



Department for  
Energy Security  
& Net Zero

# Contracts for Difference for Low Carbon Electricity Generation

Government Response to the Consultation  
on Updating the Allocation Round 6 Supply  
Chain Plan Questionnaires

July 2023



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## Context

The Contracts for Difference (CfD) scheme is the government's main mechanism for supporting new low-carbon electricity generation projects in Great Britain. Developers of projects with a capacity of 300MW or more, as well as all Floating Offshore Wind projects, regardless of size, need to apply for a Supply Chain Plan (SCP) Statement from the Secretary of State for Energy Security and Net Zero 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. As such, Supply Chain Plans are 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, by encouraging the growth and sustainability of the supply chain.

The Supply Chain Plan process has been strengthened in the previous two allocation rounds by including more specific and clearer questions, raising the pass mark for projects over 300MW, introducing a voluntary feedback session into the assessment stage, and introducing a bespoke questionnaire for all Floating Offshore Wind projects, regardless of size.

Following analysis of Allocation Rounds 4 and 5, as well as a review of practices overseas, the March 2023 consultation set out our proposals to make small updates to the Supply Chain Plan questionnaire. This is the government response to this consultation.

## Overview of consultation proposals

On 28 March 2023, the government published a consultation on Updating the Allocation Round 6 Supply Chain Plan Questionnaires. The consultation closed on 2 May.

The consultation sought views on a number of proposed changes to Supply Chain Plans questionnaires to ensure they continue to be adaptable and forward looking. The proposed changes related to:

- Combining some questions, to minimise duplications in the questions and the answers.
- Removing some questions, to keep the process as focused as possible.
- Broadening the scope of questions previously focused on decarbonisation, by asking about sustainable supply chains, both in terms of sustainable procurement practices and sustainable decommissioning/end of life practices.
- Adding a question focused on resilient supply chains and mitigating exposure to external events (in part replacing other questions).
- Rewarding developer collaboration by adding a question on collaboration on infrastructure (and adding to the original collaboration question in the Floating Offshore Wind questionnaire), and in other key areas where collaboration is appropriate.

- Introducing a bespoke questionnaire for solar projects above 300MW.

## Engagement with the consultation proposals

The consultation was published online and ran from 28 March to 2 May 2023. Responses were submitted through an online response tool Citizen Space and by email. The consultation received 19 responses, out of which 13 were from developers of renewable generating stations, 3 were from trade associations and bodies, 2 suppliers and an individual.

## Next steps

Alongside this government response, the final version of the Supply Chain Plan questionnaires, and the Supply Chain Plan guidance, have been published on gov.uk. The Supply Chain Plan application window for AR6 will open on 4 December 2023, and applications will be processed within 55 working days.

# Responses to the consultation

This Government response outlines the summary of the 19 responses to the 10 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

### Sustainable Procurement and Planning for Sustainable Decommissioning

#### Proposal

Question 1 sought views on whether the questions on ‘Sustainable Procurement’ (as seen in all questionnaires), and ‘Planning for Sustainable Decommissioning’ (as seen in the Offshore/Onshore questionnaire and the solar questionnaire):

- Are these right questions to support the delivery of the Supply Chain Plan objectives?
- Are there activities that relate to sustainable procurement and sustainable decommissioning that are not covered by the questions as drafted?
- Are the scoring thresholds for percentage recycling rates at decommissioning stage set at an appropriate level?

#### Responses to the consultation

There were 17 responses to the government’s proposal on ‘Sustainable Procurement’.

#### Views on proposals and government response

##### Sustainable Procurement

Many respondents highlighted the lack of industry standards making it difficult to compare and determine what it deemed “ambitious” in this area, and that procurement contracts will not be

signed before Supply Chain Plan submission or the point of Supply Chain Plan implementation, which further increases the challenges of accurately reporting sustainability commitments.

Some respondents suggested broadening the definition of ‘sustainability’ to include actions that have a positive impact on evolving the supply chain skills base, creation of jobs, using recycled materials, circularity, biodiversity, and social sustainability.

One respondent suggested rewording the Procurement question to make it explicit that it was focused on the sustainability of the production, manufacturing, transport, installation and construction processes, to avoid the impression the question was just asking about the sustainability of tender processes itself.

### Planning for Sustainable Decommissioning

Many respondents highlighted that not enough data was available regarding offshore wind decommissioning to determine what the ‘industry standard’ should be and that decommissioning arrangements will not be known at Supply Chain Plan submission or Supply Chain Plan implementation stage. Many highlighted that it will be very difficult to evidence that the proposed recycling thresholds can be achieved at the time of submission of supply chain plans. It was also unclear how commitments would be monitored given that the recycling would not take place until the end of an asset’s lifecycle which is at least 20 years in the future.

Some respondents suggested adding a clarification that the recycling rate is measured by weight, and broadening the scope to include refurbishment as well as having the option to use the anticipated recycling or reuse rate of decommissioned installations.

Some respondents recommended that target recycling rates for projects should be set as an industry standard (possibly with minimum applicable thresholds) and not assessed on a project-by-project basis through the Supply Chain Plan questionnaire, or to tackle this policy issue as a non-scored question for data collection.

One respondent considered the thresholds set for anticipated recycling rates are appropriate.

#### **Policy response:**

Taking into account the responses received, the government has decided to reword the “Sustainable Procurement” question to clarify that it seeks actions aimed at reducing the most environmentally harmful activities throughout the entire capital expenditure (CapEx) phase of the project.

In relation to the timing issue for monitoring sustainable behaviour during the CapEx phase, the government notes that the majority (though not all) of major key component contracts will be in place by a project’s Milestone Delivery Date, and therefore it should be possible to monitor the quality of actions linked to Capex contracts.

The government has decided to remove the question on anticipated recycling rates, acknowledging issues in accurately monitoring the data under the current Supply Chain Plan system, and because it does not wish to hinder more environmentally friendly activities such as reusing, refurbishing or repurposing components or materials at an asset's end of life. The question has been modified to make it clearer that it is focused on what investments and actions a project is taking now, to facilitate decommissioning further down the line. The government has also addressed concerns about how to define industry standards for decommissioning and has therefore changed the scoring to reflect this.

## Supply Chain Resilience

### Proposal

Question 2 sought views on whether the questions on 'Supply Chain Resilience' (as seen in the Offshore/Onshore questionnaire only): are the right question to support the delivery of the Supply Chain Plan objectives.

### Responses to the consultation

There were 17 responses to the government's proposal on 'Supply Chain Resilience'.

### Views on proposals and government response

Many respondents were concerned that this question was inappropriate in the Supply Chain Plan questionnaire, and better addressed through other policy mechanisms. Many were concerned that, specifically, the modern slavery aspect of the question relied too much on self-declarations and would be difficult to assess and score in practice, not least because of the complexity of monitoring supply chains. Many respondents also highlighted that developers would be unable to effectively assess geopolitical risks flagged in the question, which were outside of a developer's control.

A few respondents pointed out that the question is not included in solar SCP questionnaire, and this could lead to a competitive advantage between renewable technologies.

#### **Policy response:**

Taking into account the responses received, the government has decided to redraft the question to seek details on what procedures developers have in place to mitigate their exposure to risks in their supply chain, specifically risks related to (a) modern slavery and/or abusive labour practices; (b) risks affecting the sourcing of key components and materials. The redrafted question addresses concerns about the difficulties in getting a full accurate assessment across the whole supply chain and focuses instead on developer processes for mitigating issues, while avoiding penalising developers for things outside of their control. Note, however, that the government will not remove this question considering the severe emerging issues that have emerged in the renewables supply



chain in recent years, whether in terms of key access to components, materials or the existence of abusive labour practices.

While the Solar Supply Chain Plan does not have the question on Supply Chain Resilience due to the difference in their supply chains, it does contain the modern slavery element of the Resilience question as tackling modern slavery is critical policy for the government, and to the sustainability of renewables supply chain.

## Decarbonisation Monitoring

### Proposal

Question 3 sought views on whether the questions on 'Decarbonisation Monitoring' (as seen in the Offshore/Onshore and the bespoke solar questionnaire):

- Is the newly drafted version of the question (option 2), helpful in facilitating moving towards a standard way of calculating Lifetime CO<sub>2</sub> equivalent emissions?
- Is the newly drafted version of the question (Option 2) the right question to support the delivery of the Supply Chain Plan objectives?
- What LCO<sub>2e</sub> thresholds should be used in Option 2, expressed as CO<sub>2e</sub> per MW? Please specify what X, Y and Z should represent for the standard and solar version of the questionnaire?

### Responses to the consultation

There were 15 responses to the government's proposal "Decarbonisation Monitoring".

### Views on proposals and government response

Many respondents pointed out that there is no agreed industry standard for the LCO<sub>2</sub> calculations and that The Carbon Trust is working on a joint industry initiative to developing a methodology to be harmonised across industry. Without an agreed upon methodology there is a risk that the approach consulted on may favour certain technologies and certain projects over others, or that those using a higher quality detailed Life Cycle Assessment (LCA) would be unfairly penalised in comparison to those using a lower quality LCA as it would likely lead to higher reported emissions.

A solar respondent highlighted that there is a low level of control by a solar developer on carbon footprint and limited information available, because a large portion of the carbon footprint is locked into the equipment, much of which is imported.

#### Policy response:

Taking into account the responses received, the government has decided to revert to the decarbonisation question as featured in AR5 Supply Chain Plans, and to remove Option 2 from the decarbonisation monitoring question and wait to see if a standard methodology can be agreed through the Carbon Trust's joint industry initiative. The scoring weighting

has been reduced as a result. The government remains committed in the longer terms to tracking data more systematically and rigorously on this issue and will want to return to this in some format for Allocation Round 7.

## Collaboration

### Proposal

Question 4 sought views on whether the questions on 'Collaborating to Utilise Infrastructure' (as seen in the Offshore/Onshore questionnaire only): is this the right question to support the delivery of the Supply Chain Plan objectives and if collaboration should be encouraged/rewarded in other questions.

### Responses to the consultation

There were 17 responses to both consultation questions on Collaboration.

### Views on proposals and government response

The majority of respondents support the principle of collaboration, however they also pointed out the difficulty in collaborating given the competitive nature of CfD process and commercial sensitivity.

Several respondents believed that this question had been given too much weight given the inherent difficulty in collaborating in competitive CfD environment.

Some respondents noted that the questions on infrastructure and infrastructure collaboration should be merged, to minimise duplication.

#### **Policy response:**

Taking into account the responses received, the government has decided to remove question 2.4 on Collaboration to Utilise Infrastructure as a standalone question, and instead included infrastructure collaboration within Question 2.3 on Supply Chain infrastructure investments. As a result, the weight carried by this issue has been lowered, in recognition of the difficulties in collaborating through a competitive process such as the CfD.

### Proposal

Question 5 sought views on whether there were other questions, other than those on 'Investment in New Technologies', and 'Skills Gaps and Shortages' where collaboration should be encouraged/rewarded.

### Responses to the consultation

There were 17 responses to both consultation questions on Collaboration.

## Views on proposals and government response

The majority of respondents were happy with the current scope of collaboration in the questions referenced above. Many respondents highlighting the importance of encouraging collaboration in knowledge and data sharing in non-commercially sensitive areas like environmental assessments, site investigation etc.

### **Policy response:**

Taking into account the responses received, the government has adjusted in the questions and guidance where collaboration can be featured and rewarded to reflect the feedback received.

## Using SMEs

### Proposal

Question 6 sought views on whether the scoring thresholds for SME involvement has been set at an appropriate level.

### **Responses to the consultation**

There were 16 responses to the government's proposal on SME scoring thresholds.

## **Views on proposals and government response**

The majority of respondents felt the threshold of 9% capital and development expenditure spend on SMEs was too high and would be unachievable, highlighting how much spend would be required on SMEs to reach the threshold for large project. Others pointed out that collecting data of SME use across the whole supply chain would be onerous and contracts not all been agreed by SCP submission.

Respondents were also seeking clarity on whether the threshold was measured only through direct contracts or also through Tier 1 subcontracts, and whether international SMEs were included.

Several respondents felt that the scoring weighting was too high.

### **Policy response:**

Taking into account the responses received, the government has decided to revert back to the question on SMEs as it was asked in AR5. The government recognise that the information being asked in the consultation draft on SME spend is not information currently gathered in the way the government was setting out, and may be onerous to collect with many contracts not been signed by the time of Supply Chain Plan submission. The government remains committed to reviewing how to trace spend on SMEs in future policy.

## Apprenticeships, Scholarships and Trainees

### Proposal

Question 7 sought views on whether the scoring thresholds for 'Apprenticeships, Scholarships and Trainees' are set at an appropriate level in the solar questionnaire.

### **Responses to the consultation**

There were 7 responses to the government's proposal on the scoring thresholds for 'Apprenticeships, Scholarships and Trainees' in the solar questionnaire.

### **Views on proposals and government response**

Many respondents deemed that Solar projects are too small to require a specific question asking for apprenticeship/trainee/t-level creation as they would not yield significant numbers, and suggested merging information requests on apprenticeships with the question on addressing skill gaps.

A few responses pointed out lack of flexibility of the question, namely limiting it to transitioning workers, omitting interns, graduate programmes, or asking for T-Levels which are not offered in Wales.

#### **Policy response:**

Taking into account the responses received, the government has decided to remove question 4.2 on Apprenticeships, Scholarships and Trainees from the Solar questionnaire, and allowed actions to address skills gaps and skills shortages in question 4.1 to feature actions on apprenticeships, scholarships and trainee positions instead.

For the offshore/onshore questionnaire, the government has clarified in the guidance what sort of qualifications may be used as equivalents or interchangeably.

## Other questions that should be included or removed from the Questionnaires

### Proposal

Question 8 sought views on whether other questions should be included or removed from the questionnaires.

### **Responses to the consultation**

There were 16 responses to the government's proposal on whether other questions should be included or removed from the questionnaires.

### **Views on proposals and government response**

The majority of respondents did not see a need to introduce more questions into the SCP process, stating that the policy focus was broadly appropriate. Many respondents suggested

modifying the newly introduced or reformatted questions (e.g. on resilience, sustainability, SMEs, on non-price factors in tenders) to diminish their impact or adjust their proposed benchmarks.

The majority of respondents focusing on the solar questionnaire argued that the focus of the Green Growth section of the questionnaire should be less on how procurement decisions were made, but on whether competitive outcomes were achieved.

Some respondents noted that requiring ever increasing levels of ambition in supply chain plans was unsustainable in the long run for the renewables industry.

Many respondents argued that before further questions are added or modified, the government should run an assessment to test the effect of supply chain plans on the industry, and whether they are fulfilling their objectives, and to consider if other forms of industry-wide, rather than project-level interventions might be more beneficial.

**Policy response:**

Taking into account the responses received, the government has addressed many of the concerns raised in the responses to this question as they were already flagged in the responses to earlier questions in the consultation, notably around resilience, sustainability and SMEs.

The government will not be altering the green growth section in the solar questionnaire as it remains committed to understanding the process by which decisions are made in all projects submitting Supply Chain Plans.

The government will not be introducing any further questions to the Questionnaire as a result of this consultation but has removed some as flagged in the sections above.

The government continuously assesses the efficiency of the SCP process with the information it has available after each allocation round but acknowledges that there is a time lag between the changes it makes to the questionnaire and their likely effect - noting that some effects from AR4 are only starting to emerge now as these projects go through the monitoring phase. However, the government does consider it necessary to make rapid changes after key rounds to address salient, emerging issues that are affecting renewables deployment (e.g., resilience, sustainability).

## Scoring

### Proposal

Question 9 sought views on whether the proposed scoring for each question is appropriate, and sufficient to incentivise the ambitious commitments needed to support the delivery of the Supply Chain Plan objectives.

## Responses to the consultation

There were 18 responses to the government's proposed scoring for each question.

### Views on proposals and government response

Respondents' comments mainly focused on the weighting given to particular questions or sought clarity on the priority given to specific questions, specifically whether they highlighted policy priorities for the department. Some respondents highlighted inconsistencies in weighting or definitions.

Many respondents specifically focused on the Procurement Value Drivers (Non-price Factors) question in the Green Growth Section, arguing that the question contradicts the main aim of the Contracts for Difference mechanism which is to deliver low-cost low-carbon electricity generation projects and that the 65% threshold is extremely high for projects incentivised to deliver a low price. One respondent suggested including this question in the unscored section to help establish an accurate industry leading standard.

#### **Policy response:**

The government reviewed each comment regarding the scoring of questions and has made changes where necessary to address imbalances in scoring identified by applicants.

Respondents should note that the weight attached to individual questions does highlight the importance the department attaches to a particular issue, in relation to challenges and issues identified in supply chains since Allocation Round 4.

The government has decided to lower requirements associated with the Procurement Value Drivers question, in recognition of the diversity of ways developers may develop their tenders. It nonetheless has retained the central drive of the question, as most tender mechanisms distinguish price from non-price factors.

## Project Cost and Administrative Burden

### Proposal

Question 10 sought views on whether the government's proposals to the Supply Chain Plan questionnaires would have a materially greater or lesser impact, in terms of burden (project cost or administrative), than the AR5 Supply Chain Plans.

### Responses to the consultation

There were 15 responses on whether the government's proposals to the Supply Chain Plan questionnaires would have a materially greater or lesser impact, in terms of burden (project cost or administrative), than the AR5 Supply Chain Plans.

## Views on proposals and government response

The majority of respondents did not express a view on whether the AR5 and AR6 questionnaires were similar in terms of financial and administrative burden. Some respondents agreed there was little difference between AR5 and AR6, a few disagreed. However, the majority of answers made general comments about the resource intensiveness of preparing supply chain plans in general, noting that while they supported the aims of the policy, they believed that some questions should be rethought. A few respondents flagged that the newer questions on resilience, SMEs and sustainability could be resource intensive.

Some respondents also suggested that the benefits of SCP policy should be evaluated and benchmarked before making further changes to the questionnaires, and where changes are made, they should only be incremental with developers given sufficient time to prepare their Supply Chain Plans.

### **Policy response:**

As set out in the policy responses above the government has made several changes to questions to make them clearer and removed questions that were considered either onerous to complete or not appropriate. These changes will reduce the resource intensiveness of completing the Supply Chain Plan Questionnaire, specifically around the decarbonisation, SME and resilience questions which were singled out.

The government recognises the point about benchmarking and industry standards, and routinely uses the information received in each allocation round to inform its definitions of industry standards and the setting of benchmarks where relevant. In general, the government will always seek to use pre-existing industry standards and frameworks where they have been agreed, and resorts to determining its own benchmarks in the absence of collective industry agreement on particular issues.

## Other responses

Having listened to developers and appreciating the pace of growth in the floating offshore wind industry, the government considers it appropriate for all Floating Offshore Wind projects to complete the bespoke floating questionnaire designed for that technology, regardless of their size. This is because the technology is still nascent, and the industry is not sufficiently established to fulfil the range of actions expected of more mature technologies. This threshold will be subject to review following AR6, and will be determined by the evolving size of floating offshore wind projects, the pipeline, and the development and maturity of that technology.



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