



[29] September 2014

Draft Budget Notice for CFD Allocation Round 1

From: Secretary of State for Energy and Climate Change

To: National Grid, EMR Delivery Body

This notice is given pursuant to regulation 11 of the Contracts for Difference (Allocation) Regulations 2014. That regulation is set out in the schedule to this notice.

This notice applies to the first allocation round, as established by the allocation round notice given by the Secretary of State on [date]. This draft budget notice should be read in conjunction with the explanatory note.

Overall CFD Budget and Pots

The overall budget which is available for each delivery year, and the division of the overall budget by “pot”, applicable to this allocation round is set out in the table below:

Table 1: CFD Budget Release for 2014 Allocation Round (Figures are total support payments available in a given year)¹

£m (2011/12 prices)	<i>Delivery Year²</i>					
	15/ 16	16/ 17	17/ 18	18/ 19	19/ 20	20/ 21
CFD Budget (2014 release)	50	205	205	205	205	205
Pot 1 (established technologies)	50	50	50	50	50	50
Pot 2 (less established technologies)	-	155	155	155	155	155

We are not at present intending to release further budget for biomass conversion, beyond the funding that is allocated through the FIDeR process, but see further notes below.

¹ See paragraph 2 in the explanatory note.

² Delivery Year as defined in regulation 2 of the Contracts for Difference (Allocation) Regulations 2014 regulations.

The technology groups are as follows:

- Pot 1 (established technologies): Onshore wind (>5MW), Solar Photovoltaic (PV) (>5MW), Energy from Waste with CHP, Hydro (>5MW and <50MW), Landfill Gas and Sewage Gas
- Pot 2 (less established technologies): Offshore Wind, Wave, Tidal Stream, Advanced Conversion Technologies, Anaerobic Digestion, Dedicated biomass with CHP, and Geothermal, Scottish islands onshore wind³
- Pot 3 (biomass conversion).

Administrative Strike prices

The administrative strike prices applicable to applications in this allocation round are:

Table 2: Strike Prices

Technology	CFD Strike Prices (£/MWh, 2012 prices)				
	2014/15	2015/16	2016/17	2017/18	2018/19
Advanced Conversion Technologies (with or without CHP)	155	155	150	140	140
Anaerobic Digestion (with or without CHP) (>5MW)	150	150	150	140	140
Biomass Conversion	105	105	105	105	105
Dedicated Biomass (with CHP)	125	125	125	125	125
Energy from Waste (with CHP)	80	80	80	80	80
Geothermal (with or without CHP)	145	145	145	140	140
Hydro (>5 MW and <50MW)	100	100	100	100	100
Landfill Gas	55	55	55	55	55
Sewage Gas	75	75	75	75	75
Offshore Wind	155	155	150	140	140
Onshore Wind (>5 MW)	95	95	95	90	90
Solar Photo-Voltaic (>5MW)	120	120	115	110	100
Tidal Stream	305	305	305	305	305
Wave	305	305	305	305	305
Scottish Islands – onshore wind (>5MW) ⁴	-	-	-	115	115

³ This technology remains subject to State Aid approval.

⁴ As per footnote 3.

Use of Maxima or Minima

One minimum of 10MW for wave and tidal stream technologies (out of the 100MW reserved budget for this technology for the duration of the first Delivery Plan period) applies to this allocation round⁵. There are no maxima.

Re-basing CFD Budgets

The budgets presented here have been calculated in real terms on the basis of a £2011/12 price level. To convert this into a more recent price base – a CPI index can be used.

The budgets set out in this notice are in 2011/12 real prices. However, given that strike prices have been published in £2012 values, the Government will inflate the budgets presented here by a CPI inflator⁶⁷ to a £2012 price base, before National Grid values the bids (which will be submitted in £2012 values) against the available budget.

The inflator which we will use is 1.0195. This has been derived using the following formula:

$$CPI\ Adjustor_{\pounds 2011/12 \rightarrow \pounds 2012} = AverageCPI_{2012} / AverageCPI_{2011/12}$$

It is also possible to convert the budgets into current monthly prices. An illustration of this formula is provided below.

$$CPI\ Adjustor_{\pounds 2011/12 \rightarrow \pounds current} = CPI_{current} / AverageCPI_{2011/12}$$

For stakeholders to convert the £2011/12 budget into the most recently available price base (June 2014 at time of publication) – the following inflator should be used – 1.0636

Schedule

Regulation 11 .The Contracts for Difference (Allocation) Regulations 2014

⁵ See the explanatory note.

⁶ Please note that CPI index values are subject to the ONS CPI Revisions Policy and may change in the future.

⁷ Published by the Office of National Statistics (ONS) (<http://www.ons.gov.uk/ons/datasets-and-tables/data-selector.html?cdid=D7BT&dataset=mm23&table-id=1.1>)

Budget notices

11. (1) The Secretary of State must by notice (“a budget notice”) specify—
 - (a) the overall budget which is available for each delivery year applicable to an allocation round; and
 - (b) the administrative strike prices applicable to applications in an allocation round.
- (2) The Secretary of State may in a budget notice specify any of the following—
 - (a) budgets which are reserved for the descriptions of applications specified in the notice (“minima”);
 - (b) maximum budgets which apply to the descriptions of applications specified in the notice (“maxima”);
 - (c) a division of the overall budget such that a different part (“pot”) of the overall budget applies to the description of applications specified in the notice.
- (3) Where maxima or minima are specified, they may be expressed as—
 - (a) a sum of money;
 - (b) an amount of capacity of electricity generation; or
 - (c) a combination of (a) and (b).
- (4) Where—
 - (a) the overall budget is expressed as a sum of money; and
 - (b) that sum is stated by reference to a price which is not current at the date of the budget notice, the budget notice must include a factor which, when applied to that sum, converts that sum into a price which is current at that date.
- (5) A budget notice must—
 - (a) be given to the delivery body;
 - (b) identify the allocation round to which the budget notice applies; and
 - (c) be given no later than 10 working days before the commencement date of the allocation round.

END