



Department for
Energy Security
& Net Zero

Contracts for Difference and Capacity Market Scheme Update 2023

Contracts for Difference and Capacity Market Scheme Update 2023

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Executive Summary

1. This is the tenth annual update outlining the progress made on policy mechanisms implemented under the Electricity Market Reform programme, which closed in 2015. The key mechanisms are the Contracts for Difference (CfD) scheme and the Capacity Market. Together they are designed to incentivise the investment required in the UK's energy infrastructure and to deliver low carbon and reliable energy supplies, while minimising costs to consumers.
2. This document sets out the headline achievements over the past 12 months in the following areas:
 - **The Contracts for Difference** scheme, enabling investment in low-carbon electricity generation;
 - **The Capacity Market**, ensuring sufficient electricity capacity to meet peak demand;
 - **The Electricity Demand Reduction pilot**, providing financial support to organisations to deliver electricity capacity savings at peak times; and
 - **The Emissions Performance Standard**, ensuring new fossil fuel-fired electricity generation contributes to electricity security in a manner consistent with decarbonisation objectives.

Key progress since the 2022 update

Contracts for Difference

3. Allocation Round 5 (AR5), which concluded in September 2023, awarded contracts to a significant capacity of solar and onshore wind generation, as well as new tidal stream, and for the first time, geothermal projects. A total of 92 successful AR5 projects signed contracts with the LCCC¹. These projects comprise around 3.6GW of new low-carbon capacity – enough to power the equivalent of 2 million homes – and were procured in a competitive auction set against a backdrop of highly challenging macroeconomic conditions which have impacted on the sector globally.
4. In March 2023, the government released a consultation and Call for Evidence seeking views on proposals aiming to update and strengthen the government's approach to supply chains. A response² was published in July 2023 confirming the changes the Government intends to implement.
5. Details of core auction parameters for Allocation Round 6 (AR6) – including the pot structure, Administrative Strike Prices (ASPs) and delivery years – were published in November 2023, along with draft allocation rules. Based on a comprehensive review of the latest evidence, there was an uplift to ASPs to reflect increased costs that industry is facing,

¹ <https://www.lowcarboncontracts.uk/news/92-contracts-set-to-advance-in-ar5-including-geothermal-and-tidal-stream-technologies/>

² <https://www.gov.uk/government/publications/contracts-for-difference-cfd-allocation-round-6-supply-chain-plan-questionnaire-and-guidance>

designed to facilitate participation in the auction, while balancing that with the government's obligation to ensure value for money for billpayers. The government also intends to open a consultation in December 2023 on proposed amendments to the CfD standard terms and conditions for AR6.

6. Work has commenced to prepare for Allocation Round 7 (AR7), which is planned for March 2025. The government intends to publish a consultation inviting views on potential changes to the CfD scheme for AR7 and future allocation rounds in early 2024. The government also published a consultation in November 2023 on proposals to introduce new Sustainable Industry Rewards as part of the CfD. These would provide additional funding for activities which help deliver resilient supply chains for the offshore wind sector and would replace Supply Chain Plans (SCPs) for those projects temporarily. The consultation outlined how this policy could operate and the type of deliverables the government is seeking from this support.

Capacity Market

7. The government ran a consultation between 9 January 2023 and 3 March 2023, entitled "Capacity Market 2023: strengthening security of supply and alignment with net zero (Phase 1)" which sought views on proposals to better align the Capacity Market with government's net zero targets and improve delivery assurance across the scheme. The main policy proposals included in the consultation focused on three categories: strengthening security of supply, aligning the Capacity Market with net zero and other improvements to the Capacity Market framework. The consultation received 65 responses from a wide variety of respondents.
8. A government response³ to the above consultation was published on 15 June 2023 setting out the changes to be taken forward. The necessary changes to the Capacity Market Rules and Regulations came into force on 22 July 2023.
9. From 29 September 2023 to 1 November 2023, government ran the annual consultation on new generating technologies in the future Capacity Market. This consultation asked stakeholders their views on generating technology classes not currently eligible to enter the Capacity Market and why they should be included. Six responses were received to this consultation, and a government response was published on 30 November 2023.⁴ Suggested technologies included Vehicle-to-X (V2X, where X could represent the home, a building or the grid) technology, Offshore Hybrid Assets, and hydrogen to power technologies.
10. From 16 October 2023 to 8 December 2023, the government ran a consultation on further proposals to amend the Capacity Market and a Call for Evidence to help inform the 10-year review, entitled "Capacity Market 2023: Phase 2 proposals and 10-year review". The main policy proposals broadly focus on strengthening security of supply and accelerating

³ <https://assets.publishing.service.gov.uk/media/65296ec4697260000dccb811/capacity-market-phase-2-10-year-review-consultation.pdf>

⁴ <https://www.gov.uk/government/consultations/capacity-market-new-technologies-2023>

investment in low carbon technologies. The government intends to publish its response to this consultation in early 2024. The 10-year review is due to be published by Summer 2024.

Electricity Demand Reduction

11. Drawing from the outcomes of the Electricity Demand Reduction Pilot, the National Grid Electricity System Operator (ESO) launched the Demand Flexibility Service (DFS) in Autumn 2022, as an additional tool for them to manage our electricity system over the winter period.
12. DFS gave the ESO the option to pay consumers – via their energy supplier or an approved third-party intermediary – to turn down their demand in time periods where there might be a shortage of electricity. DFS incentivised 1.6 million households and businesses to lower their electricity demand when required, saving over 3,300MWh of electricity during the winter period last year, and has been reintroduced for winter 2023/24.
13. The government has also taken a range of measures to help households to reduce their energy consumption in order to reduce their bills. Energy Company Obligation (ECO4) is currently being delivered, running from April 2022 to March 2026, valued at £1bn per year. Government also introduced the Great British Insulation Scheme in March 2023.⁵ It runs until March 2026. The GB Insulation Scheme is a sister scheme to ECO4 and is valued at £1bn across its three-year lifetime.⁶

Emissions Performance Standard

14. There have been no notable developments in 2023 with regards to the Emissions Performance Standard (EPS), so the position remains as stated in the 2022 report.⁷
15. The government conducted a five-year review of The Emissions Performance Standards Regulations 2015 as required by the Energy Act 2013 which was carried out by Department for Business, Energy and Industrial Strategy officials. A Call for Evidence exercise was used to ask questions on the performance of the EPS in achieving its objectives, whether its objectives were still appropriate and whether any issues had arisen in its operation. A total of twenty-seven responses were received. Additionally, government reviewed plants built since implementation and obtained feedback from the Environment Agency.
16. The overwhelming majority of stakeholders indicated support for the EPS. The review found that the EPS has, to date, been successful as a regulatory backstop, reinforcing existing planning policy. No unintended consequences were identified through the review.

⁵ Design of the Energy Company Obligation ECO4: 2022-2026 - GOV.UK (www.gov.uk)

⁶ Great British Insulation Scheme - GOV.UK (www.gov.uk)

⁷ Contracts for Difference and Capacity Market scheme update 2022 - GOV.UK (www.gov.uk)

Contracts for Difference Scheme

Table 1. Deliverables achieved in the Contracts for Difference Scheme during 2023

Deliverable	Achieved	When
Allocation Round 5 (AR5)		
AR5 application window closes	✓	April 2023
The results of the first annual auction round – AR5 – are announced, delivering nearly 3.7GW of new capacity	✓	September 2023
Allocation Round 6 (AR6)		
Government publishes consultation on policy considerations for future rounds of the Contracts for Difference scheme – including AR6	✓	December 2022
Government publishes response to consultation on proposed amendments to Supply Chain Plans for AR6	✓	March 2023
Supply Chain Plan guidance and questionnaire for AR6 published	✓	July 2023
Government publishes response to considerations for future Contracts for Difference rounds – including AR6	✓	July 2023
Government publishes AR6 Core Parameters – setting out information on pot structure, delivery years and administrative strike prices.	✓	November 2023
Government publishes consultation on drafting amendments to the Contracts for Difference contract for AR6	✓	December 2023
Allocation Round 7 (AR7)		
Government published a consultation on proposals to introduce the Sustainable Industry Reward (SIR) for Contracts for Difference Allocation Round 7 and onwards	✓	November 2023

Introduction

17. The CfD scheme is the government's main mechanism for supporting new low carbon electricity generation projects in Great Britain (GB). Contracts are awarded in a series of competitive, pay-as-clear auctions, with the lowest price bids being successful, which drives efficiency and cost reduction. CfDs give greater certainty and stability of revenues to electricity generators by reducing their exposure to volatile wholesale prices, while protecting consumers from paying for higher costs when electricity prices are high. CfD contracts are managed by the Low Carbon Contracts Company (LCCC), a government-owned company. Information on the CfD projects managed by the LCCC is published on their CfD Register⁸.

Results of the Fifth CfD Allocation Round (AR5)

18. The CfD scheme has delivered significant cost reductions and substantial new investment in several renewable technologies since the scheme was introduced in 2014. A total capacity of 3.7GW was procured in AR5 – set against a backdrop of highly challenging macroeconomic conditions which have impacted the sector globally. The government was pleased to see strong turnouts from onshore wind – seeing more than double the number of projects in the previous round – as well as solar PV, tidal stream and a new technology, geothermal. A shift to more frequent, annual CfD rounds was announced in February 2022⁹, aimed at accelerating the rollout of low-cost renewable electricity.

19. A total of 92 successful AR5 projects signed contracts with the LCCC¹⁰. These projects will deliver around 3.6GW of new low-carbon capacity – enough to power the equivalent of 2 million homes – and were procured in a competitive auction set against a backdrop of highly challenging macroeconomic conditions which have impacted on the sector globally.

20. The government noted that no Offshore Wind or Floating Offshore Wind projects were successful in AR5. Since the results of AR5 were announced in September, the government has undertaken a comprehensive review of the latest evidence which informs the Administrative Strike Prices (ASPs) methodology. On this basis, the AR6 ASPs reflect the increased costs industry are facing. The AR6 ASPs were published on 16 November 2023 as part of the Core Parameters for the next allocation round (see below).

21. The government is proud of the UK's record as a leader in this technology, and together with industry we have delivered the five largest operational wind farms in the world. The government remains firmly committed to its ambition for 50GW of offshore wind, including up to 5GW floating, through the Powering Up Britain¹¹ initiative by 2030.

Preparations for Sixth CfD Allocation Round (AR6)

⁸ <https://www.lowcarboncontracts.uk/cfds>

⁹ <https://questions-statements.parliament.uk/written-statements/detail/2022-02-09/hcws600>

¹⁰ <https://www.lowcarboncontracts.uk/news/92-contracts-set-to-advance-in-ar5-including-geothermal-and-tidal-stream-technologies/>

¹¹ <https://www.gov.uk/government/publications/powering-up-britain>

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22. The government confirmed that Allocation Round Six (AR6) will be the second annual allocation round and will open in March 2024. An indicative timeline for AR6 was published on 8 September 2023.¹²
23. Following a consultation on policy considerations for future rounds of the CfD scheme including AR6¹³ held from December 2022 to February 2023, the government decided to make several refinements to ensure the CfD scheme remains adaptable and fit-for-purpose as our electricity system evolves.
24. The consultation response confirmed the government’s decision to implement the proposal to amend the Private Network CfD Agreement to make renewable generators that directly supply offshore oil and gas facilities ineligible to hold such an Agreement. The government will be inviting views on specific drafting amendments to the Private Network CfD Agreement to implement this decision in a consultation on proposed amendments to the AR6 Standard Terms and Conditions, intended to be published in December 2023. Corresponding changes will be made to the final Allocation Framework, which set out the rules and eligibility requirements, before AR6 opens to applications in March 2024.
25. The AR6 consultation held from December 2022 to February 2023 also confirmed the government’s response on a range of policy considerations for future allocation rounds, including:
- floating offshore wind – to continue to work with stakeholders with a view to developing a long-term solution to the eligible definition of floating offshore wind projects;
 - facilitating coordinated infrastructure – to continue to engage with stakeholders to help build an enabling framework to supporting the building of a first multipurpose interconnector (MPI), as committed to in the Powering Up Britain Energy Security Plan;
 - offshore wind phasing – to keep phasing policy for offshore wind projects in place, but continue to keep under review, including the possible extension of phasing to floating offshore wind projects in future allocation rounds;
 - CfD appeals system – to further consider how best to streamline the appeals process for future rounds to enable auction results to be published sooner; and
 - repowered renewable generation assets – to fully explore the most appropriate revenue support mechanism for repowering of existing renewable sites, including the role that the CfD specifically could deliver.
26. On 16 November 2023, the government published the Core Parameters for AR6¹⁴ pot structure, Administrative Strike Prices (ASPs) and delivery years – providing information for industry and delivery partners. There was an uplift to ASPs following a comprehensive
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¹² <https://www.cfdallocationround.uk/ar6-indicative-timeline>

¹³ <https://www.gov.uk/government/consultations/considerations-for-future-contracts-for-difference-cfd-rounds>

¹⁴ <https://www.gov.uk/government/collections/contracts-for-difference-cfd-allocation-round-6>

review of the latest evidence. The ASPs reflect increased costs that industry is facing, designed to balance participation in the auction with ensuring good value to billpayers, building on the success of previous rounds.

27. The Core Parameters announcement confirmed that AR6 will feature a three-pot structure, with offshore wind featuring in its own pot. This decision reflects the strong pipeline of projects ready to participate in AR6. Alongside the Core Parameters, the government published a methodology note outlining its approach to setting the ASPs.
28. On the same date, the government published the draft Allocation Framework, which describes the eligibility requirements and rules for the forthcoming round. This set of documents have been published to help potential applicants plan their approach to AR6.

AR6 Supply Chain Plans

29. In March 2023, the government released a consultation and Call for Evidence¹⁵ seeking views on proposals aiming to update and strengthen the Government's approach to supply chains. A response¹⁶ was published in July 2023 confirming the changes the government intends to implement.
30. In response, the government made several changes to questions to make them clearer and removed questions that were considered either onerous to complete or not appropriate. These changes have been implemented to reduce the resource intensiveness of completing the SCP Questionnaire, specifically around the decarbonisation, SME and resilience questions which were singled out.
31. The response confirmed that CfD applicants will be required to provide National Grid ESO with a statement by the Secretary of State approving the Supply Chain Plan submitted in respect of that station.
32. Applicants who are successful in being awarded a CfD contract will also need to obtain a further statement from the Secretary of State confirming they have successfully passed their Supply Chain Plan implementation assessment, once they have passed their Milestone Delivery Date (MDD), in order to be able to fulfil one of their CfD Operational Conditions Precedent (OCP).

Preparations for future CfD Allocation Rounds

33. The government plans to publish a consultation inviting views on proposed changes for Allocation Round 7 (AR7) in the near future. The government will also invite views and evidence on proposals that the government may consider implementing for future rounds.

¹⁵ <https://www.gov.uk/government/consultations/contracts-for-difference-allocation-round-6-amendments-to-the-supply-chain-plan-questionnaires>

¹⁶ <https://www.gov.uk/government/publications/contracts-for-difference-cfd-allocation-round-6-supply-chain-plan-questionnaire-and-guidance>

CfD Sustainable Industry Reward

34. On 16 November 2023, the government published a consultation on proposals to introduce CfD Sustainable Industry Reward SIRs from AR7 onwards. The SIR policy aims to help accelerate the deployment of low carbon electricity generation, specifically offshore/floating offshore wind, by addressing some of the recent challenges identified by the industry.
35. The consultation sets out how the proposed CfD SIR could operate and the kind of proposed deliverables the government is seeking from this support. The CfD SIR could replace Supply Chain Plans (SCPs) for offshore wind and floating offshore wind temporarily. Existing SCPs will be monitored and enforced. Other technologies with projects over 300MW will still need to continue to comply with the existing SCP requirements.

Capacity Market

Table 2. Deliverables achieved in the Capacity Market during 2023

Deliverable	Achieved	When
Government consulted on proposals to better align the CM with the government’s net zero targets and to improve delivery assurance across the scheme	✓	January 2023
T-1 and T-4 auctions successfully secured capacity out to 2026/27	✓	February 2023
Capacity Market rules are changed in response to January consultation	✓	June 2023
Secretary of State confirms Capacity Market parameters in letter to NG:ESO	✓	July 2023
Government publishes second phase of proposals to help drive forward net zero goals and improve security of supply. In addition, the government launched a call for evidence to help inform the 10-Year review of the Capacity Market.	✓	October 2023
Prequalification complete for the 2024 T-1 and T-4 auctions	✓	November 2023

Introduction

36. The purpose of the Capacity Market is to ensure security of GB’s electricity supply at least cost to consumers. It does this by providing capacity providers with the right incentives to be on the system and to deliver electricity when it is needed. The Capacity Market ensures there is sufficient reliable capacity available during periods of electricity system stress, for example during cold, still periods with high electricity demand and low wind generation.

37. Eligible capacity providers bid into a competitive Capacity Market auction to receive Capacity Market Agreements. Successful capacity providers receive steady payments to ensure their capacity is available to meet demand at times of system stress. These capacity payments incentivise the necessary investment to maintain and refurbish existing capacity, and to finance new capacity where necessary. Capacity providers face penalties if they fail to deliver capacity when requested during a system stress event.

38. The Capacity Market is technology neutral – it does not seek to procure allocated volumes of capacity from specific types of technology. With the exception of capacity providers in receipt of support from other specific policy measures, all types of technology are able to participate in the Capacity Market provided they comply with the legislative requirements of the Capacity Market that are intended to ensure CM objectives are achieved.¹⁷

Capacity Auctions

39. Capacity auctions are held one (T-1) and four (T-4) years ahead of the delivery year when capacity must be provided, giving investors certainty over part of the future revenues they will receive. Existing generating capacity competes against new build generating capacity, Demand Side Response (DSR) and interconnectors, with the auction procuring the mix of capacity which provides best value for consumers.

40. In February 2023, there was a T-1 auction for delivery in 2023/24 and a T-4 auction for delivery in 2026/27. Table 3 lists the planned auctions for 2024.

Table 3. List of capacity auctions to be held in 2024.

Auction	Delivery year	Auction Date
One year-ahead Capacity Auction (T-1)	2024/25	20 th – 21 st February 2024
Four year-ahead Capacity Auction (T- 4)	2027/28	27 th – 28 th February 2024

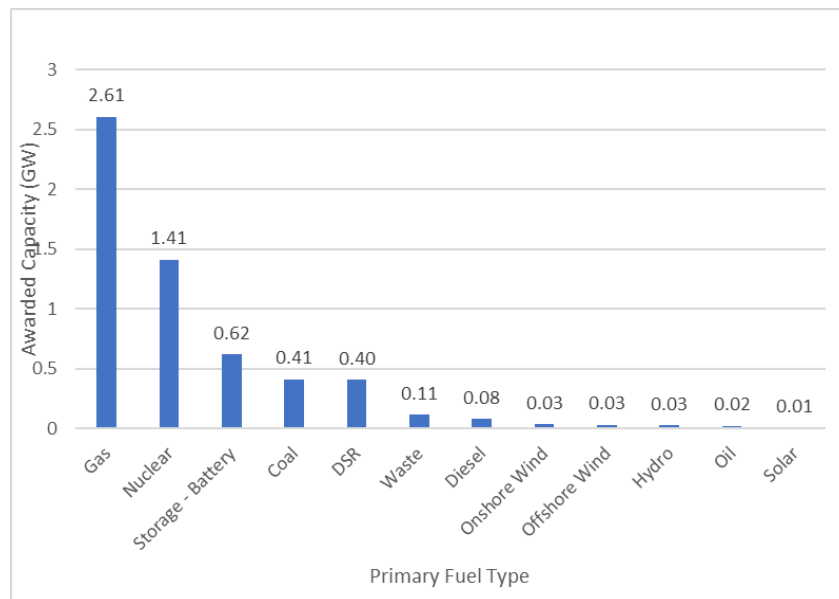
T-1 Auction results for 2023/24

41. The T-1 auction for the delivery year 2023/24 concluded on 14 February 2023 and secured 5.8 GW of de-rated capacity at a clearing price of £60/kW per year.¹⁸ A total of 6.1 GW of de-rated capacity entered the auction, of which 94.4% received Capacity Market agreements (Figure 1). 80.1% of awarded capacity is from existing generation capacity, and 12.9% is from new build generation capacity. The remaining capacity was awarded to unproven DSR (5.2%) and proven DSR (1.8%).

¹⁷ <https://www.gov.uk/government/publications/carbon-emissions-limits-in-the-capacity-market>

¹⁸ <https://www.emrdeliverybody.com/Capacity%20Markets%20Document%20Library/T-1%20DY%2023-24%20Final%20Auction%20Results%20Report%20v1.0.pdf>

Figure 1. T-1 Auction results breakdown of Capacity Agreements awarded by fuel type for the 2023/24 Delivery Year (GW)



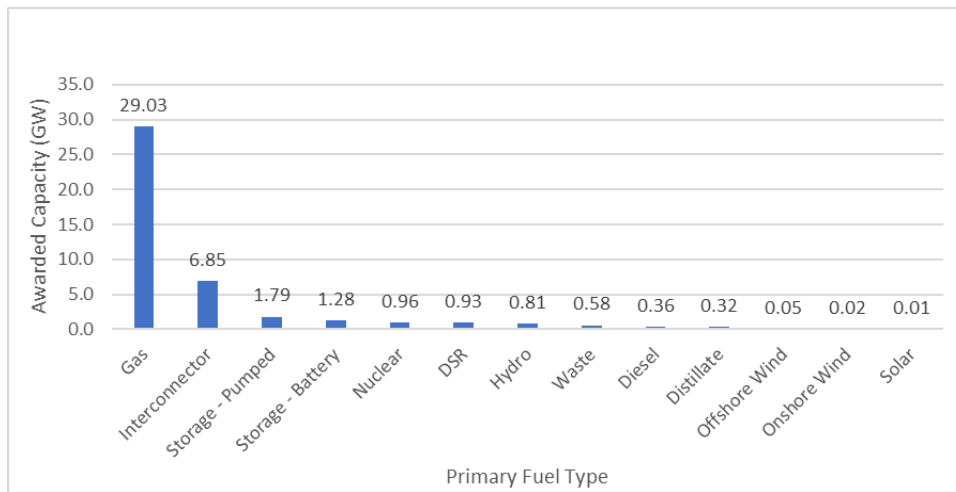
Source: National Grid ESO (2023). Capacity Market Registers

T- 4 Auction results for 2026/27

42. The T-4 auction for delivery in 2026/27 concluded on 21 February 2023 and secured 43.0 GW of de-rated capacity at a clearing price of £63/kW per year.¹⁹ A total of 46.0 GW of de-rated capacity entered the auction, of which 93.4% received capacity agreements for delivery (Figure 2). 73.9% of awarded capacity is from existing generation capacity, 8% from new build generation capacity, 13.5% from existing interconnectors, and 2.4% from new build interconnectors. The remaining capacity agreements were awarded to unproven DSR (1.8%) and proven DSR (0.3%).

¹⁹ <https://www.emrdeliverybody.com/Capacity%20Markets%20Document%20Library/T-4%20DY%2026-27%20Final%20Auction%20Results%20Report%20v1.0.pdf>

Figure 2. T-4 Auction results breakdown of Capacity Agreements awarded by fuel type for the 2026/27 Delivery Year (de-rated capacity)



Source: National Grid ESO (2023). Capacity Market Registers

Capacity Market Payments

43. Over the course of the financial year, The Electricity Settlements Company handled Capacity Payments totalling £680.5m. Capacity payments were made to 48.4 GW of capacity for Delivery Year 2021/22 (£252.6m) and 52.7 GW for Delivery Year 2022/23 (£427.9m).²⁰

Changes to the Capacity Market Rules

44. In January 2023, the government consulted on proposals to better align the CM with the government’s net zero targets and to improve delivery assurance across the scheme.²¹ A summary is provided below, and full details can be found in the consultation document. The following changes were implemented through amendments to the Rules in June 2023 which:

- Reform the way in which Connection Capacity is determined, to ensure it better reflects export capability;
- Extend the temporary arrangements introduced in 2022 to remove barriers to mothballed plants entering the CM;
- Amend the timelines for calculating non-delivery penalties;
- Clarify auction clearing mechanics;
- Amend the definition of the CfD Transfer Notice;
- End the requirement for Independent Technical Expert reports for capacity providers under certain circumstances; and

²⁰ <https://www.lowcarboncontracts.uk/resources/guidance-and-publications/electricity-settlements-company-esc-annual-report-20222023/>

²¹ <https://www.gov.uk/government/consultations/capacity-market-consultation-strengthening-security-of-supply-and-alignment-with-net-zero>

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- Delay the requirement for Fossil Fuel Emissions Declaration verification from prequalification until 2024.

45. In October 2023, the government opened a consultation on the second phase of proposals to help drive forward our net zero goals and improve security of supply by enabling more low carbon technologies to access the Capacity Market.²² The proposed changes focus on enabling battery operators to address issues around degradation, greater flexibility to allow low carbon projects with longer-build times to access the scheme, new longer term agreement options for low-carbon technology and measures to support the growth of the domestic DSR sector.

46. Alongside this consultation on the second phase of proposals, the government launched a Call for Evidence and published new research to help inform the statutory five-yearly review of the Capacity Market – referred to as the 10-Year review. The review is taking place within the context of the REMA programme, which will help create the market structures to deliver a net zero power system by 2035, subject to security of supply.

²² <https://www.gov.uk/government/consultations/capacity-market-2023-phase-2-proposals-and-10-year-review>

Low Carbon Contracts Company (LCCC) and Electricity Settlements Company (ESC)

47. ESC and LCCC are responsible for helping government to deliver key elements of the Capacity Market and CfD schemes, respectively.
48. LCCC, as counterparty to CfDs (including the Investment Contracts which have been transferred to LCCC²³, enters and manages long-term contracts with low carbon generators, managing difference payments for qualifying generation. The details of these projects are listed on the CfD Register, available on the LCCC website.²⁴
49. The ESC is responsible for all financial transactions relating to the Capacity Market, including managing capacity payments, credit cover, penalties, and volume reallocation. Both the LCCC and ESC are companies limited by shares and wholly owned by the Secretary of State for the Department of Energy Security and Net Zero (DESNZ). Both companies became operational on 1 August 2014 and operate within two main frameworks: the Energy Act 2013 (and the relevant regulations made under the Act) and the corporate and company law frameworks.
50. In the past year, there have been a number of highlights across the CfD and Capacity Market schemes. These include:
- 98 CfDs successfully brought into the portfolio;
 - Bringing total CfDs being managed to 165 with an estimated fair value of £84.5bn, including Hinkley Point C;
 - Total low carbon operational CfD capacity is around 6.5GW;
 - Implementing Annual CfD auctions;
 - Implementing automation of key processes making participation easier across the CfD and Capacity Market;
 - Being a key partner to DESNZ on contract design for new schemes and to shape key aspects of a fundamental electricity markets review;
 - Supporting stakeholders on the requirements of new scheme contracts;
 - Improving outcomes for Capacity Market participants through focus on data quality;
 - New testing programme increased confidence in stress event outcome; and

²³ Investment contracts, which have been transferred to LCCC, are treated by virtue of regulation 2(4) of the Contracts for Difference (Electricity Supplier Obligations) Regulations 2014 as CfDs for various purposes. Any reference to a CfD in this document is to be treated as including any such Investment Contracts.

²⁴ <https://www.lowcarboncontracts.uk/our-schemes/contracts-for-difference/>

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- Helping shape the winter 2023 Capacity Market consultation and longer-term options through operational experience and data analysis.

National Grid Electricity System Operator

51. National Grid Electricity System Operator (ESO) runs the electricity system in GB. National Grid ESO has also continued to play a fundamental role in aiding the Capacity Market and CfD schemes through its role as the Electricity Market Reform Delivery Body (DB). For the Capacity Market, the DB is responsible for running pre-qualification assessment, disputes management, auction and continuous contract management whilst for CfD, the DB has the same scope of responsibilities as per the Capacity Market, except contract management.

52. The DB has successfully completed their processes for the CfD Allocation Round (AR) 5 which was launched in March 2023, including:

- Successfully allocated a record total of 95 clean energy projects in AR5 representing ~3.7GW;
- Worked collaboratively with DESNZ to assess the implications and deliverability of proposed scheme amendments;
- Supported the rules drafting process for the Allocation Framework and implemented these rules into the auction system and business processes in advance of the round opening;
- Worked closely with all Delivery Partners to manage an updated customer micro-site for AR5 that is more effective and easier for applicants to navigate;
- Building on the approach to developing guidance materials introduced for AR4, continued co-creation of producing customer guidance, auction scenario video tutorials and webinars on the CfD application, allocation and auction processes;
- Maintained a customer relationship management tool, with approximately 97% of all queries received from customers being resolved within a defined service level agreement period of 5 working days; and
- As a result, the Customer Satisfaction Survey was carried out post AR5 with an increased satisfaction score of 8.6/10.

53. For the Capacity Market, the DB delivered key activities in relation to the auctions and agreement management, including:

- Successfully ran the 2022/23 Capacity Market Auctions that procured a total Capacity of 48.7GW across 811 Capacity Agreements (5.7GW across 269 Capacity Agreements for Delivery Year 2023/24 and 43GW across 542 Capacity Agreements for Delivery Year 2026/27);
- Worked closely with DESNZ to draft and consult on new Capacity Market rules for 2023 delivery and implemented these rules into systems and processes to ensure a smooth transition for customers;

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- Maintained a customer relationship management tool, with over 90% of all queries received from customers being resolved within 5 working days;
 - Reviewed, consulted on and published updated Relevant Balancing Services Guidelines, which included two new services and removed one that is no longer procured by the ESO;
 - Actively participated in Ofgem's Capacity Market Advisory Group, which was established to improve effective functioning of the Capacity Market by reviewing and testing rule change proposals and providing advice to Ofgem to support their decision making.
 - Continued to enhance modelling in line with recommendations in the Panel of Technical Experts' 2023 report, with delivery in the Electricity Capacity Report 2024; and
 - Continued development of the new IT Portal to administer the Capacity Market prequalification, auction and agreement management processes, with implementation planned in 2024. Customers have been engaged directly via a dedicated user group in the design and testing of the new system.

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