



13 March 2017

Budget Notice for the Second CFD Allocation Round

To: National Grid, EMR Delivery Body

This notice is given pursuant to Regulation 11 of the Contracts for Difference (Allocation) Regulations 2014 (as amended). A copy of that regulation is included in the schedule to this notice.

This notice applies to the second Contracts for Difference (CFD) Allocation Round as established by the Allocation Round Notice given by the Secretary of State on 13 March 2017.

CFD Budget allocation

The overall budget¹ which is available for this CFD Allocation Round is set out in Table 1.

Table 1: CFD budget for the second Allocation Round

£million (2011/12 prices)	Delivery Year ²	
	21/ 22	22/ 23
Overall budget to be allocated to Pot 2 ("less established" technologies)	290	290

The "less established" technologies included in this Pot 2 Allocation Round are:

- Offshore Wind
- Advanced Conversion Technologies (with or without CHP)
- Anaerobic Digestion (with or without CHP)
- Dedicated Biomass with CHP
- Wave
- Tidal Stream
- Geothermal (with or without CHP)

¹ Overall budget as defined in Regulation 2 of the Contracts for Difference (Allocation) Regulations 2014 as amended.

² Delivery Year as defined in Regulation 2 of the Contracts for Difference (Allocation) Regulations 2014 as amended.



Administrative Strike Prices

The Administrative Strike Prices applicable to this allocation round are:

Table 2: CFD Administrative Strike Prices (£/MWh, 2012 prices)

Technology	2021/22	2022/23
Offshore Wind	105	100
Advanced Conversion Technologies (with or without CHP)	125	115
Anaerobic Digestion (with or without CHP) (>5MW)	140	135
Dedicated Biomass with CHP	115	115
Wave	310	300
Tidal Stream	300	295
Geothermal (with or without CHP)	140	140

Use of Maxima or Minima

No minima will be applied.

A cumulative maxima of 150 MW will be applied in respect of the fuelled technologies: Dedicated Biomass with CHP, Advanced Conversion Technologies (with or without CHP) and Anaerobic Digestion (with or without CHP).

Phased Offshore Wind Projects

Offshore Wind CFD Units no greater than 1500MW of capacity may be delivered in multiple phases. Phases subsequent to the first phase may have Target Commissioning Dates up to two years after the final Delivery Year ("Valuation Years", 2023-24 to 2024-25). The Delivery Body will undertake valuation of such projects over the Valuation Years in addition to the Delivery Years. The total budget impact of such projects in the final Valuation Year shall be assessed as though those projects were fully operational, regardless of when in that year the Target Commissioning Date of their final phases is located.



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.

Given that strike prices have been published in £2012 values, the Government will inflate the budgets presented here by a CPI inflator^{3,4} to a £2012 price base, before National Grid values the bids (which will be submitted in £2012 values) against the available budget.

The inflator (*CPI Adjustor* $_{\text{£2011/12} \rightarrow \text{£2012}}$) which we will use is 1.0193. This has been derived using the following formula:

$$\text{CPI Adjustor}_{\text{£2011/12} \rightarrow \text{£2012}} = \text{AverageCPI}_{2012} / \text{AverageCPI}_{2011/12}$$

This results in a budget of £295M⁵ in £2012 values.

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

$$\text{CPI Adjustor}_{\text{£2011/12} \rightarrow \text{£current}} = \text{CPI}_{\text{current}} / \text{AverageCPI}_{2011/12}$$

To convert the £2011/12 budget into the most recently available price base (January 2017 at time of publication) an inflator (*CPI Adjustor* $_{\text{£2011/12} \rightarrow \text{£current}}$) of 1.0761 should be used.

SIGNED

Ashley Ibbett, Director Clean Electricity, Department for Business, Energy and Industrial Strategy

For and on behalf of the Secretary of State

DATED: 13 March 2017

³ CPI index values are subject to the ONS CPI Revisions Policy and may change in the future.

⁴ Published by the Office of National Statistics (ONS)

<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt>

⁵ Rounded to the nearest £5 million.



Schedule to the Budget Notice for CFD Allocation Round

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

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.

END