



Department for  
Energy Security  
& Net Zero

**nationalgrid**ESO  
Electricity Market Reform  
Delivery Body



**ofgem**  
Making a positive difference  
for energy consumers

# Introduction to Allocation Round 6 Online Event: Questions and Answers

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[www.cfdallocationround.uk](http://www.cfdallocationround.uk)

## Disclaimer

This questions and answers (Q&A) document has been prepared by the Contracts for Difference (CfD) delivery partners<sup>1</sup> in response to attendees' questions at the 'Introduction to Allocation Round 6' online event on 22 February 2024.

These Q&A are subject to and provided on the basis of the following:

- The Q&A do not supersede or replace the relevant regulations or the provisions of the CfD and are not intended to and do not constitute legal, investment, commercial or operational advice and should not be relied upon as such.
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- The Q&A reflect the current thinking and approach of the delivery partners and should not be viewed in any way as binding.
- Defined terms used in the Q&A but not defined therein have the meanings prescribed to them in the relevant regulations, Allocation Framework, the CfD (Agreement and Standard Terms) and the Energy Act 2013.
- Please note that the primary source and most reliable source of information are the regulations, Allocation Framework and statutory notices, which are already available on [legislation.gov.uk](https://legislation.gov.uk), [GOV.UK](https://gov.uk) and the [CfD microsite](#).

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<sup>1</sup> Department for Energy Security and Net Zero, National Grid ESO, the Low Carbon Contracts Company and Ofgem.

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## Auction parameters

### Budget

#### 1. What size of budget are you looking at?

As announced on 6 March 2024, the total budget for Allocation Round 6 (AR6) is £1,025 million.

There will be £120m for Pot 1 (established technologies), £105m for Pot 2 (emerging technologies) and £800m for Pot 3 (Offshore Wind).

Budgets are presented in 2011/2012 prices in line with convention of the scheme and to enable comparison across rounds. These figures are an estimate of annual support in the most expensive year in the first four years, across all three pots, following deployment. Actual annual figures will vary over the lifetime of the contract depending on future wholesale electricity prices and outcomes of the competitive auction process.

### Reference prices

#### 2. How do you set reference prices?

The reference prices (future forecasts of wholesale electricity prices) used in auction parameter design are an output from the main power sector model of the Department for Energy Security and Net Zero and are characteristic of decarbonisation pathways that are net-zero-consistent.

The Department updates its view of reference prices for use in parameter design each year ahead of the latest auction.

AR6 reference prices are set out in the [final Allocation Framework for AR6](#). More details on AR6 reference prices are available in the [accompanying note to the AR6 Budget Notice \(PDF, 208KB\)](#).

### Load factors

#### 3. Are you planning to revisit the load factors in the budget parameters to make them closer to reality?

Valuing projects using high estimated load factors reduces the risk that in-life spend exceeds spend forecasted at the point of allocation. If CfD-supported projects were to generate more than expected, the support costs paid by consumers would be larger than initially forecast.

Load factors impact the overall magnitude of the budget, but their value does not significantly impact the running of the auction or which projects may be successful. This is because budgets are set based on a wide range of factors, such as an

assessment of the pipeline of projects that could participate in the auction, rather than being a predetermined monetary constraint.

For the budget calculation in AR6, load factors also factor in economic curtailment. This change is intended to reflect future market conditions as renewables penetration increases and has led to a moderate reduction in the estimated load factor for technologies for which a technology specific reference price is applied.

More details on load factors used in the AR6 budget are published in the [final AR6 Allocation Framework](#) and [accompanying note to the Budget Notice \(PDF, 208KB\)](#).

## Permitted reduction capacity

### **4. Will projects that have already received a CfD be able to withdraw up to 25% capacity and resubmit this capacity into AR6?**

Yes, if the project meets the eligibility criteria for AR6 and the requirements for the permitted reduction process set out in the contract. A generator may reduce its original installed capacity by 25% under the 'Permitted Reduction' provision in the CfD contract but may do so only once and by its Milestone Delivery Date. Capacity removed under this provision is no longer subject to a CfD and may therefore be submitted into AR6. The Government intends to review this arrangement for future allocation rounds.

## Eligibility

### Commissioning

### **5. If a project will be commissioned between 27 March and 19 April 2024, i.e. the CfD application window, and the CfD application is submitted before commissioning, would the project still be eligible for a CfD?**

Yes, the project would still be eligible. This is because, although Rule 5.1 of the Allocation Framework requires that the project is not commissioned at the point applicants submit their CfD application, applicants are not prevented from commissioning very shortly after applying (e.g. within the CfD application window). We clarified from Allocation Round 5 that generators who have started commercial operations should generate under the CfD from the Target Commissioning Window. As the project expects to complete commissioning shortly after application, we would expect the Target Commissioning Date and the Target Commissioning Window Start Date to be set at the earliest available points.

## Part-built projects

### **6. Could you please clarify whether projects that are currently under construction are eligible to participate in AR6?**

Yes, provided that the proposed CfD unit is not a generating station, or part of a generating station, that has been commissioned.

## Grid connection date

### **7. Would a project be eligible to participate in the round if it has a grid connection agreement date after the latest Delivery Year?**

Yes. The Delivery Body (National Grid ESO) checks, as stated in Schedule 5 of the Allocation Framework, that the Target Commissioning Date (TCD) specified in the CfD application is on or after the connection date specified in the connection agreement:

Where the Applicant has specified that a Direct Connection applies or is to apply to the relevant CFD Unit, the Target Commissioning Date specified in the Application for when the CFD Unit is established or altered (as relevant), appears to be on or after the connection date specified in the Connection Agreement.

CfD projects need to be ready to generate by the TCD. The TCD needs to fall within one of the applicable Delivery Years. Therefore, if the connection date was after the last Delivery Year, this would not be acceptable.

### **8. If your grid contract date is ahead of the Delivery Year, is this acceptable for the CfD criteria?**

Yes. If the project commissions before the TCD, then the applicant can operate on a merchant basis until the CfD contract activates, which will be at the start of the Target Commissioning Window.

(Also see answer to question 7.)

## Registration

### Closure of registration window

### **9. Does the registration window remain open until the application window closes, or is there a specific deadline?**

The deadline for the registration window closing is the same as the application window (19 April 2024), although we recommend prospective applicants register

before 12 April 2024 to leave enough time to allow the Delivery Body (National Grid ESO) to process the registration request and for submission of the application.

## Special Purpose Vehicles

### **10. Is it the relevant Special Purpose Vehicle (SPV) that holds the legal and economic rights to the project that must register (as opposed to the parent company)?**

You can register with either a parent company or an SPV. We recommend registering with the SPV that holds the legal and economic rights to the project.

## Application

### E-signatures

### **11. Are physical signatures required for documentary evidence (planning decision notice, connection agreement), or are e-signatures acceptable?**

Yes, e-signatures are acceptable for these documents.

### Metered volume declaration

### **12. How does declaration H11 work if only part of a project is covered by a CfD?**

Declaration H11 is new for AR6 and requires the applicant to confirm that it is 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 (CfD) Facility.

Where a project is part merchant, the merchant generation must be metered separately from the CfD generation. In effect, the merchant generation would therefore be a separate facility.

### Delivery Body Portal

### **13. Will the old Delivery Body Portal still be valid at the time of AR6 applications?**

Yes, there are no planned changes to the Delivery Body Portal for AR6.

### **14. Is there an Excel version of the application questions?**

Yes, this has now been published on the [Delivery Body Portal](#).



## Changes to an application

### **15. Can CfD unit phases be adjusted after application as long as they remain within the project boundary?**

No, you are unable to amend the phase details of the CfD application once the application window closes on 19 April 2024.

### **16. Can the Target Commissioning Window be changed between application and final bid submission?**

There is an opportunity to amend the Target Commissioning Window Start Date (TCWSD) in the event of a constrained auction, when the Delivery Body (National Grid ESO) invites applicants to submit sealed bids. At this stage, applicants may amend the capacity, TCWSD, Target Commissioning Date and strike price.

## Multiple applications

### **17. Can one company apply for multiple CfDs?**

Yes. Each CfD application submitted will be entitled to its own bids into the CfD scheme independently of any other application made by the same company.

## Withdrawal

### **18. Can you withdraw your application between the end of the qualifying window and the sealed bid window, or will you automatically be assigned a bid at the Administrative Strike Price (ASP)?**

An application may only be withdrawn up to and including the 'application closing date', i.e. the last date for submitting an application to AR6 (which is 19 April 2024), or, where there is to be an auction (i.e. a constrained allocation), after the Delivery Body (National Grid ESO) has issued a Notice of Auction and before the closing date for submitting sealed bids. An application cannot be withdrawn at any other time during the allocation process.

A constrained allocation/auction occurs where the total value of all qualifying applications exceeds the available budget for the allocation round.

In the event of an unconstrained allocation/auction, all qualifying applicants are offered a contract at the relevant ASP for their technology.

## Appeals

### **19. How many times has Ofgem reached a different decision to the Delivery Body (National Grid ESO) on appeal?**

Ofgem has overturned the Delivery Body's non-qualification decision on two occasions: in respect of the CfD units Moss/Drury Solar Farm and Carn Nicholas Solar Farm, both of which submitted an application in Allocation Round 4. Both determinations can be found on Ofgem's website.

## Allocation process

### Clearing prices

### **20. Regarding Administrative Strike Price (ASP) adjustments that can be made to clearing prices, does that mean you could have different clearing prices for onshore wind vs. solar even though they are in the same pot?**

It is possible for different technologies in the same pot to have different clearing prices. Therefore, you can have different clearing prices for onshore wind and solar projects even if they're competing within the same pot.

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).

Please see the [allocation process video](#) for more information.

### Valuation Year

### **21. In the [allocation process video shared during this event](#), what does 'VY' indicate on the graph showing the impact of each bid?**

'VY' stands for Valuation Year. This gives a snapshot of the clearing price of the bid over the 15-year period for the project(s) and is how the Delivery Body (National Grid ESO) knows when the monetary pot/budget breaches and when the auction will close.

## Contract operation

### Target Commissioning Windows

#### **22. What is the earliest date for the Target Commissioning Window Start Date (TCWSD)?**

The earliest date that the Target Commissioning Window (TCW) can start is such that the final day of the TCW falls on the first day of the applicable Delivery Year.

This is set out in Schedule 1 of the [Allocation Framework](#).

#### **23. What is the latest date for the TCWSD?**

The latest date that the TCW can start is the last day of the final Delivery Year.

In this scenario, the Target Commissioning Date (TCD) would also have to fall on the last day of the final Delivery Year as the TCD must fall within the TCW and the Delivery Years.

Further information on these terms is provided in Schedule 1 of the Allocation Framework (linked above).

#### **24. Under the new contract, might the relief for Milestone Delivery Dates also be extended to commissioning deadlines (for issues with Air Defence Radar)?**

The [Government's consultation on amendments to the Standard Terms and Conditions for AR6](#) did not propose extending the Milestone Delivery Date relief to the TCW and/or Longstop Date, but we did invite views on this from stakeholders. The consultation responses are being analysed, and the final AR6 contract terms, confirming the Government's decision, will be published before the allocation round opens to applications at the end of March.

#### **25. What would happen under the CfD contract if the grid operator was delayed in providing the connection for a given project compared to the original grid offer and this resulted in the project coming online after the TCW?**

The CfD provides relief for delays to grid connection works provided this is not caused by the generator. Contract dates can be extended by the Low Carbon Contracts Company, the CfD Counterparty, for delays outside the control of the generator. LCCC will work with scheme generators to evidence any such delays.

## Start Dates

### **26. Can the CfD contract Start Date be set before the first day of the first Delivery Year?**

Yes, the earliest date that the CfD contract can begin is the Target Commissioning Window Start Date (TCWSD). It is possible for the TCWSD to fall before the first Delivery Year; however, the Target Commissioning Date must be in the Delivery Year.

Please note that Target Commissioning Windows can vary in length depending on technology, as defined in Schedule 6 of the [Allocation Framework](#).

## Turbine Reallocation Notice

### **27. In the most recently published CfD (Phase 1) Agreement for phased offshore wind projects, it states that turbines can be reallocated through a Turbine Reallocation Notice as per 'Section 6.5 Turbine Reallocation'. Is the Installed Capacity Estimate for this assessed on a phase-by-phase basis or for the overall Facility?**

The Installed Capacity Estimate is assessed per phase for turbine reallocation, and each separate phase must be no greater than it was immediately prior to the Turbine Reallocation Notice. Under the terms of the phased offshore CfD (clauses 6.5 to 6.7 in the most recently published version of the CfD Phased Agreements) and Annex 5, generators are permitted to submit a Turbine Reallocation Notice at any time prior to the start of the Target Commissioning Window. Any such notice must be given by and for all phases and include all details of the reallocation between phases, as well as any changes to the assets comprising the Facility. Importantly, the Installed Capacity Estimate for each phase of the project can be reduced in accordance with the CfD terms but can never be increased.

## Other

### Embedded benefits

#### **28. How do embedded benefits interact with CfDs? Would a generator with a CfD still be able to receive embedded benefits?**

Yes. This is a commercial interaction for the generator and outside of the CfD scheme.

### General Election

#### **29. Could a general election change the AR6 timeline?**

A general election must be held by 28 January 2025.

It is possible that an earlier election may be called during AR6, which will open in March 2024.

During the election period, essential business, including routine business necessary to ensure the continued smooth functioning of Government and public services, must be allowed to continue.

This can include a CfD allocation round that is already open, although significant decisions and announcements about the round may be subject to the latest Cabinet Office advice on the pre-election period.

## Legislation

**30. Is there a plan to create a consolidated version of the CfD regulations on the legislation website (at the moment, you need to review the original legislation and then a number of amendments)?**

There are currently no plans to consolidate the CfD regulations.

This publication is available from: [www.cfdallocationround.uk](http://www.cfdallocationround.uk)

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