

Contracts for Difference Scheme for Renewable Electricity Generation

Allocation Round 7: Draft Sustainable
Industry Reward Allocation Framework,
2024

NOTE THAT THIS IS A DRAFT DOCUMENT. IT IS SUBJECT TO CHANGE AND WILL CONTINUE TO BE REVISED AHEAD OF THE LAUNCH OF THE SUSTAINABLE INDUSTRY REWARD SCHEME. NEW VERSIONS WILL BE UPLOADED TO GOV.UK ON A ROLLING BASIS. INDUSTRY WILL BE NOTIFIED VIA RENWABLES UK AND SCOTTISH RENEWABLES WITH EACH UPLOAD, AND VIA THE CFD STAKEHOLDER BULLETIN.

Contents

1. Title and application	3
2. Interpretation	3
3. SIR budget (note this will become separate budget notice)	3
4. SIR allocation process	4
6. Criterion 2 – Investment in more sustainable means of production.....	13
8. Proposals and multiple variants of a proposal	17
9. Method to determine the quality of an SIR application	18
10. Method to assess the reward which is sought in an SIR application.....	19
11. Method to score SIR applications	19
12. Method to rank SIR applications	23
13. Minimum standards	23
14. Process to request a review of a decision determining the quality of an SIR application..	
.....	27

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1. Title and application

1.1 This document may be referred to as the Sustainable Industry Reward Allocation Framework (“the SIR Allocation Framework”).

2. Interpretation

2.1 Any reference to “£” is to the lawful currency of the United Kingdom.

2.2 Any reference to “GW” is to gigawatts. Any reference to “MW” is to megawatts.

2.3 A reference to a “Regulation” is to the regulation of that number in The Contracts for Difference (Allocation) Regulations 2014 (as amended).

2.4 Any reference to “science-based targets” is to a science-based target set in accordance with the Science Based Targets initiative (SBTi) and that has been validated by the SBTi.

2.5 Any reference to ‘eligible generator’, for the purposes of the SIR Allocation Framework, means any eligible generator that is an offshore wind generator, or a floating offshore wind generator, regardless of the size of their planned generating station. For the avoidance of doubt, no other technologies are eligible for CfD Sustainable Industry Rewards.

3. SIR budget (note this will become separate budget notice)

3.1 The budget available for CfD Sustainable Industry Rewards (SIR) will be as set out in the SIR budget notice.

3.2 The Secretary of State will issue an indicative SIR budget when the SIR Allocation Framework is published.

3.3 The Secretary of State can issue a new draft budget no less than 3 months before the SIR allocation process begins.

3.4 The Secretary of State can revise the draft budget within the two-week period beginning with the day after the last day that SIR applications can be submitted.

3.5 Placeholder for indexation

Explanatory notes (all explanatory notes will be red and are to aid comprehension, they are not formal legal text).

- Paragraph 3.4 means that the Secretary of State can alter the size of the budget upon receipt of developers' SIR applications, to adjust the budget according to the quality of applications.
- This adjustment will subsequently impact which proposals are allocated funding.

4. SIR allocation process

- 4.1 Pursuant to regulation 6(2A)(a), within the 5 working days before the opening of the SIR application window, eligible generators should contact the Department for Energy Security and Net Zero (DESNZ) indicating their intention to submit an SIR application for assessment.
- 4.2 Eligible generators must submit a single SIR application per project during the application window. If that project is to be split into several CfD units, the eligible generator may still submit a single application but must specify which proposals relate to which CfD unit.
- 4.3 A single SIR application can contain multiple proposals against the SIR criteria as set out in **section 8** of this SIR Allocation Framework.
- 4.4 The application window will be open for five working days after which it will be closed. The Secretary of State must assess all applications within [40] working days, starting from the day after the application window closes.
- 4.5 Applications must contain one or more proposals relating to any of the SIR criteria as described in sections **5, 6 and 7** of this SIR Allocation Framework. These are as follows:
 - a) Investment in shorter supply chains
 - b) Investment in more sustainable means of production
 - c) Investment in shorter supply chains that use more sustainable means of production
- 4.6 Proposals relating to each SIR criterion must contain all of the relevant information listed in parts **5.2, 6.2 and 7.2** of this SIR Allocation Framework.
- 4.7 Applications may include up to three variants of the same proposal, as set out in **section 8** of this SIR Allocation Framework.
- 4.8 If during the application window, it becomes apparent to DESNZ that an application contains material omissions, DESNZ will endeavour to notify the eligible generator as soon as is reasonably practicable. However, responsibility to

submit an application which contains the necessary information remains with the eligible generator. No responsibility will be taken by DESNZ for failure to submit a completed application which subsequently fails to obtain an SIR statement.

- 4.9 Eligible generators may provide further information in response to such a notification from DESNZ.
- 4.10 DESNZ will consider further information supplied at any time during the SIR application window or by no later than three working days after the eligible generator has been notified. DESNZ will not consider information provided by eligible generators outside of these timeframes.
- 4.11 DESNZ may seek clarification from an eligible generator in respect of their SIR application during the period in which applications are assessed. In such instances, DESNZ will seek clarification by sending a request for additional information. Eligible generators should respond by no later than three working days following the request.
- 4.12 Following the closure of the SIR application window, DESNZ will assess the submitted SIR proposals on their quality in accordance with the method given in [section 9](#) of this SIR Allocation Framework.
- 4.13 The Secretary of State can revise the draft budget within the ten-working day period beginning with the day after the last day that SIR applications can be submitted, as set out in paragraph [3.4](#) of this SIR Allocation Framework.
- 4.14 Eligible generators will only be eligible for the relevant CfD round if they meet the minimum standard set out in [section 13](#) of this SIR Allocation Framework.
- 4.15 Eligible generators will only be eligible to receive SIR payments if they exceed the minimum standard, as set out in [section 13](#) of this SIR Allocation Framework.
- 4.16 DESNZ will assess the submitted SIR proposals on the reward being sought in accordance with the [method given in section 10](#) of this SIR Allocation Framework. DESNZ may seek verification of any information submitted from the Department for Business and Trade.
- 4.17 Each proposal will be given a score, based on its quality and the reward which is sought, in accordance with the method given in [section 11](#).
- 4.18 DESNZ will communicate the score of each proposal to each applicant before the proposals are ranked.
- 4.19 Applicants will have [X](#) working days to dispute the score assigned to each proposal by DESNZ, as set out in [section 14](#) of this SIR Allocation Framework.
- 4.20 Each proposal will be ranked in accordance with the method given in [section 12](#).

- 4.21 Stage One of the SIR allocation will then begin, in which DESNZ will allocate the budget in line with the order in which proposals are ranked until the budget is exhausted.
- 4.22 If the reward sought through the next highest-ranking proposal is of greater value than the amount remaining in the budget, no funding will be allocated to that proposal.
- 4.23 Stage One of the SIR allocation will close at the point when the amount remaining in the budget is of less value than the lowest cost proposal/s yet to be allocated funding.
- 4.24 As per regulations 27B(2) and 28C, the Secretary of State will then notify eligible generators, through a SIR statement, whether their SIR application has met the minimum standards, as set out in **section 13** of this SIR Allocation Framework, and which of their proposals have been awarded SIRs. This will happen within [40] working days of the SIR application window closing.
- 4.25 Eligible generators must provide an SIR statement in relation to the relevant CFD unit in order to take part in the CfD Allocation Round. The Secretary of State will also confirm to the Low Carbon Contracts Company, and National Grid Electricity System Operator Limited, which projects are in receipt of an SIR Statement.
- 4.26 As per regulation 28E, the Secretary of State may withdraw or amend an SIR statement where it is apparent:
- a) The statement contains an error;
 - b) the information included in, or in support of, an SIR application was materially incorrect; or
 - c) a change in circumstances occurs after the SIR statement is given.
- 4.27 Any amount allocated to generators unsuccessful in the CfD round will remain in the SIR budget and can be re-allocated in a second stage of the SIR allocation process (“Stage Two of the SIR allocation process”) at the discretion of the Secretary of State and HM Treasury.
- 4.28 Stage Two of the SIR allocation process may occur, upon the decision of the Secretary of State and HM Treasury, if both of the following transpire:
- a) more than [1.5]GW of capacity is lost through the CfD auction, and
 - b) the aggregate cost of SIR proposals that were successful in Stage One of the SIR allocation process but are no longer eligible as the relevant eligible generators were not successful in the CfD allocation round, is greater than or equal to [£50] million.
- 4.29 The remainder of the budget that can be re-allocated in Stage Two of the SIR allocation process will be the unused portion of the budget in its final form, as set by the Secretary of State during Stage One of the SIR allocation process.

- 4.30 DESNZ will notify eligible generators that submitted unsuccessful SIR proposals in Stage One of the SIR allocation process, who had met the minimum standards and have been successful in the CfD allocation round, that they may bid for the remaining budget in Stage Two of the SIR allocation process.
- 4.31 Eligible generators must notify DESNZ of the proposals they wish to be considered in Stage Two of the SIR allocation within X working days of receipt of the notification outlined in paragraph 4.30 of this SIR Allocation Framework.
- 4.32 Stage Two of the SIR allocation process will then begin. The proposals considered will be those put forward by eligible generators in accordance with paragraph 4.31 of this SIR Allocation Framework.
- 4.33 Proposals will only be eligible to receive funding in Stage Two of the SIR allocation process if their score is greater than or equal to [90%] of the score of the lowest scoring, successful proposal in Stage One of the SIR allocation process, and if the benefits of such proposals (as articulated in paragraphs 5.2, 6.2 and 7.2 of this document) are deemed to make a material contribution to the development and sustainability of supply chains by the Secretary of State.
- 4.34 The remaining budget will be allocated among these proposals in the same way as originally allocated in Stage One of the SIR allocation process, as set out in paragraphs 4.21 and 4.22 of this SIR Allocation Framework.
- 4.35 Stage Two of the SIR allocation process will close at the point when the amount remaining in the budget is of less value than the lowest cost, eligible, proposal/s yet to be allocated funding, or after [5] working days upon notification of the second SIR allocation process opening, which ever comes first.
- 4.36 Eligible generators who are successful in stage one, and/or stage two of the SIR allocation round, and who are successful in the CfD allocation round, will be eligible to receive SIR payments.
- 4.37 Eligible generators who are unsuccessful in the CfD allocation round, will not be eligible to receive SIR payments.

Explanatory notes

Put simply, the allocation will run as follows:

1. The application window

- Developers submit their SIR applications. Applications may be “bundled” where multiple CfD units for a single project are being sought, but each application should make clear how much funding each CfD unit is seeking from SIRs.
- Developers’ SIR applications must contain at least one SIR proposal relating to at least one of the three SIR criteria on ‘investment in shorter supply chains’,

‘investment in more sustainable means of production’, and ‘investment in shorter supply chains that use more sustainable means of production’.

2. Formatting

- Applicants should submit their SIR applications and supporting documentation to the following DESNZ email address: [placeholder for email address]
- All data that is to be scored should be set out in an excel sheet.
- Sustainable Industry Reward proposals and supporting documentation can be submitted either as Word documents or as a PDF file.
- Explanatory text accompanying proposals should be completed in a minimum font size of 11 point and using 1.5 line spacing. All pages and paragraphs should be numbered.
- The use of embedded hyperlinks and footnotes is permitted. A ‘cross referencing tool’ is also permitted within the full document as long as there is no need for downloading any specialist software to enable it.
- Applicants can use their own file naming conventions for supporting annexes.

3. Assessment of applications and the dispute resolution window

- DESNZ assess each proposal under each application and assign it a score. That score is calculated using the checks and formula in section 11.
- DESNZ notify developers the score each proposal has been assigned. Developers can raise a dispute of the quality score assigned by DESNZ within X days of receiving the notification.
- DESNZ will rank proposals using the method set out in section 12.

4. Stage One of the SIR allocation

- Funding is allocated to SIR proposals in the order in which they have been ranked by DESNZ until the SIR budget is exhausted.
- The Secretary of State will notify developers, through an SIR statement, that they either have, or have not, met minimum standards. Developers will need an SIR statement confirming they have met minimum standards to be eligible to enter the CfD allocation round. The SIR statement will also set out which proposals the eligible generator has been awarded SIR funding for, if any.

- Minimum standards must be delivered by all eligible generators who obtain a CfD, regardless of whether additional SIR revenue support is obtained through the SIR competition.

5. Stage Two of the SIR allocation

- Stage Two of the SIR allocation process will take place if decided by the Secretary of State and HM Treasury and both of the two events outlined in paragraph 4.28 transpire.
- Developers who were successful in stage one of the SIR allocation, but unsuccessful in the CfD allocation round will no longer be eligible to receive SIR payments. The funding originally allocated to these developers' proposals will remain in the SIR budget.
- Developers who were unsuccessful in Stage One of the SIR allocation, but successful in the CfD allocation round can resubmit SIR proposals they did not get funding for subject to the conditions set out below.
- To ensure that only applications of a certain quality are considered in Stage Two of the allocation, only proposals that are within a 10% margin of the lowest scoring proposal that obtained funding in the first stage of the SIR allocation will be considered. For example, if the lowest scoring proposal in the first SIR allocation was 5, then only proposals that score at or above 4.50 will be considered (as 10% of 5 is 0.5).
- Funding is allocated to remaining eligible SIR proposals in the order in which they have been ranked by DESNZ according to the methodology in this document, until the remaining SIR budget is exhausted.

Award and payment of SIRs

- Developers successful in either stage of the SIR allocation, as well as the CfD allocation round, will have the commitments outlined in their SIR proposal written into their CfD contract. Developers will be obliged to deliver these proposals.
- If a developer does not "win" an SIR proposal, they are still contractually obliged to deliver the minimum standard.

5. Criterion 1 - Investment in shorter supply chains

5.1 SIR applications can contain one or more proposals that will encourage low carbon electricity generation through investment in shorter supply chains in UK deprived areas.

5.2 Specifically, each proposal relating to this criterion must include:

- a) The project's proposed expenditure, expressed to the nearest £0.01, on an investment in a manufacturing facility for offshore wind and floating offshore wind key components [as defined in paragraph 5.8 of this SIR Allocation Framework], or port, located in UK deprived areas [as defined in paragraph 5.9 of this SIR Allocation Framework]¹.
- b) The form of the proposed investment.²
- c) The purpose of the proposed investment³.
- d) The location of the recipient of the investment, in the form of a full postal address, with proof of that address (e.g. an official document bearing the address in question). If the recipient of the investment is an organisation with multiple addresses, the address where the purpose of the investment will be realised must be used.⁴
- e) The amount required by the eligible generator through a Sustainable Industry Reward to make the investment/s proposed, expressed to the nearest £0.01.
- f) The estimated delivery date for the full value of the investment, which will become the target delivery date of commitment in the relevant CfD contract. The estimated delivery date must be a date that precedes the final commissioning date of the generating station.
- g) An investment benefit statement that includes measurable outcomes the eligible generator aims to achieve through the investment to be made as part of the SIR proposal. These outcomes should include: the total number of jobs created within the offshore wind / floating offshore wind sector by virtue of the investment, expected quantifiable benefits for supply chain sustainability (e.g. reducing emissions, increasing production capacity), and any other quantifiable benefit that the eligible generator may identify. The investment benefits statement must not exceed 2 pages per proposal.
- h) A delivery plan setting out the key milestones to meet the estimated delivery date. This must also include a short list of known risks and dependencies to the

¹ "Investment" does not automatically mean or require that the manufacturer or port in question is or should be a client of the applicant.

² For example, whether a direct investment, a loan, an equity stake, etc

³ For example, increasing capacity, improving infrastructure, etc

⁴ For example, if the eligible generator is investing in a manufacturing facility belonging to a corporate group, the address of the intended facility should be used, not that address of the corporate group's headquarters.

successful delivery of the investment and any other information that is pertinent to the proposal and that the eligible generator believes DESNZ should be aware of.

- i) Evidence of the total amount of investment proposed for a key component type or port. This should include a signed statement from the relevant manufacturer or port that confirms the investment figure under paragraph 5.2(a) and claims made in the investments benefit statement are true at time of application. In addition, this evidence can be supported by a contract (including conditional contracts) or memorandum of understanding between the eligible generator and relevant supply chain company or port confirming agreement on the investment to be made as part of the SIR proposal and the total investment needed to realise the purpose of the SIR proposal.
- j) A statement from the board of the eligible generator that confirms their agreement on the investment to be made as part of the SIR proposal.

5.3 Information provided in paragraph 5.2 may be used when drawing contractual obligations or used to inform the monitoring process. Eligible generators must provide all of the information listed in paragraph 5.2 for their proposal to be scored. The information provided must be truthful and accurate to the best of the applicant's knowledge to be scored. Eligible generators may also need to update the information they provide as part of the monitoring process.

5.4 Proposals must relate to either ports, and / or the following key components⁵:

- i. Blades
- ii. Nacelles
- iii. Towers
- iv. Foundations
- v. Export cables
- vi. Array cables
- vii. Electrical infrastructure
- viii. Structural infrastructure
- ix. Onshore infrastructure
- x. Turbine installation
- xi. Foundation installation
- xii. Electrical / Cable installation (export, inter-array and onshore installation)

⁵ This can include any testing facility explicitly designed for the purpose of testing the component listed

- xiii. Vessels
- xiv. Mooring and Anchoring Systems
- xv. Floating Substructures
- xvi. Floating assembly facilities
- xvii. Transition Pieces

5.5 Applications can include multiple proposals for different components listed above. Eligible generators must clearly state to which key component or port each proposal relates.

5.6 An application can include up to a maximum of 10 proposals across the three SIR criteria listed in this SIR Allocation Framework.

5.7 Applications can include up to three variants on each proposal.

5.8 For the purposes of this SIR Allocation Framework, ‘manufacturing facilities for offshore wind and floating offshore wind key components’ are defined as those facilities that have already been built or significantly upgraded, and those facilities that will be built or significantly in the future (so long as investments described above are made by the final commissioning date).

5.9 For the purposes of this SIR Allocation Framework, ‘UK deprived areas’ includes only:

- a) Local authorities in England with between 2 and 4 measures of deprivation in the bottom quartile of Department for Levelling Up, Housing and Communities’ ‘Levelling Up the United Kingdom’ dataset⁶.
- b) Data zones in Northern Ireland in deciles 1 – 5 on overall deprivation, as defined within the Northern Ireland Multiple Deprivation Measure 2017⁷.
- c) Data zones in Scotland in deciles 1 – 5 on overall deprivation, or data zones in deciles 1-2 on the geographic access to services indicator⁸, as defined within the Scottish Index of Multiple Deprivation 2020⁹.
- d) Data zones in Wales in deciles 1 – 5 on overall deprivation, as defined within the Welsh Index of Multiple Deprivation 2019¹⁰.

Explanatory notes

All evidence provided as part of a proposal, such as delivery date, location, known risks and total level of investments may be use in either drawing up contractual requirements

⁶ Levelling Up the United Kingdom, p.18 <https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

⁷ <https://www.nisra.gov.uk/statistics/deprivation/northern-ireland-multiple-deprivation-measure-2017-nimdm2017>

⁸ Data zones in deciles 1-2 on the “geographic access to services” indicator in Scotland have been included as deprived to help capture its most sparsely populated regions.

⁹ <https://www.gov.scot/collections/scottish-index-of-multiple-deprivation-2020/>

¹⁰ <https://www.gov.wales/welsh-index-multiple-deprivation>

to ensure what is being proposed is delivered or will be used to support or inform the monitoring process to track delivery of a proposal.

When considering investment in ports or the items listed under paragraph 5.4 above, an eligible generator may consider a range of potential interventions. This can include, for the sake of example, investment in port / quay side preparation; in testing components; in expanding production capacities; in cleaner forms of manufacturing etc. The list is not exhaustive.

6. Criterion 2 – Investment in more sustainable means of production

6.1 Applications can contain one or more proposal that will encourage low carbon electricity generation through investment that will help to increase the environmental sustainability of offshore wind and floating offshore wind deployment.

6.2 Specifically, proposals relating to this criterion must include:

- a) The project's proposed expenditure, expressed to the nearest £0.01, on investments in manufacturing facilities for offshore wind and floating offshore wind components that are owned or operated by a manufacturer that has set and is pursuing a science-based target that has been validated and communicated¹¹.
- b) The form of the proposed investment.
- c) The purpose of the proposed investment¹².
- d) The amount required by the eligible generator through a Sustainable Industry Reward to make the investment/s proposed, expressed to the nearest £0.01.
- e) The estimated delivery date for the full value of the investment, which will become the target delivery date of the commitment in the relevant CfD contract. The estimated delivery date must be a date that precedes the final commissioning date of the generating station.
- f) An investment benefit statement that includes measurable outcomes the eligible generator aims to achieve through the investment to be made as part of the SIR proposal. These outcomes should include: the total number of jobs created within the offshore wind / floating offshore wind sector by virtue of the investment, expected quantifiable benefits for supply chain sustainability (e.g. reducing emissions, increasing production capacity), and any other quantifiable benefit that the eligible generator may identify. The investment benefits statement must not exceed 2 pages per proposal.

¹¹ For the purposes of this SIR Allocation Framework, a validated science-based target can be considered to have been 'communicated' once the target has been published by the manufacturer on a public forum (e.g. website).

¹² For example, to facilitate the upgrade of a manufacturing facility owned or operated by a manufacturer that has set and is pursuing a science-based target that has been validated and communicated.

- g) A delivery plan setting out the key milestones to meet the estimated delivery date. This must also include a short list of known risks and dependencies to the successful delivery of the investment and any other information that is pertinent to the proposal and that the eligible generator believes DESNZ should be aware of.
 - h) Evidence of the total amount of investment proposed. This should also include a signed statement from the relevant manufacturer that confirms the investment figure under paragraph 6.2(a) and claims made in the investments benefit statement are true at time of application. In addition, this evidence can be supported by a contract (including conditional contracts) or memorandum of understanding between the eligible generator and relevant supply chain company confirming agreement on the investment to be made as part of the SIR proposal and the total investment needed to realise the purpose of the SIR proposal.
 - i) A statement from the board of the eligible generator that confirms their agreement on the investment to be made as part of the SIR proposal.
 - j) Confirmation from the Science Based Targets initiative that the manufacturer invested in has set and is pursuing a science-based target that has been validated. Evidence that the manufacturer has published the validated science-based target on a public forum (e.g. website) must also be provided.
- 6.3 Information provided in paragraph 6.2 may be used when drawing contractual obligations or used to inform the monitoring process. Eligible generators must provide all of the information listed in paragraph 6.2 for their proposal to be scored. The information provided must be truthful and accurate to the best of the eligible generator's knowledge to be scored. Eligible generators may also need to update the information they provide as part of the monitoring process.
- 6.4 Applications can include multiple proposals for different components listed in paragraph 5.4 of this SIR Allocation Framework. Eligible generators must clearly state to which key component each proposal relates.
- 6.5 An application can include up to a maximum of 10 proposals across the three SIR criteria listed in this SIR Allocation Framework.
- 6.6 Applications can include up to three variants on each proposal.
- 6.7 'Manufacturing facilities for offshore wind and floating offshore wind key components' has the meaning given in paragraph 5.8 of this SIR Allocation Framework.

Explanatory notes

All evidence provided as part of a proposal may be used in either drawing up contractual requirements to ensure what is being proposed is delivered or as part of the monitoring process to track delivery of a proposal.

7. [Combined criteria/Criterion 3] - Investment in shorter supply chains that use more sustainable means of production

7.1 Pursuant to regulation 6(2A)(b), SIR applications can contain one or more proposal that will encourage low carbon electricity generation through investment in more environmentally sustainable, shorter supply chains located in UK deprived areas as defined in paragraph 5.9 of this SIR Allocation Framework.

7.2 Specifically, each proposal relating to this criterion must include:

- a) The project's proposed expenditure, expressed to the nearest £0.01, on an investment in a manufacturing facility for offshore wind and floating offshore wind key components [as defined in paragraph 5.8 of this SIR Allocation Framework] located in UK deprived areas [as defined in paragraph 5.9 of this SIR Allocation Framework]¹³, that is also a manufacturing facility owned or operated by a manufacturer that has set and is pursuing a science-based target that has been validated and communicated.
- b) The form of the proposed investment.
- c) The purpose of the proposed investment.
- d) The location of the recipient of the investment, in the form of a full postal address, with proof of that address (e.g. an official document bearing the address in question). If the recipient of the investment is an organisation with multiple addresses, the address where the purpose of the investment will be realised must be used.¹⁴
- e) The amount required by the eligible generator through a Sustainable Industry Reward to make the investment/s proposed, expressed to the nearest £0.01.
- f) The estimated delivery date for the full value of the investment, which will become the target delivery date of the commitment in the relevant CfD contract. The estimated delivery date must be a date that precedes the final commissioning date of the generating station.
- g) An investment benefit statement that includes measurable outcomes the eligible generator aims to achieve through the investment to be made as part

¹³ "Investment" does not automatically mean or require that the manufacturer or port in question is or should be a client of the applicant.

¹⁴ For example, if the eligible generator is investing in a manufacturing facility belonging to a corporate group, the address of the intended facility should be used, not that address of the corporate group's headquarters.

of the SIR proposal. These outcomes should include: the total number of jobs created within the offshore wind / floating offshore wind sector by virtue of the investment, expected quantifiable benefits for supply chain sustainability (e.g. reducing emissions, increasing production capacity), and any other quantifiable benefit that the eligible generator may identify. The investment benefits statement must not exceed 2 pages per proposal.

- h) A delivery plan setting out the key milestones to meet the estimated delivery date. This must also include a short list of known risks and dependencies to the successful delivery of the investment and any other information that is pertinent to the proposal and that the eligible generator believes DESNZ should be aware of.
 - i) Evidence of the total amount of investment proposed for a key component type. This should also include a signed statement from the relevant manufacturer that confirms the investment figure under paragraph 7.2(a) and claims made in the investment's benefit statement are true at time of application. In addition, this evidence can be supported by a contract (including conditional contracts) or memorandum of understanding between the eligible generator and relevant supply chain company or port confirming agreement on the investment to be made as part of the SIR proposal and the total investment needed to realise the purpose of the SIR proposal.
 - j) A statement from the board of the eligible generator that confirms their agreement on the investment to be made as part of the SIR proposal.
 - k) Confirmation from the Science Based Targets initiative that the manufacturer invested in has set and is pursuing a science-based target that has been validated. Evidence that the manufacturer has published the validated science-based target on a public forum (e.g. website) must also be provided.
- 7.3 Information provided in paragraph 7.2 may be used when drawing contractual obligations or used to inform the monitoring process. Eligible generators must provide all of the information listed in paragraph 7.2 for their proposal to be scored. The information provided must be truthful and accurate to the best of the applicant's knowledge to be scored. Eligible generators may also need to update the information they provide as part of the monitoring process.
- 7.4 Applications can include multiple proposals for different components listed in paragraph 5.4. Eligible generators must clearly state to which key component or port each proposal relates.
- 7.5 An application can include up to a maximum of 10 proposals across the three SIR criteria listed in this SIR Allocation Framework.
- 7.6 Applications can include up to three variants on each proposal.
- 7.7 Definitions of manufacturing facilities, and UK deprived areas, are as stated in section 5 of this allocation framework.

Explanatory notes

This criterion combines the criteria set out in sections 5 and 6 into one, in effect: making an investment with a greater impact that *both* shortens supply chains, *and* proposes investment in a cleaner firm while doing so.

8. Proposals and multiple variants of a proposal

- 8.1 Applications must include a minimum of one SIR proposal relating to at least one of the three SIR criteria listed in this SIR Allocation Framework. Applications can include up to 10 proposals across all of the SIR criteria.
- 8.2 Applications can include a maximum of three variations of each proposal, through which an eligible generator can alter the deliverable and cost of a proposal.
- 8.3 Eligible generators should clearly identify which variant is their preferred option, their second-choice option and their third-choice option when submitting multiple variants of a proposal.
- 8.4 Each proposal and each variant will be scored in accordance with the methods set out in parts 10.1, 10.2 and 10.3 of this SIR Allocation Framework.
- 8.5 Each proposal and each variant will be ranked alongside all other submitted proposals, including proposals relating to differing SIR criteria and other variants of the same proposal, in accordance with the method set out in section 11 of this SIR Allocation Framework.
- 8.6 A maximum of one variant of each individual SIR proposal will be supported if successful in the SIR allocation round. The variant supported will be the most preferred option, as designated by the applicant, that can be awarded an SIR based on the method to rank proposals and the available budget.

Explanatory notes

Applicants can, should they wish, submit up to three variations of a principal proposal. Applicants can alter the value of an investment, the level of the Sustainability Reward sought, and/or the measurable outcomes of a principal proposal.

Each variant should come with an order of preference from the eligible generator, so that in the event that several variants of the same proposal can be supported by the overall budget, only the most preferred option is awarded an SIR, allowing other variants to be discounted.

Example 1:

An Applicant submits a principal SIR proposal for a significant investment in a tower facility that is operated by a manufacturer that has set a science-based target. They require £30m through an SIR to make a proposed total investment of £375m.

Alongside this proposal, they submit 2 additional variant bids to support their CfD bidding strategy:

Variant 2 – Medium-impact investment: £26.25m required through an SIR to make a proposed total investment of £318.

Variant 3 – small-impact investment: £22m required through an SIR to make a proposed total investment of £260m.

Variants should relate to the same target investment. Different targeted investments should come as different proposals.

9. Method to determine the quality of an SIR application

9.1 Pursuant to regulation 6(2A)(b), each proposal under each application relating to the 'UK deprived areas' SIR criterion will be assessed on quality in accordance with the following formula:

Quality = Value of investment in shorter supply chains in UK deprived areas

where 'value of investment in shorter supply chains in UK deprived areas' means the value provided by applicants in relation to paragraph 5.2(a) of this SIR Allocation Framework¹⁵.

9.2 Each proposal under each application relating to the 'Investment in lower emission supply chains' SIR criterion will be assessed on quality in accordance with the following formula:

Quality = Value of investment in lower emission supply chains

where 'value of investment in lower emission supply chains' means the value provided by applicants in relation to paragraph 6.2(a) of this SIR Allocation Framework¹⁶.

9.3 Each proposal under each application relating to the 'Investment in lower emission, shorter supply chains' SIR criterion will be assessed on quality in accordance with the following formula:

Quality = Value of investment in lower emission, shorter supply chains

¹⁵ Note: this is not the value that the eligible generator is bidding for, but the total value of the investment to be made.

¹⁶ Note: this is not the value that the eligible generator is bidding for, but the total value of the investment to be made.

where 'value of investment in lower emission, shorter supply chains' means the value provided by applicants in relation to paragraph 7.2(a) of this SIR Allocation Framework¹⁷.

9.4 Only parts 5.2(a), 6.2(a), 7.2(a) of this SIR Allocation Framework will be scored. However, if an eligible generator fails to provide any of the information listed in 5.2, 6.2 and 7.2 of this SIR Allocation Framework for one of their proposals, that proposal's quality will be judged to be zero. If any of this information provided is inaccurate then the proposal's quality will be judged to be zero.

10. Method to assess the reward which is sought in an SIR application

10.1 Pursuant to regulation 6(2A)(d), each proposal under each application will be assessed on the reward which is sought in accordance with the following formula:

The reward which is sought in an SIR application = Cost of SIR proposal

where 'cost of SIR proposal' is the amount of money an eligible generator states they require through the SIR to make the investment proposed as required under paragraphs 5.2(e), 6.2(d) and 7.2(e) of this SIR Allocation Framework. This is not the value of the investment to be made, but the value of revenue support the eligible generator requires through the SIR scheme to make their total investment possible.

11. Method to score SIR applications

11.1 A proposal will only be scored if information provided under paragraphs 5.2, 6.2 and 7.2 have been submitted, and as per paragraphs 5.3, 6.3 and 7.3 if DESNZ is satisfied that the information presented is complete and accurate. Any proposal that does not meet these conditions will be given a score of zero.

11.2 Pursuant to regulation 6(2A)(e), each proposal under each application will be scored in accordance with the following formula:

$$\text{Score} = \frac{(S)(\text{Value of investment})}{\text{Cost of SIR proposal}}$$

Where S = 1 for investment in shorter supply chains;

¹⁷ Note: this is not the value that the eligible generator is bidding for, but the total value of the investment to be made.

where S = 1 for investment in lower emission supply chains;

where S = 1.[x] for investment in shorter, lower emission supply chains;

where S = 1.[x] for investment in [TBC floating offshore wind components] as set out in paragraph 5.4 of this allocation framework.¹⁸

11.3 Upon receipt of applications, if applicants fail to meet the conditions in paragraph 11.1, DESNZ will notify eligible generators within [X] working days of the application window closing.

11.4 At no point will DESNZ communicate an applicant's place in the SIR ranking until SIR results are formally released through by the Secretary of State issuing an SIR statement.

Explanatory notes - example SIR proposals

Below we outline some example SIR proposals. These are purely for illustrative purposes.

Criterion 1 – Investment in shorter supply chains

Proposal A –

- £52 million investment in a port in a UK deprived area, pricing this in their SIR proposal at £20 million.

Criterion 2 - Investment in more sustainable means of production

Proposal B –

- £45 million investment in a tower facility, to a firm that has set a science-based targets, pricing this in their SIR proposal at £17 million.

[Combined criteria/Criterion 3] - Investment in shorter supply chains that use more sustainable means of production

Proposal C –

¹⁸ The government recognises that most floating offshore wind manufacturing firms are at too early a stage of product development to have set and validated science based targets, and therefore a temporary score modifier has been applied to prevent the industry from being disadvantaged.

- £92 million investment in a cable facility from a facility that is located in a UK deprived area and has set a science-based target, pricing this in their SIR proposal at £34 million.

Scoring Proposal A – Investment in shorter supply chains

Quality

The quality formula for this SIR criterion is as follows:

Quality = Value of investment in shorter supply chains in UK deprived areas

Proposal A unlocks an investment of £52 million for a port development in a UK deprived area. Therefore, the quality of the proposal is **£52 million**.

Cost

The cost formula for all SIR criteria is as follows:

The reward which is sought in an SIR application = Cost of SIR proposal

The example developer has proposed that they need a SIR payment of £20 million to make the investment in the port development in a UK deprived area. Therefore, the cost of the proposal is **£20 million**.

Overall score

When we input the relevant quality and cost values for proposal A into the overall score formula, we get:

$$\text{Proposal A score} = \frac{1(52,000,000)}{20,000,000}$$

$$\text{Proposal A score} = 2.6$$

Scoring Proposal B – Investment in more sustainable means of production

Quality

Proposal B features a £45 million investment in a towers facility to a firm that has set a science-based target. Therefore, the quality of the proposal is **£45 million**.

Cost

The example developer has proposed that they need a SIR payment of £17 million to make the investment in manufacturing facility that has set a science-based target. Therefore, the cost of the proposal is **£17 million**.

Overall score

When we input the relevant quality and cost values for Proposal B into the overall score formula, we get:

$$\text{Proposal B score} = \frac{1(45,000,000)}{17,000,000}$$

$$\text{Proposal B score} = 2.65$$

Scoring Proposal C – Investment in shorter supply chains that use more sustainable means of production

Quality

Proposal B features a £92 million investment in a cable manufacturing facility that is located in a UK deprived area and has set a science-based target. Therefore, the quality of the proposal is **£92 million**.

Cost

The example developer has proposed that they need a SIR payment of £34 million to make the investment in a manufacturing facility that is located in a UK deprived area and has set a science-based target. Therefore, the cost of the proposal is **£34 million**.

Overall score

When we input the relevant quality and cost values for Proposal C into the overall score formula, we get:

$$\text{Proposal C score} = \frac{1.2(92,000,000)}{34,000,000}$$

$$\text{Proposal C score} = 3.25$$

Note that here the S multiplier has been given a purely illustrative value of 1.2.

Ranking Proposals A, B and C

Based on the scores above, the example proposals would be ranked – and therefore draw down from the budget – in the following order:

1. Proposal C: 3.25
2. Proposal B: 2.65
3. Proposal A: 2.6

12. Method to rank SIR applications

- 12.1 Pursuant to regulation 6(2A)(e), all proposals will be ranked in accordance with their total score. Proposals with higher scores will be ranked above proposals with lower scores.
- 12.2 Each proposal will be ranked against all other eligible proposals received, even if they relate to different SIR criteria or are submitted by the same eligible generator.
- 12.3 In the event that two or more proposals achieve the same total score, the following tiebreaker rules will apply:
 - a) proposals will be ranked in accordance with their quality, with proposals of higher quality ranked above proposals of lower quality.
 - b) if two or more proposals achieve the same total score and the same quality score, proposals will be ranked in accordance with the delivery date of their investment. Proposals with the most imminent delivery dates will rank above proposals with less imminent delivery dates.
 - c) If two or more proposals achieve the same total score, the same quality score and have the same delivery date for their investment, DESNZ must determine the ranking between these proposals at random, using an electronic random assignment process.

13. Minimum standards

- 13.1 Pursuant to **regulation 6(2A)(f)**, all eligible generators must make a proposal, or several proposals, that meet the minimum standard required to obtain a SIR Statement from the Secretary of State, and enter the CfD round.
- 13.2 The minimum standard required to obtain an SIR statement from the Secretary of State, necessary to enter the CfD round is as follows:

13.2.1 The total sum invested under proposals made under paragraph 13.3 and 13.4 of this document must be at least of £[X] per GW for a fixed bottom offshore wind farm.

13.2.2 The total sum invested under proposals made under paragraph 13.3 and 13.4 of this document must be at least of £[X] per GW for a floating offshore wind farm.

13.3 Minimum standard proposals may be made as part of proposals submitted under sections 5, 6 and 7 of this document. Where this is the case, such proposals must be clearly labelled as including an investment value that contributes to the eligible generator's minimum standard requirement. If one or several of such proposals do not obtain SIR revenue support throughout the SIR allocation process, the eligible generator must:

13.3.1 Either deliver the minimum standard element of the relevant proposal(s), though not the full value of the proposed investment

13.3.2 Or rely on separate, successful SIR proposals (i.e. that have obtained revenue support) that in aggregate, meet the minimum standard requirements.

13.4 Alternatively, a generator may submit one or several minimum standard proposals that are separate to their SIR proposals ("standalone minimum standard proposals"), and such proposals may not seek revenue support.

13.5 In the event that proposals made under paragraph 13.3 obtain revenue support, the applicant can rely on these to deliver their minimum standard, and will not be required to deliver proposals made under paragraph 13.4 (i.e. standalone minimum standard proposals).

13.6 Minimum standard proposals may be met by investing in [one] [at least two] of the criteria set out in sections 5, 6 and 7 of this document, the eligible generator may choose how to organise their investment, so long as the total of all proposals for minimum standard investments is equal to or greater than the sums expressed under paragraph 13.2.1 and 13.2.2 of this document.

13.7 Specifically, each minimum standard proposal relating to this criterion must:

- a) Includes the project's proposed expenditure, expressed to the nearest £0.01, on:
 - i. an investment in a manufacturing facility for offshore wind and floating offshore wind key components [as defined in paragraph 5.8 of this SIR Allocation Framework], or port, located in UK deprived areas [as defined in paragraph 5.9 of this SIR Allocation Framework]¹⁹;
 - ii. and/or investments in manufacturing facilities for offshore wind and floating offshore wind key components [as defined in paragraph 5.8], owned or operated by a manufacturer that has set and is pursuing a science-based target that has been validated and communicated as defined in section 6;

¹⁹ "Investment" does not automatically mean or require that the manufacturer or port in question is or should be a client of the applicant.

- iii. and/or investments in manufacturing facilities for offshore wind components, or port, located in UK deprived areas, where that facility is also owned and operated by a manufacturer that has set and is pursuing a science-based target that has been validated and communicated, as set out in **section 7**.

- b) The form of the proposed investment.

- c) The purpose of the proposed investment.

- d) The location of the recipient of the investment, in the form of a full postal address, with proof of that address (e.g. an official document bearing the address in question). If the recipient of the investment is an organisation with multiple addresses, the address where the purpose of the investment will be realised must be used.²⁰

- e) The estimated delivery date for the full value of the investment, which will become the target delivery date of the commitment in the relevant CfD contract. The estimated delivery date must be a date that precedes the final commissioning date of the generating station.

- f) An investment benefit statement that includes measurable outcomes the eligible generator aims to achieve through the investment to be made as part of the minimum standard proposal. These outcomes should include: the total number of jobs created within the offshore wind / floating offshore wind sector by virtue of the investment, and expected quantifiable benefits for supply chain sustainability (e.g. reducing emissions, increasing production capacity), and any other quantifiable benefit that the eligible generator may identify. The investment benefits statement must not exceed 2 pages per proposal.

- g) A delivery plan setting out the key milestones to meet the estimated delivery date. This must also include a short list of known risks and dependencies to the successful delivery of the investment and any other information that is pertinent to the proposal and that the eligible generator believes DESNZ should be aware of.

- h) Evidence of the total amount of investment proposed for a key component type or port. This should also include a signed statement from the relevant manufacturer or port that confirms the investment figure under **paragraph 13.7.a** and claims made in the investments benefit statement are true at time of application. In addition, this evidence can be supported by any of the following other documents: contract (including conditional contracts), memorandum of understanding between the eligible generator and relevant supply chain company or port confirming agreement on the investment to be made as part of the minimum standard proposal and the total investment needed to realise the purpose of the proposal.

²⁰ For example, if the eligible generator is investing in a manufacturing facility belonging to a corporate group, the address of the intended facility should be used, not that address of the corporate group's headquarters.

- i) A statement from the board of the eligible generator that confirms their agreement on the investment to be made as part of the minimum standard proposal.
- j) If applicable, confirmation from the Science Based Targets initiative that the manufacturer invested in has set and is pursuing a science-based target that has been validated.

13.8 If a minimum standard and SIR proposal are being merged, information provided in paragraph 13.7 of this document may be presented alongside the information required under sections 5.2, 6.2 and 7.2 of this document, but the eligible generator must split how the information required under these sections is attributable to the minimum standard, versus the full value of the proposed investment.

13.9 Information provided in paragraph 13.7 may be used when drawing contractual obligations or used to inform the monitoring process. Eligible generators must provide all of the information listed in paragraph 13.7 for their proposal to be scored. The information provided must be truthful and accurate to the best of the applicant's knowledge to be scored. Eligible generators may also need to update the information they provide as part of the monitoring process.

13.10 Minimum standard expenditure must be delivered, regardless of whether an applicant obtains any SIR funding for successful SIR proposals.

13.11 [IGP placeholder]

13.12 [SIM placeholder]

The purpose of introducing minimum standards is to maintain a level playing field for all applicants in the main CfD Allocation Round. Projects that do not obtain extra SIR funding will still need to make investments up to the value on the minimum standard as this will be written into the CfD contract.

The required minimum standard spend can be proposed as part of one or several SIR proposals. However, the eligible generator must be confident that they can deliver the share of the minimum standard expenditure required under their proposals, even if they do not win funding for those SIR proposals.

For example, in a scenario where the minimum standard is £100, an applicant may make an SIR proposal setting out a proposed £75 investment in a cable factory, requiring £25 in revenue support. The applicant can state that £50 in that proposal goes towards delivering their minimum standard (i.e. half the minimum standard).

The applicant still needs to commit to another £50 to meet the minimum standard. The applicant makes a second SIR proposal, setting out a proposed £75 investment in a tower factory, requiring £25 in revenue support. The applicant states that £50 in that proposal goes towards delivering their minimum standard (i.e. the other half of the minimum standard).

Alternatively, the applicant may choose to make minimum standard commitments that are not linked to their SIR proposals. These cannot claim revenue support. Using the examples above, the applicant may make a third proposal, setting out £50 investment in a port, and £50 on a blade testing facility, as standalone proposals that do not require revenue support, and are designed to meet the minimum standard.

In a scenario where the applicant's above bids do not obtain SIR funding through the SIR allocation process, they must:

- a. Either at least deliver £50 of investment against the cable factory, and £50 towards the tower factory. They would not be required to investment the full £75 in each case, as that share depended on obtaining revenue support;
- b. Or rely on other successful SIR bids that meet the minimum standard;
- c. Or rely on a separate minimum standard proposal, separate from their original SIR bids.

The applicant must specify in their application which of their proposals they will rely on to deliver their minimum standards, in the event that they do not any obtain revenue support for their bids. In the event that the applicant has successful SIR bids that meet the minimum standards, the applicant will not be required to deliver separate minimum standard proposals.

The minimum standard can either be met by investing in a single SIR proposal or by investing in several SIR proposals, as long as the cumulative total of investments adds up to the minimum standard listed in the SIR Allocation Framework, and that the proposal address [at least two] of the SIR criteria.

14. Process to request a review of a decision determining the quality of an SIR application

14.1 Pursuant to [regulation 6\(2A\)\(c\)](#), applicants may dispute the score assigned to their proposal by DESNZ in accordance with the methods given in [Section 11](#) of this document.

14.2 In the first instance, eligible generators may ask DESNZ to review the assessment of its proposals, setting out the grounds for the review, within [2] working days of receiving the assessment. DESNZ must return its decision on the review within [3] working days.

14.3 If, following the review, the eligible generator wishes to dispute the assessment made of their proposal(s), applicants must ask an expert panel to

review to review the proposal. This expert panel will be referred to as the “dispute body”.

14.4 An eligible generator may invoke the dispute body on the following grounds:

- a) They wish to challenge any factual errors by DESNZ in the interpretation of the proposals put forward by the applicant.
- b) They wish to challenge any material errors in the calculation of the quality of each proposal.

14.5 The dispute body must be requested within **5 working days** of receiving notification from DESNZ of its opinion on the review of results requested under **14.X**.

14.6 Eligible generators should outline where they believe DESNZ inaccurately assessed the information received, for consideration by the expert panel.

14.7 Applicants must submit for review, the day that they request a review from the dispute body, the following:

- a) a concise statement identifying the relevant part of the DESNZ’ assessment in dispute;
- b) a concise statement of the facts on which the applicant relies;
- c) a summary of the grounds for disputing DESNZ’ assessment;
- d) a succinct presentation of the arguments supporting each of the grounds for dispute; and,
- e) a schedule listing the documents submitted with the dispute notice.

14.8 Following the request for the dispute body to review an eligible generator’s scores, DESNZ must acknowledge receipt of such a request within 2 working days. Eligible generators may withdraw their request within 5 working days. DESNZ must refer the matter to the dispute body within 2 working days.

14.9 DESNZ will not accept dispute resolution requests after the 5 working days allocated for applicants to request a dispute, nor will it accept a request for the deadline to be extended.

14.10 The dispute body will make decisions on the basis of written submissions alone.

14.11 The dispute body must notify all parties of their recommendation within 10 working days of receiving all the relevant information they may require.

14.12 The dispute body may exceed the target of 10 working days if they determine this to be necessary, including but not limited to situations relating to the assessor or applicants’ personal circumstances, or situations in which there is a large volume of evidence or applicants. DESNZ will inform all parties to the

dispute whether, and to what extent, the dispute body needs more time to make a recommendation.

- 14.13 The Secretary of State will take the expert panel's recommendations into account before SIR applications are ranked and before SIR statements are issued or refused.

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