



Department
of Energy &
Climate Change

CfD Allocation methodology and Contract clauses Detailed Review

Day 1: Thursday, 21st August 2013



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PHASING

Phased projects

Delivering Large Multi-Year Projects



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- Phasing aims to allow delivery of large offshore wind projects built over multiple years as part of same investment decision, to allow us to meet our 2020 renewables and wider decarbonisation targets.
- We have previously outlined two options:
 - A single application for a number of separate CfDs, with each CfD covering an individual phase of the project, with a different TCD and strike price
 - An application for a single CfD which covers the whole of the capacity. Single strike price and TCD with all project capacity needing to be delivered within TCW/LSD period
- Industry feedback suggested that the proposed models did not offer them the right balance of certainty on strike price, and flexibility on delivery needed. We have therefore proposed a 3rd Option.

Phased projects

3rd Option



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- Allowing a single strike price for all phases.
- To qualify offshore wind projects must meet the following conditions:
 - The total capacity must not exceed 1500MW;
 - All phases must be within the same Crown Estate lease area;
 - 35% of the capacity must be constructed in the first phase;
 - The TCD for the first phase must be no later than 31 March 2019;
 - The TCD for the final phase must be no later than two years after the TCD of the first phase
- CfD delivery obligations are adjusted to reflect the project's phased delivery:
 - A single Strike Price for all phases determined by TCD of first phase
 - Termination rights only apply to first phase of a project;
 - Capacity Adjustment applies to whole project, e.g. if project delivers less than 90% of the contracted capacity (by the Longstop Date for that phase) the strike price will be reduced;
 - TCWs and Longstop Dates apply to each phase.

Questions?



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- What are your views on the overall structure of the phasing system?
 - Offshore wind only
 - Three phases maximum
 - First phase 35% of total project capacity
 - Only first phase carries risk of termination
 - Later phases still require TCW and LSD to enable contract length and SP/capacity adjustment
 - Requirement around phases of the project having to be within the same Crown Estate lease area
- How should capacity adjustment be applied to phased projects?