



Department for
Business, Energy
& Industrial Strategy

Contracts for Difference for Low Carbon Electricity Generation

Government response to consultation on
proposed amendments to Supply Chain
Plans and CfD Delivery

May 2022



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Context

As part of the government's world-leading Net Zero agenda, we have committed¹ 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) is the government's main mechanism for supporting new low carbon electricity generation and is fundamental to achieving Net Zero.

In the Net Zero Strategy the government committed to reviewing the frequency of CfD allocation rounds to accelerate the deployment of low cost and low carbon generation. Following engagement with industry, there was overwhelming support for more frequent allocation rounds. On 9 February 2022 the Secretary of State for Business Energy and Industrial Strategy Kwasi Kwarteng announced² that CfD allocation rounds will run more frequently, with the next allocation round (Allocation Round 5) due to open in March 2023. By increasing the frequency of CfD rounds the government will build on the success of the CfD scheme to date and will help provide greater market confidence and encourage even more investment in the sector.

Bringing forward more low carbon generation is essential for reducing our reliance and exposure to volatile fossil fuel markets. The government's Energy Security Strategy³ sets out steps to further accelerate this plan to deliver a more independent and more secure energy system. The annual CfD allocation rounds will be instrumental for achieving the commitments in the Energy Security Strategy for accelerating the deployment of renewables and accelerating the progress towards Net Zero.

To support these targets, the government aims to introduce some incremental changes to improve CfD delivery in preparation for Allocation Round 5, and in the way the Supply Chain Plan (SCP) process operates – increasing the capacity, competitiveness and productivity of SCPs to keep the policy in line with the priorities set out in Build Back Better: Our Plan for Growth and the Net Zero Strategy.

Overview of consultation proposals

On 4 February 2022, the government published a consultation⁴ on proposed changes to the Contracts for Difference (CfD) scheme to enable effective planning for the next allocation round. The consultation closed on 15 March.

The consultation sought views on a number of proposed changes to Supply Chain Plans (SCP) and CfD delivery to ensure the CfD scheme continues to be adaptable and forward looking. The consultation sought views on proposals to ensure the CfD legislative and regulatory

¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1033990/net-zero-strategy-beis.pdf

² <https://questions-statements.parliament.uk/written-statements/detail/2022-02-09/hcws600>

³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1067835/britis-h-energy-security-strategy-web.pdf

⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1052510/cfd-proposed-amendments-scp-cfd-delivery-consultation.pdf

frameworks support and enable the change in allocation round frequency. The proposed changes related to:

- Introducing a non-compulsory “Interview with Applicants” stage into the SCP process;
- Raising the standard required of an applicant’s submission to receive a SCP Statement of Approval, and Implementation Statement from 50% to 60% pass mark;
- Changing the nature of questions asked in the SCP Questionnaire to provide further clarity;
- Examining the validity period of the SCP Statement of Approval, and whether it should be linked to the relevant allocation round;
- Extending the SCP policy to specific emerging technologies – Floating Offshore Wind;
- Strengthening the Non-Delivery Disincentive of the CfD; and
- Amending the regulations to reflect a change in the valuation formula introduced for Allocation Round 4.

An assessment of the impacts of the consultation proposals was included in the consultation document. The consultation also invited views on other impacts which should be accounted for when considering these policy proposals. This government response outlines the approach to these responses in the Assessment of Impacts and Other Consultee themes section.

Engagement with the consultation proposals

The consultation was published online and ran from 4 February to 15 March 2022. Responses were submitted through an online response tool (Citizen Space), or by email. The consultation received 41 responses, out of which 19 were from developers of renewable generating stations, 11 were from trade associations and bodies. The consultation also saw a small number of responses from devolved governments, suppliers, research and public bodies and investment bodies.

To aid stakeholders’ understanding of the consultation proposals, and to gather further feedback, BEIS officials hosted an online consultation webinar on 9 February 2022. The webinar was attended by around 140 individuals from a similar cross-section of stakeholders, including developers, energy suppliers, supply chain firms and trade associations.

Several consultation responses included wider suggestions on how to improve aspects of the operation of the Contracts for Difference scheme outside of the proposals consulted. These are summarised at the end of the document, in the Assessment of Impacts and Other Consultee themes section.

Next steps

On 9 February, the government announced its decision to move to annual CfD allocation rounds. The policy changes set out in this government response will apply to contracts awarded through the next allocation round, Allocation Round 5, which is due to open for applications in March 2023.

The government intends to lay regulations before Parliament to incorporate a number of the policy proposals in this government response, subject to Parliamentary approval, by amending existing legislation, in particular the CfD Allocation Regulations 2014 (SI 2014/2011) and the Electricity Market Reform (General) Regulations 2014 (SI 2014/2013). These policy proposals include strengthening the Non-Delivery Disincentive, extending the Supply Chain Plan process to include Floating Offshore Wind applicants below the 300MW threshold, amending the validity period of the Supply Chain Plan Statement of Approval, and aligning a certain provision in the CfD Allocation Regulations 2014 with a valuation formula change introduced for Allocation Round 4.

In parallel to this response the government has also published a second, follow-up consultation on the Supply Chain Plan Questionnaire that will form the basis of the assessment of Supply Chain Plans in the next Allocation Round. The consultation incorporates many aspects of this government response and in some cases invites further views on them.

The government is considering further improvements to the CfD and the most efficient way for running allocation rounds annually. Subject to these considerations, the government may offer a further consultation in preparation for Allocation Round 5 in the summer. Stakeholders will be informed through existing CfD communication channels.

Responses to the consultation

This Government response outlines the summary of the 41 responses to the 11 questions in the consultation, and the policy responses. The government is grateful to each and every respondent to the consultation for taking the time to submit their views on the proposals.

In reporting the overall response to each question, the 'majority' indicates the clear view of more than 50% of respondents in response to that question, and 'minority' indicates fewer than 50%. The following terms have been used in summarising additional points raised in the responses: 'most respondents' indicates more than 70% of those answering the particular question, 'a few respondents' means fewer than 30%, and 'some respondents' refers to the range in between 30% and 70%. This is consistent with the approach of other UK Government responses to consultations.

Supply Chain Plans

Interviews

The government proposed the introduction of a non-compulsory “Interview with Applicants” stage into the Supply Chain Plan process in order for BEIS to better understand the Applicant’s proposed Supply Chain Plan.

Proposals

Question 1 sought views on whether an “Interview with Applicants” stage could help facilitate the application process, and lead to the publication of clearer, more precise Supply Chain Plans.

Question 2 sought views on how to make the process as transparent as possible for applicants, while respecting the need to protect commercial sensitivities.

Responses to the consultation

There were 35 responses to the government’s proposal to introduce an interview stage into the Supply Chain Plan process and question on how to ensure transparency. The majority of responses were received from developers, but a small number were also received from suppliers, trade associations, consultancies, investors and devolved governments.

Views on proposals and government response

Most respondents were supportive of the principle of introducing a stage in the Supply Chain Plan process that would allow developers to learn more about the government's expectations and provide an opportunity to clarify misunderstanding or ambiguities. Some respondents were supportive of the idea of having a more collaborative process with the Supply Chain Plans but thought that a more informal process would be more appropriate. Some suggested written submissions and feedback would be more suitable to provide a more objective, clear and helpful process for developers, while others suggested a verbal informal feedback session would be better. Some respondents suggested that, if introduced, this stage should be called something other than 'interviews' so as to provide a more defined scope to the meaning of the sessions, such as 'post application feedback stage'. Some commented that if the guidance and scoring criteria were made clearer, an interview stage might not be necessary.

In terms of how BEIS could ensure transparency, there was a strong preference that the minutes should not be published with some respondents highlighting the importance of the principle of conversations remaining confidential, while others felt that minutes should be published to avoid subjectivity in the process. Some respondents flagged the importance of confidentiality in terms of procurement information provided in applications. The overwhelming

majority of respondents pointed to the need for clear guidance and more objective scoring criteria.

Policy response:

Taking into account the responses received, the government has decided to proceed with the proposed introduction of a non-compulsory Interviews with Applicants stage into the Supply Chain Plan assessment process where the minutes will remain confidential. However, several respondents asked government to consider an alternative framing for this stage of the process, that clearly defines the scope of the meeting and makes it more collaborative. The government has therefore agreed to reframe the “Interview” stage as “feedback sessions”.

The government believes that introducing a feedback session stage will reduce any misunderstandings when it comes to government expectations or the intentions of applicants. The government believes that building in this stage will significantly reduce the chances of an application failing.

The government is also considering ways to minimise the administrative burden of feedback sessions such as providing questions ahead of the meeting taking place.

Raising the standard of Supply Chain Plans

The government proposed to raise the standard required of an applicant’s submission to receive a Supply Chain Plan Statement of Approval, and Implementation Statement.

Proposals

Question 3 sought views on raising the pass mark in each section of the Supply Chain Plan from 50% to 60%.

Question 4 sought views giving meaning to “scale of ambition” in the scoring criteria and for suggestions on what else could be clarified in the scoring criteria.

Responses to the consultation

There were 36 responses to the government’s proposal to raise the standard of an applicant’s submission. The majority of responses were received from developers, but a small number were also received from suppliers, trade associations, consultancies, investors and devolved governments.

Views on proposals and government response

Many respondents said that they could not provide an answer to the question on raising the pass mark in absence of updated scoring criteria and guidance. Many commented that they did not think raising the pass mark would be the most effective way to elicit improved supply chain commitments and that other ways to do this fall outside the scope of Supply Chain Plans. Some said that providing more clarity in the guidance and on the scoring criteria would help to elicit higher quality plans. Some suggested that raising the pass mark should be introduced at a later stage.

In terms of providing a definition for 'scale of ambition', many respondents pointed to the need for industry to be involved in defining what is meant by 'industry standards' and what exceeds them as well as in establishing an understanding of what is feasible. The majority of respondents flagged the need to consider what is possible at different stages of a project, the size of projects, the technology used and the location of projects, explaining that these factors impact the types of activities developers can commit to. Some asked that specific definitions are provided for each technology. Many pointed to the importance of ensuring any definition is realistic.

Policy response:

The government remains committed to taking actions that help to raising the standard of Supply Chain Plans.

The government believes that Supply Chain Plans that only just pass the current 50% pass mark are unlikely to make sufficient progress against the government's Net Zero objectives and that increasing the pass mark to 60% will help to drive more ambitious commitments.

However, taking into account the responses received, the government is revisiting this question in the consultation on the Supply Chain Plan questionnaire, published alongside this response. This will give respondents access to more information on the weighting and new scoring criteria, to help inform their response. The government also plans to issue more detailed guidance on the scoring criteria, which will also form part of the consultation published alongside this response.

Accounting for responses to these questions, as well as questions 7 and 8 on extending Supply Chain Plans to emerging technologies, the government has decided to keep the pass mark at 50% for Floating Offshore Wind projects that come under the 300MW threshold, in recognition of the fact that they are new to the Supply Chain Plan process, and in order to minimise burdens and introduce a more bespoke process for an emerging technology.

In terms of the responses relating to providing a definition to scale of ambition, new updated definitions can be found in the consultation on the Supply Chain Plan questionnaire published alongside this response with the aim of providing more clarity for applicants on the government's expectations. This gives respondents an opportunity to comment on the new suggestions.

Taking into account responses, the government is considering how to ensure the Supply Chain Plan process is reflective of different characteristics of projects such as size and type of technology. These concerns will be reflected in future Supply Chain Plan questionnaires and guidance.

Clearer expectations under the Supply Chain Plan Questions

The government proposed to change the nature of the questions asked in the Supply Chain Plan questionnaire, compared to those in Allocation Round 4 and put forward an example template.

Proposals

Question 5 sought views on whether the example template given in the consultation ([see page 12 of the consultation](#)), which requires each question to be broken down into criteria set out in the scoring guidance, and which alters the structure of questions, would provide greater clarity to the applicants as to the government's expectations.

Responses to the consultation

There were 31 responses to the government's proposal to introduce clearer expectations under the Supply Chain Plan questions through a new template. The majority of responses were received from developers, but a small number were also received from suppliers, trade associations, consultancies, investors and devolved governments.

Views on proposals and government response

Many respondents indicated that they thought that the example template given would provide greater clarity to applicants as to the government's expectations. Some respondents suggested additional features to improve the template further such as, the inclusion of a comments box for additional information, a degree of flexibility for comments and answers that do not fall within the boundaries of the specific question being asked, or the provision of example answers.

Policy response:

Taking into account the responses received, the government has decided to proceed with the proposed new template for the next Supply Chain Plan questionnaire.

The government believes that the more precise template will lead to more consistent levels of detail between applications and make it easier for applicants to discern the government's objectives for each question. This is a view that was shared by respondents.

The government has decided not to take forward the suggestion of providing a comment box as it believes it would undermine the attempt to move to a more standardised and precise assessment criteria. The government has also decided not to take forward the suggestion of providing example answers, as the government believes this could have a negative effect by restricting the range of answers an applicant would put forward. The consultation on the Supply Chain Plan questionnaire, published alongside this government response, shows each question formulated into the new template. The government has also modified the scoring criteria to match the template, helping to provide greater clarity.

Duration of Supply Chain Plan Statement of Approval

The government proposed to re-examine whether the 12 month validity period for Supply Chain Plans is appropriate, and whether the same policy objective could be achieved by linking the validity of a Supply Chain Plan to the allocation round for which it was produced, regardless of when the CfD auction for that round begins.

Proposals

Question 6 sought 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.

Responses to the consultation

There were 35 responses to the government's proposal to link the Supply Chain Plan Statement of Approval to the allocation round for which it was produced. The majority of responses were received from developers, but a small number were also received from suppliers, trade associations, consultancies, investors and local authorities.

Views on proposals and government response

Many respondents agreed with the proposal to link the validity period of the Supply Chain Plan with the allocation round it was created for. Some respondents were of a view that a longer validity period would be more suitable, either two years or two allocation rounds. Some respondents pointed to a need for increased flexibility for developers who are unsuccessful in an allocation round as it would be unrealistic to expect an entirely new and different Supply Chain Plan only a year later if they were to bid again for a CfD, as there will typically be limited changes year on year in the Supply Chain Plan. Some suggested introducing individual pre-Application meetings to understand which parts of the Supply Chain Plan would need updating for the proceeding allocation round, rather than re-writing the application.

Policy response:

Taking into account the responses received, the government has decided to proceed with altering the validity period for a Supply Chain Plan by making it valid for 9 months rather than 12 (while maintaining the Secretary of State's discretion to lengthen this period, which would be relevant for instance if an allocation round were to be delayed). Altering the validity period in this way means that a Supply Chain Plan's validity is aligned to the move to annual CfD allocation rounds⁵. To make this change, it is necessary to amend the Electricity Market Reform (General) Regulations 2014.

The government believes that it is important that Supply Chain Plans remain valid only for the round they were produced for so that applicants continue to make new commitments that will contribute to the building and strengthening of the supply chain.

Taking into account responses, the government is committed to reducing the burden on developers who were unsuccessful in one CfD allocation round, who re-apply in the subsequent round. The government will recognise that many actions in a Supply Chain Plan prepared for an allocation round will remain valid for the following allocation round. On that basis, the government will accept the submission of very similar Supply Chain Plans from one allocation round to the next, where applicants did not obtain a CfD the first round, so long as these plans do contain appropriate and targeted updates reflecting known changes in circumstances in a project.

⁵ <https://www.gov.uk/government/news/government-hits-accelerator-on-low-cost-renewable-power>

Supply Chain Plans for Emerging Technologies

The government proposed to extend Supply Chain Plan policy by targeting specific emerging technologies. It suggested a way of doing this could be to create a specific obligation for a specific technology irrespective of generating capacity. The government proposed that the first emerging technology to be included in Allocation Round 5 should be Floating Offshore Wind, considering its deployment potential in the medium term.

Proposals

Question 7 sought views on whether all Floating Offshore Wind projects should be required to submit a Supply Chain Plan from Allocation Round 5 onwards.

Question 8 sought 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.

Responses to the consultation

There were 39 responses to the government's proposal to require all Floating Offshore Wind projects to submit a Supply Chain Plan and whether other emerging technologies should be considered. The majority of responses were received from developers, but a small number were also received from suppliers, trade associations, consultancies, investors and devolved governments.

Views on proposals and government response

Many respondents agreed with the proposal to extend the Supply Chain Plan process to Floating Offshore Wind projects, on the condition that it was made a lighter-touch process, including a bespoke version that is adapted to the size of the project, and the challenges and maturity of the technology. Those who supported the approach, or were neutral, acknowledged requiring a Supply Chain Plan could help accompany the technology on its deployment journey and build a strong supply chain. Those who disagreed considered the approach could place Floating Offshore Wind at a competitive disadvantage since other small Pot 2 technologies were not required to submit Supply Chain Plans, that it was too early to have similar expectations of the Floating Offshore Wind supply chain as we would expect of established technologies, and that CfD support (in terms of budgetary minimas for instance) was insufficient.

In relation to the question on whether to include other emerging technologies, responses were split. Those in favour tended to be trade bodies representing a wide range of technologies, including tidal. Arguments in favour related to the need to support other emerging technologies, but that Allocation Round 5 was too early to consider any new additions. It was also argued that future additions should also be subject to a bespoke process. Those against cited the belief that smaller emerging technology projects should not be subjected to more burdens in the future. Two respondents noted that Solar, though not an emerging technology, should be considered for future bespoke treatment.

Policy response:

Taking into account the responses received, the government has decided to proceed with the proposal to include Floating Offshore Wind projects in the Supply Chain Plan process. To make this change, it is necessary to amend the CfD Allocation Regulations 2014.

The government believes that this will support the development of Floating Offshore Wind at the early stages of significant deployment and remain consistent with the government policy of not requiring a Supply Chain Plan for technologies which are not planned to deploy at large scales in the near future.

The government has considered concerns raised in the responses around the Supply Chain Plan process being disproportionately burdensome for smaller projects. The government will therefore be proceeding with a bespoke, shorter questionnaire for Floating Offshore Wind with fewer data reporting requirements. It will also require a 50% pass rate (rather than a 60% pass rate proposed for all projects greater than 300MW). A version of this bespoke questionnaire is being proposed as part of the consultation on the Supply Chain Plan questionnaire published in parallel to this government response.

Non-Delivery Disincentive

The consultation set out the government's rationale for strengthening the Non-Delivery Disincentive (NDD) by excluding sites that do not meet delivery commitments from the next two applicable allocation rounds (up from the next applicable allocation round only). The NDD ensures that successful applicants awarded a Contracts for Difference (CfD) contract are incentivised to sign the contract and make their best efforts to demonstrate adequate delivery progress.

Proposals

Question 9 sought views on whether the NDD should be strengthened, and whether this should be done conditional on changes to CfD allocation round frequency. To date, CfD allocation rounds have been held approximately every two years, but the move to annual allocation rounds risks weakening the disincentive by shortening the exclusion period. The proposal to strengthen the NDD is intended to ensure it remains an effective disincentive.

Responses to the consultation

A total of 33 responses were received to the proposed strengthening of the NDD. Responses were received from energy developers and suppliers, trade associations, investors, oil and gas companies and delivery partners. The majority of respondents were in favour of strengthening the NDD. For most respondents, this support was conditional on moving to annual allocation rounds (which has since been announced). A few respondents were neither in favour nor against the proposals, with the remaining few responses not in favour of the proposed changes.

Views on proposals and government response

Although the majority of respondents were generally supportive of the proposals, there were several comments and suggestions made.

Several respondents stated that emerging technologies carry an inherently higher risk of non-delivery and requested that the criteria for exclusion should distinguish between aggressive bidding strategies that could result in undeliverable strike prices, and non-delivery due to project delay or unforeseen circumstances.

A few respondents noted that if allocation rounds are not held annually as intended, the NDD mechanism would become more stringent. To avoid this, a suggestion was made that the NDD exclusion period could be expressed in terms of the lower of either a time-period-based exclusion or an allocation rounds-based exclusion.

Several respondents asked for clarification whether the changes would apply from the current allocation round (AR4), or from the next (AR5).

Several respondents suggested that the NDD should be strengthened further using bid bonds, as used in some international markets. It was suggested this should particularly be considered for Pot 1 technologies, with a quicker development process. A few respondents stated that annual allocation rounds may increase the risk of speculative bids, as applying for a CfD may be seen as a risk-free alternative to merchant options. It was suggested that the NDD process should be strengthened to include fines for delays or non-delivery during the development phase (with a claw-back mechanism if the terms of the Supply Chain Plan were not met).

The respondents who disagreed that the NDD should be strengthened stated this could potentially disincentivise bidders as it could present an additional risk for developers, particularly for emerging technologies. A few respondents noted that no major projects from past allocation rounds had failed to deliver and so questioned the need to strengthen the NDD.

The NDD exclusion applies to a CfD unit located at a specific site. A few respondents noted that some sites are shared between several developers and stated that if one developer is not able to deliver, other developers with an application for a project in the same zone should not be prohibited from making a CfD application in the following allocation rounds.

Policy response:

On 9 February 2022, the government announced that the next allocation round would open in March 2023, and run annually thereafter. Following this decision, and taking into account the views raised by stakeholders through the consultation, the government will implement the proposal to strengthen the NDD. The proposal will be implemented so that if a CfD offer is not signed or if a CfD is entered into and subsequently terminated in certain circumstances of non-delivery, then the eligible generator may not make an application for a CfD in the next two allocation rounds in respect of certain sites.

To make this change, it is necessary to amend the Electricity Market Reform (General) Regulations 2014. The amendment to the CfD Allocation Regulations 2014 however will apply only in respect of future allocation rounds (i.e. AR5 and allocation rounds thereafter) and will not affect CfDs offered or entered into in Allocation Round 4.

The changes will maintain the NDD for future allocation rounds at equivalent levels to those previously in place when there were less frequent rounds. The government is grateful to respondents who suggested measures to strengthen the NDD further, or to relax for emerging technologies. We consulted on introducing bid bonds to tackle non-delivery in 2020⁶, and some respondents highlighted concerns about the impact of bid bonds on certain projects or developers. We will closely monitor the results of AR4 as they emerge and consider ahead of future allocation rounds whether the NDD remains an effective disincentive, while meeting the objective of increasing the generation capacity of renewables. We will consider whether developers who share sites may have grounds for an exemption from the NDD if a competitor using the same site does not deliver.

⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/885248/cfd-ar4-proposed-amendments-consultation.pdf

Target Commissioning Window Start Date

The consultation proposed to amend paragraph 10 of Regulation 51 of the CfD Allocation Regulations 2014 (SI 2014/2011) to align it to the change in the valuation formula (set out in Schedule 2 of the CfD Allocation Framework), which was introduced for Allocation Round 4.

Proposals

Question 10 of the consultation sought views on amending paragraph 10 of Regulation 51 of the CfD Allocation Regulations 2014 - so that in both places “Target Commissioning Date” is replaced with “Target Commissioning Window Start Date”. This amendment would reflect a change already made in the Allocation Framework for Allocation Round 4, where the government amended⁷ the valuation formula to use the first day of the Target Commissioning Window to calculate the budgetary impact instead of the Target Commissioning Date. This change, which intended to reduce the strategic complexity of the allocation round and to ensure that the earliest possible date of the CfD payments is considered when calculating the impact on the budget, should also be reflected in the CfD Allocation Regulations 2014.

Responses to the consultation

This question received 22 responses. The responses received were from developers, trade and public bodies, and investment bodies. The overwhelming majority supported the proposal.

Views on proposals and government response

This proposal attracted overwhelming support. The large majority of the respondents welcomed the government’s ambition for consistency and supported aligning the CfD Allocation Regulations 2014 with the valuation formula change previously introduced. A few of the respondents stated that they agreed with the procedural nature of this policy proposal, and that they found this proposal a sensible way to ensure alignment.

Policy response:

The government intends to implement its proposal to amend the wording of regulation 51(10)(c) of the CfD Allocation Regulations 2014 by replacing in both places “Target Commissioning Date” with “Target Commissioning Window Start Date”. To make this change, it is necessary to amend the CfD Allocation Regulations 2014. This would mean that, in the context of a flexible bid, the Target Commissioning Window Start Date of a bid may not be earlier than the Target Commissioning Window Start Date included in the applicant’s original application. This would ensure that the meaning of “flexible bid”

⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/937634/cfd-proposed-amendments-scheme-2020-ar4-government-response.pdf

specified in regulation 51(10) corresponds to the valuation formula in the CfD Allocation Framework.

Assessment of Impacts and Other Consultee Themes

The consultation sought views on BEIS' assessment of impacts of the proposals and whether any other impacts or approaches should be considered in relation to the consultation proposals.

There were also several consultation responses that included wider suggestions on how to improve aspects of the operation of the CfD scheme outside of the proposals on which the government has consulted. These included suggestions about continued use of ringfenced minima for certain technologies, and aligning future CfD delivery years with network reinforcement plans.

Proposals

Question 11 asked for views or alternative approaches to meet similar objectives that respondents thought the government should be considering on each of the consultation proposals.

Responses to the consultation

Responses to the Assessment of Impacts question

- None of the respondents disagreed with the assessment of impacts that were presented in the consultation (that the impacts would be minimal). Some respondents raised additional impacts as well as ideas relating to the Supply Chain Plan process. When discussing impacts some respondents suggested the need for a simplified application process and increased sharing of best practices. Others suggested greater collaboration would be beneficial across the process, both Tier 1 suppliers and regional bodies were cited as being beneficial to engage with. Others gave suggestions about other elements that should be considered during the process, such as factoring in project differences, as well as rewarding different types of initiatives.

Some respondents made suggestions and comments relating to the CfD scheme. One developer commented that the scheme does not incentivise decarbonisation. Another respondent pointed to a need for cross-border collaboration to promote integration of infrastructure. One respondent pointed to the benefits of aligning delivery years with grid upgrades.

Some respondents raised suggestions relating to financing. There were suggestions on CfD inclusions such as the use of tax breaks, and on the need for industry to bring forward ideas on better supporting initial UK investment costs in new facilities, for example the use of an up-front funding pot.

Wider suggestions

Respondents also raised additional suggestions in response to other parts of the consultation. A few respondents highlighted the need for continuous application of ringfenced minima for energy projects in the UK to continue sending the right investment signals and certainty and confidence.

A small number of respondents suggested the government takes into consideration upcoming and future key network reinforcements to be factored in setting the delivery years for future CfD allocation rounds. The need for a holistic approach between policy framework for delivering renewables generation with energy grid infrastructure was raised, as well as the need for greater flexibility for penalties in cases where delivery years are already set.

It is therefore critical for us to have clarity and certainty on proposed timescales and milestones for future rounds as far in advance as possible.

This publication is available from: www.gov.uk/government/consultations/contracts-for-difference-cfd-proposals-for-changes-to-supply-chain-plans-and-cfd-delivery

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