



# Department for Business, Energy & Industrial Strategy

## Stakeholder Bulletin issued by the Department for Business, Energy & Industrial Strategy

8 February 2017

Dear Stakeholder,

In line with the published [implementation plan](#), today we have published the next set of documents in relation to the second Contracts for Difference (CFD) Allocation Round.

We are making a number of minor and technical, though essential, changes to the Contracts for Difference (CFD) contract in advance of the second allocation round. These are intended to ensure that CFD projects do not receive payments where development is hampered by foreseeable events or for imported electricity stored on site – to ensure value for money for consumers – and that the CFD scheme adheres to rules on cumulation of aid.

We have also published a draft Allocation Framework document which establishes the rules governing the process by which CFDs will be allocated in the upcoming Allocation Round due to open on the 3rd April.

### **A government response setting out our decisions on changes to the CFD contract and CFD regulations**

We have published a [government response](#) to the consultation held from 11 May to 8 June 2016 on proposed minor and technical changes to the CFD contract.

We have also published the draft CFD contract, intended to apply for the second allocation round. The CFD contract comprises the Standard Terms and Conditions and various front-end agreements.

We have also laid in Parliament amendments to the Contracts for Difference (Standard Terms) Regulations 2014 which provides powers to implement some of the changes made to the CFD contract.

We are making several changes to the [CFD Standard Terms and Conditions](#), which include:

- Preventing over-compensation of CFD projects
- The definition of foreseeable change in law
- Clarifying how storage should be treated on CFD sites
- A number of other minor and technical changes

These changes will take effect in time for the next allocation round.

The final CFD Standard Terms and Conditions and CFD agreements will be published in advance of the next allocation round, which is scheduled to open in April.

We are publishing these documents in draft now to give generators early visibility of the contract that they will be signing if successful in the allocation round. This will allow prospective applicants time to review the contract and request minor and necessary changes to the Standard Terms and familiarise themselves with the auction rules before the allocation round formally opens in April.

The changes to the CFD contract cannot be automatically applied to those CFDs and Investment Contracts that have already been entered into by CFD generators. However, the existing signed contracts do set out a change control process by which the Low Carbon Contracts Company may propose amendments to the contracts. It will be for the LCCC, acting within the operational framework agreement with government, to decide whether to use the change control procedures to make any of the changes that are introduced today.

### **Draft Allocation Framework document**

The version of the [Allocation Framework](#) published today is largely the same as that used by National Grid in the previous round, with the only significant addition being new rules to deal with [interleaving bids](#) in the auction. These new rules are intended to encourage developers to submit larger capacity cheaper bids at a lower price where they are able to do so, along with one for less capacity as a fall back if their larger bid does not fit within the budget. Publishing this draft framework as early as we are able provides potential developers with additional time to fine-tune their bids in accordance with the new rules. This should help maximise value for consumers.