



Department for
Energy Security
& Net Zero

3 August 2023

Contracts for Difference (CfD): Budget Revision Notice for the fifth Allocation Round

From: Secretary of State for Energy Security and Net Zero

To: National Grid Electricity System Operator Limited, EMR Delivery Body

This notice is given pursuant to Regulation 12 of the Contracts for Difference (Allocation) Regulations 2014 (as amended). A copy of that regulation is included in Schedule 2 to this notice.

This notice applies to the fifth Contracts for Difference (CfD) Allocation Round, as established by the allocation round notice given by the Secretary of State on 16 March 2023.

CfD Budget

1. The Budget for CfD Allocation Round 5 (as set out in the Budget Notice given by the Secretary of State on 16 March 2023) has been revised. The final overall budget for AR5 is £227 million, which is an overall increase of £22 million. This is an increase of £20 million in pot 1 and £2 million in pot 2.
2. The table in Schedule 1 shows the revised budget for CfD Allocation Round 5 following the revision made by paragraph 1. There is no capacity budget for AR5.

SIGNED

Sarah Redwood, Director Renewable Electricity, Department for Energy Security and Net Zero

For and on behalf of the Secretary of State

DATED: 3 August 2023

Schedule 1 Revised budget for the fifth CFD Allocation Round

Table 1: Budget, in monetary terms, for the fifth CFD Allocation Round

	Delivery and Valuation Years				
	2025/6	2026/7	2027/8	2028/9	2029/30
Overall budget (£ million in 2011/12 prices)	190	227	227	227	227
Pot 1	190	190	190	190	190
Pot 2	-	37	37	37	37
<i>Inclusive of:</i>					
- Minimum for Tidal Stream	-	10	10	10	10

Key:

	Delivery Year
	Valuation Year

Schedule 2 to the Budget Revision Notice for CfD Allocation Round 5

Regulations 11 – 13 of the Contracts for Difference (Allocation) Regulations 2014 (as amended)

11 Budget notices

- (1) The Secretary of State must by notice (“a budget notice”) specify—
 - (a) the overall budget which is available for each delivery year applicable to an allocation round; and
 - (b) the administrative strike prices applicable to applications in an allocation round.

- (2) The Secretary of State may in a budget notice specify any of the following—
 - (a) budgets which are reserved for the descriptions of applications specified in the notice (“minima”);
 - (b) maximum budgets which apply to the descriptions of applications specified in the notice (“maxima”);
 - (c) a division of the overall budget such that a different part (“pot”) of the overall budget applies to the description of applications specified in the notice.

- (3) Where maxima or minima are specified, they may be expressed as—
 - (a) a sum of money;
 - (b) an amount of capacity of electricity generation; or
 - (c) a combination of (a) and (b).

- (4) Where—
 - (a) the overall budget is expressed as a sum of money; and
 - (b) that sum is stated by reference to a price which is not current at the date of the budget notice,

the budget notice must include a factor which, when applied to that sum, converts that sum into a price which is current at that date.

- (4A) Where any budget referred to in paragraph (1)(a) or (2) (that is to say, the overall budget, a minimum, a maximum or a pot) is expressed as an amount of capacity of electricity generation, the Secretary of State may specify in the budget notice that a “soft constraint” applies to that amount; and in such a case, the amount of capacity of electricity generation may be exceeded, but only in accordance with the provisions of the allocation framework that applies to that allocation round.

- (5) A budget notice must—
 - (a) be given to the delivery body;
 - (b) identify the allocation round to which the budget notice applies; and
 - (c) be given no later than 10 working days before the commencement date of the allocation round.

12 Budget revision

- (1) This regulation applies where the Secretary of State has given a budget notice in respect of an allocation round.

- (2) Subject to the application of paragraph (5), the Secretary of State—

- (a) may amend, add to, or remove any of the matters listed in regulation 11(1)(a) or (2) for the allocation round (in either case “a budget revision”); but
 - (b) must only affect a budget revision by a notice (“a budget revision notice”) which complies with regulation 13.
- (3) The Secretary of State may make any budget revision where that revision has effect more than 10 working days before the commencement date of the allocation round.
- (4) Paragraph (5) applies where the Secretary of State intends to make a budget revision which is to have effect—
- (a) 10 or fewer working days before the commencement date of the allocation round; or
 - (b) on or after the commencement date of the allocation round.
- (5) Where this paragraph applies, the Secretary of State may increase the overall budget but must not—
- (a) decrease—
 - (i) the overall budget;
 - (ii) any maxima; or
 - (iii) any minima; or
 - (b) increase any maxima or minima, unless the overall budget is increased by at least the same amount; or
 - (c) remove the application of a soft constraint to a budget (see regulation 11(4A)).

13 Budget revision notices

A budget revision notice must—

- (a) be given to the delivery body;
- (b) identify the allocation round to which the budget revision notice applies;
- (c) describe the budget revision; and
- (d) be given at least one working day before the date on which the revision set out in the notice is to have effect.

END