



Department for
Business, Energy
& Industrial Strategy

Contracts for Difference for Low Carbon Electricity Generation

Consultation on New Supply Chain Plan
Questionnaire

Closing date: 11 March 2021



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

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General information

Why we are consulting

The government is committed to decarbonising our economy and meeting our net zero obligations. Renewable electricity generation plays a pivotal role in achieving this, which is why it has a central position within the Prime Minister's 10 Point Plan for a Green Industrial Revolution.

To help support this we will seek to deliver up to double the amount of renewables capacity in the fourth Contract for Difference (CfD) Allocation Round, opening in late 2021, compared to the last auction. As we scale up our ambitions and remain world leaders in green technology, it is vital that our economy realises the economic benefits of this large-scale infrastructure programme.

In November 2020, the government consulted on a range of proposals to strengthen our Supply Chain Plan policy and on changes to the CfD contract to implement some of the policy decisions set out in the government response to the March 2020 consultation. Subject to the outcome of this consultation, CfD regulations could be amended to give effect to these new requirements. The November consultation 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. A new draft Supply Chain Plan guidance document explaining the proposed process was produced as part of that consultation.

This consultation sets out our proposals for a new 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. This consultation will run in parallel to the consultation on the Supply Chain plan process for 2 weeks (so you may wish to consider them together) until the first consultation closes on 28 January 2021. You will then have a further 6 weeks to respond to this consultation.

Consultation details

Issued: 14 January 2021

Respond by: 11 March 2021

Enquiries to:

Email: BEISContractsforDifference@beis.gov.uk

Consultation reference: Contracts for Difference for Low Carbon Electricity Generation: Consultation on New Supply Chain Plan Questionnaire

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 involved in low carbon electricity generation supply chains, 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:

beisgovuk.citizenspace.com/clean-electricity/cfd-new-supply-chain-plan-questionnaire

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.

List of acronyms

Acronym	Spelling
AR	Allocation Round
BEIS	Department for Business, Energy & Industrial Strategy
CapEx	Capital Expenditure
CfD	Contracts for Difference
DecEx	Decommission Expenditure
DevEX	Development Expenditure
ESO	Electricity System Operator
FID	Final Investment Decision
FTE	Full Time Equivalent
GB	Great Britain
GHG	Greenhouse Gases
ILO	International Labour Organization
ITT	Invitation to Tender
LCCC	Low Carbon Contracts Company
MDD	Milestone Delivery Date
MW	Megawatt
OpEx	Operational Expenditure
R&D	Research & Development

Consultation on New Supply Chain Plan Questionnaire

Acronym	Spelling
RFP	Request for Proposal
RFQ	Request for Quotation
SCIP	Supply Chain Implementation Reports
SCP	Supply Chain Plan
TOTEX	Total Expenditure
TRL	Technology Readiness Level
UK	United Kingdom

Introduction

The Government is committed to leveraging the economic benefits from our investments in renewable 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 the last three Contract for Difference (CfD) allocation rounds, support our Industrial Strategy and government priorities. These priorities include, boosting competitiveness and productivity, harnessing innovation, investing in skills, driving regional growth and advancing the low carbon economy as we achieve net zero. The Government wants to support those renewable developers who are taking the initiative towards a more ambitious approach to UK content, whilst continuing to ensure the CfD remains investable.

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 renewable electricity projects, including by creating competitive businesses and jobs and to support UK companies competing internationally.

The November 2020 consultation 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. Subject to that consultation's outcome, the CfD Regulations could be amended to give effect to those changes. A new draft Supply Chain Plan guidance document explaining the proposed process was produced as part of that consultation.

In this consultation, the Government proposes to introduce a new Supply Chain Plan questionnaire to be completed as part of the Supply Chain Plan application process.

Aim of this Consultation

We are now seeking views on proposals for a new Supply Chain Plan questionnaire for CfD Applicants to complete. It will form the basis of the initial assessment before an allocation round and ongoing monitoring, review and assessment after CfD signature. These plans were set out in the November 2020 consultation on proposals to strengthen our Supply Chain Plan policy and on changes to the CfD contract.

The proposed new Supply Chain Plan questionnaire will be aligned to the Industrial Strategy and is strengthened by including more specific questions aimed at eliciting focussed and measurable responses that are closely aligned to government objectives. Applicants will be invited to submit their proposed actions to achieve the objectives of the Supply Chain Plan policy.

Responses by the Applicant to the scored sections of the Supply Chain Plan questionnaire 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 as part of an ongoing process after CfD signature. Finally, they will be assessed in the Supply Chain Implementation Report by the Secretary of State before the generating station is due to be commissioned.



The revised questionnaire focuses on building competitiveness, capability and capacity in local supply chains. It is intended to build on existing supply chain policy and help deliver projects to predictable timescales at low costs while creating skilled, fulfilling, well-paid jobs in regions and communities around the UK.

We welcome responses from anyone with an interest in Supply Chain 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, and consumer and environmental groups with an interest in the electricity sector.

Supply Chain Plans

Policy context

Since the first CfD allocation round, developers of projects with a capacity of 300MW or more have had to apply for a Supply Chain Plan Statement from the Secretary of State for Business, Energy and Industrial Strategy 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 aim of this process is to ensure that developers encourage the effective development of open and competitive low carbon electricity generation supply chain with the emphasis on the promotion of innovation and skills. The rationale is that this, in turn, will increase competition and drive down the cost of generation over time, contributing to a more efficient supply chain as well as our wider industrial strategy.

Applicants awarded a CfD had their Supply Chain Plans published and monitored by BEIS. When the project was built, the applicant submitted 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 had not, the reasons why. The Secretary of State could 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 any 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 March 2020, the Government sought views on strengthening the Supply Chain Plan process described above. Following consideration of responses to that consultation the Government launched a second consultation in November 2020 on proposals to revise and strengthen the Supply Chain Plan process. The November consultation set out details on a new process for assessing and monitoring Supply Chain Plans, a more timely consequence for non-delivery within the CfD regime and new draft Supply Chain Plan guidance that supports the Industrial Strategy. The revised Supply Chain Plan questionnaire and details of ongoing monitoring and assessment of the Supply Chain Implementation Report in this consultation should be viewed in the context of the proposals put forward in the November consultation.¹ That consultation closes on 28 January 2021, and respondents are encouraged to review the November consultation to inform their responses to this consultation on the new Supply Chain Plan questionnaire. The proposals included in this consultation are intended to align with those put forward in the November consultation and do not prejudice the outcome of that consultation.

It was necessary to split the two aspects of the Supply Chain Plan proposals across this consultation and the consultation in November to allow for the proposed legislative changes relating to (a) the alignment with the Industrial Strategy and (b) the proposal to assess the implementation of Supply Chain Plans after CfD award to proceed through the parliamentary process (subject to the consultation outcome). This will ensure they could come into force in time for AR4, which is due to open in late 2021. The proposed revised Supply Chain Plan

¹ <https://www.gov.uk/government/consultations/contracts-for-difference-cfd-changes-to-supply-chain-plans-and-the-cfd-contract>

questionnaire, which is the subject of this consultation, does not require any further legislative changes.

Supply Chain Plans will continue to be developer-led, so 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. Some sectors have already set their own supply chain targets. For example, in the 2019 Offshore Wind Sector Deal, the offshore wind industry set itself a target of 60% lifetime UK content by 2030, including increases in the capital expenditure phase. The November consultation proposed that BEIS would undertake the ongoing monitoring process and assessment of Supply Chain Implementation Reports and sought views on whether it is more appropriate for BEIS or the Low Carbon Contracts Company (LCCC) to undertake this role.

Proposal

Supply Chain Plan questionnaire

The revised questionnaire focuses 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. Processes must also assure full and fair access to capable UK suppliers in order that they can compete for supply chain opportunities.

By delivering low carbon electricity as efficiently as possible, with a long-term vision that supports sustainable, inclusive, and ethical development, more generation will be supported. This will ensure that consumers have access to the clean and secure energy they need at affordable prices and supports the UK in bringing all greenhouse gas emissions to net zero by 2050.

To support delivering these objectives, Supply Chain Plans will align with the key themes of the Industrial Strategy:

- **Business Environment** –promote competitive procurement processes that broaden supply chains, reduce costs and carbon footprints and remove barriers to entry for local suppliers. It is about developing and increasing the productivity, competitiveness, and capacity of businesses and suppliers, directly or through alliances.
- **Ideas** –bring about innovation through nurturing and commercialising innovative technologies. This in turn will create more efficient equipment, improve installation methods and develop new types of procurement and contracting strategies. This will reduce the costs of projects and overcome the technical challenges of renewable electricity generation.
- **Infrastructure** –remove barriers and increase investment in infrastructure. This will broaden the opportunities for low carbon electricity generation and increase the capabilities of local supply chains to meet the requirements of the new technologies.
- **People** –develop a diverse, skilled workforce and increasing local employment opportunities. This is achieved by supporting the training and transitioning of the workforce to attain the skills needed for low carbon electricity generation, in ways that

minimise skill shortages, increase productivity, achieves diversity and is ethical and safe; and

- **Place** –create local opportunities, supporting communities and strengthening the local economy of regions close to low carbon electricity generation projects. It does this by encouraging the development of competitive local supply chains, infrastructure and skills, aligning with local development strategies and engaging with communities and universities.

The Supply Chain Plan Application (Annex A) is a questionnaire that has specific questions for the Applicant to answer related to the five criteria set out above. For questions that are scored, each question has been allocated a mark which is shown next to the question. Applicants must score at least 50% in each of the five sections for their Supply Chain Plan to pass and to be issued with a statement by the Secretary of State approving their Supply Chain Plan.

Supply Chain Plans will be assessed on the merits of the application, taking into account the particulars of the relevant renewable technology, such as the development stage of the technology and its supply chain. Appendix A of the questionnaire includes a summary of the proposed scoring criteria to be applied in the assessment of Supply Chain Plan applications. Further details on scoring and how Supply Chain Plans for projects awarded a CfD contract will be monitored, are set out in the Supply Chain Plan guidance document that accompanied the November 2020 consultation².

The accompanying Supply Chain Plan Excel Spreadsheet (Annex B) is composed of a set of table templates for Applicants to complete as part of their Supply Chain Plan Application. Each table is linked to the information requested in a specific question. For Tables S4-S6, this includes a breakdown of contracts greater than £1 million, which we consider is low enough to capture contracts that may be competed for by UK tier 1 and 2 suppliers with sufficient granularity. For projects awarded a CfD contract, the tables within the spreadsheet should also be used for updating the Supply Chain Plan, providing progress reports on implementation and recording any corrective actions that are agreed with BEIS (or LCCC, subject to the outcome of the November consultation). Respondents are encouraged to review both the Supply Chain Plan Application and Supply Chain Plan Excel Spreadsheet (Annexes A and B respectively) in parallel to inform their consultation responses.

Measuring ambition and monitoring performance

The Government is seeking views on all sections of the revised questionnaire, including whether the questions are clear and to what extent they will be successful in driving ambition and strengthening the supply chain for renewables for AR4 and beyond.

The questions follow two basic formats. The majority of questions ask Applicants to set out the impactful activities and expected outcomes that they are undertaking to support development of the supply chain in alignment with policy objectives. Other questions require Applicants to set out the processes (procurement, recruitment etc) that they will follow, which will support the Government's Supply Chain Plan objectives. Marks will be awarded for the comprehensiveness of response and supporting evidence, scale of ambition in activities and anticipated outcomes, feasibility, whether quantifiable outcomes with measurable metrics are identified and how delivery will be assured.

² <https://www.gov.uk/government/consultations/contracts-for-difference-cfd-changes-to-supply-chain-plans-and-the-cfd-contract>

In addition, there are two questions in the questionnaire in a different format that require Applicants to anticipate, with supporting evidence, the level of UK content in their project (question 1.1 and accompany Table 1.1) and level of the local job creation (question 4.4 and accompanying Table 4.2). The Government is minded to assess responses to question 1.1, which is related to the industry's future ambition, by:

- assessing the response and substantiating evidence against a benchmark for the relevant technology based on the industry's current UK content capabilities;
- the levels of UK content of an Applicant's previous projects (where applicable);
- the capacity of UK suppliers to meet project demand taking into account other competing customers; and
- the medium-term industrial ambition for that technology (for AR4 and beyond, for example for the offshore wind industry to meet its commitments in 2030).

Applicants would receive all or none of the marks for those questions. Proposed published evidence to be used to inform benchmarks include but are not limited to:

- Offshore Wind – Renewable UK, “Report on Offshore Wind UK Content - 2017”³
- Onshore Wind and Remote Island Wind – ScottishPower Renewables, “Economic benefits from onshore wind farms - 2017”⁴
- Solar PV – Solar Trade Association, “Valuing Solar & Storage in the UK”.

The Government welcomes views on other sources of evidence that could be taken into account in the assessment to reflect the Government's ambition to strengthening the UK based supply chain. In considering this evidence, the Government is particularly aware of the importance of offering developers the opportunity to showcase how they are strengthening the UK supply chain in new, ambitious and innovative ways whilst maintaining flexibility to respond to changes in the markets.

The Business Environment section contains questions relating to several priorities for the UK Government, including driving up the UK contribution to renewables projects, incentivising a low carbon footprint in supply chain, resolving gaps in capability and productivity in supply chains and improving the visibility of opportunities to suppliers. We have been considering how best to weight those priorities and are considering a range of options, from asking the question on UK content for information only right the way through to weighting that question so that it receives up to 25%, 35% or even 45% of the marks in that section in order to drive ambition in this area. When considering how to weight the different priorities in this section, we recognise that they are interconnected. We expect that the higher the weighting we give to driving up the UK contribution to renewable projects, the more emphasis developers will place on ambition, which is then likely to require developers to undertake many of the other activities covered in the section in any event. However, whilst we want developers to be ambitious, it is important that commitments remain deliverable. We are therefore seeking views on how to weight these questions so that we strike the right balance between driving ambition whilst ensuring that our other goals in this area are meaningfully addressed.

³ <https://www.renewableuk.com/news/362764/Offshore-Wind-Industry-Investment-in-the-UK.htm>

⁴ <https://bvqassociates.com/economic-benefits-onshore-wind-farms/>

The Government wants to see ambitious activities, including investments, in response to questions on building UK supply chain capacity, whilst recognising the need for the CfD to remain investable. The draft Supply Chain Plan guidance published as part of the November consultation sets out how and in what circumstances amendments (also referred to as 'corrective actions') to Supply Chain Plans may be agreed between CfD Generators and BEIS. This process provides flexibility for CfD Generators to agree alternative ways to deliver commensurate outcomes committed to in their Supply Chain Plans when they are unable to be fulfilled for legitimate reasons. This is intended to strike the right balance to discourage speculative commitments in Supply Chain Plan applications whilst recognising that as projects develop and contracts are entered into, plans may need to adapt (including the capacity of the supply chain at the time of delivery).

As set out in the November consultation, following CfD signature Supply Chain Plan implementation will be monitored on at least a six-monthly basis to support the progress being made and ensure that any potential issues are quickly identified and rectified. Table PS3 in the Supply Chain Plan Excel Spreadsheet (Annex B) includes a comprehensive inventory of all activities and expected outcomes in a developer's Supply Chain Plan and it is anticipated this will facilitate the monitoring and delivery of Supply Chain Plans.

A revised monitoring process, which is set out in the Draft Supply Chain Plan Guidance (published alongside the November consultation), allows for BEIS and the CfD Generator to discuss progress. This will include agreeing when commitments have been successfully implemented, so that Generators have confidence that those commitments will be assessed as complete in the Supply Chain Implementation Report (so long as the supporting evidence submitted during the monitoring process was complete and accurate).

Circumstances may arise in which the CfD Generator is not able to deliver upon their Supply Chain Plan commitments or will not be able to deliver on future commitments. Where this occurs, Generators would be asked to provide an explanation, supported by verifiable evidence, as to why any amendment to the Plan is necessary and will put in place corrective actions. These can include revised activities or new activities that either deliver the same outcome as originally planned or deliver commensurate outcomes with respect to the same or a related objective of the Supply Chain Plan policy.

For those commitments that may extend beyond commissioning into the operations phase, BEIS and the CfD Generator will agree what reasonable assurances the Generator should be able to demonstrate to sufficiently satisfy those commitments.

It is expected that the information and evidence collated during the monitoring process will inform the basis of the Supply Chain Implementation Report.

Commercial sensitivity

To share information with the supply chain industry and to support implementation, BEIS may publish an approved Supply Chain Plan (which is approved prior to the CfD round), an Updated Supply Chain Plan (which is submitted around the CfD Milestone Delivery Date) and a Supply Chain Implementation Report with due consideration to commercial sensitivities. BEIS intends to publish the total anticipated level of UK content stated in the Supply Chain Plan. The Government recognises that there are multiple reasons that will dictate the level of anticipated UK content in a project and that when published the anticipated levels of UK content will be compared against other projects awarded contracts in the allocation round. Therefore, the Government intends to offer Applicants the opportunity to provide a non-

commercially sensitive context and justification to their anticipated levels of UK content that can be published alongside their anticipated UK content figure.

Consultation questions

Supply Chain Plans

- 1. The Government welcomes views on whether the right questions are being asked in the new Supply Chain Plan questionnaire to deliver on the Supply Chain Plan objectives, including whether there are any key omissions or any material challenges raised? These objectives are to build competitiveness, capability and capacity in local supply chains. Please break down your answer by the five sections of the questionnaire (Business Environment, Ideas, Infrastructure, People and Place).**
- 2. Are there any other questions you think we should include in the questionnaire?**
- 3. The Government welcomes views on whether the questions in the questionnaire are clear and straightforward to complete.**
- 4. The Government welcomes views on whether tables are clear and straightforward to complete.**
- 5. What sources of evidence should be taken into account when assessing each technology's ambition in relation to strengthening the UK based supply chain?**
- 6. What weighting would you give to the different priorities within the Business Environment section of the questionnaire?**
- 7. The Government welcomes views on whether the questionnaire will drive greater investment into the UK supply chain. What level of anticipated UK content should represent a "pass" mark (for each technology)? Does this encourage ambition and help create a trajectory towards delivery of wider industry targets, for example the 60% UK content target in the offshore wind Sector Deal?**
- 8. The Government welcomes views on whether publishing the expected UK content figures of a project would be commercially sensitive and whether publishing a supporting commentary alongside the UK content figures mitigates any sensitivities?**

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 summer 2021, before the opening of the fourth CfD Allocation Round in late 2021, on the GOV.UK website.

This consultation is available from: www.gov.uk/government/consultations/contracts-for-difference-cfd-for-low-carbon-electricity-generation-new-supply-chain-plan-questionnaire

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.