



1 May 2019

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

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

To: National Grid Electricity System Operator Limited, 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 third Contracts for Difference (CfD) Allocation Round commencing on 29 May 2019, as established by the Allocation Round Notice given by the Secretary of State on 1 May 2019.

This notice should be read in conjunction with the accompanying note.

Overall Budget for the Third CfD Allocation Round

The Overall Budget¹ applicable to this CfD Allocation Round is:

- £65 million²;
- 6GW³.

The Delivery Years⁴ for this Allocation Round are:

- 2023/24;
- 2024/25.

The valuation years for this Allocation Round are:

- 2025/26;
- 2026/27.

In this Allocation Round, up to £65 million (total support payments) is potentially payable under CfDs to eligible generators applying in respect of projects with Target Commissioning Dates in either Delivery Year.

¹ 'Overall Budget' as defined in regulation 2(1) of the Contracts for Difference (Allocation) Regulations 2014 as amended.

² In 2011/2012 prices.

³ For which the Department is seeking State aid approval.

⁴ 'Delivery Year' as defined in regulation 2(1) of the Contracts for Difference (Allocation) Regulations 2014 as amended.



CfD applications have an impact on the monetary budget not only in respect of the chosen Delivery Year but also in all subsequent Delivery Years and valuation years. If the monetary budget is exceeded in any Delivery Year, the first application that exceeds the monetary budget will be rejected and the Delivery Year to which that application related will close so that subsequent applications for that Delivery Year will also be rejected (subject to the consideration of flexible bids).

If the overall capacity cap⁵ is exceeded, both Delivery Years will close to the first application that exceeds the maximum capacity of 6GW and to all subsequent applications, irrespective of the Delivery Year to which they relate (subject to the consideration of flexible bids).

The eligible technologies for 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 1: 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

⁵ Has the meaning given in paragraph (b) of the definition of Overall Budget in Regulation 2(1) of the Contracts for Difference (Allocation) Regulations 2014 as amended.



Use of Maxima or Minima

No maxima or minima will be applied for the third Allocation Round.

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, 2025-26 to 2026-27). 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 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^{6,7} 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 £65 million⁸ in £2012 values.

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

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

⁶ Please note that CPI index values are subject to the ONS CPI Revisions Policy and may change in the future.

⁷ Published by the Office of National Statistics (ONS)
<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt>

⁸ Rounded to the nearest £5 million.



Department for
Business, Energy
& Industrial Strategy

For stakeholders to convert the £2011/12 budget into the most recently available price base (February 2019 at time of publication), the following inflator should be used 1.1335.

SIGNED

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

For and on behalf of the Secretary of State

DATED: 1 May 2019



Schedule to the Budget Notice for the 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