



Department for  
Business, Energy  
& Industrial Strategy

# Contracts for Difference for Low Carbon Electricity Generation

Government Response to consultation on  
updating the Allocation Round 5 Supply  
Chain Plan questionnaire

August 2022



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## Introduction

As part of the government's world-leading 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. Realising this ambition will demand a strong and stable renewable energy supply chain in order to meet the capacity required. Bringing forward more low carbon generation is essential for reducing our reliance and exposure to volatile fossil fuel markets. The government's Energy Security Strategy sets out steps to further accelerate this plan to deliver a more independent and more secure energy system.

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 order to qualify for a CfD Allocation Round, Applicants with generation capacity of 300MW or more are required to complete a Supply Chain Plan and have it approved by the Secretary of State for Business, Energy and Industrial Strategy. The Secretary of State will approve a Supply Chain Plan if satisfied that the generating station is likely to make a material contribution to the development of supply chains. The Supply Chain Plan process aims to combine our supply chain ambitions and decarbonisation objectives.

The government has considered how to ensure that CfD allocation rounds can best support an increase in the pace of renewable deployment needed to achieve its Net Zero agenda whilst minimising the amount consumers spend on energy across the country. On 9 February 2022 the Secretary of State for Business Energy and Industrial Strategy Kwasi Kwarteng announced 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.

The timetable for Allocation Round 5 will be announced in due course.

In preparation for Allocation Round 5 we consulted on the future Supply Chain Plan questionnaire, both the standard version and the new bespoke Floating Offshore Wind version for projects under 300MW. The changes proposed aimed to make the questions clearer, more focused, and simpler.

## Responses received

We would like to thank all stakeholders that responded to this consultation, with detailed reasoning and helpful suggestions for improving the Supply Chain Plan questionnaire and guidance for AR5. In total we received 18 responses. The consultation ran from 3 May to 14 June 2022 and was available on GOV.UK. Responses were received via email and Citizen Space. The consultation was also advertised through our CfD Bulletin mailing list.

We received responses from a variety of stakeholders including renewable energy developers, suppliers and trade associations.

# Summary of responses

The consultation sought views on the updated Allocation Round 5 Supply Chain Plan questionnaire and accompanying guidance. This followed a lessons learned exercise and a survey of Applicants on the Supply Chain Plan format and questionnaire following the AR4 assessment process. The government looked to determine any potential improvements that could be made to the questions asked in the Supply Chain Plan in order to continue to ensure they encouraged the effective development of the supply chain.

In this section, we have provided a summary of responses received through the consultation, giving an opportunity for stakeholders to view how others responded.

The consultation was published alongside an updated draft of the Supply Chain Plan questionnaire and a draft of the bespoke Floating Offshore Wind questionnaire. The consultation asked for views on the following;

- Whether the proposed rephrasing of questions increased clarity of what is required from Applicants.
- Whether the proposed new questions would support the delivery of the Supply Chain Plan objectives of building competitiveness, capability and capacity in supply chains.
- Whether the bespoke questionnaire proposed for sub 300MW Floating Offshore Wind Applicants contained appropriate questions in relation to the scale and maturity of the industry.
- Whether there are any other questions that should be included in either version of the questionnaire.
- Whether the proposed new scoring methodology was appropriate.
- Whether the proposed weighting attributed to the questions was appropriate.

## Increasing clarity for Applicants

**1.Views were invited on whether the proposed rephrasing of questions increased clarity of what is required from Applicants.**

### Responses to the consultation

There were 15 responses to the question asking about the clarity provided by the new draft questionnaire.

### Views on proposals and government response

Most respondents welcomed the proposed changes and believed the rephrasing of the questions has increased clarity. Most noted that Supply Chain Plans for all technologies should be kept as streamlined as possible.

Many were of the view that the unscored sections of the questionnaire should be removed from the questionnaire reasoning that the information would be better gathered at the industry level

rather than at the project level. Some expressed concerns that some questions asked for descriptions and strategies and didn't encourage commitments, there were also concerns about how the marking of descriptions and strategies would work.

### **Policy response:**

Taking into account the responses received, the government has decided that the unscored sections will remain as the information garnered from these questions helps track the impact the growing renewables electricity generation industry has on the UK. The government is willing to consider an alternative approach from the industry for AR6 or beyond if and when the sector has a finalised proposal.

Where questions ask for a description of strategies, the Supply Chain Plan guidance has been revised to make clear what is required and how the question will be scored at the assessment and implementation stages.

## Supporting delivery of Supply Chain Plan objectives

**2. Views were invited on whether the proposed new questions were the right questions to support the delivery of the Supply Chain Plan objectives. (The objectives being to build competitiveness, capability and capacity in supply chains.)**

### Responses to the consultation

There were 16 responses to the question asking whether the proposed new questions were the right ones to support the delivery of Supply Chain Plan objectives.

### Views on proposals and government response

Many respondents raised concerns about the overall Supply Chain Plan process as well as submitting specific comments on individual questions. One concern that was raised by respondents was that the time available to prepare a Supply Chain Plan might be reduced in light of the move to annual auctions.

Some respondents were of the view that the questions in the Supply Chain Plan questionnaire focus too much on portfolio and corporate level objectives rather than project level impacts.

Some expressed concerns that the focus on competition in the CfD mechanism is preventing collaboration and supply chain investment. Some respondents suggested that some parts of the questionnaire could be assessed as part of the work being done by the Offshore Wind Acceleration Taskforce.

### **Policy response:**

One of BEIS' priorities with the Supply Chain Plan process is that developers are given as much time as possible to prepare their Supply Chain Plans. We are working to ensure that the final Supply Chain Plan questionnaire and guidance are published as far in advance of the Supply Chain Plan window opening as possible and that workshops are held with stakeholders ahead of the Supply Chain Plan window opening to ensure developers are clear on what is required.

The Contracts for Difference scheme is hugely successful and remains central to the government's ambitions to decarbonise the power sector by 2035 and diversify our energy mix away from volatile fossil fuel markets. In terms of the wider concerns and ideas about the Supply Chain Plan process and the Contracts for Difference scheme as a whole, government is working with the Offshore Wind Acceleration Task Force (OWAT) to consider these further. OWAT will drive forward the ambitions set out in the British Energy Security Strategy and has established a supply chain workstream to identify actions to guarantee security of supply of components and services, ensuring offshore wind deployment targets can be met. The workstream will also identify and address the barriers to investment in the supply chain. The group is set to produce its first set of recommendations within 6 months.

A response to the more specific questions that were put forward in the consultation responses can be found in the 'Conclusion and next steps' section towards the end of this Government Response.

## Suitability of the proposed Floating Offshore Wind bespoke questionnaire

### **3. Views were invited on whether the bespoke questionnaire proposed for sub 300MW Floating Offshore Wind Applicants asked appropriate questions in relation to the scale and maturity of the industry.**

#### Responses to the consultation

There were 17 responses to the questions about whether the proposed bespoke questionnaire for Floating Offshore Wind asked appropriate questions in relation to the scale and maturity of the FOW industry.

#### Views on proposals and government response

Some respondents expressed the view that the Operational Conditions Precedent (OCP) should be limited to projects over 300MW. The main reasoning given was about Supply Chain Plans being more challenging to deliver for smaller projects which are often in early stages of development. Others were of the view that the Floating Offshore Wind Questionnaire should apply to all Floating Offshore Wind projects and not just those under 300MW in size.

Others commented on the weighting in the Floating Offshore Wind questionnaire, with some of the view that more emphasis on innovation rather than infrastructure was appropriate.

#### **Policy response:**

Taking into account the responses received, the government decided that the OCP will continue to apply for all projects involved in the Supply Chain Plan process (including Floating Offshore Wind projects below 300MW). The government acknowledges the arguments made by respondents and recognises Floating Offshore Wind is still in the early stages of development and initial projects are expected to be smaller than 300MW in size. Government has mitigated against these concerns by the introduction of a bespoke, lighter touch questionnaire for Floating Offshore Wind projects under 300MW in size. Government acknowledges it is more challenging for smaller projects to make as much of a material impact on the supply chain than it is for larger projects, this will be accounted for during the

assessment with a lower pass mark and implementation stages in terms of the types of commitments expected.

BEIS has not made any changes to the weightings in the FOW draft questionnaire as it deems them appropriate. Delivering suitable port and supply chain infrastructure is key to commercialising floating wind technology and driving down costs. To mitigate against concerns raised BEIS has reworded some of the questions, including in the infrastructure section to broaden the scope of what commitments can be given.

## Additional questions

### **4. Views were invited on whether any additional questions should be included in either of the questionnaire.**

#### Responses to the consultation

There were 16 responses to the question about whether additional questions should be included in either version of the questionnaire.

#### Views on proposals and government response

Most respondents were of the view that no further questions should be added to the questionnaire.

A few suggested a question around a 'Just Transition' be added noting the government's emphasis on supporting a just energy transition from other industries to renewable energy.

Some respondents had thoughts on where the emphasis of the questionnaire should be. Some were of the view there should be more of a focus on ports, energy security, others noting that the FOW questionnaire should further address technical challenges faced by novel technologies.

#### **Policy response:**

Taking into account responses received the government has decided not to include a question on the 'Just Transition' because it regards the skills section as sufficient to encourage commitments related to workers transitioning into the industry. The innovation and infrastructure questions in the FOW questionnaire provide opportunities for developers to set out how they will address technical challenges faced by this nascent technology.

The government is of the view that the focus of both questionnaire is appropriate in terms of delivering BEIS' objectives to build competitiveness, capability and capacity in supply chains. This is something that is kept under consideration for each Allocation Round.

## Suitability of the proposed scoring criteria

### **5. Views were invited on whether the new proposed scoring criteria provided a clear understanding of how Supply Chain Plans would 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.**

## Responses to the consultation

There were 16 responses to the question about the new proposed scoring criteria.

### Views on proposals and government response

Most respondents expressed a view that the proposed new scoring methodology provides greater transparency than before. Concerns were raised about the 60% pass mark for the greater than 300MW projects and some expressed a preference for a sliding scale for scoring.

Some respondents flagged concerns about the binary nature of some questions, suggesting that a graduated scoring system would be more appropriate.

#### **Policy response:**

As stated in the [Government Response to the SCP and CfD delivery](#), published 3 May, government has decided to raise the pass mark to 60% for projects over 300MW in size in order to raise the standard of Supply Chain Plans. We have however, decided to keep the pass mark at 50% for FOW projects below 300MW in size in recognition of the projects relatively smaller size and therefore ability to influence the competitiveness, capability and capacity in supply chains.

Taking into account responses received, government has not changed the way the questionnaire is scored, however the scoring criteria and approaches will be kept under consideration for AR6.

## Suitability of the proposed weighting attributed to questions

### **6. Views were invited on the proposed weighting attributed to the questions, and whether it gives due importance to the most pressing supply chain issues.**

#### Responses to the consultation

There were 14 responses to the question about the proposed weighting criteria and whether it gives the right level of importance to the most pressing supply chain issues.

#### Views on proposals and government response

Most respondents stated that they were satisfied with the weighting given in the standard questionnaire.

Some respondents suggested that the weighting in the FOW questionnaire should place more emphasis on promoting innovation and delivering new technology and focus less on addressing skills gaps in the industry.

#### **Policy response:**

Taking into account responses received, government has reworded the question on skills gaps in the skills section so that it focuses on actions to address the challenges that projects anticipate as the industry scales up to deploy on a mass scale rather than actions being taken to close gaps. This has been done to reflect the current stage of market development for FOW projects.

## Conclusion & next steps

The recently published British Energy Security Strategy accelerates and builds on the commitments set out in the Prime Minister's 10 Point Plan, the Energy White Paper and the Net Zero Strategy. This plan makes a series of bold commitments which put Great Britain at the leading edge of the global energy revolution.

Vital to realising these commitments will be ensuring the continued long-term success of renewable deployment and ensuring the wider electricity system is able to fully utilise the opportunities of high levels of renewable generation. The responses to this consultation have been extremely useful to help BEIS finalise the Supply Chain Plan questionnaire in order to ensure that successful Allocation Round 5 Applicants make a material contribution to building the renewable energy supply chain. Some responses will also be useful to the work of the newly established Offshore Wind Acceleration Taskforce.

Following the responses to the consultation, the government will be publishing the final Supply Chain Plan questionnaire and guidance for AR5 with a handful of amendments relating to specific questions. Amendments include:

- Broadened scope of potential commitments able to be given in the FOW questionnaire and rewording of some of the questions of the FOW questionnaire so that a wider range of examples can be used.
- Additional examples to the standard questionnaire of the type of common practices and industry standards we expect to see: including more examples of the type of acceptable activities, particularly in the Green Growth section, which will provide greater clarity on what is expected.
- Further clarified the guidance around some specific issues raised by responders, such as confirming that consortium projects and cluster work can be used as examples with SCPs.
- Amended the 'major investments' question in the standard questionnaire: to expand the length in years for determining what we consider new manufacturing facilities to be and to reward developers who can show they have sought to work with suppliers to invest in new facilities.

All the changes can be seen in the final versions of the questionnaire and guidance published alongside this Government Response on GOV.UK.

A number of other suggestions were also put forward in the consultation that related to specific amendments to questions. Some specific suggestions have been incorporated into the final version of the questionnaire and/or guidance and where they were not considered appropriate we have set out why above. Some of the more substantial changes suggested warrant further consideration and will therefore be further considered for Allocation Round 6 and beyond.

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This publication 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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