



Department for  
Business, Energy  
& Industrial Strategy

# Contracts for Difference for Low Carbon Electricity Generation

Consultation on Updating the Allocation  
Round 5 Supply Chain Plan Questionnaire

Closing date: 14 June 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 electricity generation deployment. The Contracts for Difference (CfD) scheme is fundamental to achieving this goal as our main renewable energy deployment support mechanism, supporting low cost, low carbon generation that helps to drive down the cost of electricity for consumers, and in turn reduce living costs. The fourth Allocation Round (AR4) started in December 2021. Key to the success of the CfD will be delivering an efficient, competitive and innovative supply chain that supports the roll out of major renewable energy projects and the transition to Net Zero. To that end, the government has a Supply Chain Plan (SCP) policy for all large (300MW+) projects applying for a CfD.

The government wants 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 the 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 Supply Chain Plan format and process for the CfD scheme which made substantial progress towards integrating supply chain policy and our decarbonisation objectives. These changes included a more in-depth questionnaire and process than in previous Allocation Rounds.

The government is now keen to build on lessons learnt through the CfD Allocation Round 4 Supply Chain Plan process. In February 2022, the government consulted on changes to the Supply Chain Plan process for the next Allocation Round of the CfD scheme (Allocation Round 5). The government response to the consultation was published alongside this document. It confirmed the government's intention to raise the standards of the Supply Chain Plan process.

This follow-up consultation focuses on the future Supply Chain Plan questionnaire, aiming to make it clearer, more focused and simpler. In addition, the proposals aim to translate aspects of the February 2022 consultation relevant to the Supply Chain Plan questionnaire.

Most of the revised Supply Chain Plan questions ask for the same information as in the Allocation Round 4 questionnaire, but with an improved template, improved scoring guidance, a clearer focus, and fewer data reporting requirements. This should facilitate the application process.

A bespoke questionnaire for Floating Offshore Wind applicants has also been proposed, to support the deployment of this emerging technology, which cannot yet be held to the same standard as more established technologies. Floating Offshore Wind is on the verge of significant commercialisation and deployment in the next few years and is expected to play an important role in reaching the government's Net Zero goal.

## Consultation details

**Issued:** 3 May 2022

**Respond by:** 14 June 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 New Supply Chain Plan Questionnaire

**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 involved in low carbon electricity generation supply chains, 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. This consultation therefore applies to Great Britain only.

## 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:** [insert Citizen Space link]

or

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

## Confidentiality and data protection

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 Contracts for Difference (CfD) scheme is the government's main mechanism for supporting new low-carbon electricity generation projects in Great Britain, with Supply Chain Plans being a key element of the government's policy to support the delivery of the generating capacity needed to achieve a fully decarbonised power system by 2035. Developers of projects with a capacity of 300MW or more need to apply for a Supply Chain Plan Statement from the Secretary of State for Business, Energy and Industrial Strategy to take part in a CfD allocation round. The Statement is issued to those projects who can demonstrate their project is likely to make a material contribution to the development of renewable energy supply chains. The rationale for this is to help drive down costs, fuel innovation, and increase deployment capacity over time.

The Supply Chain Plan process was strengthened for the last CfD Allocation Round by including more specific questions aimed at eliciting focused and measurable responses that are closely aligned to government objectives.

Following an assessment of how the Supply Chain Plan process operated in practice in Allocation Round 4 (AR4) and the undertaking of a lessons learnt exercise, the government consulted in February 2022 on proposals where improvements could be made to the Supply Chain Plan process.

The government response to that consultation was published alongside this consultation. In the response, the government set out its rationale for including all Floating Offshore Wind projects in the Supply Chain Plan process but with bespoke criteria, introducing a voluntary feedback session stage, committed to further test in this consultation raising the pass mark in each section to 60% of available marks (although not for Floating Offshore Wind applicants), as well as some further minor changes to the process.

This consultation sets out our proposals to revise the Supply Chain Plan questionnaire for CfD applicants to complete. The proposals take into account the feedback from applicants having gone through the AR4 Supply Chain Plan process and aims to resolve the issues they raised. These proposals also translate proposals taken from the February 2022 consultation that are relevant to the Supply Chain Plan questionnaire.

## Aim of this Consultation

The government is now seeking views on proposals to revise the questions in the Supply Chain Plan questionnaire for CfD applicants to complete. The questionnaire will form the basis of the initial Supply Chain Plan assessment before an allocation round, and then the basis of ongoing monitoring, review, and assessment after CfD signature.

The revised Supply Chain Plan questionnaire remains aligned to The Net Zero Strategy: Build Back Greener and to Build Back Better: Our Plan for Growth. It seeks to elicit focused and measurable responses that are closely aligned to government policy aimed at achieving a fully decarbonised power system by 2035. Through the questionnaire, applicants will be invited to submit their proposed actions to achieve the objectives of the Supply Chain Plan policy.

We welcome responses from anyone with an interest in low carbon energy Supply Chain issues. We expect this consultation document will be of particular interest to those considering

developing new low carbon energy projects in Great 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

## Policy context

Since the first CfD allocation round, developers of projects with a capacity of 300MW or more have had to apply for a Supply Chain Plan statement from the Secretary of State for Business, Energy and Industrial Strategy 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. From the fifth CfD allocation round, this requirement will also apply to all Floating Offshore Wind projects, regardless of their size, although subject to a bespoke Supply Chain Plan. The aim of this process is to ensure that developers encourage open, productive and competitive low carbon electricity generation supply chains, with the emphasis on increasing supply chain capacity, and the promotion of innovation and skills. This, in turn, will increase efficiency and drive down the cost of generation over time.

Supply Chain Plans will continue to be developer-led, so rather than the Government setting requirements, developers will instead be invited to submit their proposed actions to achieve the objectives of the Supply Chain Plan policy.

A Supply Chain Plan application comes in the form of responses to a Supply Chain Plan questionnaire. The responses by the applicant to the scored sections of the Supply Chain Plan questionnaire will be assessed to determine eligibility to participate in the CfD scheme. The government is proposing that applicants need to obtain 60% of available marks per scored section to obtain a Supply Chain Plan statement from the Secretary of State (see government's response to the February 2022 consultation on changes to Supply Chain Plans and CfD delivery), or 50% of available marks if they are a Floating Offshore Wind applicant.

Delivery of the Supply Chain Plan activities and outcomes committed to by a Project awarded a CfD contract will be monitored as part of an ongoing process after CfD signature. Finally, the delivery of Supply Chain Plans will be assessed in the Supply Chain Implementation Statement by the Secretary of State after a project has reached Milestone Delivery Date. The government proposes that projects that do not achieve at least 60% (or 50% in the case of Floating Offshore Wind applicants) as a percentage of total marks in each section of their Supply Chain Plan at implementation stage are unlikely to fulfil one of the Operational Conditional Precedents in the CfD contract, which may lead to contract termination. Termination of a CfD contract is recognised to be a significant consequence and is a last resort.

## Proposals

### **Supply Chain Plan questionnaire**

New drafts of the Supply Chain Plan questionnaire were issued alongside this consultation for consideration.

In the new draft applicable to all projects equal or greater in size than 300MW that accompanies this consultation, the proposed policy focus of the Supply Chain Plan questionnaire remains unchanged, as does the subject and aim of most of the questions. We propose that the questionnaire continues to ask questions centred on Green Growth,

Infrastructure, Innovation and Skills. However, we also propose several changes to the questionnaire and the guidance for completing it. These include:

- Rephrasing of questions, to make them more precise.
- A new template for setting questions, to make them clearer.
- Combining some questions, to minimise duplications in the questions and the answers.
- Removal of some questions, to keep the process as focused as possible.
- Removal of some data reporting requirements, where feedback showed these were too onerous
- Introduction of new, more transparent scoring methodology.
- A list of key definitions is provided to give a clear understanding to applicants what BEIS means when using certain terms.
- Guidance for each question on what BEIS is looking for.

These changes to the questionnaire would result in fewer questions and fewer data reporting requirements than was the case for the AR4 questionnaire.

We are also proposing a bespoke questionnaire for Floating Offshore Wind applicants, with fewer questions and data demands, tailored specifically to the size of the industry. Most of the questions are taken from the main questionnaire but appropriately amended, and include the proposed edits compared to AR4 in terms of style, scoring and guidance.

The proposed changes to the questionnaire can be found in the separate documents accompanying this consultation, and can be summarised as follows:

### **Green Growth**

The Green Growth section has been clarified, to enable BEIS to improve its understanding of the rationale behind procurement decisions for key components (defined in the questionnaire) and the value drivers that help differentiate bids from one another.

Some standard industry practices, such as “Meet the Buyer” events, and online portals, that are commonly used by developers to promote visibility of opportunities and attract new entrants have been combined into a single question that focuses on the desired outcomes of these activities, to minimise duplication with responses in other questions.

The UK content question has been moved to a separate unscored section of the questionnaire “Key statistics”. As with AR4, this question is asked for information purposes only. The level of UK content is not scored as part of the assessment of a Supply Chain Plan.

### **Infrastructure**

The Infrastructure section has been clarified to focus more explicitly on investments in supply chain facilities and logistics, decarbonisation, and minimising negative impacts on local communities.

The decarbonisation question has been moved to this section, from the Green Growth section, as most of the carbon footprint of a project is embedded in the manufacturing, construction and

logistical infrastructure of the project. The question has also been split into two separate questions: one focusing on calculating and monitoring the carbon intensity of a project, and the other on what practical actions are being implemented/introduced to reduce the carbon footprint of a project. This has been done to get a better sense of the carbon calculating methodologies that the sector is using, and to separate intelligence gathering actions from actions directly reducing emissions in the project's construction and maintenance.

The community engagement question has been merged with the question focused on minimising the negative impacts of projects on local areas, while the question on aligning projects with local economic strategies has been removed as it is a topic best left to the planning application process.

The question on strengthening infrastructure that supports supply chains has been split into two separate questions: one focusing on using new or upgraded key component manufacturing facilities (defined in the questionnaire) and the other focusing on infrastructure investments in lower tier suppliers, and other forms of infrastructure such as logistics. This was done to elicit more precise answers than in AR4, where there were different interpretations of what was meant by 'infrastructure'.

### **Innovation**

The Innovation section has been remodelled to gather more information on the new companies entering the sector, the R&D investments applicants are undertaking, and the new innovations that are being brought through.

The question on attracting new entrants and SMEs has been included in the Innovation section due to many new entrants being responsible for introducing new ideas, products and disruptive practices that drive the innovation and diversification in the sector, as well as cost reduction.

The question relating to the investment in R&D by an applicant's supply chain partners has been removed, due to developers generally not having signed contracts with their supply chain partners by the time of Supply Chain Plan application stage. The business processes question has also been removed, as this question was not sufficiently different from other questions in this section to elicit precise answers.

### **Skills**

The Skills section has been revamped to be more action-oriented, and less focused on descriptions of corporate strategies. Instead, more emphasis has been placed on the number of apprenticeships, scholarships and trainees a project creates, and other investments in skills (such as re-skilling, transitions from other industries, in relevant courses etc) made by the project and its suppliers. The question on job numbers, however, will no longer be scored and is asked for information purposes recognising the differences in approach to estimating this data at the project level (compared to industry-wide reporting) makes comparisons difficult.

A number of questions in this section have mainly been rephrased to be more precise, however the information required remains largely the same as in the previous Allocation Round.

We have removed the question relating to recruitment and hiring strategies as the question did not invite sufficiently specific and concrete actions from respondents and duplicated other questions.

### **Floating Offshore Wind**

The bespoke questionnaire contains fewer questions than the questionnaire designed for larger projects (7 compared to 18). The structure, template and scoring framework of the questionnaire, however, are largely identical to the proposed changes for the questionnaire for 300MW+ projects, as described above. Applicants will need to obtain 50% of the marks in total across the Floating Offshore Wind questionnaire, as opposed to 60% per section, in order to obtain a Supply Chain Plan Statement of Approval from the Secretary of State.

We are including a question to find out how much collaboration is going on in the sector to support the development of the technology and achieve the scale necessary for cost-effective deployment. This question would be specific to Floating Offshore Wind applicants.

Other questions have been removed or adapted in recognition of the smaller size of the technology, so that the focus remains on the challenges of a demonstrator technology. Scoring has been adapted on the remaining questions, as well as the relevant definitions.

### Scoring Criteria

A new scoring methodology has been introduced for both versions of the questionnaire in response to calls from applicants for more transparency. In addition, a list of key definitions has been included in the questionnaire document to provide more clarity of what BEIS means when using certain terms in the scoring (and other parts of the questionnaire). The openness of the scoring approach is designed to allow applicants to focus their answers when approaching a question.

Below is an example of a question following the new template and how the new scoring methodology will align with the information requested.

#### Q1.3 Supply Chain visibility: further actions

Are you taking any further actions not covered in Q1.2 to improve the visibility of opportunities to suppliers within international and UK supply chains and ensure greater collaboration of opportunity across the industry in the development, construction and operations phase of your project? Please state:

- Your most impactful action in terms of improving visibility of opportunities:
- Your second most impactful action in terms of improving visibility of opportunities:
- 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:

Your answer should be no more than 3 pages.

The question will be scored as follows:

Information requested	Points available per action
Evidence of ambition compared to existing industry standards, for each action	3 points if ambition significantly exceeds industry standard

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	<p>2 points if ambition improves somewhat on industry standard</p> <p>1 point if ambition is in line with industry standard</p> <p>0 points if ambition is below industry standards</p>
Key measurable outcomes / KPIs for each action	<p>2 points if information provided</p> <p>0 points if no information provided</p>
How delivery will be assured for each action	<p>3 points if detailed delivery assurances set out</p> <p>2 points if partial delivery assurances set out</p> <p>1 point if superficial delivery assurances set out</p> <p>0 points if no delivery assurances set out</p>
Total number of points	8 points per action, 16 points in total.

The Government welcomes views on these proposed changes to the questionnaire.

# Consultation questions

## Supply Chain Plans

The Government welcomes views on the following:

- 1. Whether the proposed rephrasing of questions has increased clarity of what is required from applicants.**
- 2. Whether the proposed new questions being asked are the right questions to support the delivery of the Supply Chain Plan objectives.** *(These objectives are to build competitiveness, capability and capacity in supply chains.)*
- 3. Whether the bespoke questionnaire proposed for sub 300MW Floating Offshore Wind applicants asks appropriate questions in relation to the scale and maturity of the industry.**
- 4. Whether there are any other questions that should be included in the questionnaire.** *(Please specify whether you are referring to the standard questionnaire or the bespoke Floating Offshore Wind questionnaire.)*
- 5. Whether the proposed new scoring methodology provides a clear understanding of how Supply Chain Plans will be assessed, whether this methodology would ensure that marks are awarded appropriately, and whether the pass mark for 300MW+ projects is appropriate in this context.** *(Please specify whether you are referring to the standard questionnaire or the bespoke Floating Offshore Wind questionnaire.)*
- 6. The proposed weighting attributed to the questions, and whether it gives due importance to the most pressing supply chain issues.** *(Please specify whether you are referring to the standard questionnaire or the bespoke Floating Offshore Wind questionnaire.)*

## 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 summer 2022, to provide potential CfD Applicants sufficient time to prepare a Supply Chain Plan in advance of the opening of the fifth CfD Allocation Round in March 2023, on the GOV.UK website.

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This consultation is available from: [www.gov.uk/government/consultations/contracts-for-difference-updating-the-allocation-round-5-supply-chain-plan-questionnaire](https://www.gov.uk/government/consultations/contracts-for-difference-updating-the-allocation-round-5-supply-chain-plan-questionnaire)

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