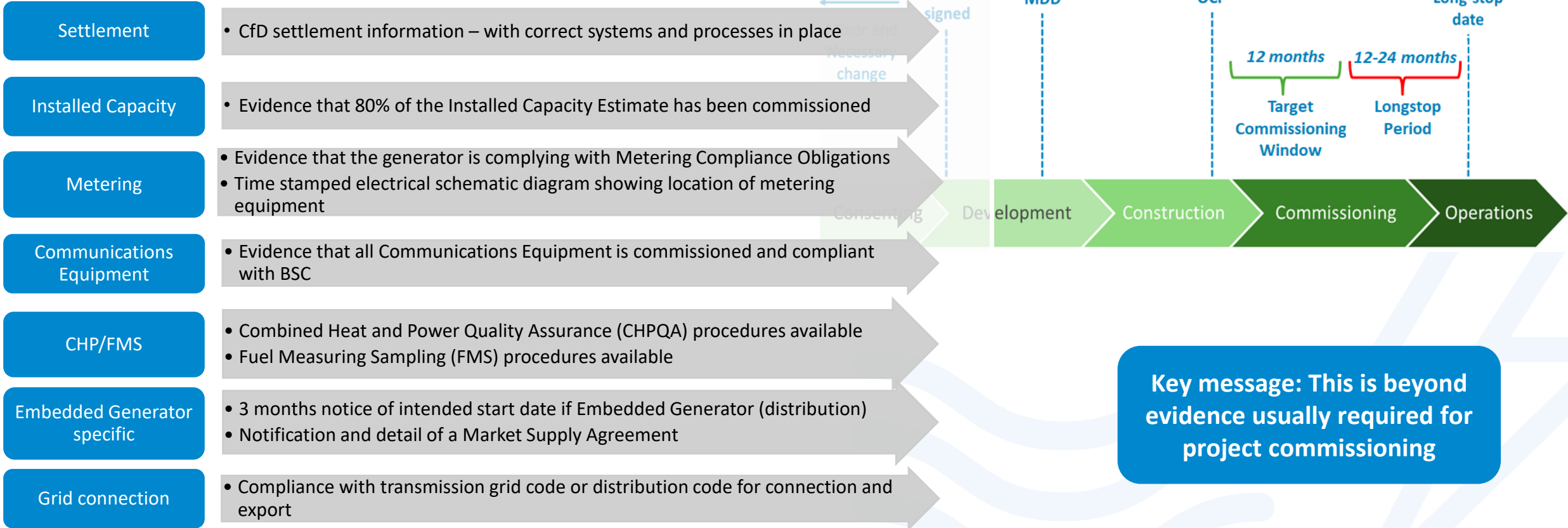


## Please note:

- 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

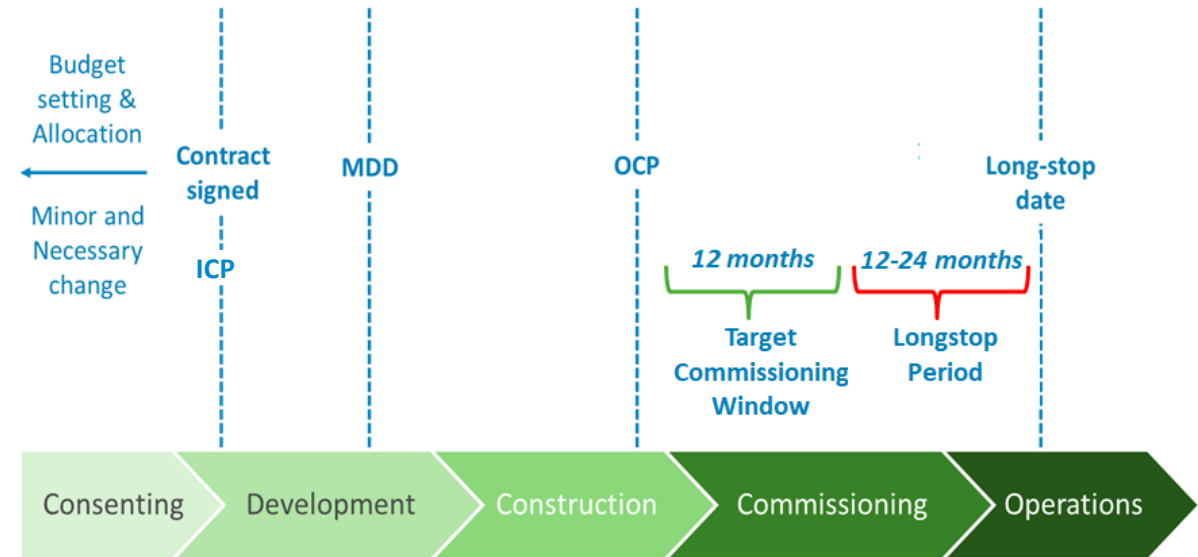
# Operational Condition Precedents (OCPs)

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



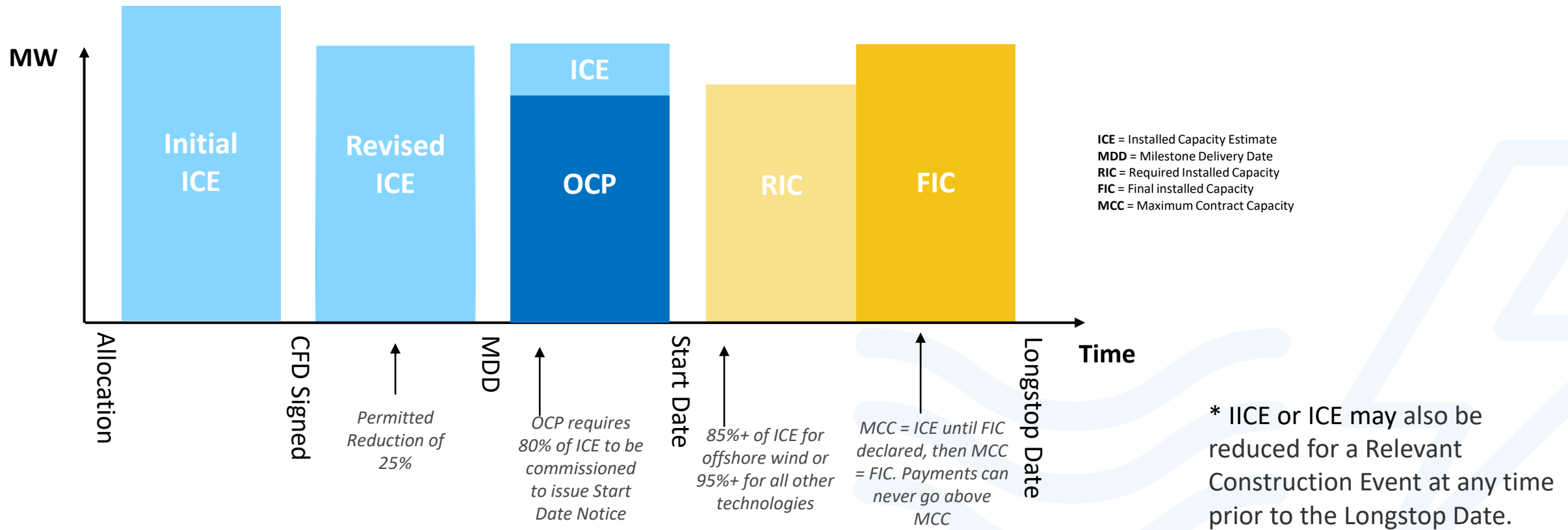
# Final Installed Capacity (FIC)

- 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, TCW and LSD may be extended day for day based on evidence of the impacts on the project



# Contracts For Difference

Ofgem's Role in the CfD Appeals Process



**Olga Okoulova**  
22/02/2024

**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.**

”



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



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](mailto:EMR_DR@ofgem.gov.uk) within 5 working days of the DB Tier 1 decision

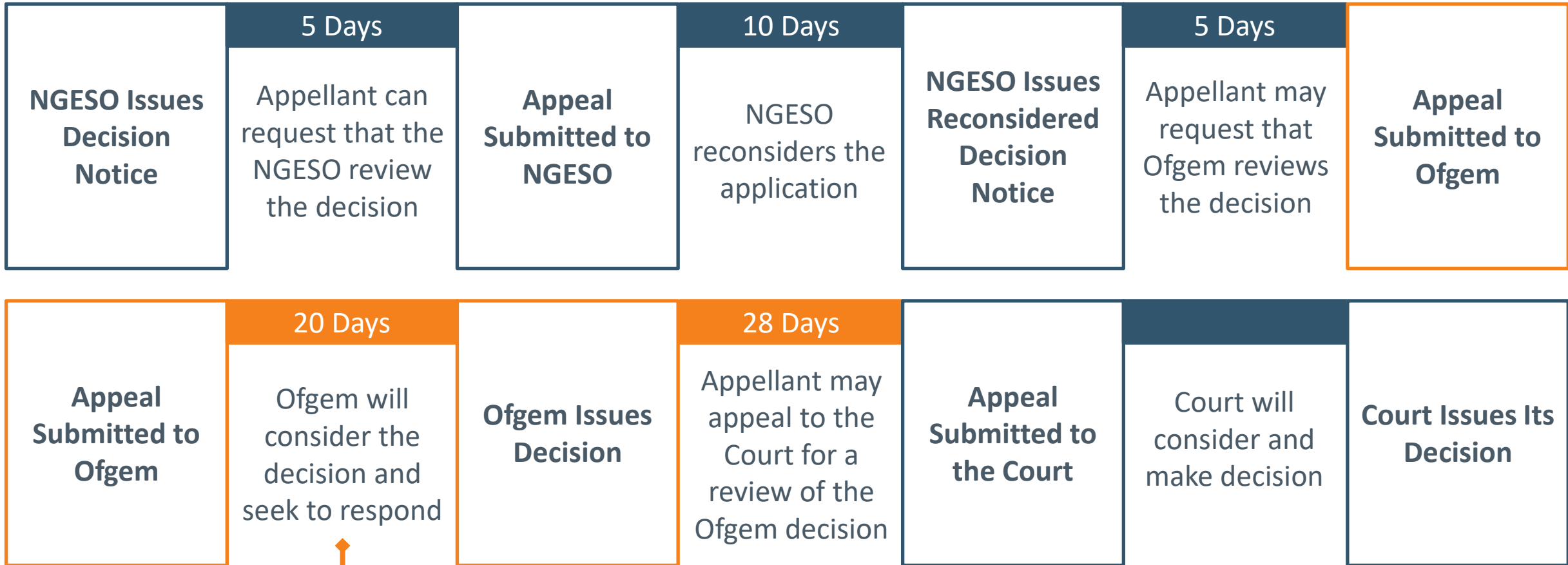
Ofgem will confirm receipt



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 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

A photograph of a person with blonde hair, wearing a denim jacket, with their arms raised in the air. They are standing in a field at sunset, with a crowd of people and tents in the background. The sky is a mix of orange, pink, and purple. There are some decorative elements: a white wavy line in the top left and a glowing purple and white circular graphic in the bottom right.

# Contracts for Difference EMR Delivery Body

Allocation Round 6 Online Event – Second Session  
Thursday 22 February 2024

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## Confidentiality

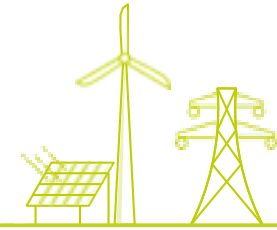
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# Contents

- **Application Portal Demo**
- **Allocation Guidance and Support**



# 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.



### Capacity Market



### Contracts for Difference



### Latest News

[REFRESH](#)

[Capacity Market: Reminder System Outage on the EMR Delivery Body Website announced](#)  
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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Delivery Body

**ofgem**



**LOW CARBON**  
CONTRACTS COMPANY

# Break

12.20pm–12.30pm

**Introduction to Allocation Round 6 Online event**

22 February 2024

# Q&A panel



**Chair:** Jamie Balbes, DESNZ

## **Panellists:**



- Myra Fazal
- Kieran Power



- Thomas Fish
- Jat Sembi
- Becky Thomas



- Olga Okoulova



- Robin Woolnough
- Murray Mitchell
- Andrew Varnava





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**Thank you**

**Introduction to Allocation Round 6 Online event**

22 February 2024