Draft Budget Notice for CFD Allocation Round 1

From: Secretary of State for Energy and Climate Change

To: National Grid, EMR Delivery Body

This notice is given pursuant to regulation 11 of the Contracts for Difference (Allocation) Regulations 2014. That regulation is set out in the schedule to this notice.

This notice applies to the first allocation round, as established by the allocation round notice given by the Secretary of State on [date]. This draft budget notice should be read in conjunction with the explanatory note.

Overall CFD Budget and Pots

The overall budget which is available for each delivery year, and the division of the overall budget by “pot”, applicable to this allocation round is set out in the table below:

Table 1: CFD Budget Release for 2014 Allocation Round (Figures are total support payments available in a given year)\(^1\)

<table>
<thead>
<tr>
<th>£m (2011/12 prices)</th>
<th>Delivery Year(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFD Budget (2014 release)</td>
<td>15/16   16/17  17/18  18/19  19/20  20/21</td>
</tr>
<tr>
<td>Pot 1 (established technologies)</td>
<td>50    205   205   205  205  205</td>
</tr>
<tr>
<td>Pot 2 (less established technologies)</td>
<td>-    155  155   155  155  155</td>
</tr>
</tbody>
</table>

We are not at present intending to release further budget for biomass conversion, beyond the funding that is allocated through the FIDeR process, but see further notes below.

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\(^1\) See paragraph 2 in the explanatory note.

\(^2\) Delivery Year as defined in regulation 2 of the Contracts for Difference (Allocation) Regulations 2014 regulations.
The technology groups are as follows:

- **Pot 1 (established technologies):** Onshore wind (>5MW), Solar Photovoltaic (PV) (>5MW), Energy from Waste with CHP, Hydro (>5MW and <50MW), Landfill Gas and Sewage Gas
- **Pot 2 (less established technologies):** Offshore Wind, Wave, Tidal Stream, Advanced Conversion Technologies, Anaerobic Digestion, Dedicated biomass with CHP, and Geothermal, Scottish islands onshore wind
- **Pot 3 (biomass conversion).**

**Administrative Strike prices**

The administrative strike prices applicable to applications in this allocation round are:

**Table 2: Strike Prices**

<table>
<thead>
<tr>
<th>Technology</th>
<th>CFD Strike Prices (£/MWh, 2012 prices)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Conversion Technologies (with or without CHP)</td>
<td>155 155 150 140 140</td>
</tr>
<tr>
<td>Anaerobic Digestion (with or without CHP) (&gt;5MW)</td>
<td>150 150 150 140 140</td>
</tr>
<tr>
<td>Biomass Conversion</td>
<td>105 105 105 105 105</td>
</tr>
<tr>
<td>Dedicated Biomass (with CHP)</td>
<td>125 125 125 125 125</td>
</tr>
<tr>
<td>Energy from Waste (with CHP)</td>
<td>80 80 80 80 80</td>
</tr>
<tr>
<td>Geothermal (with or without CHP)</td>
<td>145 145 145 140 140</td>
</tr>
<tr>
<td>Hydro (&gt;5 MW and &lt;50MW)</td>
<td>100 100 100 100 100</td>
</tr>
<tr>
<td>Landfill Gas</td>
<td>55 55 55 55 55</td>
</tr>
<tr>
<td>Sewage Gas</td>
<td>75 75 75 75 75</td>
</tr>
<tr>
<td>Offshore Wind</td>
<td>155 155 150 140 140</td>
</tr>
<tr>
<td>Onshore Wind (&gt;5 MW)</td>
<td>95 95 95 90 90</td>
</tr>
<tr>
<td>Solar Photo-Voltaic (&gt;5MW)</td>
<td>120 120 115 110 100</td>
</tr>
<tr>
<td>Tidal Stream</td>
<td>305 305 305 305 305</td>
</tr>
<tr>
<td>Wave</td>
<td>305 305 305 305 305</td>
</tr>
<tr>
<td>Scottish Islands – onshore wind (&gt;5MW)³</td>
<td>- - - 115 115</td>
</tr>
</tbody>
</table>

³ This technology remains subject to State Aid approval.
⁴ As per footnote 3.
Use of Maxima or Minima

One minimum of 10MW for wave and tidal stream technologies (out of the 100MW reserved budget for this technology for the duration of the first Delivery Plan period) applies to this allocation round\(^5\). There are no maxima.

Re-basing CFD Budgets

The budgets presented here have been calculated in real terms on the basis of a £2011/12 price level. To convert this into a more recent price base – a CPI index can be used.

The budgets set out in this notice are in 2011/12 real prices. However, given that strike prices have been published in £2012 values, the Government will inflate the budgets presented here by a CPI inflator\(^6\) to a £2012 price base, before National Grid values the bids (which will be submitted in £2012 values) against the available budget.

The inflator which we will use is 1.0195. This has been derived using the following formula:

\[
CPI \text{ Adjustor}_{2011/12 \rightarrow 2012} = \frac{\text{Average} CPI_{2012}}{\text{Average} CPI_{2011/12}}
\]

It is also possible to convert the budgets into current monthly prices. An illustration of this formula is provided below.

\[
CPI \text{ Adjustor}_{2011/12 \rightarrow \text{current}} = \frac{\text{CPI}_{\text{current}}}{\text{Average} CPI_{2011/12}}
\]

For stakeholders to convert the £2011/12 budget into the most recently available price base (June 2014 at time of publication) – the following inflator should be used – 1.0636

Schedule

Regulation 11 .The Contracts for Difference (Allocation) Regulations 2014

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\(^5\) See the explanatory note.
\(^6\) Please note that CPI index values are subject to the ONS CPI Revisions Policy and may change in the future.
Budget notices

11. (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.

(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.