



Department for
Business, Energy
& Industrial Strategy

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

13 March 2017

Dear Stakeholder,

Today we have published a suite of documents to launch the second Contracts for Difference (CFD) Allocation Round which will open for applications on the 3rd of April.

This includes -

- The Allocation Framework for the second Allocation Round
- CFD Standard Terms and Conditions and Agreements
- An explanation of changes to the CFD Standard Terms
- The Standard Terms Notice
- The Allocation Round Notice
- The Counterparty Costs Notice
- The Allocation Framework Notice
- The Budget Notice
- An accompanying note to the Budget Notice

We have also published a government response to the call for evidence on geothermal in the CFD which confirms that we have set the Administrative Strike Price for this technology at £140/MWh.

Contract and Standard Terms Notice

We have published the [CFD Contract](#) for use in the second CFD Allocation Round. The CFD Contract comprises the Standard Terms and Conditions and various front-end Agreements.

The Contracts for Difference (Standard Terms) (Amendment) Regulations 2017, which gives us powers to implement some of the changes we have made to the CFD Contract, came into force on 1 March.

Generators who are successful in the forthcoming Allocation Round will be expected to enter into their chosen front-end Agreement and the CFD Standard Terms and Conditions published today.

Allocation Round Notice

The [Allocation Round Notice](#) formally establishes the round by giving notice from the Secretary of State to the Delivery Body (National Grid) and the CFD Counterparty (LCCC). It confirms key dates, including that the round will open for applications on 3 April 2017 and that the deadline for applications is the 21 April 2017; delivery years and eligible technologies.

Counterparty Costs Notice

CFD applicants may apply to the CFD Counterparty for minor and necessary modifications to the CFD. The [Counterparty Costs Notice](#) sets out the threshold above which the costs likely to be incurred by the CFD Counterparty as a result of the modification mean that it would not be considered as minor. The threshold is set at £12,000 in line with the first round.

Allocation Framework

This version of the [Allocation Framework](#) is largely the same as that used by National Grid in the previous round, with the only significant addition being new rules to governing the interleaving bids process in the auction. These new rules are intended to encourage developers to submit larger capacity bids at a lower price where they are able to do so, along with a bid for less capacity as a fall back if their larger bid exceeds the budget.

A few clarifying changes have been made to the draft version which was published on 8 February to better reflect policy intent. Alongside these changes, we have added in the geothermal Administrative Strike Price.

Allocation Framework Notice

The [Allocation Framework Notice](#) tells the Delivery Body and the CFD Counterparty which Allocation Framework is applicable to the round.

Budget Notice and Accompanying Note

[The Budget Notice](#) and [Accompanying Note](#) confirm the information already published in the draft budget notice on 9 November 2016 with the addition of the geothermal Strike Price. We have also confirmed we will set a cumulative maxima for fuelled technologies at 150MW for the second CFD Allocation Round.

Geothermal in the CFD

Following the call for evidence in relation to geothermal in the CFD, we have published a [Government response](#) which confirms that we have set the Administrative Strike Price for this technology at £140/MWh for both delivery years. We are currently analysing the

responses received and the evidence submitted in relation to Fuelled Technologies within the CFD.

Further Update

State Aid Transparency Requirements

The UK is subject to certain transparency obligations contained in the Energy and Environment Guidelines 2014 (the EEAG), on the basis of which the European Commission first approved the CFD scheme in 2014.

In order to comply with those obligations the UK will publish details of aid granted to individual CFD generators on the European Commission's state aid transparency website, which is available to the public. Those details, including the total amount of aid granted, will be updated annually.

The transparency obligation applies in respect of all aid granted under CFDs awarded in the second and subsequent CFD allocation rounds.

Further information can be found [here](#).

Kind regards,

BEIS Contract for Difference Team