



Department for
Business, Energy
& Industrial Strategy

20 November 2018

Contracts for Difference (CfD): Draft Budget Notice for the third allocation round, 2019

From: Secretary of State for Business, Energy and Industrial Strategy

To: National Grid, EMR Delivery Body

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

This notice applies to the third Contracts for Difference (CfD) Allocation Round, which is planned to open by May 2019. It should be read in conjunction with the accompanying note. A final budget notice will be issued no later than 10 working days prior to the commencement of the Allocation Round.

CfD Budget allocation

The overall budget¹ applicable to this CfD Allocation Round is set out in Tables 1 and 2. To note the overall (monetary) budget and overall capacity cap for the Allocation Round are the values given in respect of each Delivery Year². A project has a budgetary impact (in monetary terms) in the Delivery Year in which its Target Commissioning Date falls and all subsequent Delivery and Valuation Years.

Table 1: CfD Budget, in monetary terms, for the third Allocation Round, 2019 (figures are total support payments)

Delivery Year ³	2023/24	2024/25
Overall budget (£ million in 2011/12 prices)	60	60

Table 2: CfD Budget, in capacity terms, for the third Allocation Round, 2019

Delivery Year	2023/24	2024/25
Overall capacity cap (GW)	6	6

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

² Overall capacity cap is subject to State aid approval, which is expected to be received by the start of the Allocation Round.

³ Delivery Year as defined in Regulation 2 of the Contracts for Difference (Allocation) Regulations 2014 as amended.



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

- Advanced Conversion Technologies
- Anaerobic Digestion (> 5MW)
- Dedicated Biomass with CHP
- Geothermal
- Offshore Wind
- Remote Island Wind (> 5MW)
- Tidal Stream
- Wave

Administrative Strike Prices

The Administrative Strike Prices applicable to this allocation round are:

Table 3: CfD Administrative Strike Prices (£/MWh, in 2012 prices)

Technology Type	2023/24 Strike prices	2024/25 Strike prices
ACT	113	111
AD (> 5MW)	122	121
Dedicated Biomass with CHP	121	121
Geothermal	129	127
Offshore Wind	56	53
Remote Island Wind (> 5MW)	82	82
Tidal stream	225	217
Wave	281	268

Use of Maxima or Minima

No maxima or minima will be applied.



Re-basing CfD Budgets

The monetary budget presented here has 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^{4,5} 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 1.0193. This has been derived using the following formula:

$$CPI\ Adjustor_{\text{£2011/12} \rightarrow \text{£2012}} = AverageCPI_{2012} / AverageCPI_{2011/12}$$

This results in a budget of £60M⁶ in £2012 values.

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

$$CPI\ Adjustor_{\text{£2011/12} \rightarrow \text{£current}} = CPI_{current} / AverageCPI_{2011/12}$$

For stakeholders to convert the £2011/12 budget into the most recently available price base (September 2018 at time of publication), the following inflator should be used 1.1313.

⁴ Please note that CPI index values are subject to the ONS CPI Revisions Policy and may change in the future.

⁵ Published by the Office of National Statistics (ONS)
<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt>

⁶ Rounded to the nearest £5M.



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Schedule to the Draft Budget Notice for CfD Allocation Round

The Contracts for Difference (Allocation) Regulations 2014 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