



Department for
Business, Energy
& Industrial Strategy

Contracts for Difference for Low Carbon Electricity Generation

Consultation on changes to Supply Chain
Plans and the CfD contract

Closing date: 18 January 2021



© Crown copyright 2020

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at: BEISContractsforDifference@beis.gov.uk

Contents

General information	4
Why we are consulting	4
Consultation details	5
How to respond	5
Confidentiality and data protection	5
Quality assurance	6
Introduction	7
Aim of this Consultation	7
Supply Chain Plans	9
Policy context	9
Proposal	11
Assessment of Impacts	16
Consultation on Phasing of Floating Offshore Wind	18
Proposed Changes to the CfD Contract	18
Floating Offshore Wind	19
Negative Pricing	21
Coal-to-biomass Conversions	22
Milestone Delivery Date	22
Minor and Technical Contract Changes	23
Review of Balancing Services Use of System Charges	24
Issues relating to EU Exit	25
Consultation questions	27
Supply Chain Plans	27
Phasing of Floating Offshore Wind	27
Floating Offshore Wind	28
Negative Pricing	28
Coal-to-biomass Conversions	28
Milestone Delivery Date	28
Minor and Technical Contract Changes	28
Next steps	29

General information

Why we are consulting

In March 2020, the government consulted on a range of proposed amendments to the Contracts for Difference (CfD) scheme ahead of the fourth Allocation Round (AR4), planned for late 2021. This consultation proposes further amendments to the scheme in relation to Supply Chain Plans, policy proposals on phasing for floating offshore wind and changes to the CfD contract.

The government previously sought views on whether the Supply Chain Plan policy could better encourage the growth of sustainable, efficient supply chains. The government is now proposing more detailed changes to the Supply Chain Plan policy, which are designed to increase the clarity, ambition, and measurability of developers' commitments, and ensure that those commitments are delivered.

The government also invites views on proposed drafting changes to the CfD contract to implement some of the policy decisions set out in the government response to the March 2020 consultation, which is published alongside this document, and on several minor and technical changes to improve the operation and clarity of the contract. In addition, it invites views on the government's proposal not to extend phasing to floating offshore wind projects.

The government wishes to advise stakeholders that, in due course, it may need to consider amending the CfD contract to reflect possible future changes in how Balancing Services Use of System (BSUoS) charges are paid. The Final Report of the Second Balancing Services Charges Task Force, published on 30 September 2020, recommended to Ofgem that transmission-connected generation should no longer pay BSUoS charges. If implemented, this change could have implications for current and future CfD generators connected to the transmission system who receive an adjustment in their strike price to reflect annual changes in the balancing system charges for which they are liable. A final decision is not expected until later in 2021. The government is therefore not proposing any changes to the CfD contract at this stage but will keep developments under review. Any proposed contract changes would be subject to consultation in due course.

The United Kingdom left the European Union on 31 January 2020. The Transition Period, during which the UK has remained part of the EU Single Market and Customs Union, will end on 31 December 2020. The UK and the EU continue to negotiate the terms of their future relationship. We will carry out a further consultation as early as possible in 2021 on any further changes that we may propose to make to the Standard Terms and Conditions to reflect the conclusion of the Transition Period.

Consultation details

Issued: 24 November 2020

Respond by: 18 January 2021

Enquiries to:

Email: BEISContractsforDifference@beis.gov.uk

Consultation reference: Contracts for Difference for Low Carbon Electricity Generation: consultation on changes to Supply Chain Plans and the CfD contract.

Audiences:

The government welcomes responses from anyone with an interest in the policy area. We envisage that the consultation will be of particular interest to those considering the development of new low carbon energy projects in Great Britain, electricity traders and suppliers, businesses operating in the bioenergy sector, and consumer and environmental groups with an interest in the electricity sector.

Territorial extent:

The CfD scheme applies to the UK but does not currently operate in Northern Ireland. This consultation therefore applies to Great Britain only.

How to respond

Your response will be most helpful if it is framed in direct response to the questions we have asked, though further comments and evidence are also welcome. When responding, please state whether you are responding as an individual or representing the views of an organisation. In view of the ongoing coronavirus situation, we are requesting responses by electronic means only. Please do not send responses by post to the department, as we may not be able to access them.

Respond online at: <https://beisgovuk.citizenspace.com/clean-electricity/cfd-supply-chain-plans-and-contract>

or

Email to: BEISContractsforDifference@beis.gov.uk

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us but be aware that we cannot guarantee confidentiality in all circumstances. An automatic

confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: beis.bru@beis.gov.uk.

Introduction

The Contracts for Difference (CfD) scheme is the government's main mechanism for supporting new, low carbon electricity generation projects. It applies to the United Kingdom but does not currently operate in Northern Ireland. A CfD is a private law contract between a developer of low carbon electricity (referred to in the contracts as a 'Generator') and the Low Carbon Contracts Company (LCCC), a government-owned company (the CfD Counterparty). The generator is paid the difference between the 'strike price' – a price for electricity reflecting the cost of investing in a particular low carbon technology – and the 'reference price' – a cost measure of the average GB market price for electricity. CfDs incentivise investment by giving greater certainty and stability of revenues to electricity generators by reducing their exposure to volatile wholesale prices, whilst protecting consumers from paying for higher support costs when electricity prices are high.

The scheme has been very successful in driving substantial deployment of renewable electricity capacity at scale whilst rapidly reducing costs. The third allocation round, which concluded in September 2019, resulted in contracts being awarded to 5.8 gigawatts (GW) of new renewable projects, bringing to nearly 16GW the amount of capacity currently supported under the scheme. The clearing prices achieved in the third allocation round were well below the administrative strike prices for each of the successful technologies, with the costs of offshore wind falling by around 30% from the previous allocation round in 2017. This is the first time that renewables are expected to come online below current market prices, meaning a better deal for consumers.

The success achieved by the CfD scheme to date represents an important step towards decarbonising the UK's energy system. The government consulted between March and May 2020 on proposed changes to the scheme designed to support the increase in ambition needed to deliver the government's 2050 net zero target, while minimising costs to bill payers. The government response, published alongside this document, sets out the government's decisions and explains how they will be implemented.

Aim of this Consultation

We are now seeking views on proposals to strengthen our Supply Chain Plan policy and on changes to the CfD contract to give effect to some of the policy decisions set out in the government response to the March 2020 consultation, as well as several minor and technical adjustments to improve the functioning of the contract. In addition, we are inviting views on the government's proposal not to extend phasing to floating offshore wind projects.

In the March 2020 consultation, government sought views on how the current Supply Chain Plan process could be strengthened to ensure that it continues to support government priorities and advances the low carbon economy. The process will boost competitiveness and productivity in places which stand to benefit the most, harness innovation, invest in skills, while driving regional growth and progress towards our 2050 net zero target. Following consideration of the responses received, the government response confirmed the government's intention to align the Supply Chain Plan process to the government priorities in the Industrial Strategy by amending regulations and revising the Supply Chain Plan guidance document. We are now consulting on proposals to strengthen the Supply Chain Plan process, to take effect from the next allocation round, planned for 2021.

The proposals in this consultation focus on strengthening compliance processes to provide greater assurance that developers awarded a contract implement the commitments set out in their Supply Chain Plans. Generators awarded a CfD contract will submit an Updated Supply Chain Plan for review at around the Milestone Delivery Date of their contract and a Supply Chain Implementation Report for assessment by the Secretary of State before the generating station is due to be commissioned. A new Operational Condition Precedent would be added to the CfD Standard Terms and Conditions requiring generators subject to the new Supply Chain Plan process to present to the LCCC a certificate from the Secretary of State approving their Supply Chain Implementation Report before CfD payments can start to be paid. Subject to the outcome of this consultation, CfD regulations would be amended to give effect to these new requirements. The proposed new Supply Chain Plan process is set out in revised guidance, which is published in draft for comment alongside this consultation. A separate consultation on the Supply Chain Plan questionnaire (which is an annex of the guidance document) will be published in due course.

We are also seeking views on several drafting changes to the CfD contract to implement decisions taken on the following policies:

- Floating offshore wind
- Negative pricing
- Coal-to-biomass conversions
- Milestone Delivery Date.

We are also inviting comments on several new minor and technical contract changes and on the proposal not to extend phasing to floating offshore wind projects.

Drafts of the CfD Agreement and Standard Terms and Conditions are published alongside this consultation document showing the proposed changes underlined and highlighted in colour.

We welcome responses from anyone with an interest in these issues. We expect this consultation document will be of particular interest to those considering developing new low carbon energy projects in Great Britain (GB), businesses involved in low carbon electricity generation supply chains, electricity traders and suppliers, businesses operating in the bioenergy sector and consumer and environmental groups with an interest in the electricity sector.

Given that there is significant interaction between CfD regulations and some of the policy and contract change proposals set out in this consultation document, the CfD contract may need to be revised further to reflect any future possible changes to the regulations. We would therefore consider consulting on any potential consequential changes to the contract in due course.

We invite stakeholders to note the government's intention to consult in due course on further changes to the CfD contract to reflect Ofgem's final decision on changes to how BSUoS charges are paid, expected in 2021, and on changes to reflect the future relationship between the UK and EU after the Transition Period ends on 31 December.

Supply Chain Plans

The government is committed to strengthening our world-leading UK based supply chain, which will be key in leveraging the economic benefits from our investments in low carbon electricity generation and achieving net zero emissions by 2050. To support this, the government wants to ensure that Supply Chain Plans, which have been in operation for three allocation rounds, support our Industrial Strategy and government priorities by boosting competitiveness and productivity, harnessing innovation, investing in skills, driving regional growth and advancing the low carbon economy as we achieve net zero. This policy is part of a package of initiatives (alongside the Offshore Wind Sector Deal and £160 million of new funding to upgrade ports and infrastructure) to derive more benefits from new low carbon electricity projects, including by creating competitive businesses and jobs, and to support UK companies competing internationally. In this consultation, the government proposes to introduce new measures to strengthen the Supply Chain Plan process and compliance procedures.

Policy context

Developers of projects that have a capacity of 300MW or more may apply for a supply chain statement from the Secretary of State for Business, Energy and Industrial Strategy if they are planning to take part in a CfD allocation round. CfD applicants are required to provide this statement to National Grid ESO (as Delivery Body) as part of their CfD application. The original aim of this process was to ensure that generators encourage the effective development of open and competitive low carbon electricity generation supply chains and the promotion of innovation and skills. The rationale is that this, in turn, would increase competition and drive down the cost of generation over time, contributing to lower costs to consumers.

As part of the current Supply Chain Plan process, applicants awarded a CfD have their Supply Chain Plans published and monitored by BEIS. When the project is built, the applicant submits a Post Build Report for approval by the Secretary of State, setting out how the Supply Chain Plan commitments have been implemented and if they have not, the reasons why. The Secretary of State can take into account an applicant's failure to implement a Supply Chain Plan when considering any subsequent Supply Chain Plan submitted by that applicant (or any consortium of which that applicant is a member) in a future CfD Allocation Round. Ultimately, this could result in excluding all partner(s) (with a 20% share or greater) in the project from entry to that CfD allocation round.

In the March consultation, the government stated that it wanted to consider whether Supply Chain Plans can better encourage the growth of sustainable, efficient supply chains through introducing new measures that focus on delivering clearer and more measurable commitments that align with government priorities such as supporting regional growth, investing in skills and boosting productivity.

The majority of responses to the March consultation supported:

- aligning the Supply Chain Plan process more closely with the Industrial Strategy for all technologies,

- strengthening the powers to fail Supply Chain Plans on the basis that the applicant has not sufficiently demonstrated the implementation of their Supply Chain Plan; and
- submitting an updated Supply Chain Plan after a CfD is awarded.

Most respondents did not support strengthening the compliance process for failure to implement an approved Supply Chain Plan. Those respondents that did support strengthening compliance processes did not provide specific suggestions on what these strengthening powers should be or provide clear support for any particular penalty to enforce compliance. Readers of this consultation are recommended to read in conjunction the government response to the March consultation, which outlines the responses and policy decisions in further detail.

The government does not consider that the current Supply Chain Plan compliance process is sufficient to deliver its supply chain objectives. The UK is a major global market for renewables, but it has historically failed to reap the benefits of this market-leading position in terms of domestic jobs and investment. And yet the benefits are significant. Renewables could support tens of thousands of jobs across the country by 2030. For example, achieving 40GW of offshore wind by 2030 will enable the sector to support up to 30,000 direct jobs and 30,000 indirect jobs by 2030 in ports, factories and the supply chains, manufacturing the next-generation of offshore wind turbines and delivering clean energy to the UK.

Several respondents to the March consultation raised concerns about penalties being applied to future projects if brought forward in different partnerships, and the government stated its intention to propose a consequence for non-delivery that applies to the project that has failed to deliver rather than applying it to future projects by the developer(s).

In view of the responses received through the consultation and the government's view that the current compliance process is insufficient to deliver our supply chain objectives, the government has further developed proposals to strengthen the Supply Chain Plan process by:

- aligning Supply Chain Plans more closely with the Industrial Strategy,
- maintaining focus on increasing supply chain competitiveness, capability and capacity,
- increasing clarity, ambition, and measurability of developers' commitments, and
- ensuring that those commitments are delivered.

The government confirmed in the government response that the revised Supply Chain Plan process will be aligned to the Industrial Strategy. This consultation sets out further detail on the proposed process for assessing and monitoring Supply Chain Plans and the proposed consequence for non-delivery. This includes consulting on the draft amendments to the Supply Chain Plan guidance and CfD contract to implement the proposal.

The government will consult separately on new proposals for a revised Supply Chain Plan questionnaire for CfD Applicants to complete which will form the basis for initial assessment before an allocation round and ongoing monitoring, review and assessment after CfD signature. The new questionnaire will be aligned to the Industrial Strategy. The technical consultation on the Supply Chain Plan questionnaire is anticipated to open before this present consultation closes, so that respondents can choose to consider the Supply Chain Plan questionnaire in their responses. However, in the event there is no overlap between the timing of the two consultations, the government will consider whether to revisit questions where answers may be impacted by the Supply Chain Plan questionnaire, and will confirm to

stakeholders in the SCP questionnaire consultation if we will invite any resubmitted answers. The questionnaire will be strengthened by including more specific questions aimed at eliciting focussed and measurable responses that are closely aligned to government objectives, but will continue to be developer-led, so that rather than the government setting requirements, developers will instead be invited to submit their proposed actions to achieve the objectives of the Supply Chain Plan policy.

The reason for splitting the two aspects of the Supply Chain Plan proposals ((i) the process with SCP guidance and (ii) the SCP questionnaire) is to allow for the proposed legislative changes relating to (a) the alignment with the Industrial Strategy, as per the government response, and (b) the proposal to assess the implementation of Supply Chain Plans after CfD award, detailed below, to proceed through the parliamentary process (subject to the consultation outcome) and come into force in time for AR4, which is due to open in late 2021. Following the March consultation that included the proposals to align the Supply Chain Plan process to the Industrial Strategy, the proposed revised Supply Chain Plan questionnaire does not require any further legislative changes.

Proposal

A new draft Supply Chain Plan guidance document has been produced as part of this consultation that sets out the details of the proposed new Supply Chain Plan process, including information on what developers will need to submit and when, the ongoing monitoring process, and the assessment approach. Respondents are encouraged to review the guidance document and to use it to inform their consultation responses.

A new draft Supply Chain Plan questionnaire will be consulted on separately and will follow the same principle as has been in place for previous allocation rounds, whereby Supply Chain Plans will be developer-led (i.e. developers submit their own proposed actions). The questionnaire will be strengthened by including more specific questions aimed at eliciting focussed and measurable responses from developers that are aligned with government objectives. Responses by the developer to the scored sections of the Supply Chain Plan will be assessed to determine eligibility to participate in the CfD scheme. Delivery of the activities and outcomes committed to in the scored sections of the Supply Chain Plan will then subsequently be monitored in the ongoing monitoring process after CfD signature and assessed in the Supply Chain Implementation Report.

The revised questionnaire will focus on building competitiveness, capability and capacity in local supply chains and is intended to continue to help deliver projects to predictable timescales at low costs while creating skilled, fulfilling, well-paid jobs in regions and communities around the UK. To drive increases in competitiveness and productivity, opportunities must be visible to suppliers within international and UK supply chains and processes must assure full and fair access to capable UK suppliers to compete for supply chain opportunities.

Summary:

- Developers continue to submit a Supply Chain Plan to BEIS before the Allocation Round in order to be eligible to participate;
- This consultation proposes and seeks views on the following:

- Generators' Supply Chain Plan commitments are monitored after CfD signature on a frequent and regular basis to support compliance.
- Generators submit an Updated Supply Chain Plan close to the Milestone Delivery Date for review.
- Generators submit a Supply Chain Implementation Report before they commission for assessment. If the Supply Chain Implementation Report is passed, a certificate is provided to the Generator and LCCC.
- Provision of the Supply Chain Implementation Report certificate to the LCCC is a new CfD Operational Condition Precedent (OCP). Provision of the certificate will fulfil the OCP. As with other OCPs, failure to fulfil this OCP will give rise to a termination right for the LCCC.
- Whether BEIS or the LCCC (given the private law nature of the CfD) undertake the monitoring and assessment of the implementation of Supply Chain Plans.

Applicants for projects that are 300MW and above (of any technology type), will continue to submit their Supply Chain Plans ahead of the Allocation Round, and will need to provide a supply chain statement to the Delivery Body (National Grid ESO) in order to participate in the round.

Following the March consultation and subsequent government response, the government has amended the criteria for assessing Supply Chain Plans to align with the Industrial Strategy: Business Environment, Ideas, Infrastructure, People and Place. Developers will need to answer a series of questions under these sections as part of their Supply Chain Plan application, in which developers will submit their proposed actions. A revised draft Supply Chain Plan questionnaire will be consulted on separately.

To strengthen the Supply Chain Plan process, the government is proposing two related mechanisms:

- Generators may provide a Supply Chain Implementation Report to BEIS for assessment; if passed, the Generator will receive a Supply Chain Implementation Report certificate.
- A new Operational Condition Precedent (OCP) within the CfD Standard Terms and Conditions requiring the submission of a Supply Chain Implementation Report certificate to the LCCC.

The government proposes to amend the EMR (General) Regulations 2014 to implement the proposals set out in this consultation. The supply chain provisions in this legislation apply to all eligible generators.

Supply Chain Plan Implementation Report

Applicable generators will provide a Supply Chain Implementation Report to BEIS for assessment. The Supply Chain Implementation Report will set out how the Generator has implemented the commitments made in their Supply Chain Plan. A Generator can submit a Supply Chain Implementation Report at any stage, providing that they are able to demonstrate that they have implemented and can evidence the commitments set out in their plan. This requirement is set out in the new guidance document published alongside this consultation.

The ongoing monitoring process (set out below), in which the Generator and BEIS discuss the Generator's progress on a frequent and regular basis, is intended to support compliance.

The Supply Chain Implementation Report will be assessed by BEIS and must be approved to receive a Supply Chain Implementation Report certificate. We propose to introduce new powers in legislation to allow the Secretary of State to assess a Supply Chain Implementation Report and, where a Generator has not sufficiently demonstrated the implementation of their Supply Chain Plan (including any agreed amendments), fail a Supply Chain Implementation Report. If a Supply Chain Implementation Report is passed, the Secretary of State will provide a certificate to the Generator and notify the LCCC. If a Supply Chain Implementation Report does not pass the assessment, the Generator will receive a letter stating the reasons for rejection and may re-submit a revised Supply Chain Implementation Report for assessment until the CfD Longstop Date if they have rectified the outstanding issues.

BEIS will undertake to assess the Supply Chain Implementation Report within 30 working days of receipt. If an assessment is not made within 60 working days, the Report will be deemed to be passed for the purposes of the CfD OCP.

New Operational Condition Precedent

To strengthen the Supply Chain Plan process, the government is proposing to introduce a new Operational Condition Precedent (OCP) within the CfD Standard Terms and Conditions requiring the submission of a Supply Chain Implementation Report certificate to the LCCC for applicable Generators. A draft CfD contract is published alongside this consultation document. Generators must therefore pass the assessment of their Supply Chain Implementation Report and submit a certificate to the LCCC in order for the OCP to be fulfilled and to be able to receive CfD payments. OCPs are existing milestones within the CfD contract; all CfD Generators must fulfil their OCPs before CfD payments can commence. As is the case for existing OCPs, if the Generator does not pass by the end of the CfD Target Commissioning Window then their 15-year CfD payment term will be reduced until the OCP is fulfilled. If the OCP is not fulfilled by the CfD Longstop Date, LCCC will have the right to terminate the CfD contract (as is the case with other OCPs). Existing protections are in place to provide extensions to the Milestone Delivery Date, Target Commissioning Window and Longstop Date for Generators if certain conditions are met, including by reason of Force Majeure. These conditions may extend to events or circumstances causing a delay in obtaining a Supply Chain Implementation Report Certificate if they were to meet the definition of Force Majeure.

Making the implementation of a Supply Chain Plan an OCP allows for the use of existing contractual procedures with known consequences that are well understood by Generators. It also avoids the need to introduce further legislation and new powers of enforcement.

Ongoing monitoring and review process

Ongoing monitoring, on at least a six-monthly basis, of Supply Chain Plans after CfD signature will play an important role in the new process. It allows for the Generator and BEIS to discuss the Generator's progress, including the timing of submitting an Implementation Report, and any issues relating to the implementation of a Supply Chain Plan as they arise. It is also an opportunity for BEIS to raise any concerns it may have regarding implementation so that the Generator is able to identify and rectify any potential issues. The monitoring process will keep Generators well informed as to the likely outcome of their Supply Chain Implementation Report assessment throughout the process, based on the information submitted by the Generator, and will identify where corrective actions may be needed to maintain a Generator on the path to passing the Supply Chain Implementation Report.

As part of this monitoring process, it is proposed that Generators will submit an Updated Supply Chain Plan for review and feedback by BEIS within one month of the CfD Milestone Delivery Date (MDD), which is 18 months after CfD contract signature. This process is set out in the new guidance document, which is an annex to this consultation.

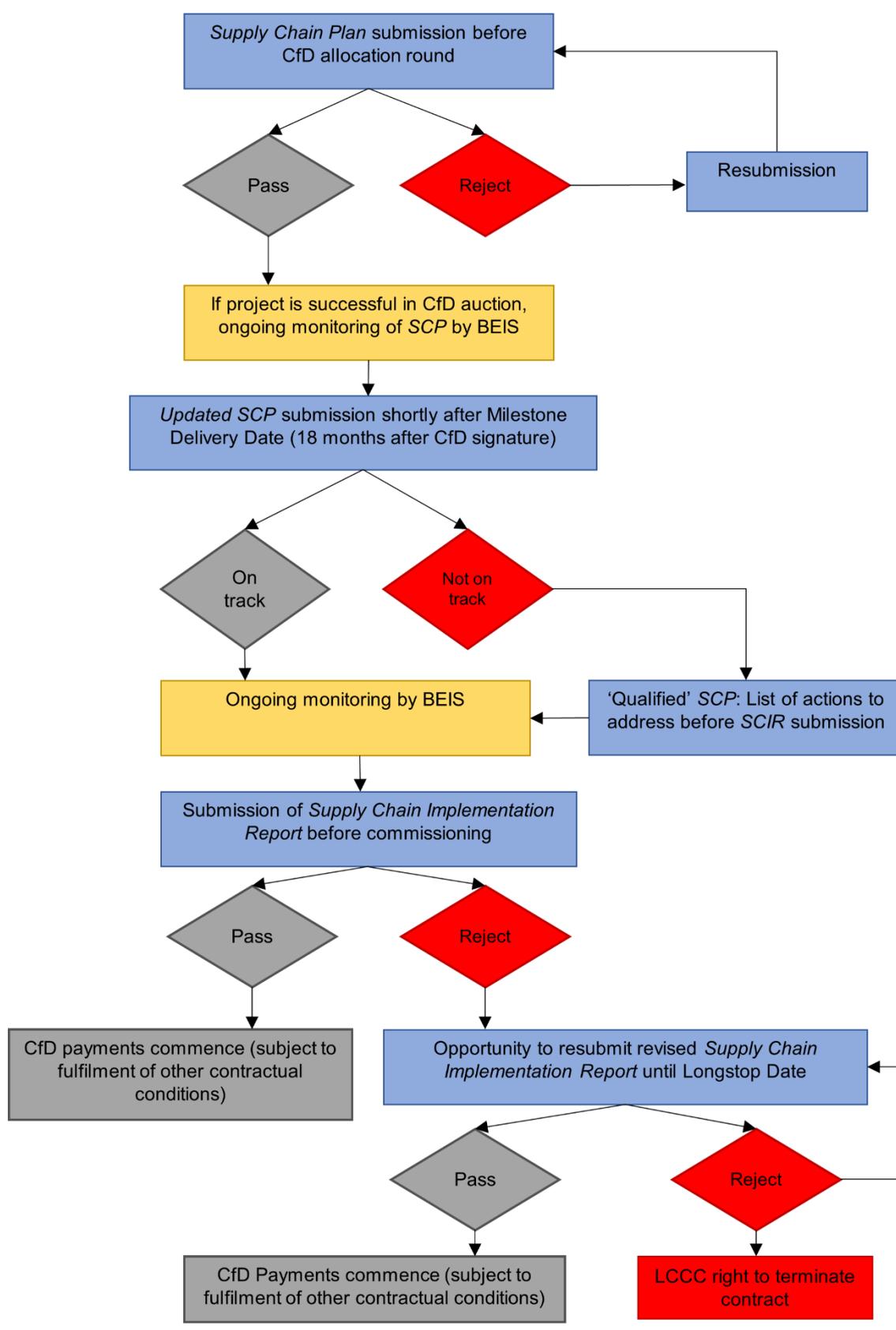
An Updated Supply Chain Plan will be reviewed by BEIS. Generators will receive a letter either setting out that the Generator is on track to fulfilling its commitments or 'qualified' if the Generator is not on track, setting out areas that need to be improved before the Supply Chain Implementation Report is submitted. This is intended to ensure that Generators have early visibility of the status of their plans and comfort that their development approach puts them on track to pass the Supply Chain Implementation Report.

The assessment of Supply Chain Plans, review of Updated Supply Chain Plans and ongoing monitoring and feedback on the Generator's progress post-signature are intended to support Generators through the Supply Chain Plan process. CfD contract termination is a last resort for Generators that do not fulfil their Supply Chain Plan commitments. Termination of a CfD contract is recognised to be a significant consequence. It is consistent however with the use of Supply Chain Plan statements as an eligibility requirement for the CfD. Commitments will be made on which eligibility for a CfD is assessed, and the government considers that these commitments should be delivered upon, with consequences for non-delivery. A general principle will be applied to ensure that Generators are not penalised for not meeting commitments due to circumstances beyond their reasonable control and where this can be evidenced. Further detail on this process, including how necessary amendments may be agreed, is set out in the guidance document published alongside this consultation.

Under our preferred proposal outlined in this consultation, we propose that the monitoring process, review of the Updated Supply Chain Plan and assessment of the Supply Chain Implementation Report will be conducted by BEIS. This would mean that delivery of the Supply Chain Plan policy continues to be led by BEIS (who currently already undertake the assessment of Supply Chain Plans before each Allocation Round). We are seeking views on whether it is most appropriate for BEIS or the LCCC (as CfD Counterparty), to conduct the ongoing monitoring process, including review of the Updated Supply Chain Plan and assessment of the Supply Chain Implementation Report.

The EMR (General) Regulations 2014 currently include confidentiality provisions, which set out that the Secretary of State must not disclose any information contained in a supply chain application where that disclosure may, in the opinion of the Secretary of State, damage the commercial interests of the applicant. Under this proposal, in which BEIS undertakes the monitoring and assessment process, it is intended that these provisions would be extended where necessary in order to apply to information contained in a Supply Chain Plan, Updated Supply Chain Plan and Supply Chain Implementation Report, and information disclosed to BEIS during the monitoring process. Were LCCC to undertake the role, the CfD contract provisions relating to Generator Confidential Information would apply.

Summary of revised Supply Chain Plan process



The government currently publishes Supply Chain Plans and intends to continue this approach for Updated Supply Chain Plans and Supply Chain Implementation Reports. Further details are provided in the accompanying guidance document.

Assessment of Impacts

These proposals could have the following potential benefits:

Alignment with government priorities: Redesigning the Supply Chain Plan questionnaire to align it with the Industrial Strategy (and for offshore and floating offshore wind further aligning with the Offshore Wind Sector Deal) will make requirements clearer to applicants and more effectively facilitate delivery of government objectives. Supporting supply chains increases competitiveness and growth potential through improving the capability and capacity of the industry and will support cost reduction and net zero objectives.

Improved assessment and monitoring of commitments: Changes to questions in the Supply Chain Plan questionnaire should ensure information requested is more directly measurable and quantifiable to facilitate clearer assessment and marking. Furthermore, submission of an Updated Supply Chain Plan close to the Milestone Delivery Date would improve monitoring of commitments, improving visibility of how the Industrial Strategy and, for offshore wind projects, the Offshore Wind Sector Deal is being delivered.

It is possible that a strengthened Supply Chain Plan process could have some impact on project delivery costs and potentially increase the administrative burden, when compared to the existing process.

Given the proposal for strengthened monitoring and compliance we believe that developers are more likely to measure the impact of the proposals they put forward against the overall cost of the project. This will include greater awareness of the potential consequences of a failure of the Supply Chain Implementation Report (or delay in passing) on the project and its finances.

However, the proposal put forward is a developer-led Supply Chain Plan process which provides an opportunity for developers to showcase their own commitments to the supply chain and the benefits it brings to their projects. The proposal is not expected to significantly impact project costs compared to the existing process, given that the CfD auction process incentivises developers to submit their lowest-price bids.

Consultation questions:

- 1. The government welcomes views on whether the Supply Chain Plan guidance document is clear in setting out what is required of applicants to support the drafting and submission of their Supply Chain Plan, Updated Supply Chain Plan and Supply Chain Implementation Report. Please provide information on what could improve the clarity of the guidance if applicable.**
- 2. The government welcomes views on whether the proposed timing for submission of the Updated Supply Chain Plan is appropriate.**
- 3. The government welcomes views on whether the proposed timing for submission of the Supply Chain Implementation Report, whereby the timing is agreed by both parties through the monitoring process, is appropriate and ensures a balance between robustness of delivery and project certainty.**
- 4. The government welcomes views on introducing new powers in legislation for the Secretary of State to assess and pass or fail a Supply Chain Implementation Report.**

- 5. The government welcomes views on introducing a new Operational Condition Precedent with the potential consequence of CfD contract termination if a Supply Chain Implementation Report certificate is not provided to the LCCC before the Longstop Date. Please include views on possible impacts, including on financing arrangements, and evidence where applicable.**
- 6. The government welcomes views on the proposed drafting change to introduce a new Operational Condition Precedent in the CfD contract and whether the existing provisions to provide extensions to the MDD, Target Commissioning Window and Longstop Date are sufficient to cover events or circumstances that may lead to a delay in obtaining a Supply Chain Implementation Report certificate.**
- 7. The government welcomes views on whether it is more appropriate for BEIS or the LCCC (given the private law nature of the CfD) to undertake the monitoring and assessment of the implementation of Supply Chain Plans.**
- 8. The government welcomes views on the extent to which the proposed revised Supply Chain Plan process will support the government's objectives to encourage the growth of sustainable, efficient supply chains and support regional growth, skills, and productivity.**

Consultation on Phasing of Floating Offshore Wind

Current CfD phasing policy allows offshore wind projects to be built in up to three phases. This is to enable offshore wind developers to better manage construction risk in very large projects. Floating offshore wind projects are likely to be comparatively small for the foreseeable future. Turbines and some floating foundation concepts can be assembled in port then towed out to site for installation, so projects are not subject to the same weather risks during installation as fixed bottom offshore wind. Even for floating foundation concepts such as spar buoys which may require deeper water facilities for joining turbine to foundation, we still consider construction risk to be lower than for large scale fixed bottom offshore wind. We are therefore proposing that phasing will not be extended for floating offshore wind projects.

Consequently, the generic CfD Agreement template, and not the phase 1- 3 single and apportioned metering agreement templates, will be used for floating offshore wind projects that are awarded CfD contracts. The government will need to amend the CfD Allocation Regulations to give effect to this policy proposal.

Consultation question:

- 9. The government welcomes views on the proposal not to extend phasing to floating offshore wind.**

Proposed Changes to the CfD Contract

The government response to the March 2020 consultation, published alongside this document, identifies several policy changes to the CfD scheme that require amendments to be made to the CfD contract. This section of the consultation outlines and seeks views on these proposed drafting amendments. The government response should be read in conjunction with this section for further details on the policies. In addition, we would welcome views on several new minor and technical changes that we propose to improve the operation and clarity of the CfD contract.

The CfD contract consists of two components: the CfD Agreement and the CfD Standard Terms and Conditions. The CfD Agreement is the document that a successful developer will sign which contains project-specific information and specifies which conditions of the CfD Standard Terms and Conditions apply to that project. There are variants to the generic CfD Agreement drafted for phased offshore wind projects ('Phasing Agreements'), Private Network Generators ('Private Network Agreement') and Unincorporated Joint Ventures ('CfD Agreement for Unincorporated Joint Ventures'). The draft CfD contract published with this consultation is the generic CfD Agreement and the CfD Standard Terms and Conditions and it is the intention that any final changes will be transposed into the other variants of the agreement as appropriate in advance of the next allocation round.

Floating Offshore Wind

The government has decided to introduce floating offshore wind as a distinct eligible technology within the CfD scheme. To qualify as a floating offshore wind project, all turbines within a generating station will need to be floating and situated in water depths of at least 45 metres. The government will amend the Contracts for Difference (Allocation) Regulations 2014 (as amended) (the “Allocation Regulations”) to implement this decision. Floating offshore wind projects will be expected to meet the existing legal definition and legal requirements of an “offshore wind CfD unit” as per the Allocation Regulations.

Proposed drafting treatment of Floating Offshore Wind

The effect of these legislative changes will mean that floating offshore wind will be a subset of offshore wind. To reflect this relationship in the CfD contract, all references to ‘Offshore Wind’ in the CfD Agreement and CfD Standard Terms and Conditions will automatically apply to floating offshore wind unless specified otherwise. However, there are several instances where the contract would need to apply specifically to floating offshore wind and not to offshore wind more generally. To ensure this can happen, “Floating Offshore Wind” will be designated as a Facility Generation Technology¹ in its own right. This will mean that where the Generator has been awarded a contract for a floating offshore wind project, the reference to “Facility Generation Technology” will clearly relate to “Floating Offshore Wind” only, for example, in the following three instances in the Standard Terms:

- Condition 28.2(B) – this requires the Generator to give the LCCC a contractually binding promise that the technology deployed by the Facility complies with the eligibility requirements for that technology from the date on which the Facility starts generating and becomes eligible to receive CfD payments. This will enable the Generator to demonstrate that the deployed technology is floating offshore wind and not Offshore Wind more generally,
- Condition 30.1(F) – this requires the Generator to give a general undertaking to the LCCC to maintain at all times the same generation technology as the Facility Generation Technology, in this case floating offshore wind as defined and not offshore wind more generally. This will ensure, for example, that all the turbines within the generating station are floating and situated in water depths of at least 45 metres for the full duration of the contract, in accordance with the government’s policy intention,
- Condition 31.1(F) – which requires the Generator to give an undertaking to the LCCC that the Facility will only store electricity generated by Facility Generation Technology (i.e. Floating Offshore Wind) and not any electricity imported from any other source.

We also propose to insert a definition of “Floating Offshore Wind” at clause 1.2 (Definitions and Interpretation) of the CfD Agreement. This is defined with reference to the new legal definition of “floating offshore wind conditions CFD unit” to be included in the Contract for Difference (Allocation) Regulations 2014 and is intended (i) to reinforce the policy intent that floating offshore wind projects must satisfy all elements of the legal definition of these conditions, and (ii) to ensure a clear distinction in certain contexts in the CfD Standard Terms and Conditions

¹ Facility Generation Technology is defined in the Standard Terms and Conditions and refers to the eligible technology awarded a contract. The LCCC will specify the Facility Generation Technology applicable to each successful project in clause 4.1 of the CfD Agreement.

between projects with necessary characteristics to be classified as Floating Offshore Wind and other Offshore Wind projects.

Proposed contract changes

Longstop Period: The Longstop Period is the length of time between the end of the Target Commissioning Window (when the 15 years of contract payments start) and the Longstop Date, by which date the generating station must commission or risk having its contract terminated. All CfD technologies, except for offshore wind, have a Longstop Period of 12 months. The Longstop Period for offshore wind is 24 months because of the challenges of installing at sea. As set out in the Phasing section above, we consider that floating offshore wind does not face the same construction risks as fixed bottom offshore wind. Therefore we consider it is appropriate to maintain alignment of the Longstop Period for floating offshore wind with other eligible technologies, i.e. at 12 months. This period will be specified in the Standard Terms Notice which will be published in advance of the opening date of the next allocation round and inserted by LCCC into clause 5.3 of the CfD Agreement of floating offshore wind projects that are awarded a contract.

Required Installed Capacity: all CfD technologies, except for offshore wind, are required to deliver a minimum of 95% of the capacity that they have contractually agreed to install. This is known as the Required Installed Capacity (RIC). The RIC for offshore wind is set at 85% in recognition of the challenges of construction at sea, for example where a developer encounters unsuitable seabed conditions after having started construction work. Floating offshore wind projects should not face the same challenges and therefore we consider it appropriate to set the RIC for floating offshore wind at 95% in common with all other technologies, except for offshore wind. The LCCC will specify the applicable RIC in clause 7.2 of the CfD Agreement. This is made clear in revisions to drafting notes 31 and 32 in the CfD Agreement.

Eligible Low Capacity Facility: This is a defined term in Condition 1 – Definitions and Interpretation - of the CfD Standard Terms and Conditions. It applies to projects of certain technologies with an Initial Installed Capacity Estimate of not more than 30MW. The definition currently includes all categories of wind or turbine-driven generation, including Offshore Wind, tidal range, tidal stream and wave. Because of the proposed drafting treatment described above, Floating Offshore Wind will also automatically fall within this definition. The definition is intended to allow smaller projects a degree of flexibility to avoid having their contract terminated for falling short of the RIC by failing to commission a single turbine (i.e. this could happen if a single turbine comprised more than 5% or 15% of the Installed Capacity Estimate, depending on the technology). The effect of being an Eligible Low Capacity Facility is that a project's RIC will be deemed to be the lower of either 95% of the Installed Capacity Estimate or the Installed Capacity Estimate less the size (expressed in MW) of one of the project's turbines. Whether or not a project is an Eligible Low Capacity Facility will be specified by the LCCC at clause 4.11 of the CfD Agreement.

Evidence requirements to demonstrate that the legal requirements of a floating offshore wind CfD Unit has been fulfilled: To qualify for support as a floating offshore wind CfD unit, the unit must be a floating structure situated in offshore waters at least 45 metres in depth and all of the unit's turbines must satisfy these requirements. This means, for example, that none of the turbines that are part of a floating offshore wind CfD unit can be metered together with the turbines of an offshore wind (fixed bottom) generating station. We propose to create a new Operational Condition Precedent² (OCP) requiring floating offshore wind generators to provide evidence, in form and content which is satisfactory to the LCCC, that their facility is a floating

² CfD Standard Terms and Conditions: Schedule 1, Part B: Further Conditions Precedent

structure and is situated in offshore waters at least 45 metres in depth. It is important that all projects are measuring water depths using the same reference points. Following advice from the UK Hydrographic Office, the 45 metres will be measured between the seabed and “chart datum” which is the plane below which all depths are published on a navigational chart. It is also the plane to which all tidal heights are referred, so by adding the tidal height to the charted depth, the true depth of water is determined. By international agreement Chart Datum is defined as a level so low that the tide will not frequently fall below it. In the United Kingdom, this level is normally approximately the level of Lowest Astronomical Tide³.

A new OCP has been inserted at Schedule 1, Part B, Further Conditions Precedent, paragraph 2.1(G). The OCP will have to be satisfied before CfD payments can start being paid to the generator. The LCCC will issue guidance in due course on the evidence that a generator will need to present to demonstrate compliance with all of the legal requirements.

Consultation questions:

- 10. The government welcomes views on its proposed drafting treatment of Floating Offshore Wind within the CfD Agreement and Standard Terms.**
- 11. The government welcomes views on the proposal to set the Longstop Period for floating offshore wind at 12 months.**
- 12. The government welcomes views on the proposal to set the Required Installed Capacity of floating offshore wind at 95% of the Installed Capacity Estimate.**
- 13. The government welcomes views on the proposal that floating offshore wind should be included in the definition of Eligible Low Capacity Facility in common with all other forms of wind technology.**
- 14. The government welcomes views on the proposed new Operational Condition Precedent requiring generators to demonstrate that their project satisfies the legal requirements of floating offshore wind CfD unit and the associated evidence requirements.**

Negative Pricing

The current negative pricing rule limits the extent to which CfD generators are subsidised when day-ahead prices are negative, but generators still receive difference payments when there are fewer than six consecutive hours of negative pricing. This encourages CfD generators to keep generating during these periods of low demand and also facilitates negative bidding into the balancing mechanism (the within-day market used by the electricity system operator to balance electricity supply and demand for each half-hour period), increasing costs for consumers. Following consultation, the government has decided to extend the existing negative pricing rule so that difference payments are not paid to CfD generators when the Intermittent Market Reference Price is negative.

To implement this change, the current negative pricing rule for intermittent generators will need to be amended in the CfD Standard Terms and Conditions. The current pricing rule states that when prices in the reference price market are negative for six or more settlement

³ A more detailed explanation can be found at <http://www.ukho.gov.uk/easytide/easytide/support/faq.aspx>

periods, CfD generators will not receive top-ups for any period during that time. We will amend the contract to state that those generators will not receive top-ups for any periods of negative prices in the reference price market. We are proposing amendments to the following definitions in the Standard Terms and Conditions to implement this policy change:

- “Rolling Negative Price Period” in Condition 1, Definitions and interpretation and wherever this definition appears in the contract;
- “Baseload Rolling Negative Price Period” in Part 5A Payment calculations: Baseload Technologies and wherever this definition appears in the contract; and
- “Intermittent Rolling Negative Price Period” in Part 5B Payment calculations: Intermittent Technologies and wherever this definition appears in the contract.

Consultation question:

- 15. The government welcomes views on the proposed drafting changes to implement the amendment to the negative pricing rule for intermittent generators in the CfD contract.**

Coal-to-biomass Conversions

The government has decided to exclude new coal-to-biomass conversions from future CfD allocation rounds. This will require amendments to be made to CfD regulations. In addition, all references to biomass conversions and associated provisions will be removed from the CfD contract. Amendments are reflected in both the CfD Agreement and Standard Terms and Conditions.

Consultation question:

- 16. The government welcomes views on the proposed drafting changes to the CfD contract to give effect to the government’s decision to exclude new biomass conversions from future CfD allocation rounds.**

Milestone Delivery Date

The Milestone Delivery Date (MDD) is the deadline by which generators awarded a CfD must demonstrate delivery progress, by providing evidence either of (i) spend of 10% of total pre-commissioning costs, or (ii) project commitments. Government has decided to extend the MDD from 12 months to 18 months following contract signature for all projects.

To achieve this, we propose to amend the ‘Initial Milestone Delivery Date’ in clause 5.5 of the CfD Agreement so that it occurs 18 months after the Agreement Date, rather than 12 months. Changes will be made to the CfD Generic Agreement, CfD (Phase 1) (Single) Agreement, CfD (Apportioned) Agreement, CfD Unincorporated Joint Ventures, and CfD Private Network Agreement. This change will apply to all generation technology types irrespective of their chosen route.

Consultation question:

- 17. The government welcomes views on the proposed drafting change to extend the Milestone Delivery Date in the CfD contract to 18 months.**

Minor and Technical Contract Changes

The Standard Terms and Conditions require the LCCC to keep all “Generator Confidential Information” as confidential and to release it only with the prior written consent of the Generator, except for certain categories of information and circumstances specified in the contract. We are proposing to make several minor changes to the contract to clarify the scope of confidential information in certain respects.

Third-party information

We propose to make a slight adjustment to the structure of the definition of “Generator Confidential Information” to remove a potential ambiguity regarding the treatment of confidential information received by the LCCC or the Generator from a third party. The definition of “Generator Confidential Information” was intended to apply to all information which the LCCC receives from any third party who receives or has received such information from the Generator or its Representatives “in connection with the Contract for Difference”. An example of such information would be information which the LCCC receives from an Expert carrying out a Generation Tax Report in connection with a Generation Tax Change in Law claim.

However, there is a risk that the phrase “in connection with the Contract for Difference” in the definition would apply to how LCCC received that information, instead of the third party, and thereby bring all such information within the definition of “Generator Confidential Information”. The effect of this would be, for example, to render confidential metering data obtained by Elexon pursuant to the Balancing and Settlement Code and passed to the LCCC for purpose of calculating CfD difference payments. This is not how the definition is intended to be applied.

To remove this ambiguity we propose to restructure the definition to draw a clear distinction between:

- Information which the CfD Counterparty (or its Representatives) receives or has received from the Generator (or its Representatives), and
- Information received by the CfD Counterparty from any third party who receives or has received such Information from the Generator (or its Representatives) in connection with the Contract for Difference.

We propose to make a similar structural change to the definition of “CfD Counterparty Confidential Information” where similar issues of interpretation arise.

Generator Confidential Information: obligations of the CfD Counterparty

Both Conditions 72.2 and 72.3 of the Standard Terms and Conditions independently require the LCCC to obtain the Generator’s written permission before releasing “Generator Confidential Information” except for an individual reason specified in each condition. The way that these two conditions are currently drafted is potentially confusing, and contradictory. To

aid clarity of understanding we propose to merge condition 72.3 into the current drafting of 72.2.

The same change would be made to the reciprocal clauses concerning CfD Counterparty Confidential Information, Conditions 72.8, and 72.9.

The Environmental Information Regulations 2004

Condition 74 of the Standard Terms and Conditions sets out a range of duties and obligations on the LCCC and Generators in relation to Freedom of Information. Condition 74.8 provides for the LCCC to publish any “FOIA Information”⁴ in accordance with any publication scheme adopted and maintained by them in accordance with the Freedom of Information Act 2000 (FOIA) or any model publication scheme applicable to the LCCC as may be approved by the Information Commissioner.

As a “public authority” within the meaning of that definition in the EIRs, the LCCC also has a duty under regulation 4(1)(a) of the EIRs to make environmental information available to the public by electronic means which are easily accessible. The contract does not stipulate that such information can be disclosed through a dedicated EIRs publication scheme nor does it prevent the LCCC from doing so in accordance with their obligations under the contract to comply with the EIRs. Although the EIRs do not require public authorities to maintain a publication scheme, the Information Commissioner’s Office recommends⁵ that they do so to help them comply with the legal requirement to publish environmental information proactively. We believe that it would help Generators to understand the extent of the LCCC’s legal duties in this respect to insert an amendment into Condition 74.8 to reflect the existing legal obligation on the LCCC under regulation 4(1)(a) of the EIRs concerning the proactive release of environmental information.

Consultation question:

18. The government welcomes views on these proposed minor and technical changes to the CfD contract.

The government may consult on further changes to the CfD contract before Allocation Round 4 opens.

Review of Balancing Services Use of System Charges

The government may, in due course, need to consider amending the CfD contract to reflect future possible changes to BSUoS arrangements, subject to decisions on recommendations in

⁴ “FOIA Information is defined in the Standard Terms and Conditions as meaning “any information of whatever nature, however conveyed, and in whatever form, including written, oral and electronic and in visual or machine-readable form (including CD-ROM, magnetic and digital form).”

⁵ <https://ico.org.uk/for-organisations/guide-to-the-environmental-information-regulations/publication-schemes/>

the Final Report⁶ of the Second Balancing Services Charges Task Force⁷, published on 30 September 2020.

Balancing Services Use of System (BSUoS) charges represent the costs that are incurred by the System Operator (National Grid ESO) in balancing the transmission system in any given year. BSUoS charges are levied in a flat tariff across transmission-connected generators and suppliers. BSUoS charges are not levied on embedded generators, i.e. small generators connected to the distribution system or generators operating behind-the-meter.

Transmission-connected generators with a CfD are protected against increases in the cost of balancing system charges over and above the Initial Balancing System Charge set in the contract before actual balancing charges are known. The CfD strike prices for these generators are adjusted annually for changes in balancing system charges and this is applied to both existing and new CfD contracts. This adjustment is designed to make the CfD contract broadly long-term neutral to changes in balancing system charges, which are outside of generators' control. The LCCC have published guidance⁸ on how they carry out the strike price adjustments, including for balancing system charges.

As part of a review of BSUoS charges, the Second Balancing Services Charges Task Force led by National Grid ESO, at the request of Ofgem, has been examining, among other issues, who should be liable to pay balancing services charges. In its final report, the Task Force recommended that all balancing services charges should be paid by "Final Demand" (i.e. the final consumer of the electricity generated). It further recommended that Ofgem should give two years' notice from the date of its final decision before implementing changes to the charging methodology.

If implemented, this change would mean that transmission-connected generation would no longer pay BSUoS charges and would remove the need to continue compensating CfD Generators who currently receive a top up to their strike price to neutralise (i.e. zero-out) their exposure to these charges under the CfD contract. A final decision on how BSUoS charges are to be paid and the date of implementation is not expected until later in 2021. The government is therefore not proposing any changes to the CfD contract at this stage but will keep developments under review. Any proposed contract amendments to implement changes to BSUoS charging would be subject to consultation in due course.

Issues relating to EU Exit

The United Kingdom left the European Union on 31 January 2020. The Transition Period, during which the UK has remained part of the EU single market and customs union, will end on 31 December 2020. The UK and the EU continue to negotiate the terms of their future relationship.

The Contract for Difference Standard Terms and Conditions were originally drafted on the basis that EU law applied to the CfD scheme, and the Standard Terms currently reflect that. Following the invocation of Article 50 of the Lisbon Treaty on 29 March 2017, we

⁶ <http://www.chargingfutures.com/media/1477/second-balancing-services-charges-task-force-final-report.pdf>

⁷ <http://www.chargingfutures.com/charging-reforms/task-forces/second-balancing-services-charges-task-force/what-is-the-second-balancing-services-charges-task-force/>

⁸ <https://www.lowcarboncontracts.uk/publications/strike-price-adjustment-spa-guidance-july-2020>

implemented various changes to the Standard Terms and Conditions⁹ to reflect the possibility of a number of subsequent phases to the relationship between the UK and EU.

We propose to review the Standard Terms and Conditions after the end of the Transition Period. This is in line with our earlier undertaking to keep the detailed drafting of the contract under review in light of the UK's exit from the EU. We will therefore carry out a further consultation, as early as possible in 2021, on any further changes we propose to make to the Standard Terms and Conditions to reflect the conclusion of the Transition Period.

⁹ <https://www.gov.uk/government/consultations/contracts-for-difference-cfd-proposed-amendments-to-the-contract>

Consultation questions

Supply Chain Plans

- 1. The government welcomes views on whether the Supply Chain Plan guidance document is clear in setting out what is required of applicants to support the drafting and submission of their Supply Chain Plan, Updated Supply Chain Plan and Supply Chain Implementation Report. Please provide information on what could improve the clarity of the guidance if applicable.**
- 2. The government welcomes views on whether the proposed timing for submission of the Updated Supply Chain Plan is appropriate.**
- 3. The government welcomes views on whether the proposed timing for submission of the Supply Chain Implementation Report, whereby the timing is agreed by both parties through the monitoring process, is appropriate and ensures a balance between robustness of delivery and project certainty.**
- 4. The government welcomes views on introducing new powers in legislation for the Secretary of State to assess and pass or fail a Supply Chain Implementation Report.**
- 5. The government welcomes views on introducing a new Operational Condition Precedent with the potential consequence of CfD contract termination if a Supply Chain Implementation Report certificate is not provided to the LCCC before the Longstop Date. Please include views on possible impacts, including on financing arrangements, and evidence where applicable.**
- 6. The government welcomes views on the proposed drafting change to introduce a new Operational Condition Precedent in the CfD contract and whether the existing provisions to provide extensions to the MDD, Target Commissioning Window and Longstop Date are sufficient to cover events or circumstances that may lead to a delay in obtaining a Supply Chain Implementation Report certificate.**
- 7. The government welcomes views on whether it is more appropriate for BEIS or the LCCC (given the private law nature of the CfD) to undertake the monitoring and assessment of the implementation of Supply Chain Plans.**
- 8. The government welcomes views on the extent to which the proposed revised Supply Chain Plan process will support the government's objectives to encourage the growth of sustainable, efficient supply chains and support regional growth, skills, and productivity.**

Phasing of Floating Offshore Wind

- 9. The government welcomes views on the proposal not to extend phasing to floating offshore wind.**

Floating Offshore Wind

- 10. The government welcomes views on its proposed drafting treatment of Floating Offshore Wind within the CfD Agreement and Standard Terms.**
- 11. The government welcomes views on the proposal to set the Longstop Period for floating offshore wind at 12 months.**
- 12. The government welcomes views on the proposal to set the Required Installed Capacity of floating offshore wind at 95% of the Installed Capacity Estimate.**
- 13. The government welcomes views on the proposal that floating offshore wind should be included in the definition of Eligible Low Capacity Facility in common with all other forms of wind technology.**
- 14. The government welcomes views on the proposed new Operational Condition Precedent requiring generators to demonstrate that their project satisfies the legal requirements of floating offshore wind CfD unit and the associated evidence requirements.**

Negative Pricing

- 15. The government welcomes views on the proposed drafting changes to implement the amendment to the negative pricing rule for intermittent generators in the CfD contract.**

Coal-to-biomass Conversions

- 16. The government welcomes views on the proposed drafting changes to the CfD contract to give effect to the government's decision to exclude new biomass conversions from future CfD allocation rounds.**

Milestone Delivery Date

- 17. The government welcomes views on the proposed drafting change to extend the Milestone Delivery Date in the CfD contract to 18 months.**

Minor and Technical Contract Changes

- 18. The government welcomes views on these proposed minor and technical changes to the CfD contract.**

Next steps

Following the close of this consultation, we will analyse the responses, summarise the views expressed and set out final decisions in a government response. We intend to publish this in Spring 2021 on the GOV.UK website.

As indicated in this document, we intend to consult in due course on further changes to the CfD contract to reflect Ofgem's final decision on changes to how BSUoS charges are paid, expected in 2021, and on changes to reflect the future relationship between the UK and EU after the Transition Period ends on 31 December.

This consultation is available from: www.gov.uk/government/consultations/contracts-for-difference-changes-to-supply-chain-plans-and-the-cfd-contract

If you need a version of this document in a more accessible format, please email enquiries@beis.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.