



Department for  
Business, Energy  
& Industrial Strategy

# Contracts for Difference for Low Carbon Electricity Generation

Consultation on proposed amendments to  
Supply Chain Plans and CfD Delivery

Closing date: 15 March 2022



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# General information

## Why we are consulting

As part of the government's Net Zero agenda, we have committed to a fully decarbonised electricity system by 2035, subject to security of supply considerations. Delivering this will require rapid and sustained scale-up of low carbon deployment. The Contracts for Difference (CfD) scheme is fundamental to achieving this goal, supporting low cost, low carbon electricity generation.

To keep pace with the scale of change needed in the power sector, the government intends to make the Contracts for Difference (CfD) scheme, including Supply Chain Plans (SCPs), more adaptable and forward looking. This consultation focuses on changes to the regulatory and administrative frameworks, particularly for SCPs.

Recent announcements have seen the government firm-up its commitment to better integrate all aspects of our energy policy, including deployment, supply chains and security of supply. The Net Zero Strategy: Build Back Greener and Build Back Better: Our Plan for Growth both highlighted the importance of the supply chain in the deployment of low carbon generation. In 2021, the government introduced a new SCP format and process for CfDs which made substantial progress towards integrating supply chain policy and our decarbonisation objectives. The government is now keen to build on lessons learnt through the CfD Allocation Round 4 (AR4) SCP process to improve the process.

The government also invites views on proposals to extend the SCPs to include selected emerging technologies that have the potential for large scale deployment, such as Floating Offshore Wind. Developing SCPs for these technologies will help ensure the development of a competitive, productive and capable supply chain that is able to support rapid and large scale deployment. Views are being sought on the duration of a Supply Chain Plan Statement of Approval length of validity (currently, unless the Secretary of State is of the opinion that there is a compelling reason for it to be longer, it has effect for 12 months), with options proposed to make the approval duration more adaptable.

In parallel with this consultation, the government is also launching a Call for Evidence seeking views and evidence on the potential for more significant changes to SCPs for Allocation Round 6 (AR6) that can enhance the impact of SCPs. If, following this Call for Evidence, further SCP changes are needed, then the government intends to consult on these, where appropriate.

Whilst consulting on changes to SCP policy, the government also seeks views on some regulatory aspects of wider CfD policy. This includes amending the regulations governing the Non-Delivery Disincentive mechanism to strengthen penalties for failing to deliver CfD commitments; and amending a requirement relating to flexible bids to align with changes to the valuation formula, which were introduced in Allocation Round 4. By consulting on these changes, we aim to make the CfD more forward looking and fit for delivering the scale and pace of the government's decarbonisation commitments.

## Consultation details

**Issued:** 4 February 2022

**Respond by:** 15 March 2022

**Enquiries to:**

Email: [BEISContractsforDifference@beis.gov.uk](mailto:BEISContractsforDifference@beis.gov.uk)

**Consultation reference:** Contracts for Difference for Low Carbon Electricity Generation: Consultation on changes to Supply Chain Plans and the CfD delivery.

**Audiences:**

The government welcomes responses from anyone with an interest in the policy area. We envisage that the consultation will be of particular interest to those considering the development of new low carbon energy projects in Great Britain, electricity traders and suppliers, businesses operating in the energy sector, and consumer and environmental groups with an interest in the electricity sector.

**Territorial extent:**

The CfD scheme applies to the UK but does not currently operate in Northern Ireland.

## How to respond

Your response will be most helpful if it is framed in direct response to the questions we have asked, though further comments and evidence are also welcome. When responding, please state whether you are responding as an individual or representing the views of an organisation. In view of the ongoing coronavirus situation, we are requesting responses by electronic means only. Please do not send responses by post to the department, as we may not be able to access them.

**Respond online at:** [beisgovuk.citizenspace.com/clean-electricity/cfd-proposed-amendments](https://beisgovuk.citizenspace.com/clean-electricity/cfd-proposed-amendments)

or

**Email to:** [BEISContractsforDifference@beis.gov.uk](mailto:BEISContractsforDifference@beis.gov.uk)

## Confidentiality and data protection

The information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please tell us but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

## Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: [beis.bru@beis.gov.uk](mailto:beis.bru@beis.gov.uk).

## Introduction

The government is considering making changes to its Contracts for Difference (CfD) policy for the next Allocation Round to make it more effective and forward-looking particularly on the application process for Supply Chain Plans (SCPs). The government is consulting on these regulatory changes now, so that it can start planning effectively for the next Allocation Round. There will be further consultations in 2022 on other aspects of the SCP process, including a revised SCP questionnaire and guidance.

The government introduced a new SCP format and process for the Contract for Difference Allocation Round in 2021. This new format was used for the first time in Allocation Round 4 of the CfD. As with any new process, the government learned lessons on what worked and what could be improved for future application rounds, including valuable insights from survey responses.

The government is also launching, in parallel with the consultation, a Call for Evidence on potential further changes to the SCP process from Allocation Round 6 onwards.

## Aim of this Consultation

Building on lessons learnt, the government is considering making some incremental changes prior to Allocation Round 5 (AR5) of the CfD. The aim is to improve the way the Supply Chain Plan (SCP) process operates and to keep the policy in line with the government's priorities as set out in Build Back Better: Our Plan for Growth and the recently published Net Zero Strategy: Build Back Greener. The adjustments will also ensure that the policy delivers on the specific aims as set out in the 2020 and 2021 consultations<sup>1</sup>.

In addition, to encourage low carbon electricity generation in the longer term, the government is committed to supporting the development of emerging renewable technologies with the potential for large-scale deployment in the short to medium-term. The government is therefore considering extending SCPs to capture specific emerging technologies that will contribute significantly to decarbonisation of the grid. Floating Offshore Wind has been identified as such a technology and was highlighted in the Net Zero Strategy as being integral to our grid decarbonisation objectives.

Finally, the government is seeking views on amending relevant regulations to change the validity period of approved SCPs, to strengthen the Non-Delivery Disincentive, and to ensure that requirements relating to flexible bids are in line with changes introduced for Allocation Round 4.

We are seeking views and responses on these proposed changes from anyone with an interest in supply chain issues and the CfD in general. We expect this consultation document will be of particular interest to those considering developing new low carbon energy projects in Great

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<sup>1</sup> "The government is now proposing more detailed changes to the Supply Chain Plan policy, which are designed to increase the clarity, ambition, and measurability of developers' commitments, and ensure that those commitments are delivered." - see <https://www.gov.uk/government/consultations/contracts-for-difference-cfd-changes-to-supply-chain-plans-and-the-cfd-contract>

Britain (GB), businesses involved in low carbon electricity generation supply chains, and consumer and environmental groups with an interest in the electricity sector.



# Supply Chain Plans

The government is committed to strengthening renewable energy supply chains, which will play a key role in delivering the generating capacity needed to achieve a fully decarbonised power system by 2035. To support this, the government introduced a strengthened Supply Chain Plan (SCP) process for Allocation Round 4 (AR4). This strengthened SCP process included a more detailed Questionnaire<sup>2</sup> to elicit more precise commitments to support the supply chain from developers and a penalty for non-implementation of their plans.

The SCP Plan assessment process for AR4, and a lessons learnt exercise, showed that the revised SCP format went a long way to achieving the government's objectives of clearer, more ambitious, and measurable commitments but there were still some areas where improvements could be made. Therefore, to support our policy of increasing the capacity, competitiveness and productivity of renewable energy supply chains, the government proposes to continue strengthening and clarifying the SCP process further, starting with incremental changes in CfD Allocation Round 5, and seeking views on whether more substantial alterations for AR6 could be useful in a Call for Evidence included in this consultation.

## Policy Context

Developers of projects that have a capacity of 300MW or more must apply for a Supply Chain Plan (SCP) Statement from the Secretary of State for Business, Energy and Industrial Strategy (BEIS) if they are planning to take part in a CfD allocation round. CfD applicants are required to provide this statement to National Grid ESO (as Delivery Body) as part of their CfD application. The aim of this process is to ensure that generators commit to a range of actions that can improve the competitiveness, productivity and capability of their supply chains. The rationale is that this, in turn, would increase competition and drive down the cost of generation over time, contributing to lower costs to consumers.

In 2021, we introduced new SCP questions and a new process to align with the government's Build Back Better plan and to accelerate supply chain development in light of our Net Zero targets. We notably made the questions more detailed and introduced a more rigorous monitoring process to track the implementation of SCPs. We also introduced a requirement for an applicant to apply for a SCP Implementation Statement from the Secretary of State – these will be issued to applicants who have successfully bid for a CfD, and who are on track to deliver their SCPs. Obtaining this Statement was made an Operational Condition Precedent in the CfD contract, meaning that it is required for CfD payments to commence.

Now that the SCP application phase of Allocation Round 4 is complete, the government is keen to introduce further incremental changes to the application process for Allocation Round 5. These proposed changes have been identified based on feedback on the Allocation Round 4 application process, and ensure we continue to fulfil SCP policy objectives, in terms of eliciting clearer, more ambitious, and measurable actions and outcomes from applicants.<sup>3</sup>

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<sup>2</sup> <https://www.gov.uk/government/publications/contracts-for-difference-cfd-allocation-round-4-supply-chain-plan-questionnaire-and-guidance>

<sup>3</sup> As set out in 2021: <https://www.gov.uk/government/consultations/contracts-for-difference-cfd-changes-to-supply-chain-plans-and-the-cfd-contract>

## The Proposals

The proposals below focus on the Supply Chain Plan (SCP) process and are designed to build on the changes made in Allocation Round 4. There will be a further consultation later in 2022 on the specific questions included in the SCP questionnaire for Allocation Round 5.

### Interviews

The government proposes introducing a non-compulsory “Interview with Applicants” stage into the SCP process so BEIS can better understand the Applicant’s proposed SCP. The interview would take place after an application is received and after BEIS has made an initial assessment of the Plan. The interview would feed into the overall SCP scoring process.

Interviewing applicants would provide BEIS with an opportunity to question any aspects of the SCP that are unclear or vague, and an opportunity to ensure that all answers have either measurable outcomes or a clear explanation of the desired outcome. The responses from the interview would then be used to update BEIS’ initial assessment. Applicants would have the opportunity to provide additional clarity and context to their commitments and to make amendments to their plans before a final mark was awarded, ensuring that there are no misunderstandings when it comes to the intentions of applicants.

Interviews could significantly help reduce the chance of failing an application because it would allow amendments to be made to a plan during the assessment process. That being said, BEIS also plans to continue to offer a full resubmission window to any plan that does fail their assessment, even after the interview.

The interview questions would be based on the published scoring criteria (as amended following the outcome of the consultation), and minutes of the interview would be kept and agreed between both parties following the interview. The minutes would not be published but would act as a formal record of what both parties said during the interview process and be included in the final feedback to an applicant.

Should an interview stage be added to the SCP process, BEIS will require additional time to assess applications. Therefore, the Department will increase the period in which to notify applicants as to whether or not their Supply Chain Plan has been approved to within 45 working days of the Supply Chain Plan Application Window closing date.

#### **Consultation questions:**

- 1. The government welcomes views on whether “Interviews with applicants” could help facilitate the application process, and lead to the publication of clearer, more precise Supply Chain Plans.**
- 2. The government welcomes views on how to make the process as transparent as possible for applicants, while respecting the need to protect commercial sensitivities.**

## Raising the Standard of Supply Chain Plans

To improve the quality of SCP applications still further, the government is proposing to raise the standard required of an applicant's submission to receive a SCP Statement of Approval, and Implementation Statement.

Currently, as set out in the Supply Chain Plan Guidance, to "pass" a SCP, an applicant must obtain at least 50% of the marks available in each of the scored sections of the questionnaire (see the AR4 scoring criteria<sup>4</sup>). In addition, the scoring criteria states that: "Marks will be awarded for the comprehensiveness of response, scale of ambition in activities and anticipated outcomes, feasibility, whether you identify quantifiable outcomes with measurable metrics, and how delivery will be assured (e.g., through contractual commitments, details of your company's internal measurement/monitoring processes and obligations, including reporting). A high weighting is placed on the scale of ambition.

The government is proposing to raise the pass mark to 60% of the marks available in each of the scored sections of the questionnaire. This is due to evidence showing that most SCPs only just pass their assessment. As we increase our ambition to deliver on our Net Zero target, we need to ensure that the renewable electricity supply chain remains competitive, to keep cost down, and has the capacity to meet the rising demand for components and services. Plans that only just pass at the 50% mark are unlikely to make sufficient progress against these objectives.

The government is also proposing to be more specific when it comes to defining the scoring criteria set out above, providing more guidance on what it expects under each category. The intention is that applicants are given more clarity over the standard expected of a supply chain plan application. Specifically, the government is proposing to give meaning to the expression "scale of ambition" in the scoring guidance by providing that it means any activity that improves or goes beyond existing industry standards and practices in a given area. The government hopes that by giving meaning to "scale of ambition", applicants will have a better understanding of what activities would elicit a higher score in a SCP.

### Consultation questions:

- 3. The government welcomes views on raising the pass mark in each Section to 60% of marks available.**
- 4. The government welcomes views on giving meaning to "scale of ambition" in the scoring criteria, and welcomes suggestions on what else could be clarified in the scoring criteria.**

## Clearer expectations under the Supply Chain Plan Questions

The government is also proposing to change the nature of the questions asked in the [Supply Chain Plan questionnaire](#)<sup>5</sup>, compared to those in Allocation Round 4. Currently, the

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<sup>4</sup> <https://www.gov.uk/government/publications/contracts-for-difference-cfd-allocation-round-4-supply-chain-plan-questionnaire-and-guidance>

<sup>5</sup> As above.

questionnaire asks developers to list a range of activities in answer to each question, to showcase the actions they are taking to improve their supply chains.

Following Allocation Round 4, the government has noticed that asking open-ended questions can lead to inconsistent levels of detail between applications. The government has also received feedback that it is was not always clear what the primary focus of each question was.

To resolve this, the government proposes to create a more precise question template in Allocation Round 5 of the CfD, requiring each answer to be broken down into the criteria set out in the [scoring guidance](#)<sup>6</sup>. In addition, the government proposes to alter the structure of the questions so that they clearly set out the supply chain challenges the government is trying to solve.

Box 1 below contrasts the current approach, and the proposed new approach.

Current approach: Example question on low carbon – note this is for demonstration purposes only

*Describe and support with evidence the three (3) most impactful activities you have either undertaken to date, are currently undertaking or plan to undertake across the development, construction and operations phases of the project to incentivise your supply chains to [reduce their carbon footprint] [...]*

*A maximum of one (1) completed activity can be linked to a previous completed project. The remaining activities should be linked to the current project and can be either completed, ongoing or planned. What outcomes are you looking to achieve and by when?*

Proposed new approach: Note this is for demonstration purposes only

*Are you taking action to [reduce the carbon footprint] in the development, construction and operations phase of your project? Please state:*

*Your first most impactful action in terms of [reducing net emissions]:*

*Your second most impactful action in terms of [reducing net emissions]:*

*Your third most impactful action in terms of [reducing net emissions]:*

*Evidence of feasibility for each action:*

*Evidence of ambition compared to existing industry standards for each action:*

*Key measurable outcomes/KPIs for each action:*

*How delivery will be assured for each action:*

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<sup>6</sup> <https://www.gov.uk/government/publications/contracts-for-difference-cfd-allocation-round-4-supply-chain-plan-questionnaire-and-guidance>

Note that a full consultation on each question of the SCP questionnaire will be issued later in 2022, and that this part of the consultation is concerned solely with improving the process of replying to supply chain plan questions.

**Consultation question:**

- 5. The government welcomes views on whether the example template above would provide greater clarity to applicants as to the government's expectations.**

## Duration of Supply Chain Plan Statement of Approval

### Policy Context

An approved Supply Chain Plan (SCP) is currently valid for a 12 month period from the date of notice given by the Secretary of State (unless the Secretary of State is of the opinion that there is a compelling reason for it to be longer) as set out in regulation 11 of the Electricity Market Reform (General) Regulations 2014 (SI 2014/2013). This measure was introduced to ensure that a SCP did not need to be re-written in the event of a delay to the auction it was prepared for.

The government proposes to re-examine whether the 12 month validity period is appropriate, and whether the same policy objective could be achieved by linking the validity of a SCP to the Allocation Round for which it was produced, regardless of when the CfD auction for that round begins.<sup>7</sup> The government would in all scenarios maintain the Secretary of State's discretion to extend the period of validity of a Statement of Approval should there be a compelling reason.

**Consultation question:**

- 6. The government welcomes views on whether the validity period of the Supply Chain Plan Statement of Approval should be linked to the allocation round for which it was produced (from Allocation Round 5), or whether alternative approaches would be better.**

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<sup>7</sup> This would require secondary legislation, to update the relevant regulations.

# Supply Chain Plans for Emerging Technologies

## Policy Context

Supply Chain Plans (SCPs) are currently technology neutral and apply to any project of 300MW or more seeking a Contract for Difference (CfD) - see regulation 26 of the CfD Allocation Regulations 2014 (SI 2014/2011). The 300MW limit was set to capture projects large enough to have a substantial impact on the renewable energy supply chain.

The government is considering whether it needs a more targeted approach to technologies that currently come under the 300MW limit, but which are likely to approach a significant deployment threshold in the short to medium term (i.e. next 1-5 years).

In this context, the government has identified Floating Offshore Wind (FOW) as a technology on the cusp of significant deployment in the next 1 to 5 years - with a government target of 1GW by 2030, as a stepping stone to larger scale deployment through the 2030s. This was outlined in the Net Zero Strategy<sup>8</sup> published in October 2021, which reconfirmed the government's commitment to drive rapid deployment of renewables and to accelerate the cost reduction and commercialisation of FOW.

The government will also consider the inclusion of other emerging technologies in the SCP process as and when such technologies reach a similar significant deployment threshold as currently applies to FOW.

## Proposal

The government is proposing to extend the SCP policy by targeting specific emerging technologies in the process. For example, by amending the CfD Allocation Regulations 2014 to create a specific obligation for a specific technology irrespective of size, rather than lowering the current 300MW threshold for all technologies.<sup>9</sup> This would allow BEIS to support the development of the emerging technology's associated supply chain at the early stages of significant commercial deployment, while remaining consistent with our current policy of not requiring a SCP of technologies which are not planned to deploy at large scales in the near future.

Floating Offshore Wind has been identified as the first emerging technology for inclusion in the SCP process in Allocation Round 5 because it is in a unique position as a technology that is on the verge of significant commercialisation and deployment. Therefore, it is likely to play an important role in decarbonising the grid, and moving a step closer to Net Zero, compared to other emerging technologies at this point in time. A SCP requirement for this technology would be consistent with its current near-term deployment growth trajectory compared to other technologies. The questions would be largely identical to those asked of other applicants, with the exception of a particular focus on collaboration to achieve scalability.<sup>10</sup>

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<sup>8</sup> <https://www.gov.uk/government/publications/net-zero-strategy>

<sup>9</sup> This would require secondary legislation to amend the relevant regulations.

<sup>10</sup> There will be a further consultation on the SCP questionnaire in due course.

The government has considered other emerging technologies with demonstration projects in operation such as tidal stream, but we believe such technologies are not yet in a position to deploy at the same scale, and with the same rate of growth, in the near future. We propose that instead, the progress of Tidal Stream and other emerging technologies will be monitored for inclusion in future Supply Chain Plan requirements for future allocation rounds following the forthcoming 5<sup>th</sup> round, using the same criteria as set out above for FOW.

Finally, the government plans to keep the 300MW threshold for all other technologies<sup>11</sup> to continue capturing projects with a scale sufficient to materially affect supply chains – however the government is aware that the threshold can incentivise some applicants to artificially lower the size of their project to avoid SCP requirements. This issue is addressed further in the Call for Evidence.

**Consultation questions:**

- 7. The government welcomes views on whether all floating offshore wind projects should be required to submit a Supply Chain Plan from Allocation Round 5 onwards.**
- 8. The government welcomes views on whether any other emerging technologies should be included in the Supply Chain Plan process from Allocation Round 5 onwards or in subsequent allocation rounds.**

## Non-Delivery Disincentive (NDD)

### Policy Context

The Non-Delivery Disincentive (NDD) is a mechanism set out in the CfD Allocation Regulations 2014 (SI 2014/2011)<sup>12</sup> which ensures that successful applicants awarded a CfD contract are incentivised to sign the contract and make their best efforts to demonstrate adequate delivery progress. Delivery progress is assessed at the Milestone Delivery Date (MDD), a contractual milestone to achieve generation by the dates stated in a contract.

Currently, the penalty for not meeting delivery commitments is to exclude the site from making a CfD application in the first allocation round that it could have otherwise made an application for.

This exclusion period is triggered if (i) a successful applicant allows the offer of a CfD to lapse, or if (ii) the contract is entered into and subsequently terminated before the MDD, or because the generator fails to achieve the required delivery stages by the MDD.

To incentivise CfD delivery, we are considering strengthening the Non-Delivery Disincentive. This comes, in part, in the context of the government's review into auction frequency.

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<sup>11</sup> Including all FOW projects of 300MW – however none are expected in AR5 ambition

<sup>12</sup> See regulation 14A of the CfD Allocation Regulations 2014, which was inserted by SI 2015/981, and amended by SI 2016/1246 and SI 2021/758

Currently, CfD allocation rounds are held approximately every two years. Any move to more frequent auctions could weaken the current Non-Delivery Disincentive by shortening the exclusion period. To ensure the Non-Delivery Disincentive remains an effective deterrent, we invite views on strengthening this disincentive by excluding the site from the next two applicable allocation rounds.

**Consultation question:**

- 9. The government welcomes views on strengthening the Non-Delivery Disincentive by extending the exclusion period to prohibit a CfD application from an excluded site for the next two applicable allocation rounds.**

**Views may wish to be shared on whether this proposal should be considered conditional on increasing auction frequency, or whether it should be considered independent of any changes to auction frequency.**

## Target Commissioning Window Start Date

### Policy Context

For Allocation Round 4, the government introduced changes to the valuation formula set out in Schedule 2 of the CfD allocation framework<sup>13</sup>. The formula now uses the Target Commissioning Window Start Date (i.e. the start date for the period in which the generation of electricity must take place as set out in the allocation framework) to calculate the budget impact of projects, instead of the Target Commissioning Date. The aim of this change was to reduce the strategic complexity of the auction and ensure that the earliest possible date of CfD payments is considered when calculating the impact on the budget.

Regulation 51 of the CfD Allocation Regulations 2014 (SI 2014/2011) permits the inclusion of a pending application (including a flexible bid) in the allocation process, after it has commenced. Paragraph 10 of regulation 51 defines “flexible bid” by reference to what details are specified in the bid. Currently, paragraph 10(c) requires that the Target Commissioning Date of a bid may not be any earlier than the Target Commissioning Date included in the applicant’s original application. This, along with the requirement that a bid may not have a capacity greater than that in the original application, was used to ensure that a bid could not increase the budget impact of an application.

As the Target Commissioning Date no longer determines the budget impact, in order to achieve the same effect, the government is proposing to amend the wording of regulation 51(10)(c) so that in both places “Target Commissioning Date” is replaced with “Target Commissioning Window Start Date”. The expression “Target Commissioning Window Start Date” is already defined in regulation 2(1).

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<sup>13</sup> <https://www.gov.uk/government/consultations/contracts-for-difference-cfd-proposed-amendments-to-the-scheme-2020>



**Consultation question:**

**10. The government welcomes views on amending regulation 51(10)(c) of the CfD Allocation Regulations 2014 (SI 2014/2011) – replacing “Target Commissioning Date” with “Target Commissioning Window Start Date”, so the required details for submitting a flexible bid align with the valuation change introduced for Allocation Round 4.**

## Assessment of Impacts

### *Supply Chain Plan*

The costs to businesses from the proposed changes to Supply Chain Plans are expected to be small. Introducing interviews for projects 300MW and larger will introduce a small administrative burden to developers. Other changes to the Supply Chain Plans for projects 300MW and larger are expected to have minimal impact on businesses compared to the current policy. The introduction of Supply Chain Plans for Floating Offshore Wind projects is likely to have a small administrative burden on developers.

In terms of benefits, the proposed changes for projects 300MW and above and the introduction of Supply Chain Plans for Floating Offshore Wind will help strengthen the Supply Chain Plan process. This has the benefits of increasing the capacity, competitiveness and productivity of supply chains. The proposed changes are likely to benefit not only businesses in the supply chain, but generators, as a more competitive supply chain is likely to drive down input costs. Lower generation costs would furthermore bring a benefit to consumers.

### *Non-Delivery Disincentive*

The impact of the Non-Delivery Disincentive (NDD) on businesses is expected to be minimal. Extending the exclusion period would likely lead to little or no extra cost to industry because the developer would have had to resolve the delivery issues that had meant they were not viable previously and return within a relatively short period of time to compete in and win a competitive auction. No projects caught by the NDD in earlier allocation rounds have returned to participate in a later allocation round, so we consider that the costs to industry will be zero. However, the benefits could be significant by ensuring an effective deterrent against non-delivery that would constrain our decarbonisation objectives.

### *Amending the CfD valuation formula*

The amendment to the valuation formula to use the ‘Target Commissioning Window Start Date’ instead of the ‘Target Commissioning Date’ in valuations was made prior to Allocation Round 4. As a result, industry has already adapted to the change and we consider the costs of updating this point in the relevant legislation to be zero.

**Consultation question:**

**11. Are there any other impacts, or alternative approaches to meet similar objectives, that you think we should consider for:**

- (a) Raising standards of Supply Chain Plan applications**
- (b) Clearer expectations under the Supply Chain Plan questions**
- (c) The duration of Supply Chain Plan statement of approvals**
- (d) Emerging Technologies and Supply Chain Plans**
- (e) Changes to the Non-Delivery Disincentive**
- (f) Changes to the wording for the Target Commissioning Window Start Date**

## Next steps

Following the close of this consultation, we will analyse the responses, summarise the views expressed and set out final decisions in a government response. We intend to publish this in spring 2022 on the GOV.UK website.

# Consultation questions

## Supply Chain Plans: Interviews

1. The government welcomes views on whether “Interviews with applicants” could help facilitate the application process, and lead to the publication of clearer, more precise Supply Chain Plans.
2. The government welcomes views on how to make the process as transparent as possible for applicants, while respecting the need to protect commercial sensitivities.

## Raising the standard of Supply Chain Plans

3. The government welcomes views on raising the pass mark in each Section to 60%.
4. The government welcomes views on giving meaning to “scale of ambition” in the scoring criteria, and welcomes suggestions on what else could be clarified in the scoring criteria.

## Clearer expectations under the Supply Chain Plan Questions

5. The government welcomes views on whether the example template would provide greater clarity to applicants as to the government’s expectations.

## Duration of Supply Chain Plan Statement of Approval

6. The government welcomes views on whether the validity period of the Supply Chain Plan Statement of Approval should be linked to the allocation round for which it was produced (from Allocation Round 5), or whether alternative approaches would be better.

## Supply Chain Plans for Emerging Technologies

7. The government welcomes views on whether all floating offshore wind projects should be required to submit a Supply Chain Plan from Allocation Round 5 onwards.
8. The government welcomes views on whether any other emerging technologies should be included in the Supply Chain Plan process from Allocation Round 5 onwards or in subsequent allocation rounds.

## Non-Delivery Disincentive

9. The government welcomes views on strengthening the Non-Delivery Disincentive by extending the exclusion period to prohibit a CfD application from an excluded site for the next two applicable allocation rounds.

Views may wish to be shared on whether this proposal should be considered conditional on increasing auction frequency, or whether it should be considered independent of any changes to auction frequency.

## Target Commissioning Window Start Date

10. The government welcomes views on amending regulation 51(10)(c) of the CfD Allocation Regulations 2014 (SI 2014/2011) – replacing “Target Commissioning Date” with “Target Commissioning Window Start Date”, so the required details for submitting a flexible bid align with the valuation change introduced for Allocation Round 4.

## Assessment of Impacts

11. Are there any other impacts, or alternative approaches to meet similar objectives, that you think we should consider for:

- (a) Raising standards of Supply Chain Plan applications;
- (b) Clearer expectations under the Supply Chain Plan questions;
- (c) The duration of Supply Chain Plan statement of approvals;
- (d) Emerging Technologies and Supply Chain Plans;
- (e) Changes to the Non-Delivery Disincentive;
- (f) Changes to the wording for the Target Commissioning Window Start Date

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