Department for
Business, Energy
& Industrial Strategy

Contracts for Difference and Capacity Market scheme update 2020

HC 1010 December 2020

Department for
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& Industrial Strategy

Contracts for Difference and Capacity Market Scheme Update 2020

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Executive summary

1. This is the seventh annual update outlining the progress that has been made on the policy mechanisms implemented under the Electricity Market Reform (EMR) programme, which closed in 2015. The key mechanisms are the Contracts for Difference (CfD) scheme and the Capacity Market (CM). Both are designed to incentivise the investment required in the UK's energy infrastructure and to deliver low carbon and reliable energy supplies, while minimising costs to consumers.

2. This document sets out the headline achievements over the past 12 months in the following areas:

   - **The Contracts for Difference** scheme, enabling investment in low-carbon electricity generation;
   - **The Capacity Market**, ensuring sufficient electricity capacity to meet peak demand;
   - **The Electricity Demand Reduction** pilot, providing financial support to organisations to deliver electricity capacity savings at peak times.
   - **The Emissions Performance Standard**, ensuring new fossil fuel-fired electricity generation contributes to electricity security in a manner consistent with decarbonisation objectives.

Key progress since the 2019 update

Contracts for Difference

3. The third CfD Allocation Round in 2019 was the most successful to date, with contracts awarded to around 5.8GW of new renewable capacity. Building on this success, the Government is progressing with its plans to open the fourth Allocation Round in late 2021, in line with its commitment to hold allocation rounds approximately every two years. The Prime Minister announced on 6 October 2020 that it aims to support up to double the capacity of that secured in 2019, in the fourth Allocation Round. The Prime Minister also announced the Government's ambition to have 40GW of offshore wind, including 1GW of floating offshore wind, by 2030.

4. The Government acted swiftly to protect electricity suppliers from an unexpected increase in the levy rate and reserve amount due to circumstances resulting from COVID-19. This was achieved through a one-off loan to the CfD Counterparty to defer in the short term an increase in the amounts collected from licensed electricity suppliers. Regulations were also amended to require the loan to be recovered through increased levy payments on suppliers in 2021.

5. On 24 November 2020, the Government published a response to a consultation held between March and May 2020, setting out decisions on changes to the CfD scheme for the fourth Allocation Round and a further consultation on proposals to strengthen Supply Chain Plan policy. The Government also intends to publish a Call for Evidence before the end of 2020 inviting information to inform the Government's

position on the long-term future of support for renewable developments and the design of future CfD allocation rounds beyond the fourth Allocation Round in 2021.

Capacity Market

6. On 15 November 2018, a judgment of the General Court of the Court of Justice of the European Union ("the CJEU judgment") annulled the European Commission's original 2014 State aid approval of Great Britain's (GB) CM. This meant the CM entered a 'standstill period' which prevented capacity agreements being awarded and capacity payments being made. Following a renewed investigation of the scheme under State aid rules, the European Commission's decision of 24 October 2019 again granted State aid approval to the CM ("the State aid decision").

7. The State aid decision brought the eleven-month standstill period to an end. The scheme has now been restored in full and on 20 January 2020 the Electricity Settlements Company (ESC) paid over £1bn to capacity providers in full settlement of their deferred capacity payments for the standstill period.

8. The State aid decision noted that the Government committed to implementing a number of improvements to the design of the CM to reflect recent market and regulatory developments, including those identified through the five year review of the effectiveness of the CM ("the Five-year Review").[1]

9. The Government ran a consultation[2] between 3 February 2020 and 2 March 2020 seeking views on proposals to implement five of the six commitments referenced in the State aid decision, as well as a review of the exclusion from the CM of plants with long-term contracts for providing Short Term Operating Reserve (LT STOR) and other minor improvements. Following the consultation, a series of changes were made to the Electricity Capacity Regulations 2014 ("the Principal Regulations") [3] and Capacity Market Rules[4], including implementing the five commitments and removing the exclusion of LT STOR contract holders from competing in the CM.

Electricity Demand Reduction

10. The Call for Evidence on Facilitating Energy Efficiency in the Electricity System[5] ran from 22 July 2019 to 25 September 2019. It sought views on market barriers to energy efficiency in the UK and how we can create new markets for energy efficiency. It also sought views on securing its role in the wider energy market, contributing to flexibility and becoming a reliable alternative to increased generation and network reinforcement.

11. Energy efficiency measures have a key role in reducing costs in the energy system and enabling least cost decarbonisation. Building on the responses to the Call for Evidence,

[1] https://www.gov.uk/government/publications/capacity-market-5-year-review-2014-to-2019
[2] https://www.gov.uk/government/consultations/capacity-market-proposals-for-future-improvements
[3] https://www.legislation.gov.uk/uksi/2020/697/contents/made
[4] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/897600/The_Capacity_Market__Amendment___No._2__Rules_2020.pdf
[5] https://www.gov.uk/government/consultations/facilitating-energy-efficiency-in-the-electricity-system

we will consider how to reduce barriers to the development of the market for electricity demand reduction measures.

Emissions Performance Standard

12. While there have been no notable developments over the past year on the Emissions Performance Standard (EPS), the Government has a statutory obligation to conduct a five-year review of the EPS, as required by the Energy Act 2013. The review will establish whether the measure is achieving its objective, whether the objective remains appropriate, and whether it can be achieved in a way that imposes less regulation. It is intended that the outcome of the first such five-year review will be laid in Parliament in due course as part of the Energy Act 2013 review.

Contracts for Difference Scheme

Deliverable	Achieved	When
Government publishes consultation on proposed changes to the CfD scheme ahead of the fourth Allocation Round (AR4)	✔	March 2020
Regulations in force to mitigate the impacts of COVID-19 on the Electricity Supplier Obligation	✔	July 2020
Government's Build Back Greener announcement referencing future CfD commitments	✔	October 2020
Government Response to the AR4 consultation published	✔	November 2020
Further consultations on revised CfD contract terms and stronger Supply Chain Plan requirements published	✔	November 2020
Call for Evidence on Renewables Support	✔	December 2020

Introduction

13. The CfD scheme is the Government's main mechanism for supporting new low carbon electricity generation projects. Contracts are awarded in a series of competitive auctions, with the lowest price bids being successful, which drives efficiency and cost reduction. CfDs give greater certainty and stability of revenues to electricity generators by reducing their exposure to volatile wholesale prices, while protecting consumers from paying for higher costs when electricity prices are high.

14. The scheme has delivered substantial new investment and significant cost reductions in several renewable technologies since it was introduced in 2014. The third CfD Allocation Round (AR3), held in 2019, has been the most successful round so far, awarding contracts to 5.8GW of new renewable capacity. AR3 also secured further cost reductions, with offshore wind clearing prices around 30% lower than prices achieved in 2017 auction. To date, CfD contracts have been awarded to around 16GW of new renewable electricity capacity, including 13GW of offshore wind. As of the end

of September 2020, 5.16GW of that capacity is operational[6]. More projects are expected to start generating during 2021.

15. In addition to the renewable projects, the scheme also supports the 3.2 GW Hinkley Point C nuclear project which is currently under construction. CfD contracts are managed by the Low Carbon Contracts Company (LCCC), a government-owned company. Information on the CfD projects managed by the LCCC is published on their CfD Register[7].

Preparations for the Fourth CfD Allocation Round (AR4)

16. The Government has committed to holding CfD allocation rounds approximately every two years. Building on the success of AR3 in 2019, the Government announced on 6 October[8] this year that the fourth CfD Allocation Round (AR4) will open in late 2021 with a target to support up to double the capacity secured in the 2019 round. In addition to less-established technologies, the Government has announced that AR4 will be open to established technologies, including onshore wind and solar.

17. The Government consulted between March and May 2020 on a series of changes to the scheme to ensure that it continues to support the increase in ambition needed to deliver the UK's 2050 net zero target while minimising costs to consumers. The Government's decisions were set out in a consultation response[9] published on 24 November 2020 and include:

    - A change to the current two 'pot' structure, in which technologies are grouped for the purposes of competition, with the creation of a new third 'pot' for offshore wind. The new three 'pot' structure will help support the Government's long-term decarbonisation objectives while delivering better value for money.

    - The establishment of the new technology category of floating offshore wind distinct from conventional fixed-bottom offshore wind. Floating offshore wind will have its own administrative strike price and will compete for contracts in Pot 2 against other less-established technologies including Advanced Conversion Technologies, Remote Island Wind, Tidal Stream and Wave.

    - The exclusion of new coal-to-biomass conversion projects from future CfD allocation rounds. The Government has supported coal-to-biomass conversion as a transitional, rather than longer-term, technology in the decarbonisation of UK electricity generation. All government support for this technology under the CfD (and the Renewables Obligation scheme) ends in 2027.

    - Changes to the Supply Chain Plans process to increase the clarity, ambition, and

[6] https://www.lowcarboncontracts.uk/news/announcement/lccc-and-esc-annual-reports-2019-2020-published
[7] https://www.lowcarboncontracts.uk/cfds
[8] https://www.gov.uk/government/news/new-plans-to-make-uk-world-leader-in-green-energy
[9] https://www.gov.uk/government/consultations/contracts-for-difference-cfd-proposed-amendments-to-the-scheme-2020

measurability of developers' commitments, and ensure that those commitments are delivered. The Government is consulting[10] on detailed proposals for the assessment and monitoring of Supply Chain Plans and the consequences for non-delivery.

- Updating the community benefits and engagement guidance for onshore wind, published in 2014. This work will be informed by independent research, will focus on community needs as a core principle and work to align with existing guidance in the Devolved Administrations.

- A range of minor technical and legal changes to improve the operation of the CfD scheme.

18. Alongside the consultation response, the Government published a further consultation[11] seeking views on proposed amendments to the CfD contract terms to implement several of the policy decisions set out in the consultation response. The deadline for responses is 18/01/2021.

19. The detailed eligibility requirements, allocation round timetable and parameters, including budget, any caps on capacity, administrative strike prices for each eligible technology and delivery years, will be published closer to the opening date of the round.

20. On 6 October, the Government announced an increase in the UK's offshore wind ambition from 30GW by 2030, as set out in the 2019 Offshore Wind Sector Deal, to 40GW. The Government has also set a new ambition for floating offshore wind of delivering 1GW of capacity by 2030, over 15 times the current worldwide capacity. The CfD scheme will continue to play an important part in delivering on these ambitions.

Action to mitigate the impacts of COVID-19 on the CfD scheme

21. The Government acted swiftly in the early part of the year to mitigate the impact on electricity suppliers of the increased costs of the CfD scheme resulting from measures brought in to reduce the spread of COVID-19. The CfD scheme is funded by financial contributions from licensed electricity suppliers who pay in proportion to their market share of electricity sales. The money is collected by LCCC, the CfD Counterparty, through an electricity supplier obligation and paid to CfD projects for the renewable electricity that they generate.

22. In March, the LCCC advised BEIS that, as a result of lower electricity demand caused by COVID-19 measures and higher payments to CfD generators because of resulting lower wholesale electricity prices, electricity suppliers faced an unexpected increase in their obligations to fund payments to CfD generators for the second quarter of 2020, as

[10] https://www.gov.uk/government/consultations/contracts-for-difference-cfd-changes-to-supply-chain-plans-and-the-cfd-contract

[11] https://www.gov.uk/government/consultations/contracts-for-difference-cfd-changes-to-supply-chain-plans-and-the-cfd-contract

without government intervention LCCC would have needed to raise the CfD levy rate and corresponding reserve amount to cover the shortfall.

23. Following a public consultation[12] in May of this year, the Government decided to protect suppliers from 80% of the increase in their obligations in the second quarter of 2020 up to a maximum of £100m, to be met through a one-off loan to LCCC. The Government amended regulations to defer the recovery of those costs to the second quarter of 2021 through a corresponding increase in the levy on suppliers in that quarter, and to enable LCCC to repay the loan to government. The Contracts for Difference (Electricity Supplier Obligations) (Amendment) (Coronavirus) Regulations 2020[13] were approved by Parliament and came into force on 8 July 2020.

Call for Evidence on the future of the CfD scheme

24. As well as being a cornerstone of our green recovery, ensuring the deployment of new low carbon generating infrastructure will be crucial in delivering on the Government's target of net zero greenhouse gas emissions by 2050. As the CfD contracts that currently support our transition to a low carbon power system can be in place over decades, it is important that the Government considers the long-term implications of its support schemes and how they can evolve to remain effective. This is especially important in the context of the transition to a low carbon electricity system, which is likely to see the majority of generation switch from being dispatchable fuelled generators, to variable renewable generators, and the implications this has for market prices and the requirements for system flexibility.

25. Obtaining evidence, views and information from those with expertise in the sector, is an important part of designing effective policies. In low carbon power the Government has recently sought views on nuclear financing, carbon capture usage and storage (CCUS) business models and AR4. The Government expects to publish, before the end of 2020, a Call for Evidence seeking evidence on how renewables will be deployed beyond AR4 and what this may mean for the future of the CfD mechanism. The information received will inform the Government's position on the long-term future of support for renewable developments and design of future CfD allocation rounds.

Five-year review of the CfD scheme

26. The Government has a statutory obligation to conduct a five-year review of the Contracts for Difference Scheme, as required by the Energy Act 2013. The focus of the five-year review was to outline to what extent the policy met their original objectives and if these objectives remain appropriate and, if so, the extent to which those objectives could be achieved in a way that imposes less regulation. The CfD five-year review was evidenced by the first phase of an external evaluation of the scheme that provided an evidence base to inform ongoing design and development of the CfD and

[12] https://www.gov.uk/government/consultations/contracts-for-difference-proposed-changes-to-the-electricity-supplier-obligation-regulations-in-response-to-covid-19
[13] https://www.legislation.gov.uk/uksi/2020/709/contents/made

related low carbon generation schemes. The findings of the five-year review are expected to be laid in Parliament shortly.

Hinkley Point C

27. On 29 September 2016, the Government signed a Contract for Difference for Hinkley Point C[14], the first new nuclear plant in the UK for more than 20 years. The strike price is £92.50[15] per megawatt hour.

28. Hinkley Point C will provide 3.2 GW of secure, base load, low carbon electricity for at least 60 years, meeting around 7% of the UK's current energy needs and powering nearly six million homes. It will boost the local and national economy, providing 25,000 job opportunities and a target of 1,000 apprenticeships during construction and operation. A total of almost £4bn was originally forecast to go into the regional economy over the lifetime of the project. This was composed of approximately £1.5bn during construction and approximately £2.4bn during operations. In May 2020, the developer reported that 10,300 job opportunities had been created, 644 apprentices had been trained on the project and that £1.67bn had been spent in the South West region.

29. Last year's report highlighted that the project's first major milestone had been achieved in June 2019 – the construction of the common raft of the nuclear island for reactor one. In June 2020, the analogous milestone was completed for the second of the two reactors.

30. On 25 September 2019, following a detailed review of the project's costs, schedule and organisation, EDF SA announced that the first reactor is expected to start generating power between December 2025 and March 2027, and that the capital cost is expected to be between £21.5bn and £22.5bn in 2015 money, with a potential further £700m being required if generation begins only at the end of the delivery window. The investor highlighted that, under the terms of the Contract for Difference, there is no impact for UK consumers or taxpayers from the reported cost increase. This announcement was mentioned in last year's report and, at the time of writing, represented the most recent formal update on cost and schedule for the project.

[14] https://www.gov.uk/government/publications/hinkley-point-c-documents

[15] In 2012 prices, assuming the Sizewell C project has not achieved a Final Investment Decision, otherwise the Strike Price is reduced by £3/MWh.

Capacity Market

Deliverable	Achieved	When
ESC issued over £1bn of back payments to Capacity Providers who were available during the standstill period (Delivery Year 2018/19)	✓	**Jan 2020**
Government publishes consultation on future improvements to the CM	✓	**Feb 2020**
T-1, T-3 and T-4 auctions successfully secured capacity out to 2023/24	✓	**Feb-Mar 2020**
Government publishes consultation on coronavirus 'easements'	✓	**April 2020**
Changes made to Principal Regulations and CM Rules implementing commitments referenced in State aid approval decision plus 'easements'	✓	**June-July 2020**

Introduction

31. The purpose of the Capacity Market (CM) is to ensure security of GB's electricity supply at least cost to consumers, by providing all forms of capacity with the right incentives to be on the system and to deliver electricity when needed. The CM ensures there is sufficient reliable capacity available during periods of electricity system stress, for example during cold, still periods with high demand and low wind generation.

32. The CM works by allowing eligible capacity providers to bid into a competitive auction to provide capacity. Successful capacity providers are awarded a capacity agreement and receive steady payments to ensure enough capacity is in place to meet demand at times of system stress. These capacity payments incentivise the necessary investment to maintain and refurbish existing capacity, and to finance new capacity where necessary. Capacity providers face penalties if they fail to deliver capacity when requested during a system stress event.

33. The CM is technology neutral – it does not seek to procure allocated volumes of capacity from different types of technology. All types of capacity can participate except for capacity providers in receipt of support from other specific policy measures and provided they can demonstrate sufficient technical performance to contribute to security of supply.

Capacity Auctions

34. Capacity auctions are held one (T-1) and four (T-4) years ahead of the delivery year when capacity must be provided, giving investors certainty over part of the future revenues they will receive. Existing generating capacity competes against new build, Demand Side Response (DSR) and interconnectors, with the auction procuring the mix of capacity which provides best value for consumers.

35. In early 2020 there was a T-1 auction for delivery in 2020/21 and a T-4 auction for delivery in 2023/24. There was also a three-year-ahead (T-3) auction for delivery in 2022/23; it replaced the T-4 auction that was scheduled for 2019 but was postponed due to the effect of the State aid standstill period. Changes were made in 2019 to the Principal Regulations[16] and the Capacity Market Rules[17] to enable the T-3 auction to be run in early 2020.

36. Table 1 below lists the planned auctions for 2021.

Table 1. List of capacity auctions to be held in 2021

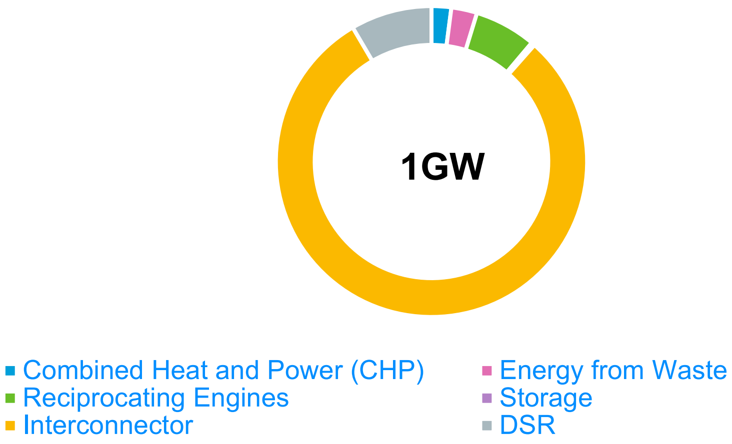
Auction	Delivery year	Auction Date
Year ahead Capacity Auction (T-1)	2021/22	2 March 2021
Four year ahead Capacity Auction (T-4)	2024/25	9 March 2021

T-1 Auction results for 2020/21

37. The T-1 auction for the 2020/21 delivery year concluded on 7 February 2020 and the results were published on 14 February 2020.[18] The auction secured 1 GW of capacity at a clearing price of £1/kW. Just over 3 GW of capacity entered the auction, of which 34% received capacity agreements for delivery (Figure 1).

[16] https://www.legislation.gov.uk/ukdsi/2019/9780111187500/contents
[17] https://www.gov.uk/government/publications/capacity-market-rules
[18] https://www.emrdeliverybody.com/CM/Auction-Results-1.aspx

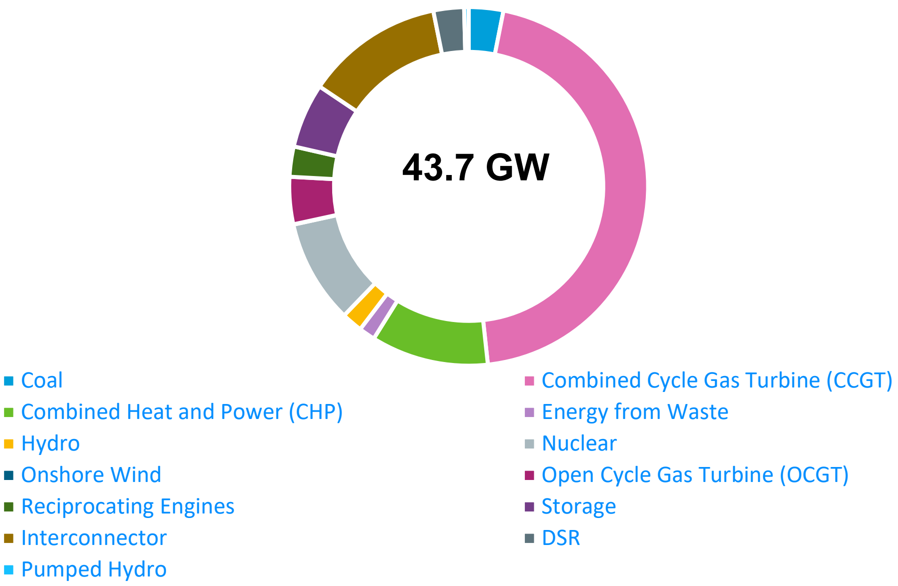
Figure 1. T-1 Auction results breakdown of Capacity Agreements awarded by technology type in terms of capacity (GW)[19]



T-4 Auction results for 2023/24

38. The T-4 auction for the 2023/24 delivery year concluded on 6 March 2020 and the results were published on 17 March 2020[20]. The auction secured 43.7 GW of capacity at a clearing price of £15.97/kW. Just over 59 GW of capacity entered the auction, of which 74% received capacity agreements for delivery (Figure 2).

Figure 2. T-4 Auction results breakdown of Capacity Agreements awarded by technology type in terms of capacity (GW)[21]

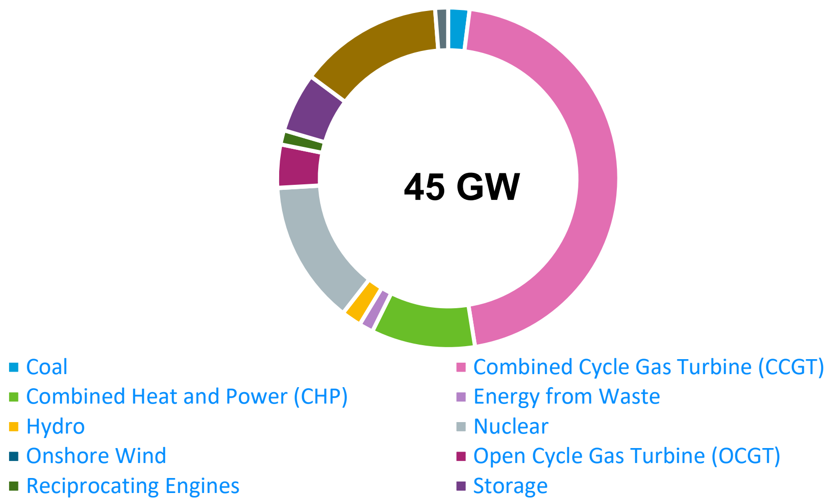


[19] https://www.emrdeliverybody.com/CM/Auction-Results-1.aspx
[20] https://www.emrdeliverybody.com/Capacity%20Markets%20Document%20Library/T-4%202019%20DY2023%20Capacity%20Market%20Auction%20Final%20Results%20V1.0.pdf
[21] https://www.emrdeliverybody.com/CM/Auction-Results-1.aspx

T-3 Auction results for 2022/23

39. The T-3 auction for the 2022/23 delivery year concluded on 31 January 2020, and the results were published on 07 February 2020[22]. The auction secured 45 GW of capacity at a clearing price of £6.44/kW. Just under 60 GW of capacity entered the auction, of which 76% received capacity agreements for delivery (Figure 3).

Figure 3. T-3 auction results breakdown of Capacity Agreements awarded by technology type in terms of capacity (GW)[23]



Capacity Market Payments

40. The Electricity Settlements Company's (ESC) records show that £496m was paid out to CM agreement holders from October 2019 to March 2020 for Delivery Year 2019/20.[24]

41. In January 2020, the ESC was able to act promptly and issue over £1bn of back payments to Capacity Providers who were available during the standstill period (i.e. Delivery Year 2018/19). These payments were a major milestone in the restart of the Capacity Market scheme, which followed the suspension of payments to generators and collections from suppliers as a result of the CJEU judgment.

[22] https://www.emrdeliverybody.com/Capacity%20Markets%20Document%20Library/Final%20Auction%20Results%20T-3%202019%20(DY%2022-23).pdf
[23] https://www.emrdeliverybody.com/CM/Auction-Results-1.aspx
[24] https://www.lowcarboncontracts.uk/annual-reports

Changes to the Capacity Market Rules and the Principal Regulations

42. The Government ran a consultation[25] between 3 February and 2 March 2020 seeking views on proposals to implement five of the six commitments referenced in the State aid decision, as well as a review of the exclusion from the CM of plants with long-term contracts for providing Short Term Operating Reserve (LT STOR) and other minor improvements. Following the consultation, a series of changes were made to the Principal Regulations[26] and Capacity Market Rules[27], including implementing the five commitments and removing the exclusion of LT STOR contract holders from competing in the CM.

43. The EU Electricity Regulation (Regulation (EU) 2019/943)[28], which entered into force on 4 July 2019 as part of the EU's Clean Energy Package[29], introduced a requirement for capacity mechanisms to apply carbon emissions limits. This includes in relation to existing Capacity Market Units (CMUs) (those which had a commercial production start date before 4 July 2019) from July 2025 at the latest. The Government consulted between July and September 2019[30] and introduced changes to the Capacity Market Rules to introduce carbon emissions limits. These changes came into force on 30 June 2020 and prevent the most carbon intensive existing capacity (including coal) from competing in auctions for delivery years from 1 October 2024. All new build plant are subject to the carbon emissions limits for delivery years from 1 October 2020.

44. The Government recognised that actions taken to limit the spread of COVID-19 could affect the ability of some capacity providers to meet certain CM milestones and deadlines. In April 2020, the Government ran a consultation[31] on proposed 'easements' to support capacity providers whilst ensuring security of supply.

45. The 'easements' were introduced in June and July 2020 alongside the changes made to the Principal Regulations and Capacity Market Rules implementing the commitments referenced in the State aid approval decision.[32] The 'easements' are applied in a time-limited manner in that they are only applicable to capacity providers that meet specified conditions and/or expire after a certain period. The Government will keep the need for further 'easements' under review and may come forward with proposals in due course, if necessary.

[25] https://www.gov.uk/government/consultations/capacity-market-proposals-for-future-improvements
[26] https://www.legislation.gov.uk/uksi/2020/697/contents/made
[27] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/897600/The_Capacity_Market__Amendment___No._2__Rules_2020.pdf
[28] https://eur-lex.europa.eu/eli/reg/2019/943/oj
[29] https://ec.europa.eu/energy/topics/energy-strategy/clean-energy-all-europeans_en
[30] https://www.gov.uk/government/consultations/capacity-market-carbon-dioxide-emissions-limits
[31] https://www.gov.uk/government/consultations/capacity-market-proposal-to-relax-the-rules-temporarily-in-response-to-covid-19
[32] https://www.gov.uk/government/consultations/capacity-market-proposals-for-future-improvements

Low Carbon Contracts Company (LCCC) and Electricity Settlements Company (ESC)

46. LCCC and ESC are responsible for helping Government to deliver key elements of the CM and CfD schemes, respectively.

47. LCCC, as counterparty to CfDs (including the Investment Contracts which have been transferred to LCCC[33]), enters into and manages long-term contracts with low carbon generators, managing difference payments for qualifying generation. The details of these projects are listed on the CfD Register, available on the LCCC website.[34]

48. The ESC is responsible for all financial transactions relating to the CM, including managing capacity payments, credit cover, penalties, and volume reallocation.

49. Both the LCCC and ESC are companies limited by shares and wholly owned by the Secretary of State for BEIS. The companies became operational on 1 August 2014 and operate within two main frameworks: EMR legislation (the Energy Act 2013 and the relevant regulations made under the Act) and the corporate and company law frameworks.

50. In the past year, there have been a number of highlights across the CfD and CM schemes. These include:
    - Successfully collecting and paying out over £1bn to Capacity Providers in January 2020, paying them in full for meeting their standstill period obligations;
    - Signed 22 contracts with new low carbon projects successful in the third CfD Allocation Round, adding 5.8GW of capacity to our future pipeline;
    - Eleven CfDs became operational in 2019/20, commissioning 1.8GW, bringing the total operational CfD capacity to around 4.9GW as of the end of March 2020. Since then, operational capacity has risen to 5.16GW;
    - Advising successful CfD applicants on Force Majeure provisions during uncertainty arising from a judicial review of Allocation Round 3;
    - Advising BEIS and Ofgem on CfD and CM COVID-19 impacts and developing solutions to support the schemes, consumers, counterparties and other market participants;
    - Providing technical and contractual support to BEIS in the drafting of the contract documents for the fourth CfD Allocation Round, and advising BEIS on operational improvements to the CfD Standard Terms;

[33] Investment contracts, which have been transferred to LCCC, are treated by virtue of regulation 2(4) of the Contracts for Difference (Electricity Supplier Obligations) Regulations 2014 as CfDs for various purposes. Any reference to a CfD in this document is to be treated as including any such Investment Contracts.

[34] https://www.lowcarboncontracts.uk/cfds

- Advising BEIS on changes to the CfD that could be made to adapt it for CCUS deployment on power and industrial sites;
- Published new scheme dashboards[35] with downloadable data in support of the aims of the Energy Data Taskforce;
- Published scheme information pages explaining how the CfD and CM schemes work and how they are performing.[36]

[35] https://www.lowcarboncontracts.uk/dashboards
[36] https://www.lowcarboncontracts.uk/about-the-schemes

National Grid Electricity System Operator

51. The National Grid Electricity System Operator (ESO) runs the electricity system in GB. Through this, National Grid ESO takes on the role of EMR Delivery Body (DB) and has continued to play a fundamental role in aiding the CM and CfD schemes. The DB provides support to market participants and constantly looks at how to improve its ability to undertake its role.

52. The DB ran key developments following the third CfD Allocation Round, including:

    - Capturing valuable feedback from participants who entered the 2019 AR3 Auction. This enabled the DB to comprehend the effectiveness of the improvements made and helped identify the lessons to be learnt for AR4.
    - The micro-site was introduced as a one stop reference point in AR3 which is being reviewed to make further improvements. The DB is working closely with BEIS and LCCC to make the micro-site more effective and easier for applicants to navigate.
    - The DB is reviewing the pre-round support offered to potential applicants, including ideas to enhance support sessions and virtual guidance, enabling efficient access for the customers and stakeholders.

53. For the CM, the DB implemented key activities in relation to the auctions and agreement management, as follows:

    - To support the restart of the CM, the DB made changes to its systems, processes and guidance to ensure customers were ready for Prequalification 2020.
    - Following successful completion of three auctions in early 2020, the DB carried out a customer satisfaction survey to gather feedback and developed an action plan to address areas for improvements.
    - The 2020 virtual CM prequalification launch event was hosted by the DB and was well received, as it supported new participants to navigate through the prequalification process and provided additional support as a result of CM restoration. It also gave all the delivery partners an opportunity to provide guidance on rules and regulatory changes, and answer questions on longer-term policies.
    - The DB has been working on the EMR portal to improve user experience, cost of change and speed of change. It is also exploring alternative solutions to easing portal access and evolving the system to be flexible for any future changes.
    - The DB introduced a new customer relationship management application to help deal with the management of queries within EMR.
    - The DB continued to manage capacity agreements and monitor delivery milestones.

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