

## Question Log - Contracts for Difference - Allocation

Programme / Project Name				DECC EMR Collaborative Development Workshops - Allocation		 Department of Energy & Climate Change
Last Updated				22/11/2013		
Issue Id.	Date Raised (dd/mm/yyyy)	Programme/ Project/ Workstream Affected	Issue Category	Question raised in Collaborative Development group	DECC Response	
46	16/10/2013	Eligibility and pre-application	Contracts for Difference	Can CfD budgets be changed by government year-on-year?	Government has to strike a balance between providing appropriate certainty to market participant and retaining the ability to react to changing Budgetary circumstances. However , in order to retain the appropriate and necessary flexibility to respond to significant Government reserves the right to make changes to the budget available within-year, not just between years. The Consultation Document (pages 58-59) refers to Government's right to change budgets by an unlimited amount up until 2 weeks before an allocation round. The Government will also have the ability to increase the CfD budget during an Allocation Round but not reduce it. Further detail to be covered in the Allocation Framework to be published in early 2014.	
47	16/10/2013	Eligibility and pre-application	Contracts for Difference	Are supply chain plan specifications going to be technology-specific? What's the rationale for 90 days (with an expectation of 30)?	The supply chain requirement will be technology-neutral. The Government is legally bound to set-out an upper limit on the time in which supply chain plans will be assessed. We fully expect, and will endeavour to ensure, that all plans will be assessed within 30 working days, or longer for borderline cases. Further detail available in the Supply Chain Plan Consultation document published on 25 November.	
48	16/10/2013	Eligibility and pre-application	Contracts for Difference	Will ATF include additional eligibility criteria?	The Allocation Framework will not include additional eligibility criteria. The eligibility criteria are set out in the Consultation Document (pages 62-65) and through regulations and associated guidance.	
49	16/10/2013	Eligibility and pre-application	Contracts for Difference	Will the eligibility criteria be reduced to avoid the need for a full connection agreement at application as this is deemed penal for small generators in particular?	The current position is that all generators require a full connection agreement at the point of application. Further responses to this point may be made in response to the Consultation Document or through other consultation channels.	

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50	16/10/2013	Eligibility and pre-application	Contracts for Difference	<p>The following questions were raised in relation to the variation of CfD terms prior to application:</p> <ol style="list-style-type: none"> <li>1. What's the timeframe and process associated with the variation of contract terms?</li> <li>2. Can DECC forecast the likely volume of variations to avoid potential bottlenecks?</li> <li>3. Are the variations going to be made public?</li> </ol>	<ol style="list-style-type: none"> <li>1. The Consultation Document outlines that the Government envisage the entire process taking an average of around 20 working days. However, this would depend on the complexity of the modifications being requested (paragraph 191, page 80).</li> <li>2. Given the number of variables, the Government do not expect to be able to predict the volume of variations in advance. Once the CfD regime is operational, the Government will revise the variation process as appropriate based on experience</li> <li>3. Government will publish changes to the standard terms of the contract. The current position is also to publish (in redacted form where necessary) details of any specific modifications made to contracts.</li> </ol>
51	16/10/2013	Eligibility and pre-application	Contracts for Difference	Will there be an opportunity to speak to someone about eligibility application prior to submission?	The Delivery Body currently expects to have some resources available to answer enquiries on the application process. This would be based around helping applicants to understand the requirements and mechanics of the application process and would not be a pre-application vetting process.
52	16/10/2013	Eligibility and pre-application	Contracts for Difference	<ol style="list-style-type: none"> <li>1. How is an application where the planning permission is subject to appeal, treated? Are the criteria, gateway criteria at a single point in time, or are they enduring criteria (i.e. get knocked out if lose planning permission). How would you pick up change in circumstances between eligibility and substantial financial commitment?</li> <li>2. How will these events be treated for budgeting purposes?</li> </ol>	<ol style="list-style-type: none"> <li>1. The eligibility criteria are a gateway criteria at point of application. However, DECC is currently developing the detail to transition the satisfaction of these criteria into an on-going requirement through contract provisions. Further information on conditions precedent can be found in the draft contract and pages 80-82 in the Consultation Document.</li> <li>2. This area is currently under development. Further detail on budget management and notification will be included in the Delivery Plan, to be published in December, and the Allocation Framework, to be published in early 2014.</li> </ol>
53	16/10/2013	Eligibility and pre-application	Contracts for Difference	Would FCFS be run on a second-by-second process, even in the opening day of the round - is this beneficial / fair? Could this initial period be done by day/week windows?	The Government's current position is that that applications will be time stamped and allocations happen in this order. This policy is set out in the Consultation Document and responses in relation to this area (CFD8) are welcomed.

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54	16/10/2013	Eligibility and pre-application	Contracts for Difference	Can the process maps be updated to bring out the individual supply chain approval elements - period for assessment?	Comments are reflected in the supply chain document published on 25 November.
55	16/10/2013	Eligibility and pre-application	Contracts for Difference	If there's insufficient time for 90 days supply chain plan approval (between secondary legislation being passed and opening of FCFS), would FCFS start date be pushed back?	The FCFS date would not be pushed back. We are mindful of this deadline and will make every effort to complete the supply chain plan assessment process before the CfD go-live. We will aim to clear the plans within 30 working days although borderline cases may take longer. The 90 day limit is for the purposes of the regulations. Further detail released in the Supply Chain Plan document, published on 25 November, and in the Delivery Plan, to be published in December.
56	16/10/2013	First Come First Served	Contracts for Difference	Should DECC's CfD budget valuation be done on a project level (i.e. using project-specific load factors) as this will provide a more accurate view? What input assumptions will be used to determine the allocation of budget? If budget used up for individual technologies quickly, how would DECC manage that? Reduce future years?	The Government's current position is to use a single load factor for each technology type - this would mitigate the potential gaming risk associated with developers estimating project load factors. Further detail on valuation and budget management to be covered in the Allocation Framework to be published early 2014.
57	16/10/2013	First Come First Served	Contracts for Difference	Can notifications be included on process map and made clearer (covered under separate process)?	These comments will be reflected in the process maps which will be published in due course.
58	16/10/2013	First Come First Served	Contracts for Difference	What are the timings from getting from box 4 to 10? Would determine how much information needs to be made public in relation to individual CfD applications.	The current Government estimate is that the FCFS valuation process will take around 10 working days. Further information on timings will follow in the Allocation Framework to be released in early 2014.
59	16/10/2013	First Come First Served	Contracts for Difference	There are a number of general questions raised regarding the level of information that will be made available to the market?	This issue is currently under discussion and further information will be available on the confidentiality of CfD information, in relation to applications, budget and signed contracts in the Deliver Plan, due for publication in December 2013.
60	16/10/2013	First Come First Served	Contracts for Difference	How do investment contracts and nuclear in particular "cast a shadow" back to the budget for earlier years?	Current Government budget analysis runs to 2020/21 (see consultation document pages 57-58). Any commitments made in the existing LCF period will be honoured in future LCF spending envelopes. Contracts signed through the FID-enabling process would be considered separately, outside the budget which would be devolved to National Grid for allocation to generic renewable projects.

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61	16/10/2013	First Come First Served	Contracts for Difference	What is the decision-making process taken by DECC during the budget review? What are the parameters considered?	Further information on the Government's budget review, and the criteria used, will be provided in the Allocation Framework, to be published in early 2014.
62	16/10/2013	First Come First Served	Contracts for Difference	What is the methodology for calculating maxima and minima, and how will these apply in practice?	This is policy area currently under development. Further information on technology maxima and minima will be published early next year.
63	16/10/2013	Eligibility appeals	Contracts for Difference	Is 5 working days sufficient for the applicant to gather evidence and submit an appeal? Why have the delivery body and Ofgem longer to assess an appeal? Is there an expectation for any dialogue as part of these review / appeals processes?	The Government will consider timings around the appeals process and how this can be a fair and efficient process. The length of time allowed for appeals will be balanced with the impact this has on the timescales of the allocation/contract award process.
64	16/10/2013	Eligibility appeals	Contracts for Difference	How would the audit of allocation work in practice? Could the delivery body do its own audit as under balancing rules?	The detail on how an audit of allocation will work in practice is currently under development. DECC will consider the matter and inform industry in due course.
65	16/10/2013	Eligibility appeals	Contracts for Difference	What incentives or penalties will be on DB to get the eligibility assessment right?	This matter is currently under review by Ofgem, as part of its regulation of the Delivery Body.
66	16/10/2013	Eligibility appeals	Contracts for Difference	In the event of a successful Ofgem appeal, would there be an opportunity to restate timings in the contract? (E.g. could miss building season).	Should be amended to: "Government are aware of this issue and are currently assessing how this could be addressed. Further detail will be included in the Allocation Framework, to be published in early 2014"
67	16/10/2013	Eligibility appeals	Contracts for Difference	Could the process map be updated to reflect a systematic error?	Where policy is updated to reflect the possibility of systemic error, these comments will be reflected in the process maps.
68	17/10/2013	Allocation - Unconstrained / Constrained	Contracts for Difference	How will decisions on budget and maxima and minima be calculated and how/when will these be communicated to market participants? If a minima is breached, does the project become reallocated to a later year?	Decisions on potential use of Minima/Maxima will be made in line with DECC policy objectives and based on factors such as information about current deployment of technologies within the LCF and the likely pipeline of projects. Final decisions on whether minima/maxima will be used will be subject to the outcome of the current EMR Consultation which closes 24 December 2013. We anticipate being able to set out a further position in early 2014."

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69	17/10/2013	Allocation - Unconstrained / Constrained	Contracts for Difference	How will maxima and minima, and CfD budgets be determined? By parliament or administratively?	Should be amended to: "The regulations give the Secretary of State the power to set maxima and minima [and set and amend the level of the CfD budget in the AF without recourse to Parliament. ]. These levels will be set administratively. Further information will be detailed in the Allocation Framework, to be published in early 2014".
70	17/10/2013	Allocation - Unconstrained / Constrained	Contracts for Difference	How will smaller projects above the clearing price be dealt with if they fit within the overall budget? (Given lumpiness of project sizes)	Government's current position, per the Consultation Document, is that these projects will not receive a contract in that round, provided the budget has been exhausted.
71	17/10/2013	Allocation - Unconstrained / Constrained	Contracts for Difference	Are there possibilities for bidder flexibility on capacity applied for? E.g. could do 100MW but willing to do at little as 50MW in the event of a constraint.	Government is considering whether there is a case for allowing flexibility on the capacity a generator can apply for in a particular allocation round.
72	17/10/2013	Allocation - Unconstrained / Constrained	Contracts for Difference	How will the delivery body / DECC ensure that bids are viable? Still developing thinking on this.	Government are aware of this issue and are currently assessing how this could be addressed.
73	17/10/2013	Allocation - Unconstrained / Constrained	Contracts for Difference	Why sealed bid auction as opposed to descending clock auction?	Government are aware of this issue and are currently assessing how this could be addressed. Both sealed-bid and multi-round auctions remain on the table for now. Clarification on gaming issues and the broader budgeting allocation process will be provided in the Allocation Framework, to be published in early 2014.
74	17/10/2013	Allocation - Unconstrained / Constrained	Contracts for Difference	Can DECC provide an understanding of the Stage 2 auction process as devex spend is happening now? How will market-set prices drive price in Stage 2?	Government are aware of this issue and are currently assessing how this could be addressed. Further detail on Phase 2 will be developed once Phase 1 has been implemented.
75	17/10/2013	Allocation - Unconstrained / Constrained	Contracts for Difference	How will allocation work when different technologies are competing for different time windows? How is the budget allocated from year to year? Is only the incremental budget allocated in a particular year?	Government are aware of this issue and are currently assessing how this could be addressed. Further detail will be included in the Delivery Plan, to be published in December, and the Allocation Framework, to be published in early 2014.
76	17/10/2013	Allocation - Unconstrained / Constrained	Contracts for Difference	To what extent will this information be public / private? Preference for publication as market-sensitive.	This issue is currently under discussion and further information will be available on the confidentiality of CfD information, in relation to applications, budget and signed contracts in the Delivery Plan, to be published in December, and the Allocation Framework, to be published in early 2014.

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77	17/10/2013	Allocation - Unconstrained / Constrained	Contracts for Difference	Can the process map wording be changed from 'reserved' to "value of applications" or something similar?	Where the published policy position reflects the change, these comments will be reflected in the process maps.
78	17/10/2013	Allocation - Unconstrained / Constrained	Contracts for Difference	Can the mechanics behind the initial budgeting process, and budget review be made clear? Is it down to Ministers to make decisions? Could it be subject to challenge / judicial review?	Government are aware of this issue and are currently assessing how this could be addressed. Further detail will be released in due course.
79	17/10/2013	Allocation - Unconstrained / Constrained	Contracts for Difference	How does the timeline for a project vary if the application process to signing a CfD takes longer than expected? What are the contingencies for delays in the process and does this squeeze the time between FID and TCD?	The detail on how allocation delays impact contract signing, TCW, TCD and LSD timings is currently under development. DECC is considering the contingencies to account for delays in the process such that developers' timelines are not unfairly impacted.
80	17/10/2013	Notifications	Contracts for Difference	Does there need to be a policy / process for dealing with successful applicants dropping out prior to contract signing? What is the process for reallocating budget for projects that drop out post allocation?	Government are aware of this issue and are currently assessing how this could be addressed.
81	17/10/2013	Notifications	Contracts for Difference	How long will applicants have to sign a contract?	Current Government estimate is that the generator will have 2 weeks to sign. Further detail will be included in the Allocation Framework, to be published in early 2014.
82	17/10/2013	Notifications	Contracts for Difference	What are the outcomes of allocation appeal?	The detail on how an audit of allocation will work in practice is currently under development. DECC will consider the matter and inform industry in due course.
83	17/10/2013	Allocation - Unconstrained / Constrained	Contracts for Difference	How does the budget accommodate changes to model assumptions, such as major policy change or international energy market developments that impact expected difference payments? How do you manage your budget with fluctuating amounts / variable payments given the LCF?	The Levy Control Framework reserve (£0.6bn in 2020/21) is there to accommodate deviations from the reference case. Further detail will be included in the Allocation Framework, to be published in early 2014.
84	17/10/2013	Allocation - Unconstrained / Constrained	Contracts for Difference	How do DECC reduce the risk of crowding out in the auction process? See Q80 above	Government are aware of this issue and are currently assessing how this could be addressed