



Department for
Business, Energy
& Industrial Strategy

Contracts for Difference for Low Carbon Electricity Generation

Call for Evidence on proposed amendments
to Supply Chain Plans

Closing date: 29 April 2022



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Any enquiries regarding this publication should be sent to us at: BEISContractsforDifference@beis.gov.uk

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General information

As part of the government's Net Zero agenda, we have committed to a fully decarbonised electricity system by 2035, subject to security of supply considerations. Delivering this will require rapid and sustained scale-up of low carbon deployment. The Contracts for Difference (CfD) scheme is fundamental to achieving this goal, supporting low cost, low carbon electricity generation.

To keep pace with the scale of change needed in the power sector, the government intends to make the Contracts for Difference (CfD) scheme, including Supply Chain Plans (SCPs), more adaptable and forward looking.

Recent announcements have seen the government firm-up its commitment to better integrate all aspects of our energy policy, including deployment, supply chains and security of supply. The Net Zero Strategy: Build Back Greener and Build Back Better: Our Plan for Growth both highlighted the importance of the supply chain in the deployment of low carbon generation. In 2021, the government introduced a new SCP format and process for CfDs which made substantial progress towards integrating supply chain policy and our decarbonisation objectives. The government is now keen to build on lessons learnt through the CfD Allocation Round 4 (AR4) SCP process to improve the overall SCP process.

This Call for Evidence seeks views and evidence on the potential for more significant changes to SCPs for Allocation Round 6 (AR6) that can enhance the impact of SCPs. If, following this Call for Evidence, further SCP changes are needed, then the government intends to consult on these, where appropriate.

By consulting on these changes, we aim to make the CfD more forward looking and fit for delivering the scale and pace of the government's decarbonisation commitments.

Call for Evidence details

Issued: 4 February 2022

Respond by: 29 April 2022

Enquiries to:

Email: BEISContractsforDifference@beis.gov.uk

Consultation reference: Contracts for Difference for Low Carbon Electricity Generation: Call for Evidence on proposed amendments to Supply Chain Plans.

Audiences:

The government welcomes responses from anyone with an interest in the policy area. We envisage that the consultation will be of particular interest to those considering the development of new low carbon energy projects in Great Britain, electricity traders and suppliers, businesses operating in the energy sector, and consumer and environmental groups with an interest in the electricity sector.

Territorial extent:

The CfD scheme applies to the UK but does not currently operate in Northern Ireland.

How to respond

Your response will be most helpful if it is framed in direct response to the questions we have asked, though further comments and evidence are also welcome. When responding, please state whether you are responding as an individual or representing the views of an organisation. In view of the ongoing coronavirus situation, we are requesting responses by electronic means only. Please do not send responses by post to the department, as we may not be able to access them.

Respond online at: beisgovuk.citizenspace.com/clean-electricity/cfd-proposed-amendments-scp-cfe

or

Email to: BEISContractsforDifference@beis.gov.uk

Confidentiality and data protection

The information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please tell us but be aware that we cannot guarantee confidentiality in all circumstances. An automatic

confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: beis.bru@beis.gov.uk.

Introduction

This Call for Evidence looks at potential changes to the SCP process that could be made from Allocation Round 6 onwards.

We are seeking views and responses on these proposed changes from anyone with an interest in supply chain issues and the CfD in general. We expect this Call for Evidence document will be of particular interest to those considering developing new low carbon energy projects in Great Britain (GB), businesses involved in low carbon electricity generation supply chains, and consumer and environmental groups with an interest in the electricity sector.

Call for Evidence

In addition to the proposals on which we consult on in the preceding sections of the document, we are looking at other ways of improving the Supply Chain Plan (SCP) process and therefore we are launching a call for evidence on those areas which require more development and therefore would not be ready to implement by Allocation Round 5 of the CfD. If proposals are taken forward, the governments intends to consult as appropriate.

The government is constantly looking at ways it can improve SCP policy to make it more effective in delivering its policy objectives and streamlining the process to make it easier for applicants. The government undertook a lessons learned exercise and conducted a survey of Applicants on the new SCP format and Questionnaire following the completion of the Allocation Round 4 assessment process. It is now looking to examine potential solutions to issues that were raised but require a more phased introduction (i.e. after Allocation Round 5). This can include solutions that involve a more comprehensive overhaul of the SCP system as the pace of our renewable energy deployment intensifies, but which need longer lead-in times to implement.

Penalties for failure of Supply Chain Plan Commitments

One of the issues that has repeatedly been raised is whether the penalty for failure of SCP commitments needs to be more proportionate to the scale of the failure. This is something that the Offshore Wind Industry Council (OWIC) raised ahead of Allocation Round 4 but the government did not have the required evidence of feasibility to explore this idea further. Now that we have been through the AR4 application stage, we are revisiting the issue and would therefore welcome views on introducing a more graduated financial penalty system that can be applied to projects that fail to fully implement their SCP, but whose shortcomings nonetheless do not necessarily justify terminating the CfD contract. LCCC would still retain the right to terminate the CfD contract as the ultimate recourse for severe failings. This more proportionate sanction is to fill the gap between borderline failure and severe failure to implement a SCPs.

Views are invited on whether this approach could be beneficial. Views on how to set the level of the penalty; who could collect the penalty and who would benefit from the funds raised would also be welcome. Ideas are also invited on how to improve the penalty system including alternatives to the penalty system.

Negotiating Supply Chain Plans

The government is also considering whether there are some merits in introducing a system whereby SCPs are negotiated between the Applicant and BEIS. This is being considered as one option to make SCPs more precise, and of a higher quality. One option under this proposal is that negotiations on precise commitments would begin a number of months before a SCP application is due. Commitments that are successfully negotiated according to a pre-determined scoring criteria and framework are then inserted into a SCP. This system would recognise that not all commitments can realistically be negotiated ahead of time, and those that cannot will be scored similarly to the way they are now when final SCP applications are received.

We would welcome views on what the benefits and risks of this type of approach might be.

Changing the Supply Chain Plan 300MW Threshold

The government is also considering the pros and cons of changing the 300MW threshold at which a Supply Chain Plan is required. It is a known issue that some projects change their size by a few MW in order to avoid the requirement, therefore undermining the SCP process within the CfD. At the same time, the government remains keen that SCPs are only asked of projects of a specific size, or of technologies whose future deployment pipeline will be growing rapidly in the medium term driven by an increase in the size of projects.

The government welcomes views on how best to address this issue, without substantially altering the principle of linking SCPs requirements to the size of projects and their potential for rapidly scaling up.

The government welcomes all suggestions and ideas from interested parties on what changes could help the SCP process function better.

Call for Evidence questions:

- 1. Views are invited on whether this approach could be beneficial. Views on how to set the level of the penalty; who could collect the penalty and who would benefit from the funds raised would also be welcome. Ideas are also invited on how to improve the penalty system including alternatives to the penalty system.**
- 2. The government welcomes views on introducing a system whereby Supply Chain Plans are negotiated between the Applicant and BEIS.**
- 3. The government welcomes views on how to address the issue of projects 'downsizing' their MW size to avoid Supply Chain Plan requirements.**
- 4. The government invites other ideas and suggestions on ways to improve the Supply Chain Plan process, including any ideas on its relation to the CfD auction process.**

Next steps

Following the close of this consultation, we will analyse the responses, summarise the views expressed and set out final decisions in a government response. We intend to publish this in spring 2022 on the GOV.UK website.

This consultation is available from: www.gov.uk/government/consultations/contracts-for-difference-cfd-proposals-for-changes-to-supply-chain-plans-and-cfd-delivery

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