



Welcome to

Introduction to CfD Allocation Round 4

23 September 2021



Introduction to the day

BEIS

CfD delivery partners



Department for
Business, Energy
& Industrial Strategy

- Policy
- Regulations
- Reg Decisions



- Registration
- Qualification
- Reviews
- Allocation



- Appeals
- DB Regulation



- Minor and Necessary modifications
- CfD Counterparty

Agenda



10:00	Welcome and today's agenda	BEIS
10:10	CfD policy context, auction parameters, AR5 and future rounds	BEIS
10:45	Overview of the allocation process	National Grid ESO
11:20	<i>Coffee break</i>	
11:35	Disputes	Ofgem
12:00	Key CfD terms and signing process (minor and necessary modifications, pre-bidding and what happens post-allocation)	LCCC
12:35	<i>Lunch</i>	
13:20	Q&A panel	All
14:10	<i>Coffee break</i>	
14:20	Introduction to breakout sessions	BEIS
14:25	Breakout session one	National Grid ESO, LCCC
15:10	<i>Comfort break</i>	
15:20	Breakout session two	National Grid ESO
16:05	Wrap-up and key takeaways	BEIS
16:20	Close	

Dedicated AR4 portal



Contracts for
Difference (CfD)

Allocation Round 4 resource portal

[Home](#)

[About](#)

[News](#)

[Events](#)

[Contact](#)

[FAQs](#)

[Publications](#)

[Subscribe](#)

Contracts for Difference

Welcome to the Contracts for Difference Allocation Round 4 (CfD AR4) portal.

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

- [About](#)
- [News](#)
- [Events](#)
- [Contact – submit your queries](#)
- [FAQs](#)
- [Publications](#)

- [Subscribe to the mailing list \(at the top & bottom of each page\)](#)

www.cfdallocationround.uk



CfD policy context

Department for Business, Energy and Industrial Strategy (BEIS)

CfD Allocation Round 4

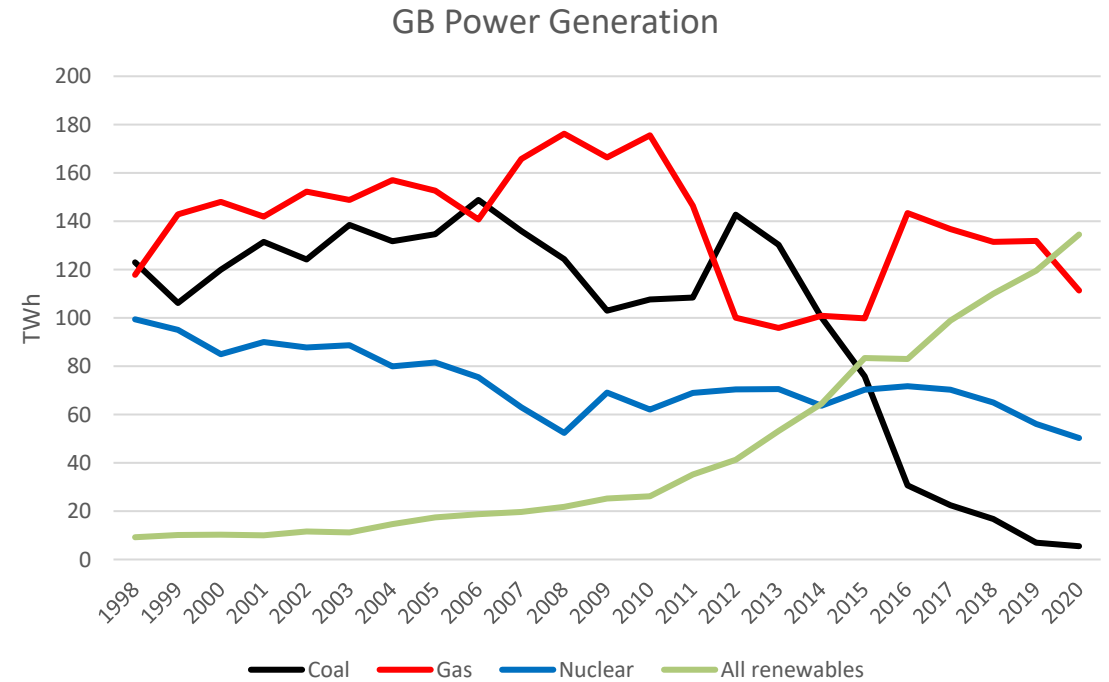
Angela Patel and Josh Roebuck



Context

- The scale of achievement for renewables has been unprecedented. In 2020, **42.9%** of total electricity generation came from renewables.
- The CfD has been central in this journey; seeing contracts awarded to around **16GW** of new, low carbon capacity whilst supporting significant cost reductions (up to 65% for offshore wind since AR1).
- Recent government targets have strengthened the focus on decarbonisation, with Net Zero, the Ten Point Plan and Sixth Carbon Budget meaning we need to decarbonise the electricity system further and faster than previously thought.
- Greater emphasis on harnessing industrial benefits of clean energy transition (the ‘green industrial revolution’).
- AR4 will be crucial for supporting these objectives, aiming to support up to double the capacity of renewable electricity secured in AR3 – an ambition of **around 12GW**.

Source: BEIS, June 2021 (National Statistic)



Main CfD changes for AR4

Removal of coal-to-biomass conversions as eligible technology

Strengthened Supply Chain Plans and process

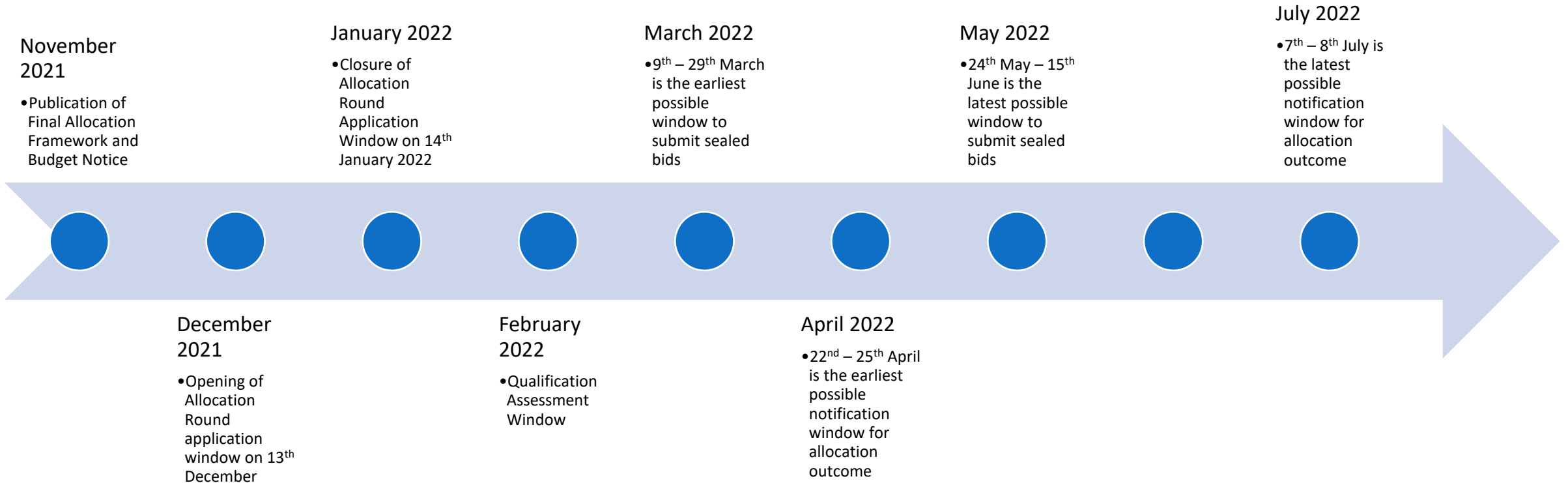
Introduced 3 Pot structure, including new offshore wind-only Pot 3

Introduction of floating offshore wind as new eligible technology class in Pot 2

Extension of existing negative pricing rule

Extended the Milestone Delivery Date to 18 months

Round timings



Contract changes

- Consulted on several drafting changes to the CfD contract to implement confirmed policy decisions.
- Main change was to incorporate creation of Floating Offshore Wind as a new technology.
- Also excludes coal-to-biomass projects from future rounds and extends MDD to 18 months.
- Further consultation ongoing on changes to ensure the contract functions as intended following the UK's exit from the EU.
- The contract will need to be adjusted to end compensation to CfD Generators if Ofgem decide to remove BSUoS charges from generators.

Eligible technologies and ASPs

Pot	Technology	Draft AR4 ASPs (2012 £/MWh)
1	Solar (>5MW)	£47
	Onshore Wind (>5MW)	£53
	Landfill Gas	£62
	Hydro (>5MW and <50MW)	£93
	Energy from Waste w.CHP	£121
	Sewage Gas	£151
2	Remote Island Wind (>5MW)	£62
	Floating Offshore Wind	£122
	Anaerobic Digestion (>5MW)	£128
	Geothermal	£133
	Dedicated biomass w.CHP	£163
	ACT	£190
	Tidal Stream	£211
Wave	£258	
3	Offshore Wind	£46

- These are draft Administrative Strike Prices (ASPs) - final ASPs will be published in the Final Budget Notice
- In AR4, a single ASP applies to each technology within the relevant Delivery Window
- This change mirrors the single clearing price applied in AR4

Auction Parameters: Budgets and minima

	Delivery and Valuation Years					
	2023/4	2024/5	2025/6	2026/7	2027/8	2028/9
Overall budget (£ million in 2011/12 prices)	10	10	265	265	255	255
Pot 1	10	10	10	10	-	-
Pot 2	-	-	55	55	55	55
<i>Inclusive of:</i>						
- Minimum for Floating Offshore Wind	-	-	24	24	24	24
Pot 3	-	-	200	200	200	200



 Delivery Year
 Valuation Year

Table 1: CfD Budget, in monetary terms, for the fourth CfD Allocation Round (source: Draft Budget Notice)

Auction Parameters: Capacity caps and maxima

	Delivery and Valuation Years					
	2023/4	2024/5	2025/6	2026/7	2027/8	2028/9
Pot 1	5,000 MW	5,000 MW	5,000 MW	5,000 MW	-	-
<i>Inclusive of:</i>						
- Maximum for Onshore Wind	3,500 MW	3,500 MW	3,500 MW	3,500 MW	-	-
- Maximum for Solar PV	3,500 MW	3,500 MW	3,500 MW	3,500 MW	-	-
Pot 2	-	-	-	-	-	-
Pot 3	-	-	-	-	-	-



 Delivery Year
 Valuation Year

Table 2: CfD Budget, in capacity terms, for the fourth CfD Allocation Round (source: Draft Budget Notice)

Supply Chain Plan process

- All projects >300MW
- New Supply Chain Plan questionnaire aligned with gov. economic strategy: *Build Back Better: Our Plan for Growth*
- New scoring process: quantifiable, well-planned commitments expected
- New monitoring process: successful plans get monitored every 2 months until MDD, every 6 months after – help catch issues early
- Tougher consequences for non delivery: CfD contract termination as last resort

AR5 and beyond

- Aim to continue the rapid deployment of renewable generation in order to achieve our CB6 targets.

Future CfDs must...



Make a positive contribution to the **electricity system as a whole** as we transition to Net Zero



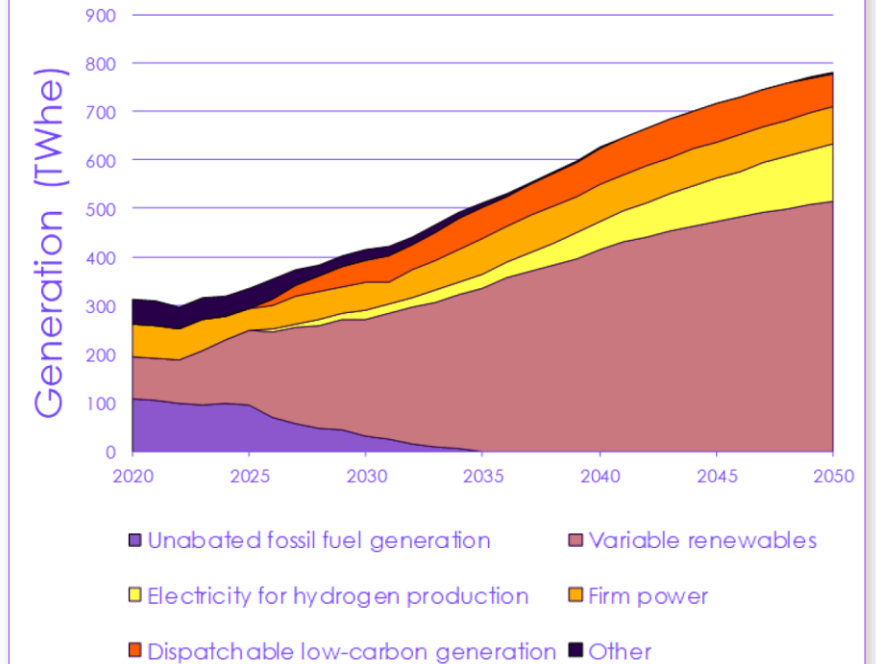
Facilitate renewable deployment to meet CB6 targets



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

- The recent call for evidence highlighted the need for short-term incremental improvements, and longer-term change within the CfD scheme.
- 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.



Contracts for Difference EMR Delivery Body

Version 1.00
23 September 2021

Contents

Introduction

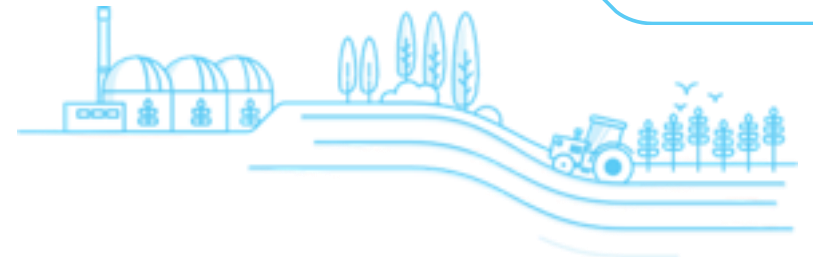
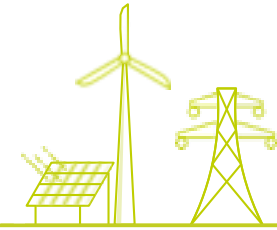
**Contracts for Difference Process
Overview**

Registration

Application & Qualification

Allocation

Future Engagement



Introduction to the Team



Andy Ford
EMR Delivery
Body Manager



Laura Brock
CfD Delivery
Manager



Jas Sagoo
Senior CfD
Analyst



Tom Fish
CfD Analyst



Will Boucher
CfD Analyst

Introduction to the EMR Delivery Body

Our Roles and Responsibilities

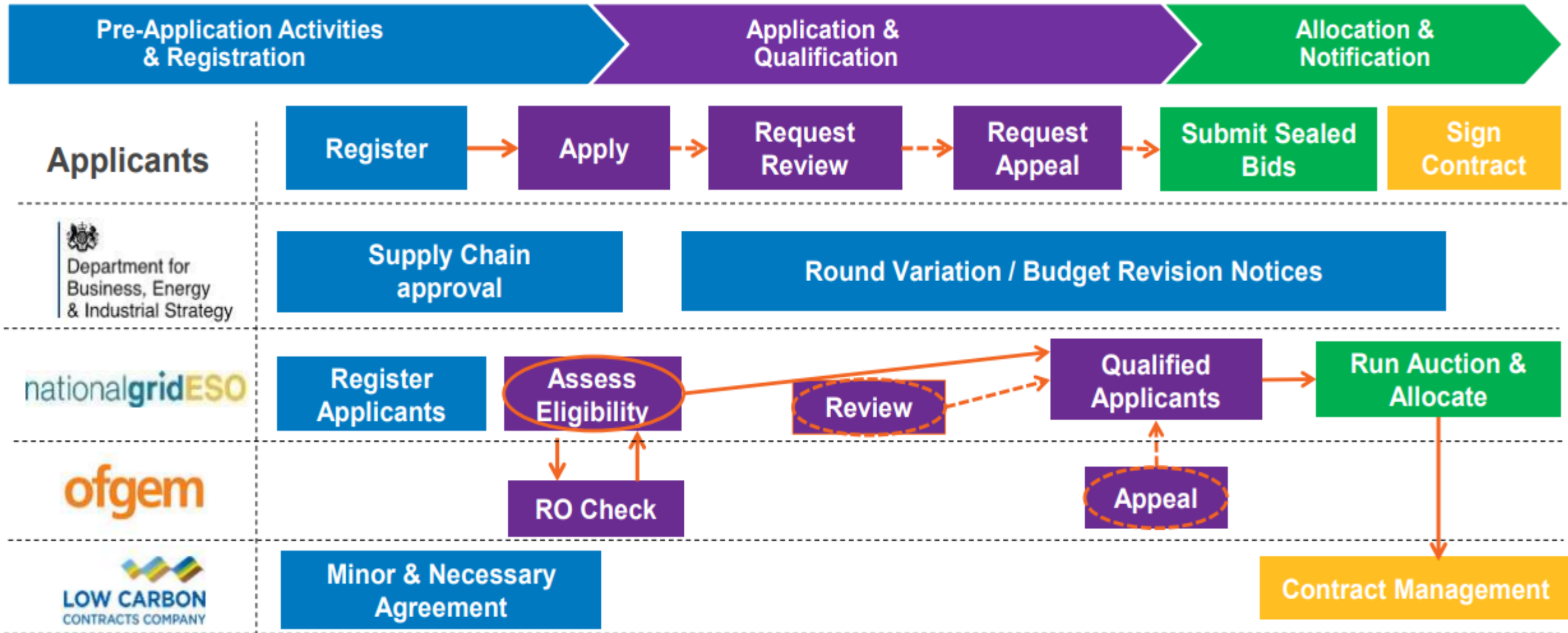
National Grid ESO is the Delivery Body for Electricity Market Reform (EMR). Our responsibilities include:

- 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 and subsequent assessment as to whether an auction is required to determine which applicants will be awarded a CfD
- Run the CfD allocation process
- Report the value of applications to BEIS
- Production of reports as required to BEIS
- Provide LCCC with the information necessary to offer a CfD

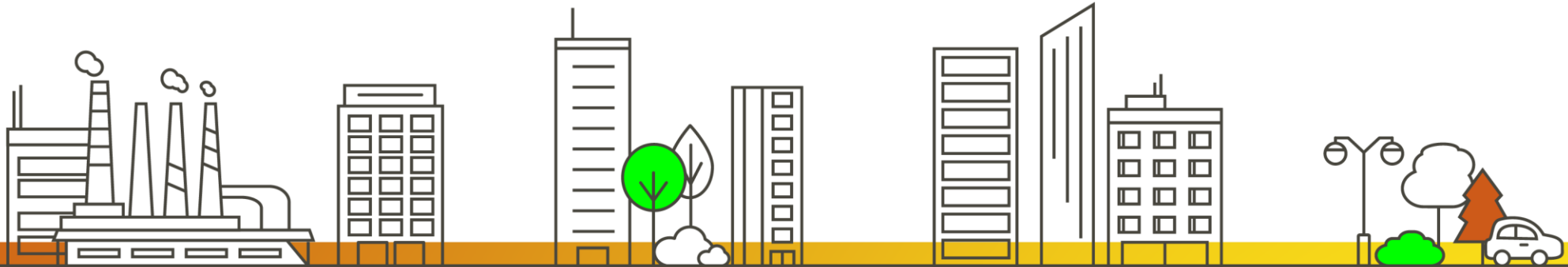
CfD Process Overview



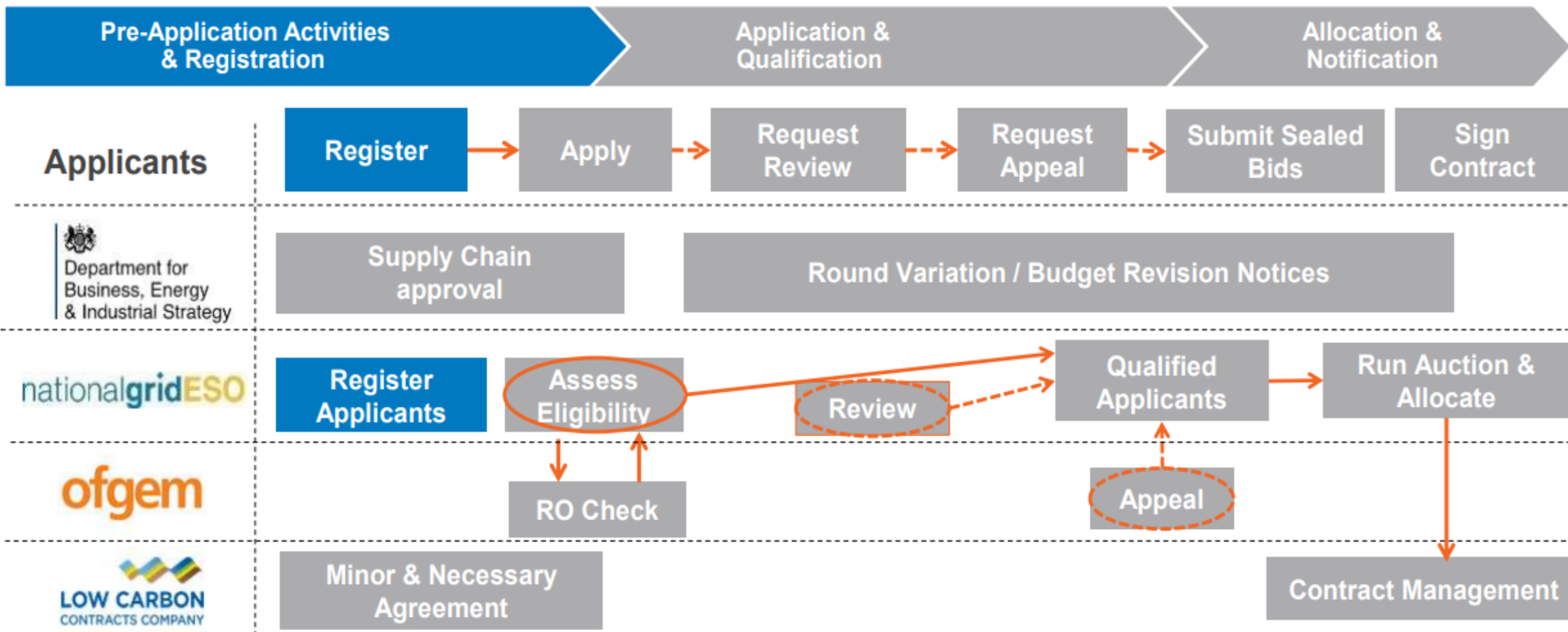
CfD Allocation Round Process Overview



CfD Company Registration




Registration Process Overview




Registration

A large orange arrow pointing to the right, with the text 'AR4' in white inside it.

AR4

A white circle with a thin orange outline, connected to the text box by a thin orange line.


Authorised Person must sign and date the Registration Form

A white circle with a thin orange outline, connected to the text box by a thin orange line.

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

A white circle with a thin orange outline, connected to the text box by a thin orange line.

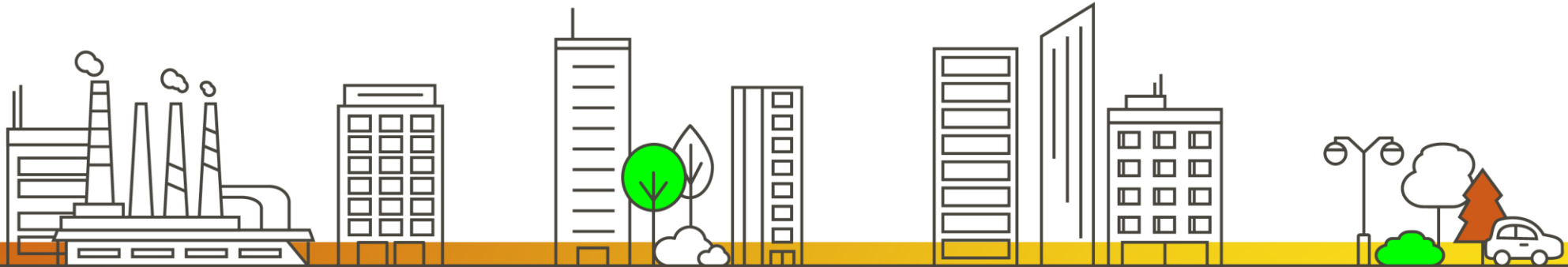
CfD Company Registration & User Management Guidance Document and Guidance video's are available from 4th October 2021

A white circle with a thin orange outline, connected to the text box by a thin orange line.

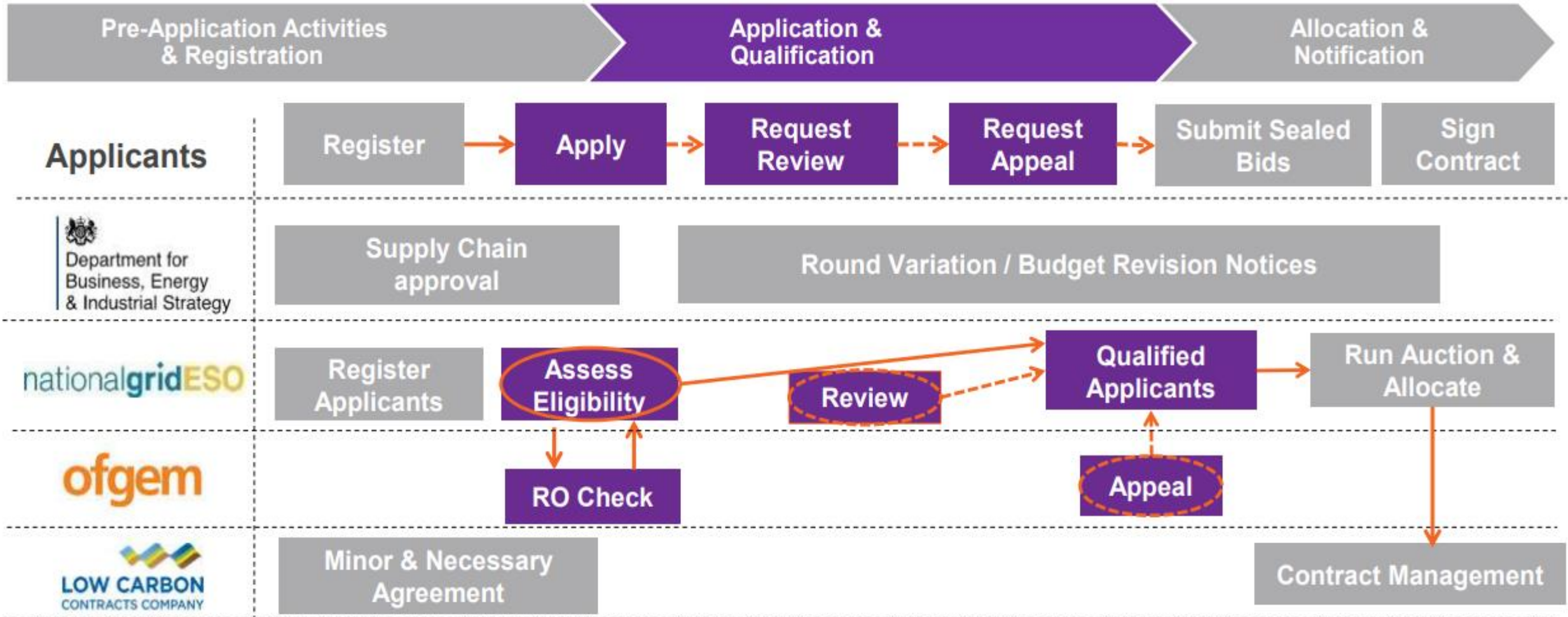
Registration Window opens on 4 October 2021 and closes on 14th January 2022: Whilst we will endeavour to process all applications, any registration requests received after the 7th January cannot be guaranteed due to the time required to process.

Registration Window is from 04/10/2021 to 14/01/2022
Application window is from 13/12/2021 to 14/01/2022

Application and Qualification



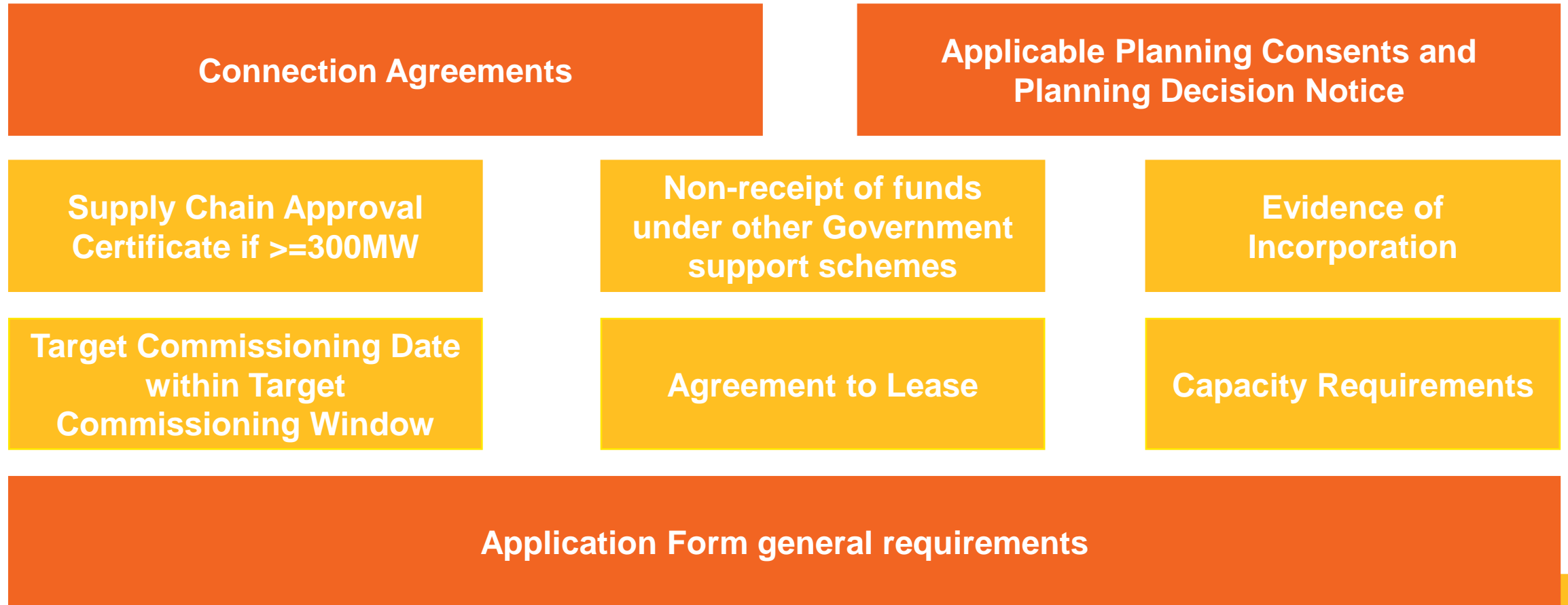
Application & Qualification Process Overview



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

- Contracts for Difference (Allocation) Regulations 2014 - set out the general rules for qualification and allocation processes
- Contracts for Difference (Definition of Eligible Generator) Regulations 2014 – set 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 for Round 4 – draft has been published.
- Allocation Round 4 Guidance Document – will be published by NG ESO in November.

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



Preparing for the application (3/4) – Key Criteria (Technology Specific) Remote Island Wind and Advanced Conversion Technology

Remote Island Wind (RIW)

Allocation Regulation 27A (3)

(a) the CfD Unit generates electricity by the use of wind;

(b) the CfD Unit is located on a Remote Island;

(c) the CfD Unit is connected to the national Transmission System or to a Distribution System (cannot be private wire only)

(d) Specific cabling requirements for connection

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.

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

Advanced Conversion Technology (ACT)

Compliance with the ACT Efficiency Standard criterion in the Contract for Difference scheme

Compliance with the Physical Separation Requirement in the Contract for Difference scheme

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

Offshore Wind and Floating Offshore Wind

Offshore Wind (Fixed) (Phased)

Pursuant to Regulation 28

The applicant must demonstrate that -

(a) After all phases are completed the CfD Unit will have a capacity of no greater than 1500MW;

(b) The first phase must represent at least 25% of the total capacity of the CfD Unit after all phases are completed;

(c) the first phase is targeted to complete by a date no later than 31st March of the last applicable Delivery Year (subject to any changes to the Target Dates under Regulation 34 as a result of delays to the Allocation Process); and

(d) Target Commissioning Date of the final phase is not later than 2 years after the Target Commissioning Date of the first phase.

As part of the Application, provide information indicating where in the applicable planning consent documentation state the consent allows floating turbines.

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

Offshore Wind (Floating)

Pursuant to Regulation 27ZA

The floating offshore wind conditions are that-

(a) The relevant CfD unit is not a phased offshore wind CfD unit (or any other offshore CfD unit that is to be established or altered in phases of construction); and

(b) All turbines forming part of the relevant CfD unit-

- (i) are mounted on floating foundations; and
- (ii) are situated in offshore waters of at least 45 metres depth (measured from the seabed to chart datum)

Submitting your application – Application Window 13th December ‘21 – 14th January ‘22

Check that all mandatory fields have been completed;

Check that declarations are completed; and

Check that all uploaded documents provided are signed and dated

Refer to ‘Application Form Common Errors’ document

Once the Application Window closes at 5pm on 14th January 2022
you will be unable to make any further changes to your application.

Assessment Window 17th January – 25th February '22

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

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

Failure to meet any of the Qualification Criteria will result in a non-Qualification determination

QUALIFICATION RESULTS

Notification sent via the EMR Portal on the 25th February 2022

Reviews and Appeals for Non-Qualifying applicants from February to May 2022 (based upon longest timeline)

28 th February – 4 th March 2022	7 th March – 25 th March 2022	March 25 th 2022	28 th March – 1 st April 2022	4 th April – 12 th May 2022	12 th May 2022
<p>Window for Non-Qualifying applicants to request a non-qualification review.</p> <ul style="list-style-type: none">• Non-Qualifying applicants have 5 working days to request a review• Non-Qualification areas only• No new evidence• Regulation 20 of the Allocation Regulations details what should be submitted in a Review Notice	<p>Non-Qualification review assessment window.</p> <p>- Within 15 working days, the DB will re-assess the CfD application against the relevant Qualification criteria.</p>	<p>Non-Qualifying applicants will be notified of outcome of non-qualification review.</p> <p>A 'non-qualification review notice' will be issued by the DB.</p>	<p>Window for Non-Qualifying applicants to request a Qualification Appeal.</p> <p>- Where a non-qualification determination is upheld, the applicant may submit an appeal to Ofgem (and a copy to the Delivery Body). This appeal must be submitted within 5 WDs after the date of the non-qualification review notice.</p>	<p>Ofgem review Qualification appeals and make a determination as soon as reasonably practicable.</p> <p>The Delivery Body and Ofgem will make BEIS aware of the Appeals.</p> <p>BEIS may decide to proceed with the Allocation Round where a determination has not been made when the allocation process commences</p>	<p>Non-Qualifying applicants notified of outcome of qualification appeal.</p>

Appeals Process Overview – High Court Appeals

If Ofgem upholds a non-qualification determination

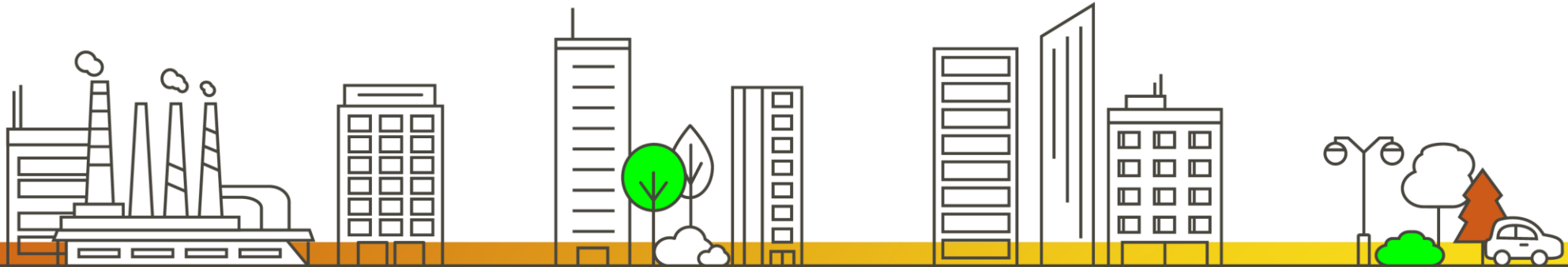
Applicant

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

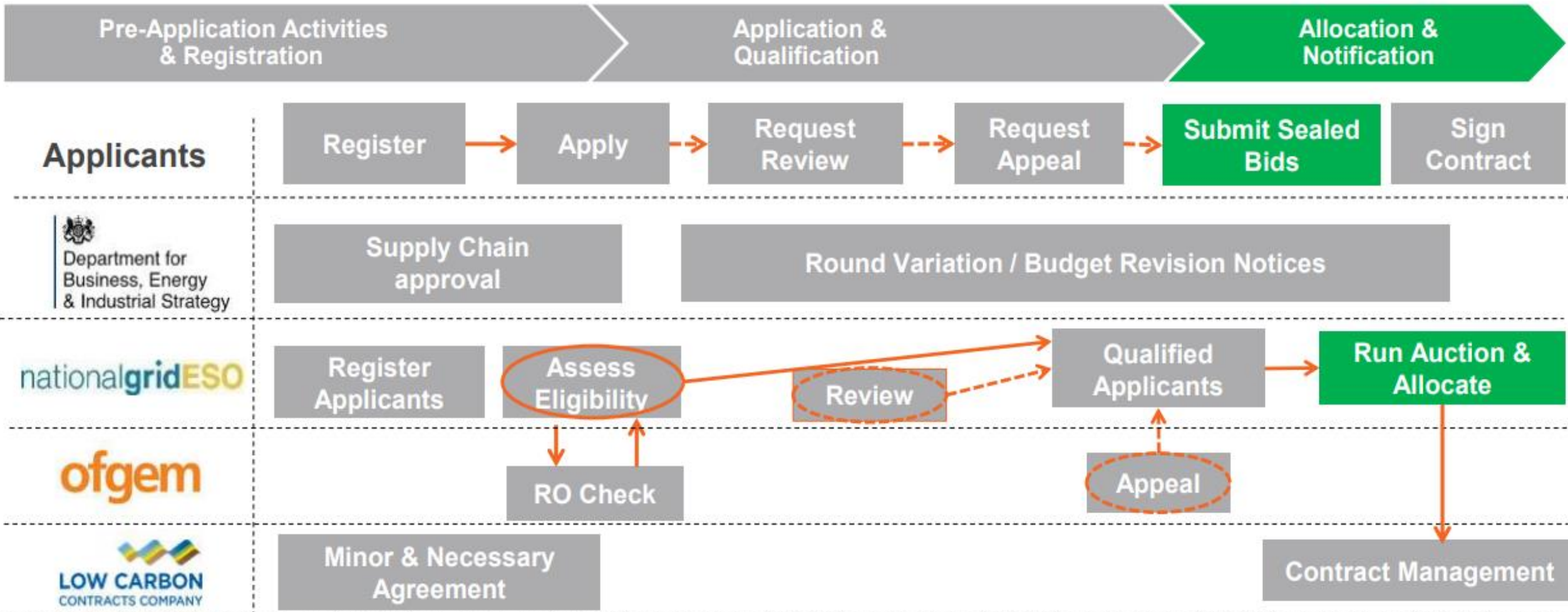
High Court Could:

- Uphold Decision
- Ask Ofgem to reconsider
- Direct Delivery Body to qualify Applicant

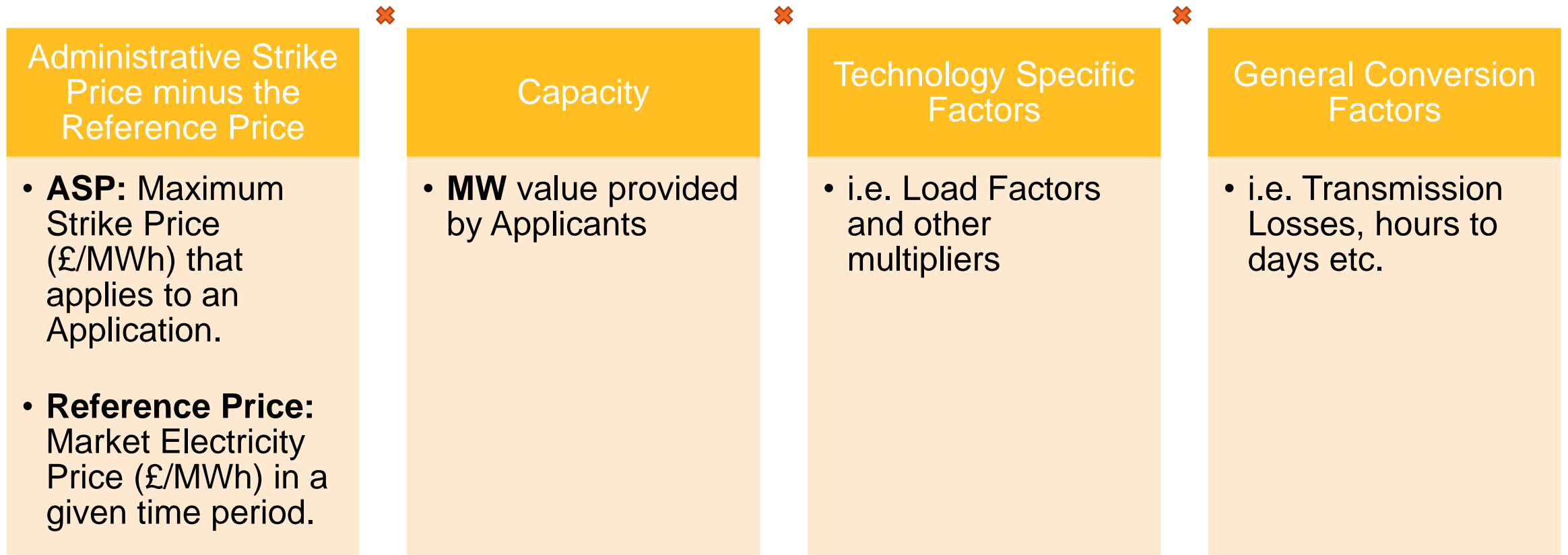
Allocation



Allocation & Notification Process Overview



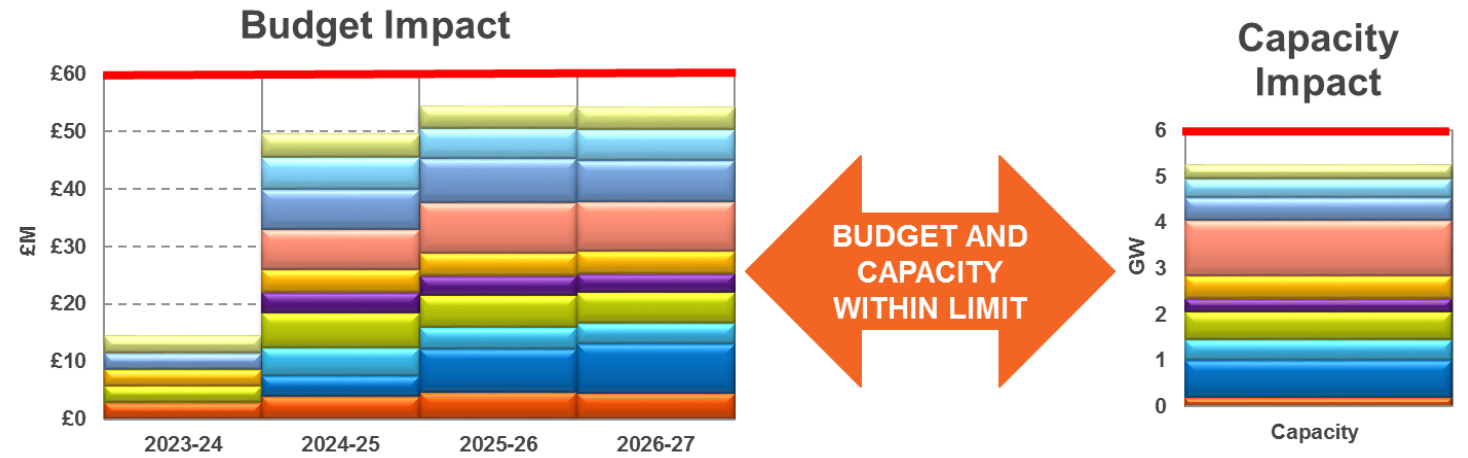
Valuation Formula



Allocation Scenarios

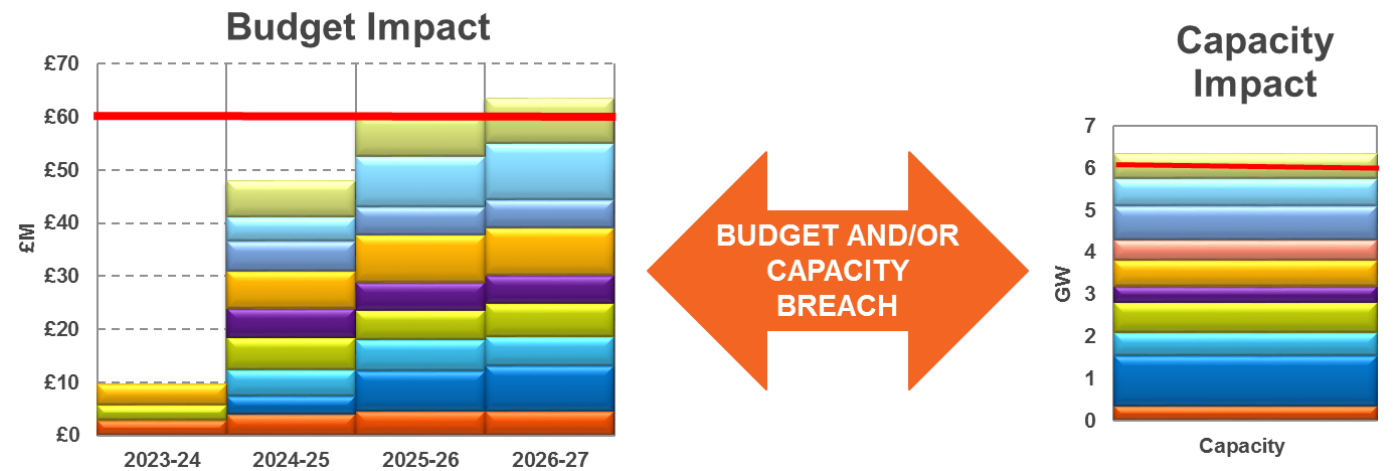
Unconstrained Allocation

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 and all applications shall be awarded a CfD.



Constrained Allocation

Opposite is an example of constrained allocation, where the Delivery Body determines that qualified applications exceed the pot value and/or the overall capacity limit. This scenario would trigger the requirement to hold an auction to competitively allocate CfDs.



Sealed Bids

Auction – valuation determines constrained allocation

Sealed bids submission window – 15 Working Days

Maximum of 4 sealed bids (2 per Delivery Year) allowed

Sealed Bids submitted to EMR Delivery Body Portal

Changes that can be made to each Sealed Bid:

Strike Price

Target
Commissioning
Window Start
Date (TCWSD)

Target
Commissioning
Date (TCD)

Capacity

Auction

All application Sealed Bids compete on Strike Price Basis

Sealed Bids are assessed and allocated from the lowest to highest Strike Price

Sealed bids tied on the same Strike price will be handled by the Tiebreaker Rules set out in the Round specific Allocation Framework

Successful applications are awarded a CfD at the auction clearing price set by the highest value successful bid.(subject to administrative strike prices)

After the Auction

Independent Auditor carries out assessment of the Delivery Body Valuation

Secretary of State undertakes an Allocation Process Review and shall decide whether to Proceed, Re-run or Cancel the Allocation Process

Delivery Body provides necessary notifications to the Low Carbon Contracts Company and Applicants including:

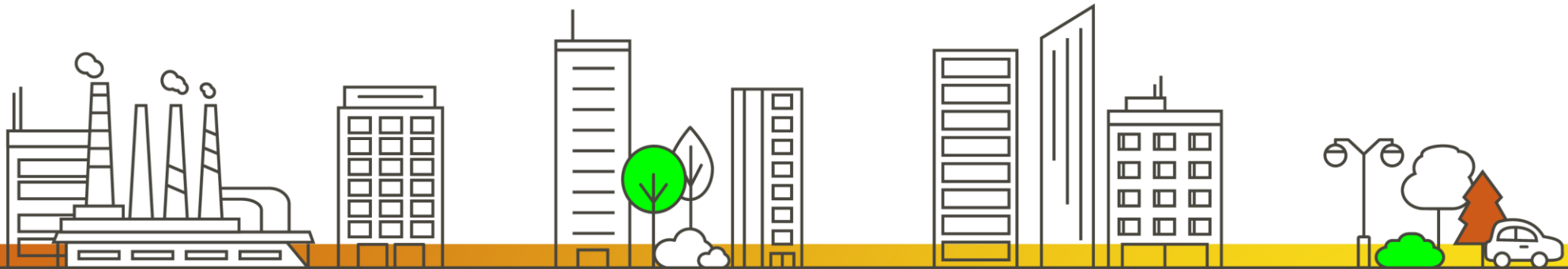
All Applicants

- Whether successful or unsuccessful in securing a CfD

Successful Qualifying Applicants/LCCC

- The awarded CfD Strike Price
- Successful Allocation Capacity
- Target Commissioning Date

Future Engagement



Future Engagement – How will we support you

Guidance Documentation

- Guidance documents will be available on the **EMR Delivery Body Portal** in order to support you throughout AR4.

E-mail Support

- For any queries for the CfD Delivery Partners, please submit your query at the Allocation Round 4 resource Portal via <https://www.cfdallocationround.uk>
- You are also able to contact us via the dedicated CfD .Box box.EMR.CFD@nationalgrideso.com

Guidance Videos/Webinars

- CfD Guidance Videos will be made available during the Round to help support and provide visual guidance
- We will also be providing Webinars depending upon feedback from the event polls.

Microsite - <https://www.cfdallocationround.uk/>

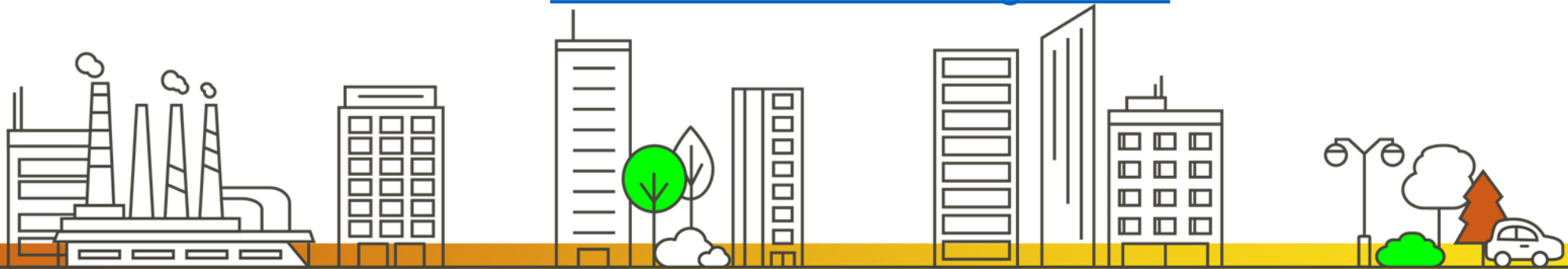
Thank You

In the event you have any questions regarding the CfD Company Registration and User management process, please contact us on:

Contracts for Difference team

Telephone: 01926 655300

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



Contracts for Difference

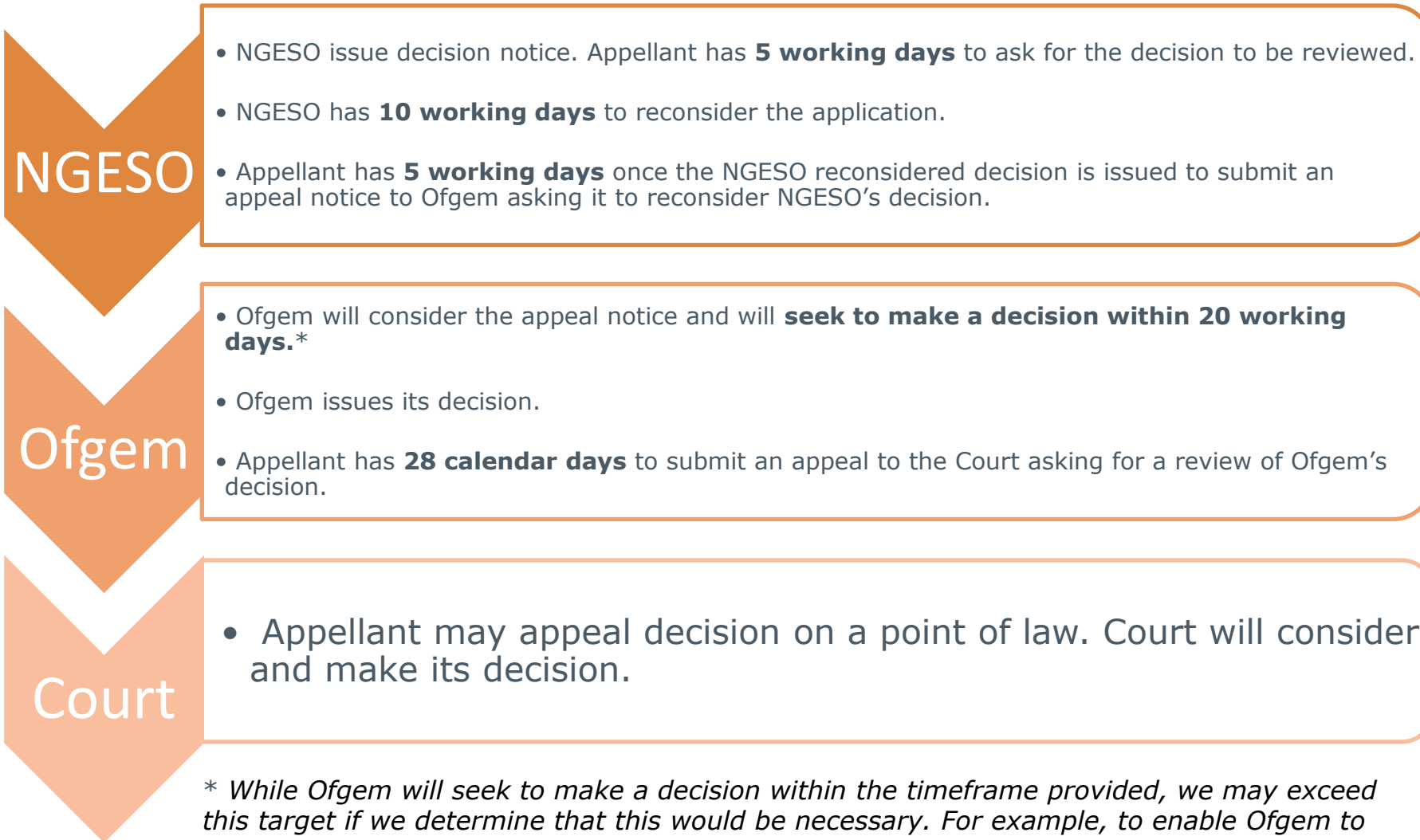
An overview of Ofgem's role in the CfD appeals process




23 September 2021

- These slides should not be relied upon in isolation. 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, then the statutory documents take precedence.
- Ofgem’s Dispute Resolution Guidance can be located on our website - [link here](#).

- Ofgem is responsible for assessing and resolving appeals made between applicants and the NGENSO ("the DB") regarding CfD qualification decisions.
- Ofgem's dispute resolution process can only begin when the DB has undertaken a non-qualification review ("Tier 1 review").
- CfD applicants may raise an appeal ("Tier 2 appeal") to Ofgem under regulation 43 of the Contracts for Difference (Allocation) Regulations 2014 (as amended) ("CfD Regulations").



** While Ofgem will seek to make a decision within the timeframe provided, we may exceed this target if we determine that this would be necessary. For example, to enable Ofgem to reach a robust, rational and procedurally fair decision or as a result of the volume of concurrent applications for dispute resolution Ofgem have received. Ofgem will inform parties to the dispute whether, and to what extent, Ofgem need more time to make our decision.*

- 
- A CfD applicant may request a Tier 2 review by Ofgem once the DB has undertaken a Tier 1 review and issued a non-qualification review notice (“Tier 1 decision notice”).
 - An applicant must submit a CfD appeal notice to Ofgem.
 - The appeal notice is available in Appendix 1 of our Disputes Guidance and on the EMR section of our website.
 - *Note that this guidance will be updated before the AR4 appeals process begins*
 - This appeal notice must be submitted within 5 working days after the date on which the applicant receives the DB’s Tier 1 decision notice.
 - The appeal notice must be submitted by email to EMR_DR@ofgem.gov.uk.
 - Ofgem will email to confirm receipt of the appeal.
 - Ofgem will consider the appeal and either:
 - Determine the DB’s decision is overturned, or
 - That the DB made the correct decision, and the appeal is upheld.
 - Subsequently, the decision will be published on our website.

Appeal Notice

- Statement identifying relevant part of DB decision in dispute, and set out all facts the appellant relies on.
- Summary of grounds for dispute.
- Succinct presentation of argument supporting each of the grounds.
- Schedule listing further documents submitted.

Accompanying documents

- Non-qualification determination.
- Tier 1 decision notice.
- Information / evidence submitted to the DB to support the Tier 1 review.
- Other relevant evidence.
- Evidence to show what evidence was before the DB when the Tier 1 review was made.



- Once we receive the appeal notice, we will notify the DB that an application for dispute resolution has been submitted.
- Ofgem's review will be of the decision made by the DB.
 - In that respect, applicants may only provide information submitted as part of their original application, or clarification of that information if they believe the DB misunderstood the information provided.
- In considering the dispute, we will look at whether the DB correctly applied the CfD Regulations and CfD Allocation Framework correctly.
 - We will decide whether the DB was correct to make the decision it did, based on the evidence before it when it made the decision.
- We will convey our final decision via a decision notice which will set out in detail the decision we have made and our reasoning.
 - A copy of our decision will be sent to the applicant and the DB.

Successful Tier 2 Appeal

- If our review of a CfD qualification decision finds in favour of the appellant, we can determine that the appellant does qualify.
- Regulations 51 and 52 of the CfD Regulations explain how this will affect 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 any further.
- Where we decide not to overturn the DB's decision, the appellant can appeal to the Court to reconsider our decision.

Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.

www.ofgem.gov.uk



LOW CARBON
CONTRACTS COMPANY
POWERING NET ZERO



Contracts for Difference (CfD) – Allocation Round 4

23/09/2021

LCCC

Andy Hawkins & Oli Coe

lowcarboncontracts.uk

Independent, non-profit, private limited companies owned by the Secretary of State for Business, Energy and Industrial Strategy (BEIS)

Our Vision...
“...to accelerate the delivery of Net Zero”

Our Mission...
to shape and implement schemes which enable low-carbon investment at least cost to the consumer

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

Our current roles:

- ‘CfD Counterparty’ to Contracts for Difference (CfD) for low carbon electricity generation (LCCC)
- ‘Settlement Body’ for the Capacity Market scheme to improve security of supply (ESC)

Pre-Auction Allocation Application

What considerations need to be made before submitting an Application?



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
- Application must be made promptly and no later than 20 WDs before the application closing date specified in the Allocation Round Notice

Information to be provided must include:

- Short description of change to Standard Terms
- Proposed amendment to the CfD wording
- Explanation of why it is both minor AND necessary

Draft AR4 Contracts:

Generic Agreement and Standard Terms and Conditions can be found [here](#).

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

Post CfD Auction

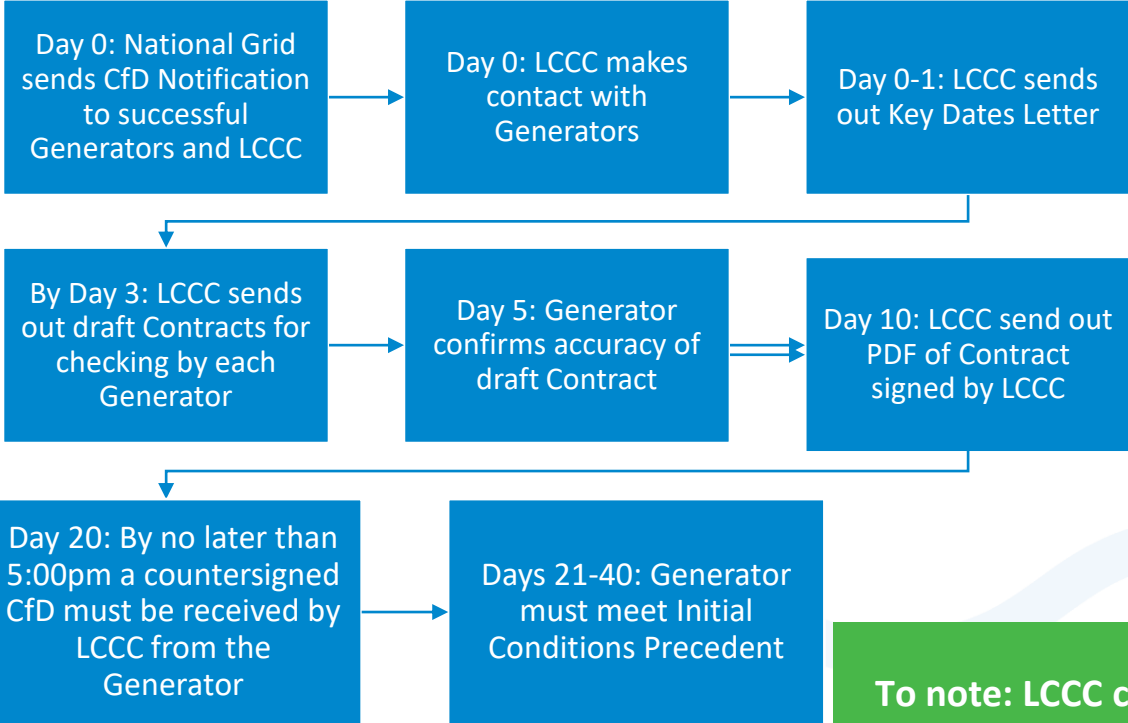
What considerations need to be made before after winning a CfD?



Contract Production

Day 0 to 10 following successful auction

nationalgridESO



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

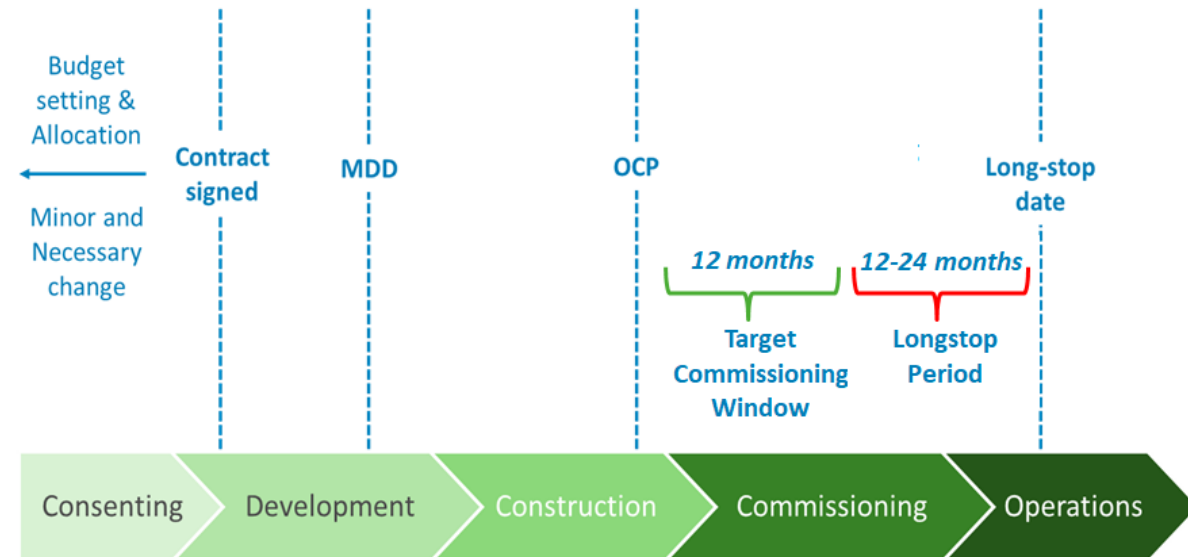
CFD Milestones

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



CfD milestone overview

- **Initial Conditions Precedent (ICPs)**
 - Documents to be provided following Contract signing
- **Milestone Delivery Date (MDD)**
 - Demonstrate material and timely project commitment
- **Operational Conditions Precedents (OCPs)**
 - 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. Failure to meet this deadline will risk in the CfD being Terminated.

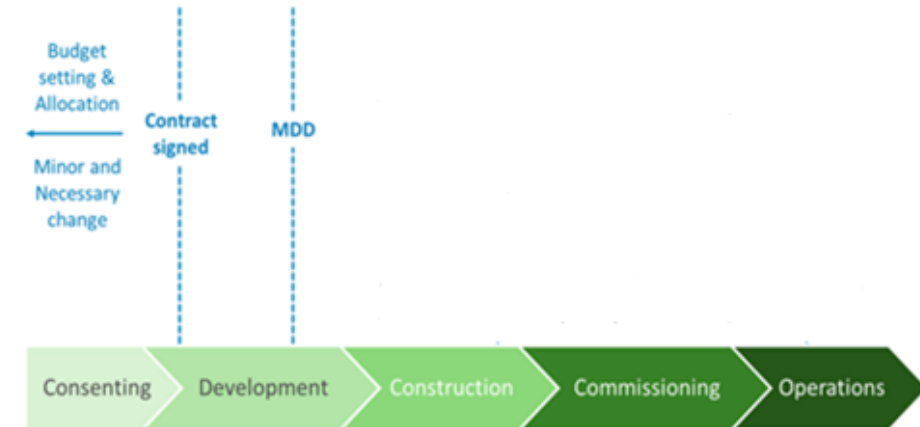


Initial Condition Precedents (ICPs)

- Within 20 Business Days of signing the CFD, Generators must provide:
 - Legal opinion in the exact form satisfactory to LCCC confirming the valid formation of the Generator and its power and authority to enter into the CFD;
 - Evidence of compliance with the LCCC's "know your customer" requirements;
 - Description of the proposed Facility including the proposed location and layout.
- Failure to fulfil the Initial Conditions Precedents within 20 BDs provides LCCC with a right to terminate the CFD.
- We strongly advise Generators to progress their ICPs prior to signing the CFD

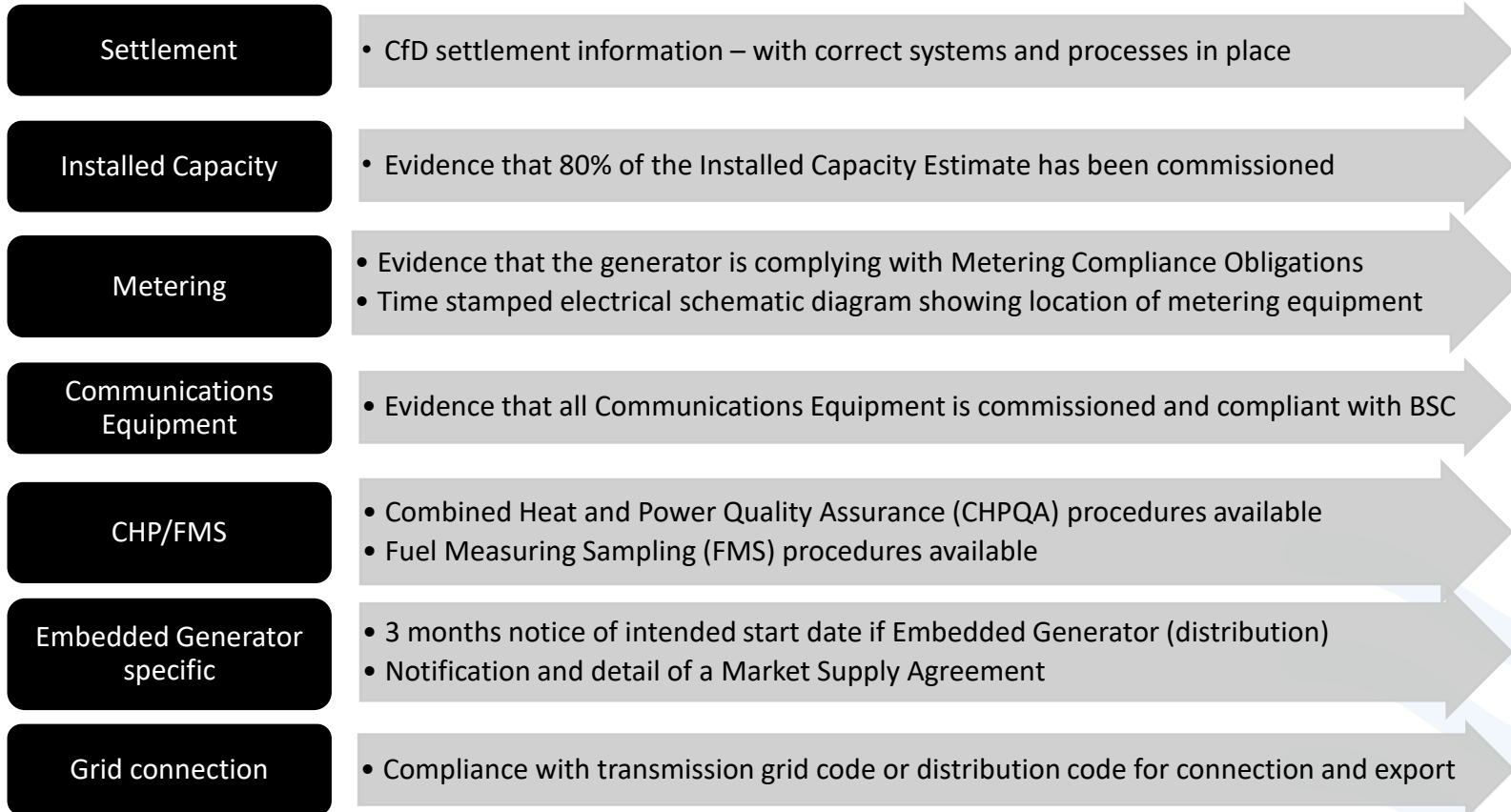
Milestone Delivery Date (MDD)

- Generator originally had 12 months from the Agreement Date to comply
 - However, the Banks Judicial Review resulted in MDD for Allocation Round 3 projects being extended to 18 months.
 - The government has now advised it's intention to extend the MDD to 18 months for all Allocation Round 4 projects
- Milestone Requirement (MR) requires the Generator to demonstrate either:
 - a prescribed amount of money (10%) has been spent on the Project, or;
 - key supply contracts entered into and land rights/consents have been/will be obtained (accompanied by board resolutions).
- Failure to meet the MR by the MDD confers a right of termination to LCCC
- A Directors' Certificate is required to affirm information accuracy. Inaccurate/misleading Directors' Certificates can result in CFD termination.

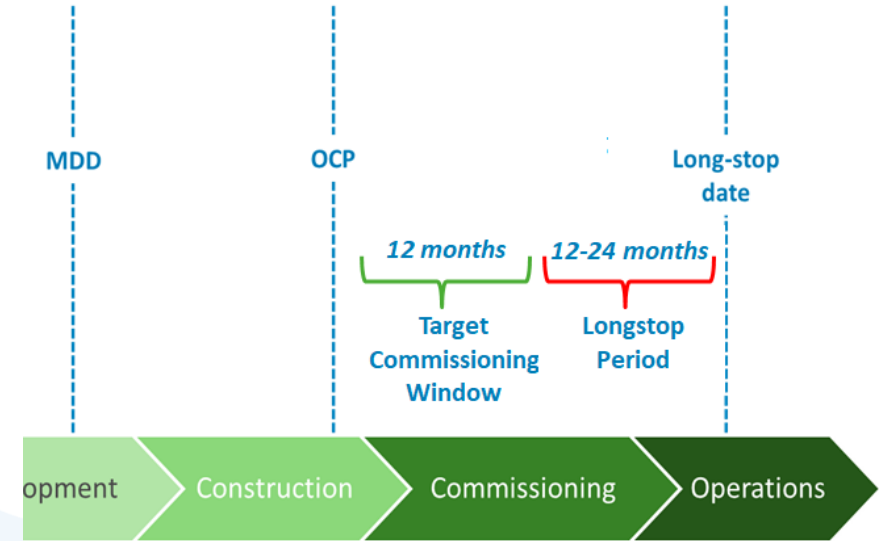


Operational Condition Precedents (OCPs)

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

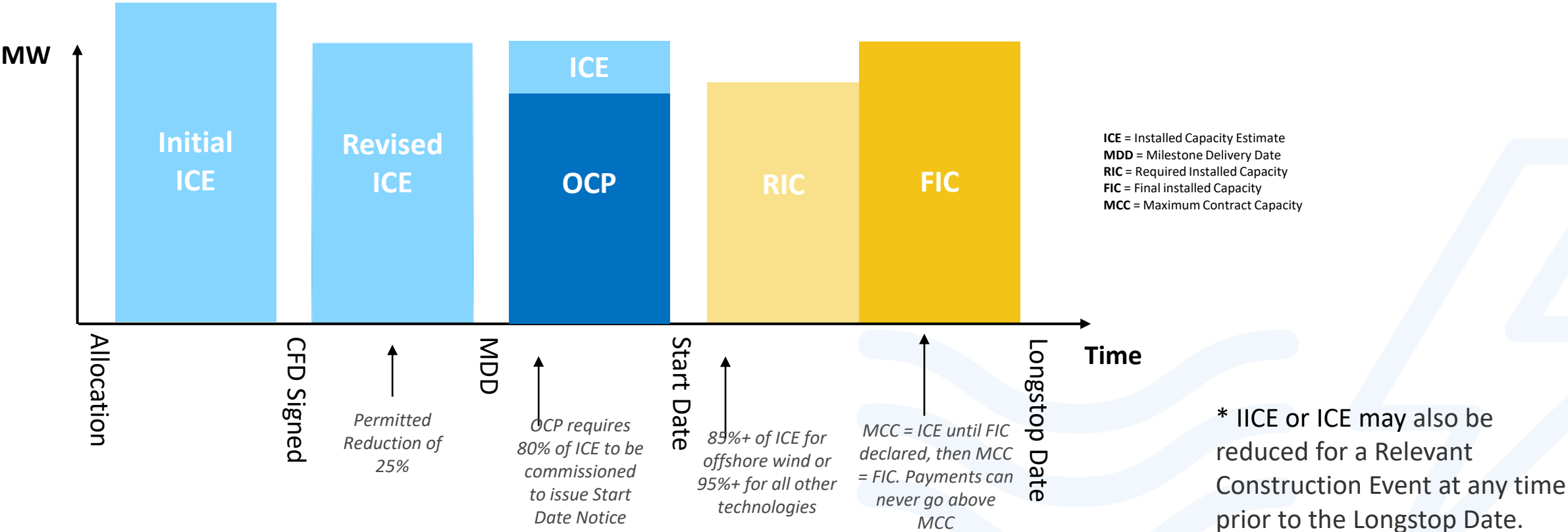


Key message: This is beyond evidence usually required for project commissioning



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.

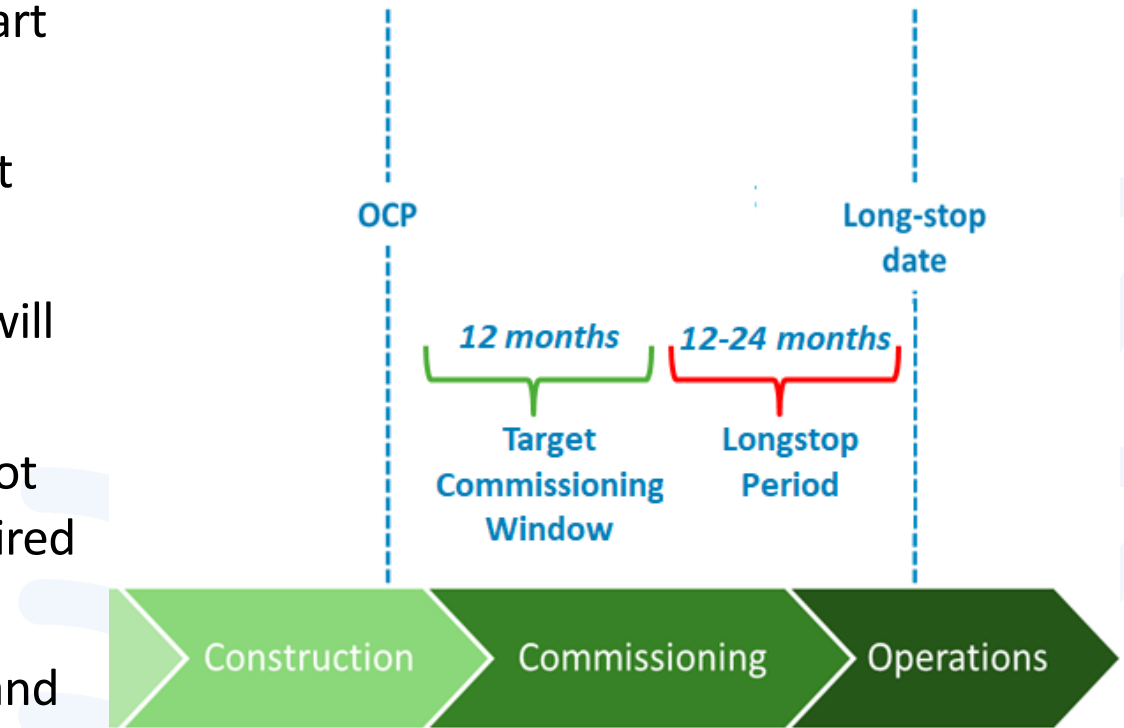


Final Installed Capacity (FIC)

- 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 and CFD changes may be required depending on the specifics of the case.
- FIC is the last CFD milestone but important as failure to comply confers a right of termination.

Target Commissioning Window and Longstop Date

- Generators provide monthly updates on the expected Start Date which LCCC publishes in the CfD Register
- The Start Date cannot occur before the start of the Target Commissioning Window (TCW)
- If the Start Date has not occurred, the CfD 15 year term will begin to erode after the last day of the TCW
- The CfD may be terminated where the Generator does not achieve the Start Date and commission at least the Required Installed Capacity (RIC) before the Longstop Date
- Required Installed Capacities are 85% for offshore wind and 95% for all others technologies



What if my project is delayed?

- CFD provides limited protection to generators against delays outside their control due to grid connection delays and Force Majeure events.
- Each of MDD, TCW and LSD may be extended as needed day for day for each day of delay to the Project based on evidence of the impacts on the Project.
- Please refer to the specific CfD terms and conditions. Misalignment between the terms of the CfD contract and other project documents might create residual risks for Generators



Technology Specific Requirements

Fuel Measurement and Sampling (FMS),
Advanced Conversion Technology (ACT) Efficiency,
& Sustainability Criteria (SC)



Fuel Measurement and Sampling (FMS)

- Generators subject to FMS requirements must fulfil an FMS related Operational Conditions Precedent
- Generators will have to agree FMS Procedures with LCCC which will set out, among other things, how they will sample and measure the fuels used by their Facility
- FMS helps to determine three key values for each fuel used:
 - Quantity
 - Gross Calorific Value (GCV)
 - Fossil Fuel Contamination
- The above values will be provided by Generators to LCCC on a monthly basis and will be used to calculate the Renewable Qualifying Multiplier (RQM) which determines a proportion of output eligible to receive CFD payments
- [Fuel Measurement and Sampling Process Guidance](#)

Key message: LCCC only pays for sustainable non fossil fuel generation

Sustainability Criteria

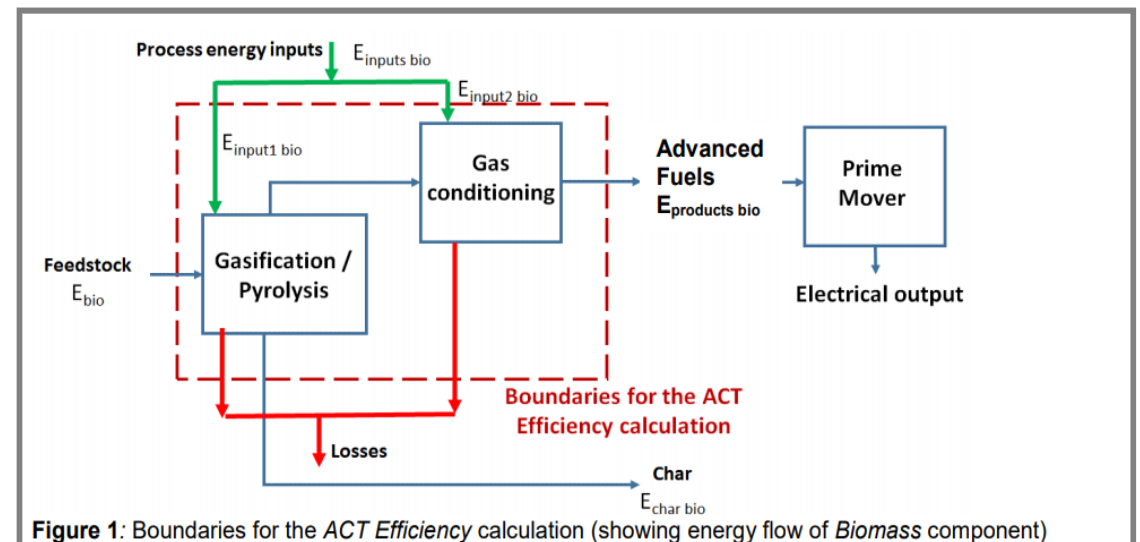
- Generators that use any combination of Bioliquids and Solid and Gaseous Biomass for electricity generation at the Facility, must report against the following sustainability criteria:
 - Greenhouse Gas Emissions (GHG) Criteria
 - Land Criteria
 - Indirect use of land criteria
- The GHG Criteria determines the emissions, taking various factors into account
- Land Criteria concern the land from which the biomass is sourced
- From AR3, the GHG threshold has been set at 29kgCO₂eq/MWh
- [Guidance on Sustainability Criteria Reporting](#)



Advanced Conversion Technology (ACT) Efficiency

- ACT Generators must comply with the ACT Efficiency Standard
- This is to ensure that CfD support is directed at the most efficient forms of these technologies.
- The methodology for determining the parameters used in the ACT Efficiency calculation should be agreed with LCCC as part of the FMS Procedures
- [Guidance Note for Advanced Conversion Technologies](#)

Key message: Failure to meet the ACT Efficiency Standard results in non-payment





**LOW CARBON
CONTRACTS COMPANY**

POWERING NET ZERO



**Electricity
Settlements
Company**

Questions?

© Low Carbon Contracts Company Ltd
10 South Colonnade, Canary Wharf
London E14 4PU
0208 187 9308

Author: LCCC
Contact Number: 0207 211 8145
Contact Email: info@lowcarboncontracts.uk

lowcarboncontracts.uk

Q&A panel



Chair: Angela Patel, BEIS

Panellists:




Department for
Business, Energy
& Industrial Strategy

- James Burt
- Matt Allen
- Tom Mowle




nationalgridESO
Electricity Market Reform
Delivery Body

- Andy Ford
- Jas Sagoo
- Tom Fish
- William Boucher



- Mark Carolan
- Rebecca Ross



- Andy Hawkins
- Oli Coe



Introduction to breakout sessions

Breakout session one



2.25pm–3.10pm

Topic	Host
Introduction to Initial Conditions Precedent	LCCC
Valuation and allocation process	NG ESO

Breakout session two



3.20pm–4.05pm

Topic	Host
How to navigate the Delivery Body portal	NG ESO
Valuation and allocation process	NG ESO

Upcoming key dates



- **27 September–3 October 2021:** Supply Chain Plan application window
- **November 2021:** Final Budget Notice, Allocation Framework and standard CfD terms published
- **13 December 2021–14 January 2022:** CfD application window

To do:



- Sign up to the dedicated CfD AR4 mailing list via the AR4 portal: www.cfdallocationround.uk
- Look out for CfD guidance, webinars and publications (via the AR4 portal)
- Complete the feedback survey that will be emailed to you shortly after the event



Thank you

For latest updates, please see:
www.cfdallocationround.uk