



1 May 2019

Accompanying Note to the Budget Notice for the Third CfD Allocation Round

1. The government is publishing today 1 May 2019 the Budget Notice that the Secretary of State is required to give to National Grid, EMR Delivery Body, ahead of the third Contracts for Difference (CfD) Allocation Round, opening on 29 May 2019. This requirement is set out in Regulation 11 of the Contracts for Difference (Allocation) Regulations 2014 (as amended)¹.

CfD Budget and Delivery Years

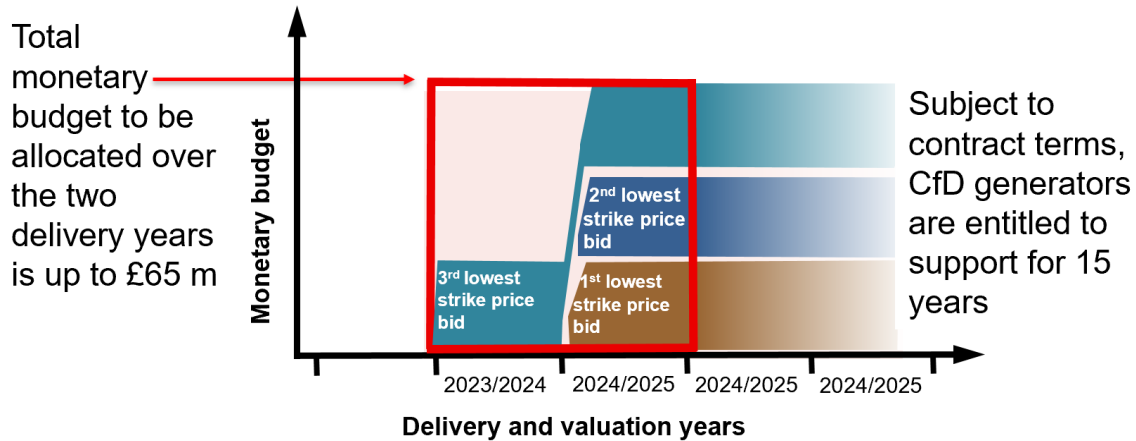
2. The Budget Notice sets out the CfD budget for the third CfD Allocation Round to open on 29 May 2019. The CfD budget is set both in terms of money and capacity (of electricity which may be generated) for this Allocation Round. The available budget has been allocated to the less established technology group (“Pot 2”). CfD contracts will be allocated to the lowest Strike Price bids of eligible projects first, regardless of their chosen Delivery Year, as long as they fit within the monetary budget and the overall capacity cap².
3. For this Allocation Round, the monetary budget of up to £65 m (in 2011/12 prices) is the maximum total amount of (annual) support available for applications bidding into either Delivery Year. Projects that are successful in the round will receive support for 15 years, subject to contract terms.
4. An overall capacity cap of 6GW will apply to this Allocation Round.
5. We are opening two Delivery Years – 2023/24 and 2024/25. Applicants must specify (in their application) the estimated date within their chosen Delivery Year when they will start generating electricity, known as the ‘Target Commissioning Date’. Bids can be made by CfD applicants with Target Commissioning Dates in Delivery Years 2023/24-2024/25.
6. The detailed rules about how the Allocation Round works are set out in the [Allocation Framework](#).
7. Figure 1 is a simplified illustration of how the monetary budget could be allocated in the round. It shows that the available monetary budget of up to £65 m is a maximum that could be allocated across both Delivery Years of this Allocation Round.

¹ <http://www.legislation.gov.uk/uksi/2014/2011/contents/made>

² For which the Department is seeking State aid approval.



Figure 1: Illustration of how the monetary budget could be allocated across the two Delivery Years and valuation years (example only)



Administrative Strike Prices

- Table 1 in the Budget Notice sets out Administrative Strike Prices applicable to applications in this Allocation Round. The methodological factors that determine these Administrative Strike Prices are set out in the [Contracts for Difference Administrative Strike Price Methodology](#).

Maxima and Minima

- No minima or maxima will be applied in this Allocation Round.

Reference Prices

- A 'reference price' is a measure of the average GB market price for electricity. Under the CfD scheme, payments are made to developers based on the difference between their strike price and the market reference price, which is a season-ahead price for baseload technologies (such as fuelled technologies) and a day-ahead hourly price for intermittent technologies (such as offshore wind). To calculate the budgetary impact of each application during an Allocation Round using the valuation formula, which is set out in the Allocation Framework, a forecast of the market reference prices must be used.
- The final baseload and intermittent reference prices applicable to this Allocation Round are published in the final Allocation Framework.
- Reference prices have been modelled using the Department's Dynamic Dispatch Model (DDM). These different price series are calculated using generation-weighted average prices captured across CfD Pot 2 intermittent and baseload plants modelled to deploy out to 2050. For baseload technologies this uses the modelled season ahead price. For intermittent technologies, day ahead hourly prices are estimated based on intra-day half hourly prices.

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