

Final stage impact assessment

Title: Consultation on further amendments to the Contracts for Difference scheme for Allocation Round 7

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Contact for enquiries: ContractsforDifference@energysecurity.gov.uk

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1. Summary of proposal

The Contracts for Difference (CfD) scheme, as the government's flagship policy for incentivising new low carbon electricity generating projects in Great Britain, is critical to achieving our mission to transform the UK into a clean energy superpower.

The Clean Power 2030 Action Plan, published in December 2024, set out the deployment of renewable technologies required to deliver our 2030 goal. Accelerating the energy transition in Great Britain will help realise the benefits of a higher renewable power system sooner, as we prepare for significant growth in electricity demand in the 2030s and beyond as major parts of our economy electrify.

The Clean Power 2030 Action Plan has set out capacity ambitions for onshore wind (ONW), offshore wind (OFW) and solar required to meet the Government's mission¹. As such, consideration has been given to how the CfD scheme can best support the pace of renewable electricity deployment needed over the coming allocation rounds, whilst delivering value for money for electricity consumers. The Government recently consulted on further changes to the CfD design². This Impact Assessment (IA) considers the policy proposals relating to:

¹ <https://www.gov.uk/government/publications/clean-power-2030-action-plan>

² <https://assets.publishing.service.gov.uk/media/67b84bee4ad141d908353395/cfd-allocation-round-7-reforms-consultation.pdf>

1. Increasing the contract length for fixed and floating offshore wind, onshore wind and solar PV;
2. Implementation of Secretary of State access to bidding information in certain circumstances for fixed-bottom offshore wind. Henceforth referred to as 'bid stack visibility', and;
3. Relaxing eligibility criteria for fixed-bottom offshore wind only.

It does not consider auction parameters, which will be published ahead of future rounds opening as normal.

2. Strategic case for proposed regulation

The next few allocation rounds will play a vital role in achieving the Government's ambition for Clean Power 2030, alongside meeting the Government's longer-term decarbonisation commitments, as the foundation step in building a cost-effective and secure future electricity system. The Government is proposing reforms to the CfD scheme to support these goals, while taking account of the statutory considerations of the scheme and adhering to Subsidy Control Principles. Further detail on the rationale for these proposals can be found in the consultation document³ and the Government response. The policy changes are intended to support the delivery of clean power 2030, hence we have focused on impacts from capacity deploying out to 2030, but recognise further deployment that is subject to these changes would drive additional impacts.

By increasing the CfD contract length to 20 years for certain technologies, relaxing OFW eligibility criteria, and implementing partial bid stack visibility for OFW, the Government is implementing a package of reforms that seek to simultaneously support the scaling up of renewables deployment, whilst maintaining and enhancing competitive market outcomes to drive value for consumers.

Although contract extension has the potential to increase lifetime subsidy costs, the longer CfD term aims to rebalance costs between the short and long term, bringing forward some of the longer-term savings of renewables deployment into the 2030s and early 2040s, while offering more stability for investors. Bid stack visibility intends to provide Government with better oversight of OFW auction outcomes, helping to deliver the necessary capacity to achieve CP2030 goals and broader deployment objectives. Implementation of the bid stack policy has been designed to incentivise competition whilst reducing the underspend risk. However, to ensure that the benefits of a longer contract materialise and to achieve consumer value for money during bid stack reform, competition in the auction process is essential. Therefore, the OFW eligibility reform plays a vital role in stimulating competitive tension by decreasing market concentration in the auction. Together, this package of reforms aims to balance capacity ambitions with ensuring consumers benefit from this increased renewable deployment.

Strategic Case for increasing the contract term to 20-years for fixed bottom offshore wind, onshore wind, solar PV and floating offshore wind

³ <https://assets.publishing.service.gov.uk/media/67b84bee4ad141d908353395/cfd-allocation-round-7-reforms-consultation.pdf>

Recent global cost pressures have impacted all electricity generating technologies. Consequently, there has been persistent and significant pressure on electricity bills, for both non-domestic and domestic electricity consumers. As such, we committed in the recent 'Further reforms to the Contracts for Difference scheme for Allocation Round 7' consultation to 'assess whether any change in this space would be in the interest of consumers.'

When discussing the impacts of this policy, the majority of impacts are on CfD subsidy costs and consumer bills. 'Consumers' here represents both domestic and non-domestic electricity consumers. Internal analysis suggests that non-domestic electricity consumers pay around two thirds of CfD subsidy costs⁴, and therefore the following assessment is particularly relevant for GB businesses. There are different ways to assess how the CfD scheme impacts bills, including CfD levy costs and the 'net' bill impact. In this assessment, we consider the impact to CfD levy costs arising from contract extension. These costs represent subsidy payments made to CfD generators over the duration of their contracts, based on the difference between the wholesale electricity price and the fixed CfD 'strike price' per megawatt-hour (MWh). Crucially, estimates of CfD levy costs are not the same as the net bill impact of deploying renewables. This is because estimates of levy costs do not account for other electricity bill components that vary with renewables deployment, such as the wholesale electricity price and costs of upgrading the network to support additional capacity.

By providing price protection for 20-years rather than 15, CfD strike prices should be lower than under the counterfactual of a 15-year CfD, and therefore subsidy costs in the medium term (c.2030-2045) would be lower. Longer contracts mean that generators are operating on a merchant basis for a shorter period, reducing project risk and potentially financing costs, contributing to reduced project costs, strike prices and medium-term subsidy costs. However, there is a trade-off, as the longer contract would mean subsidy costs would be higher in those additional contract years. Although the net impact is uncertain, and dependent on future wholesale electricity prices.

The primary rationale behind extending the CfD is to rebalance the costs of the electricity transition, smoothing the capital costs associated with building renewable infrastructure, which are borne by consumers via subsidy costs. In the context of pressure on electricity bills, there is a rationale for smoothing the peak of these costs. An increase to the contract length could reduce subsidy costs between c.2030-2045 but increase costs from c.2045-2050. In the 2040s, many CfD assets are expected to enter their merchant tail⁵, providing low-cost electricity at the wholesale market price. The chart below, published in the Review of Electricity Market Arrangements (REMA) second consultation⁶ supports this.

⁴ Although some energy intensive industries are exempt from CfD subsidy costs.

⁵ 'Merchant tail' refers to the period in an assets' operating lifetime post CfD support but pre-decommissioning.

⁶ [Review of Electricity Market Arrangements: second consultation](#) – page 35

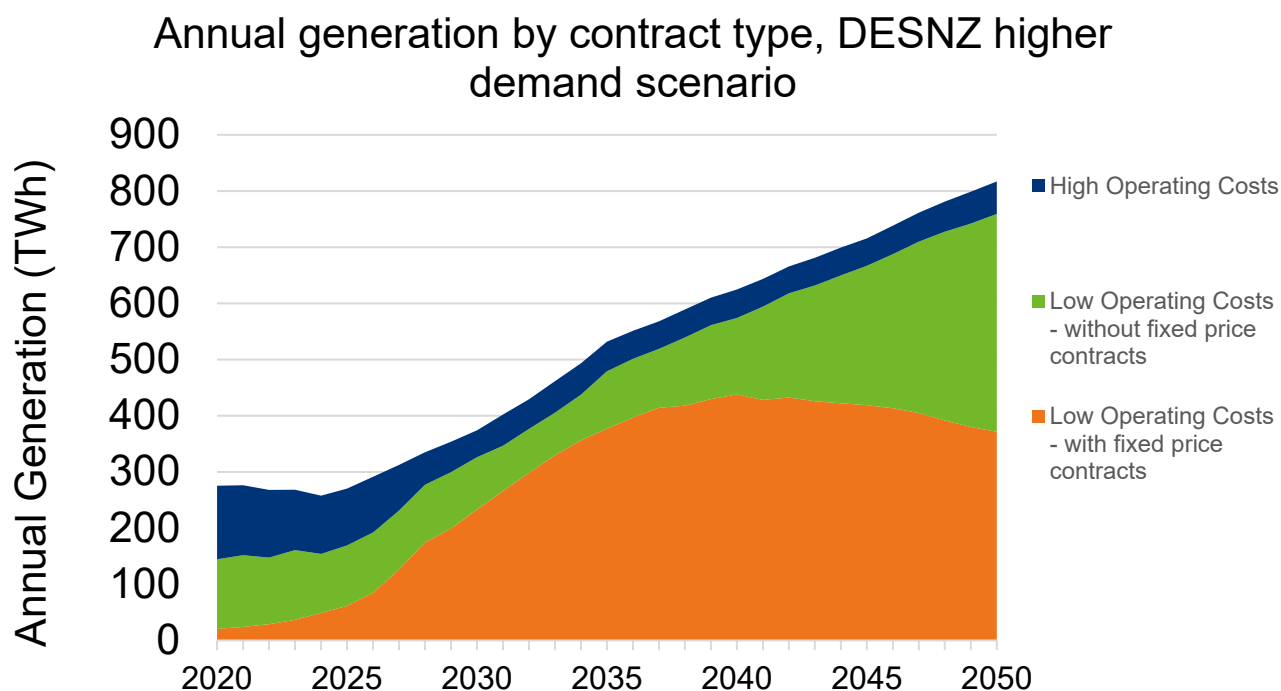


Chart shows: (i) technologies with high operating costs e.g. unabated gas, Power CCUS, Hydrogen to Power; (ii) technologies with low operating costs not on schemes that limit inframarginal rent, e.g. legacy nuclear, Renewable Obligation renewables, merchant renewables; (iii) technologies with low operating costs on schemes that limit inframarginal rent e.g. CfDs and nuclear RAB.

The chart illustrates how the proportion of generation operating with low operating costs, not on a support scheme, begins to increase at the start of the 2040s. This provides significant benefit to consumers, as these merchant⁷ assets will be providing low-cost electricity to the grid without consumer subsidy. Although contract length extension likely increases consumer subsidy costs in the additional contracted years, we consider this an acceptable trade-off in the context of the current pressure on energy bills, as longer contracts would reallocate some of the capital costs to consumers in the 2040s, who are set to benefit from the lower prices associated with this larger merchant pool of renewables.

A secondary rationale for this policy is to improve investor confidence in an increasingly competitive and uncertain market. Given current global market uncertainty and pressure across the value chain, a longer contract would increase project revenue certainty and reduce exposure to merchant tail risk. This improves the viability of projects and should ensure the GB renewables investment environment remains the gold standard in the international arena, crowding in the investment and offering greater certainty to the realisation of the socio-economic benefits of a clean power system. Several European states, such as France and Germany, offer CfD-style contracts of 20-years, hence extending contracts should ensure that the GB CfD remains one of the best offers in Europe.

In order to ensure the benefits of this policy pass through to consumers, we have implemented this change alongside other reforms that seek to ensure competitive tension. Specifically, the offshore wind eligibility change also proposed in IA should support this

⁷ Merchant: refers to assets providing electricity without subsidy support.

policy in meeting its strategic objective of lower strike prices, which depends on the presence of competitive tension in the upcoming allocation rounds. Competition in any round is important to deliver value to consumers, including to ensure the pass through of the benefits of longer contracts. Without sufficient competition, developers have less incentive to reflect the value of longer contracts in their bids, making it unlikely that the strike price reductions needed to ensure value for money will be achieved. The proposal for the design of the bid stack visibility set out in the GR also aims to promote competition and mitigate bid inflation risks set out in the SI stage IA⁸, as by implementing partial bid stack visibility as opposed to full bid stack visibility in the budget setting process, we should reduce the incentive for projects to hide their true costs in inflated bids.

However, under the proposed policy, the longer period of revenue support would mean higher subsidy costs during the additional five years of subsidy at the end of the contract term (e.g. increasing from 15 to 20 years). There is greater uncertainty regarding the magnitude of the long-term subsidy cost increases compared with the anticipated reductions in the medium term, primarily due to these costs being further in the future. Total lifetime subsidy costs of the procured assets may increase as a result of this policy, however, this is an uncertainty, and dependent on future wholesale electricity prices.

Importantly, any potential increase to lifetime net subsidy costs arising from extending CfD contracts would only arise if we first achieve large-scale deployment of renewables, which would lead to lower wholesale electricity prices.

CfD costs are driven by the difference between the strike price and the wholesale electricity price. Over time, as more renewables enter the system, their low running costs and high output during peak periods tend to push wholesale prices down. This dynamic means that any future rise in subsidy costs—particularly after 2045—would only occur if wholesale prices have already fallen significantly, which itself depends on successful, cost-effective deployment of low-carbon generation.

As a result, the future scale of subsidy costs is uncertain, because it depends on how wholesale prices evolve—something that is inherently difficult to predict.

Strategic Case for relaxing the Eligibility Criteria for Offshore Wind

The CfD scheme aims to use the power of markets and competition to minimise costs to consumers while delivering the investment needed for clean power.

Competition is necessary because it incentivises developers to bid at their minimum viable price, thereby delivering low-cost renewable energy. In order to achieve competition in the auction there must be a credible threat of scarcity, and no single participant should be able to influence the outcome of the auction.

Fixed-bottom offshore wind projects can have lead-in times⁹ of more than a decade¹⁰, so there is always a risk that a given allocation round sees fewer bidders. In addition, the Clean Power Action Plan (CPAP) set out that an additional 12-19 GW of offshore wind capacity

⁸ <https://assets.publishing.service.gov.uk/media/6710f408b22a14f7ee18ed59/future-rounds-cfd-scheme-policy-considerations-impact-assessment.pdf>

⁹ 'Lead-in times' refers to the period required for planning, permitting, financing, and constructing a project before it becomes operational

¹⁰ <https://www.gov.uk/government/publications/accelerating-deployment-of-offshore-wind-farms-uk-offshore-wind-champion-recommendations>

would be needed to achieve the government's Clean Power 2030 ambition. In this context, the proposal aims to improve competition in the auction by removing the requirement for fixed-bottom offshore wind projects to obtain planning consent before applying for a CfD. The proposal allows additional projects to apply to the CfD process, which would increase the liquidity in the auction and reduce the concentration. This increases the competition in the auction needed to ensure bids are reflective of a project's minimum viable price, which would reduce subsidy costs borne by consumers. As such, this change is intended to complement the other changes set out in this Impact Assessment.

Strategic Case for implementing partial bid stack visibility for Offshore Wind

As set out in a previous Impact Assessment published in May 2025¹¹, the Government is making regulatory amendments to the CfD budget setting process. These broad powers allow the Secretary of State to request anonymised price-related information from the Delivery Body (NESO), such as bid price and capacity, to make a budgetary decision. The rationale for this intervention primarily focused on overcoming the underspend risk – this can occur when a small number of large projects bid into the auction. If a competitively priced project exceeds the overall budget this capacity is not secured and deployment is delayed. For further consideration of this rationale, see the previous IA.

This Impact Assessment sets out the Government's proposed implementation of these broad powers, specifically outlining which technology pots the powers extend to, approach to budget publication and the extent of anonymised bid information available for decision-making. The Government proposes to take a partial approach to bid stack visibility and use these powers exclusively for budget setting for fixed-bottom offshore wind. The approach aims to increase Government oversight over the outcomes for fixed-bottom offshore wind in the CfD auction in order to support our decarbonisation targets, whilst designing the policy to maintain a competitive auction outcome and achieve consumer value for money.

3. Policy objectives for intervention

The Government's proposals, and its rationale for intervention, are intended to align with the statutory considerations of the scheme as set out in the Energy Act 2013. The proposals seek to appropriately balance the UK's decarbonisation aims with maintaining security of supply and having regard to costs for the electricity consumer. More specifically, the proposals aim to do the following:

Decarbonisation

- **Support achieving Clean Power 2030 and Carbon Budgets:** The CfD scheme is central to achieving the Government's commitment to 2030 Clean Power and Net Zero by 2050. Therefore, any proposed interventions will assess the impact they have on achieving the Government's clean energy commitments.

Security of supply

¹¹ [Further reforms to the Contracts for Difference scheme for Allocation Round 7: Final stage impact assessment](#)

- **Maintain and develop energy security in Great Britain:** Supporting the renewable energy sectors in Great Britain to develop and generate an increased amount of decarbonised electricity through these proposals helps ensure that Great Britain has a strong core of electricity production capacity and ensures that the system as a whole is less exposed to fluctuations in global gas prices.

Consumer costs

- **Protect value for money for the consumer:** The subsidy (levy) cost of the CfD scheme is borne by electricity consumers, which includes both households and businesses. Any proposed interventions will assess the impact on electricity consumers.

4. Description of proposed intervention options

The following options are considered in this IA. Set out under each option is the logical change by which it delivers the SMART objectives.

Option 0: BAU (Business as usual) - Under this option there is no change to the CfD scheme. This option represents the counterfactual against which the costs and benefits of the policy proposals are assessed.

- **Maintain the length of the CfD at 15-years for all technologies:** all CfD contracts would remain at a 15-year duration.
- **Maintain the current eligibility requirements for the CfD scheme:** The eligibility requirements for a CfD allocation round are set out in regulations and the Allocation Framework. Currently, one of the main eligibility requirements is that a developer must have obtained planning consent for the project before the deadline for submitting a CfD application has passed. In the BAU option, this requirement would remain the same for fixed-bottom offshore wind projects.
- **Maintain the current approach to budget publishing and access to bid information:** CfD budgets would continue to be set based on eligible capacity only, without knowing the impact on capacity secured.

Option 1: Changes to the CfD scheme (preferred option) – This option reflects the proposals set out in the consultation and Government response:

- **Increase the length of the CfD contract to 20-years for fixed-bottom offshore wind, onshore wind, solar PV and floating offshore wind:** From AR7 onwards, the Specified Expiry Date of CfD Agreements for fixed-bottom offshore wind, onshore wind, solar PV and floating offshore wind would be updated.
 - Extending the CfD reduces the annual subsidy required by generators to maintain viability. Longer contracts also reduce project risk, reducing exposure to market volatility.
 - This enables projects to submit lower bids into the CfD auction, lowering strike prices and therefore medium-term subsidy costs, easing pressure on medium term consumer bills.
 - Improved investment conditions may also produce a greater pipeline of projects in future allocation rounds, helping to increase competition and support decarbonisation goals.

- **Amend the eligibility requirements for the CfD scheme for offshore wind:** The proposal would amend the eligibility requirements to allow some unconsented fixed offshore wind projects to apply for CfDs. This would be subject to having reached an intermediate milestone in the consenting process. Projects eligible to apply for a CfD will have to have reached the intermediate milestone 12 months prior to the deadline for submitting a CfD application. The intermediate milestone for English and Welsh projects is the acceptance for examination, by the Planning Inspectorate, of their Development Consent Order (DCO) application. The intermediate milestone for Scottish projects is the application of any section 36 consent and marine licenses and the commencement of a public consultation.
 - Amending the eligibility criteria allows additional offshore wind capacity to apply for a CfD.
 - The additional eligible capacity should increase the competition in the auction, by increasing liquidity and reducing concentration. Increased competition incentivises developers to bid their minimum viable price, and more competitive auctions should result in lower subsidy costs which are borne by electricity consumers.
- **Implement partial bid stack approach for OFW:** The proposal would allow the OFW budget to be revised using anonymised bid information from the Delivery Body (NESO), such as strike price and capacity and maintain current budget approach for other technologies. For OFW, the Secretary of State will have the option to use anonymised bid information to inform their decision on whether to increase this budget. Anonymised bid information will only be shared for the bids which exceed the budget. All non-OFW technologies budgets will be set using the BAU approach.
 - Bid stack visibility increases Government oversight over auction outcomes for fixed-bottom offshore wind. This should increase the likelihood of projects that represent good consumer VfM of being successful in the CfD auction, supporting our decarbonisation goals.
 - Partial bid stack visibility, maintains competitive tension by hiding successful bid prices, discouraging strategic bid inflation and protecting consumer value for money.
 - This balances deployment certainty with cost control, ensuring sufficient offshore wind capacity is secured without undermining auction competitiveness or inflating consumer costs.

5. Assessment of shortlisted policy options carried forward

Overall assessment of the reforms to the CfD scheme

The Government has assessed that on the current available evidence, compared to the counterfactual, the reforms to the CfD scheme strike a better balance of the objectives outlined above. For a more detailed assessment of each reform please see below.

The package of reforms is expected to support the deployment of renewable generation projects by removing the underspend risk for OFW. There should also be a secondary benefit to the contract extension policy of providing additional revenue certainty and improving investor confidence in an increasingly uncertain and competitive global investment market. As such, the package of reforms are expected to support the acceleration of the decarbonisation of the GB electricity system, supporting the government's commitment to its

Carbon Budgets and ambition to achieve Clean Power by 2030. Any increase in renewable capacity secured as a result of these changes would increase the GB's domestic electricity production capabilities and decreases the exposure of the electricity system to global gas markets. This package also aims to maximise the value of this decarbonisation by seeking to maintain a competitive outcome that secures this capacity at a good price to consumers.

By extending the contract length, electricity prices and consumer subsidy costs should decrease in the medium term compared to the counterfactual of a 15-year CfD. However, the longer period of revenue support would mean higher consumer subsidy costs during the additional five years of subsidy at the end of the contract term (e.g. increasing from 15 to 20 years). The net impact on total discounted lifetime subsidy costs of the procured assets is an uncertainty, and dependent on uncertain future wholesale electricity prices. Total discounted lifetime subsidy costs may increase, however as set out in the strategic section, we consider this an acceptable trade-off in the context of the current pressure on energy bills, as longer contracts would reallocate some of the capital costs to consumers in the 2040s, who are set to benefit from the lower prices associated with this larger merchant pool of renewables.

Where possible, the risks introduced by these reforms have been identified through public consultation and independent analysis¹² and the policies have been designed to mitigate these risks. The amended eligibility requirements introduce a more advanced milestone to address non-delivery risks and the partial bid stack approach has been designed to mitigate bid inflation. The expected increase in competition in the OFW auction due to the eligibility changes, should ensure that the benefits of extending the contract length are passed on to consumers and also mitigates the risk of bid inflation due to the bid stack proposal.

Therefore, the government intends to implement its proposals to increase the contract length for onshore wind, offshore wind, solar PV, and floating offshore wind to 20 years, amend the eligibility requirement for fixed bottom offshore wind to allow some unconsented projects to apply to the CfD scheme, and implementing a partial bid stack approach for the offshore wind auction.

Contract length extension

The primary impact of this policy is on CfD strike prices and CfD subsidy costs. CfD subsidy costs are paid by both domestic and non-domestic energy consumers. Non-domestic energy consumers pay around two thirds of all CfD subsidy costs.

Assessment of Option 1: Extending the length of the CfD contract from 15-years to 20-years for fixed bottom offshore wind, floating offshore wind, onshore wind and solar PV.

The main impacts of contract length extension are:

1. **Subsidy costs:** Reduction to medium-term subsidy costs, at the expense of an increase in long term subsidy costs.
2. **Investor confidence and UK competitiveness:** expected to boost investor confidence by providing revenue certainty and better borrowing terms, ensuring the UK's renewables sector remains globally competitive and attracts significant investment.

Subsidy costs

As set out in the strategic case, the primary mechanism by which this policy will impact business and consumers is by reducing CfD strike prices, subsidy costs and therefore

¹² Independent research on the impacts of contract length extension was provided by consultancy CEPA.

medium-term energy bills. This rationale was reinforced by the consultation responses, as when responding to question 26 in the consultation, most respondents covering offshore wind, onshore wind and Solar reported strike price reductions when moving to a 20-year contract.

The trade-off is that because the CfD strike price, which is indexed annually to consumer price inflation, would be paid for an additional 5-years, the policy will lead to higher subsidy costs and bills compared to the counterfactual in those additional years of support.

To estimate the magnitude of the impacts to consumer subsidy costs, we have conducted quantitative subsidy cost and domestic and non-domestic consumer bills analysis. The methodology assumptions are set out below:

1. **Capacity:** 12-19GW of offshore wind (covering fixed and floating capacity), 8-10GW of onshore wind and 13-14GW of solar PV¹³. These capacity estimates align to the remaining capacity required to achieve the Government's mission of decarbonising the energy system. As set out in the Clean Power Action Plan¹⁴.
2. **CfD strike price reductions:** offshore wind (fixed bottom) - 12%, onshore wind – 11%, solar PV – 13%. These strike price reduction estimates are modelling of the impact of contract length extension on project cashflows and so strike prices. The specific impacts on projects will vary due to project specific costs and financing arrangements.
3. **Wholesale market price / capture price**¹⁵:
 - a. Scenario 1: DESNZ Net Zero consistent modelling - Wind¹⁶ and Solar capture prices in our assumptions are c.£40-45/MWh in 2030 but fall to c.£25-30/MWh by 2045. This represents a c.35% decline over the period (2024 prices).
 - b. Scenario 2: Blend of two Net Zero consistent scenarios – to illustrate the relevance of uncertain future wholesale market prices, we have also analysed a second scenario with higher wholesale market price projections. Over the course of the assessment period, capture prices are 33% higher for wind assets, and 6% higher for Solar PV assets compared to scenario 1.

Estimates of future subsidy costs should be considered in the context of considerably lower forecast wholesale prices due to increased renewable generation. The wholesale price is expected to fall in all scenarios, but we have modelled two scenarios to reflect the uncertainty over the extent of wholesale cost reductions.

Subsidy cost implications (discounted, 2024 prices)

Period	Duration (years)	Annual subsidy cost change (£ million)	Total change over period (£ million)
Scenario 1			
Initial decrease (from c. 2028)	16	£500 – 800	£8,700 – 12,600
Subsequent increase (from c.2044)	9	£1,100 – 1,600	£10,000 – 14,600
Net increase	25		£1,300 – 1,900

¹³ We assume here that 40% of the Solar PV capacity required by the CPAP ranges deploys via the CfD. This is a simplifying assumption based on the proportion of Solar PV deployment to date that is greater than 5MW and so therefore would have been eligible for a CfD. This is an uncertainty and it might be that a larger proportion of future Solar deploys via the CfD. However, due to the lower Solar load factor compared to wind assets, this assumption is unlikely to affect the rounded bill estimates presented above. Data source - [Solar photovoltaics deployment - GOV.UK](#)

¹⁴ <https://www.gov.uk/government/publications/clean-power-2030-action-plan>

¹⁵ Capture price: The price that we estimate renewable assets capture in the wholesale electricity market. It deviates from the high-level average wholesale market price due to variations in generation profile.

¹⁶ A single capture price series is used for both onshore and offshore.

Scenario 2			
<i>Initial decrease (from c. 2028)</i>	16	£500 – 800	£8,700 – 12,700
<i>Subsequent increase (from c.2044)</i>	9	£900 – 1,300	£7,800 – 11,400
Net decrease	25		£900 – 1,300

Scenario 1

As shown in the table, we estimate that the policy proposal would reduce consumer subsidy costs by c.£500m - 800m per annum, for 16 years. Saving consumers at total £8,700 – 12,600m over this period. However, this comes at the expense of higher subsidy costs in the longer term. Following the medium-term savings, we estimate a subsequent increase of £1,100m – 1,600m per annum for 9 years. The net impact of this is a £1,300m – 1,900m subsidy cost increase over the 25-year¹⁷ period.

The estimated impact of this on bills is that they would reduce the £/MWh retail price of electricity by approximately £1-2/MWh per year, compared to “do nothing” (equivalent to £4-6 reduction in an average dual fuel bill) for 16 years, before increasing the price by £2-3/MWh per year compared to “do nothing”, for 9 years. The medium term £4-6 average dual fuel bill reduction estimate is based on ‘2024 average dual fuel household consumption’, therefore this illustrative analysis is only applicable to the medium-term impacts due to the uncertainty of future household consumption.

Given the variation in consumption across non-domestic electricity users, there is no one representative average bill figure. It is worth noting that non-domestic billpayers currently pay around two thirds of CfD levy costs, and the analysis illustrating the impact on the retail price of electricity is applicable to non-domestic electricity users.

As set out in the methodology section, the strike price reduction estimates used here are based on our modelling of the impact of contract length extension on project cashflows and so strike prices. The specific impacts on projects will vary due to project specific costs and financing arrangements. This was reflected by the range of responses received in the consultation, although, when responding to question 26 in the consultation, most respondents covering offshore wind, onshore wind and Solar reported strike price reductions when moving to a 20-year contract.

As an illustration, if we reduced the modelled impact on strike prices by 25%, this would decrease the short-term subsidy cost savings by £100 - 200m per annum and increase the long-term subsidy cost increases by c.£100m per annum.

As detailed in the strategic section above, while total subsidy costs could be higher over the lifetime of the asset, this could be considered an acceptable trade-off to secure an improvement to medium term subsidy cost, for the following reasons:

- Modelling suggests that in the 2040s, consumers will benefit from an increase to the proportion of generation operating without subsidies, supplying low-cost electricity generation at market prices. This shift will increase the share of low-operating-cost generation in the market benefiting consumers by reducing electricity costs without additional public funding.

¹⁷ The impacts of this policy don't align to a simple 15-year subsidy cost decrease plus a 5-year increase because the deployment of the total capacity is spread over multiple delivery years. We also assume that offshore wind deploys in three phases.

- Due to recent macro-economic effects, recent consumer electricity bills have been high by historical norms. Therefore, we consider it justifiable to try and bring some of the above consumer benefits from the 2040s into the 2030s.
- Furthermore, should the desired strike price reductions be achieved, the benefits to medium-term consumer bills would be a certainty, whereas the magnitude of the estimated bill increases post-2045 are uncertain. Subsidy costs are driven by the difference between the strike price and the outturn wholesale market price, and there is a high degree of uncertainty regarding wholesale market prices post-2045.

Scenario 2

To illustrate the relevance of uncertain future wholesale market prices, we have also analysed a second scenario whereby we assume higher wholesale market price projections. The assumed wholesale market price projection series is a blend of two Net Zero consistent scenarios. Over the course of the assessment period, capture prices are 33% higher for wind assets, and 6% higher for Solar PV assets compared to scenario 1.

As the table illustrates, higher wholesale market prices do not reduce the magnitude of the benefits¹⁸, which are solely determined by the strike price, but do reduce the longer-term subsidy cost increase. The medium-term decrease to annual subsidy costs is still £500m – 800m, however the subsequent increase is now £900m – 1,300m, rather than £1,100m – 1,600m, and the net impact is that, compared to the counterfactual, subsidy costs now fall by £900 – 1,300m, rather than increasing by £1,300 – 1,900 under scenario 1.

The estimated impact of this on bills is that they would reduce the £/MWh retail price of electricity by approximately £1-2/MWh per year, compared to “do nothing” (equivalent to £4-6 reduction in an average dual fuel bill) for 16 years, before increasing the price by £1-2/MWh per year compared to “do nothing” for 9 years. We have rounded these price impact values to reflect uncertainty.

This scenario illustrates how the magnitude of the long-term subsidy costs are dependent on uncertain wholesale market prices, whereas the benefits are more likely, assuming a competitive auction is achieved with the desired strike price reductions. The long-term subsidy cost increases shown in scenario 1 will only materialise if we see a significant reduction in the wholesale electricity market price. As illustrated by scenario 2, the net impact on total lifetime discounted costs is uncertain, and there may be a subsidy cost reduction if wholesale electricity prices do not fall as significantly as expected.

An internal assessment showed that the benefits of longer CfD contracts are not as strong for contracts over 20 years. Consultation feedback was not conclusive that strike price bids would be lower for AR7 projects under a 25-year contract compared to 20 years, due to financing limitations for contracts at this length. Moreover, as contract length increases, the total lifetime costs are expected to increase, and potential benefits of assets operating in the merchant tail decrease, with a 25-year contract fully eroding the merchant tail for ONW and FLOW.

Importance of competition

It should be noted that these estimates assume that developers price in what we consider to be the full benefits of contract length extension. As detailed in the strategic section, a competitive outcome is crucial to achieving those strike price reductions, although the exact impact on strike prices will be subject to auction dynamics and project specific costs. In order

¹⁸ ‘Total change over the period’ estimates for the ‘Initial decrease’ are slightly different between the two scenarios due to assumptions around delivery years and phasing.

to ensure the benefits of this policy pass-through to consumers, we have implemented this change alongside other reforms that seek to ensure competitive tension.

Investor confidence and UK competitiveness

Beyond the impact to non-domestic and domestic consumer bills, we also have evidence from the associated consultation that there would be a boost to investor confidence following this policy. This is supported by evidence from the consultation, with the majority of respondents to that question (Q31) stating that they did believe that increasing the contract term would materially increase overall investor confidence, in an increasingly competitive and uncertain market, due to the benefits to revenue certainty and ability to secure more favourable borrowing terms.

Improvements to investor confidence would ensure the GB renewables investment environment remains the gold standard in the international arena, crowding in the investment and offering greater certainty to the realisation of the socio-economic benefits of a clean power system. This could lead to indirect benefits of this policy in securing the private investment required to increase the pipeline of projects bidding into future allocation rounds. This could plausibly increase the level of decarbonisation and improve the level of competitive tension in the CfD auctions.

Eligibility Change

The primary impact of this policy is on competition in the CfD auction for fixed bottom offshore wind, with resulting implications for both scheme subsidy costs and deployment. The assessment of this reform undertaken is largely qualitative because of the difficulty evaluating and monetising the impact of competition, which is the product of complex auction dynamics that have yet to occur.

For the purpose of this assessment, it is assumed that a more competitive auction, proxied by lower market concentration and total eligible capacity results in lower CfD strike prices and lower CfD subsidy costs. We then provide illustrative analysis of the potential impact of this change on scheme costs.

Assessment of Option 1: Amending the eligibility requirements for fixed bottom offshore wind to allow pre-consent projects to participate in the auction subject to having reached an intermediate milestone in the consenting process.

As outlined above, in this option the eligibility requirements for fixed bottom offshore wind only would be relaxed. Through internal analysis and evaluation of consultation responses, Government has identified the following primary impacts of this change:

1. Increased competition in the fixed offshore wind CfD auction, which could reduce overall subsidy and so electricity consumer costs
2. Mixed impacts on delivery risk associated with offshore wind deployment

Increased competition in the fixed offshore wind CfD auction, which could reduce overall subsidy and so electricity consumer costs:

In the counterfactual, where eligibility requirements are unchanged, there is a risk of a less competitive auction for fixed bottom offshore wind which could result in increased electricity costs to consumers. Competition concerns are due to the interaction between demand for capacity to meet our Carbon Budgets and 2030 Clean Power commitments, and the level of concentration in the offshore wind market. At present, a small number of developers control

the majority of the near-term offshore wind pipeline. And a number of concentration metrics indicate moderate to high levels of concentration in the offshore wind capacity eligible for AR7.

Depending on the timing of planning consent decisions, at the time of writing, the proposal would result in a significant increase in the offshore wind capacity eligible to apply for a CfD in AR7. From the consultation responses, multiple developers indicated that they would take advantage of the added flexibility, and the additional projects would increase liquidity and competitive tension in the auction. In addition, consultation respondents in favour of the eligibility reform identified the need to increase competition in the auction and indicated that the reform could result in better outcomes for consumers. The additional capacity is also expected to decrease the concentration in the total eligible capacity.

Therefore, the government is confident that the eligibility proposal will increase competition in the auction and should therefore ensure bids reflect minimum viable prices. For any given capacity procured this has good potential to lower subsidy costs. Additionally, the eligibility reform has a positive combined impact with the increased contract term and bid stack visibility reforms. The increase in competitive tension incentivises developers to pass on the benefits of the increased contract term to consumers, and is an additional mitigation for the identified risk of bid inflation resulting from increased bid stack visibility.

Given the scale of offshore wind capacity that could be needed for our decarbonisation commitments, the cost implications of an auction with reduced or very limited competition are large. As an illustration, Government estimates that for every GW of offshore wind procured, if increased competition led to a decrease in the clearing price of £5/MWh, this could decrease lifetime subsidy costs borne by electricity consumers by an estimated £350 million (all real 2024 prices).¹⁹ This example serves as an illustration of strike price impacts on lifetime subsidy costs and should not be interpreted as the expected impact from this reform.

Mixed impacts on delivery risk associated with offshore wind deployment:

Some developers indicated in the consultation responses that amending the eligibility requirements could speed up delivery timelines and therefore also reduce costs. The reform could eliminate the wait between receiving planning consent and applying for a CfD, which would be material to overall timelines. However, not all developers agreed that the reform would impact timelines over more fundamental factors such as grid connection dates and supply chain availability.

Allowing pre-consent projects to participate in the auction introduces an additional risk of non-delivery due to the planning process and uncertainty over their costs. There is a risk that there are delays in the planning process or that projects fail to receive consent entirely. Additionally, less mature projects may not be able to deliver due to greater uncertainty over their costs. Unconsented projects may not have progressed negotiations or agreed contracts with supply chain partners for components to the same extent as consented projects, in part because supply chain firms may prioritise engagement with consented projects. Because of this, unconsented projects may not have all the information required to assess their minimal viable strike price. There is a risk that these unconsented projects bid too optimistically, win a CfD but are unable to deliver at that price.

¹⁹ These figures reflect the latest assumptions used in DESNZ modelling.

By setting a tougher eligibility threshold, the policy has been designed to partially mitigate the increased non-delivery risk. Requiring that 12 months have passed since the relevant planning milestones ensures that only mature pre-consent projects are able to participate in the auction. This decreases the risk of non-delivery as these projects should have more progressed engagement with supply chains. The government expects developers to manage the risk of non-delivery and bid sustainably at prices they can deliver. Projects unable to deliver will be subject to the Non-Delivery Disincentive (NDD) which will exclude them from the following two allocation rounds.

The government is evaluating changes to the scheme rules and contract terms to mitigate non-delivery risks. The government has invited views²⁰ on changes to the Milestone Delivery Date (MDD) to support the delivery of pre-consent projects if they encounter planning delays and new powers for NESO to exclude projects from the auction if their planning application is denied at any stage during the process.

In summary, the Government has assessed that the benefits of amending the eligibility requirements outweigh the risks. We judge that the risk of non-delivery is less material than the benefit of increased competition, which are more certain and should result in lower strike prices compared to the counterfactual. In addition, the policy has been designed to mitigate any increased risk of non-delivery by setting a more advanced milestone in the planning process.

Implementing bid stack visibility for Offshore Wind

Assessment of Option 1: Implement partial bid stack approach for OFW.

We anticipate that the primary impacts of this option are:

1. Bid stack visibility should reduce the underspend risk for OFW – supporting decarbonisation goals.
2. Partial bid stack visibility should mitigate the risk to competitive tension identified in the previous impact assessment.

Bid stack visibility should reduce the underspend risk for OFW – supporting decarbonisation goals

There is a clear underspend risk for offshore wind in AR7 and beyond and if left unaddressed, this could delay deployment of renewables and undermine progress towards CP2030 capacity ambitions (see the Impact Assessment published in May 2025 for further detail of this risk). This is evidenced by the Allocation Round 6 (AR6) outcome for offshore wind, where c.20% of the budget remained 'unspent' after auction outcomes were determined. The majority of responses to the consultation also agreed with the rationale to apply bid stack visibility to offshore wind only. This is counter to Established Technologies Pot (i.e. Pot 1) outcomes, whereby, typically, the budget is mostly spent, due to having many, smaller projects participating. As such, there is no clear rationale for not maintaining the BAU budget setting approach for Pot 1.

Historically, there has also been underspend for Pot 2 technologies. However, these technologies tend to have a smaller number of projects, which risks making them identifiable if bid stack visibility were applied. Additionally, these technologies are expected

²⁰ <https://www.gov.uk/government/consultations/allocation-round-7-potential-eligibility-changes-for-fixed-bottom-offshore-wind>

to play a limited role in the 2030 energy mix, compared to fixed-bottom offshore wind, onshore wind and solar²¹. Similarly, the Government has previously targeted a smaller proportion of the supply curve of these technologies compared to established technologies and fixed-bottom offshore wind²². Therefore, given the risks associated with extending bid stack visibility to these technologies and their limited role in meeting CP2030 capacity ambitions, there is not a sufficient rationale to move away from BAU budget setting.

Partial bid stack visibility should mitigate the risk to competitive tension

The previous impact assessment for bid stack visibility²³ identified a risk that bidders' perception of competitive tension is lowered, disincentivising bids being placed at their minimum viable price. Many respondents to the consultation believed that the Secretary of State seeing bid information would have some form of impact on bidder behaviour, investor confidence and consumers. In order to balance achieving a value for money outcome for consumers whilst keeping us on the path to delivering Clean Power 2030 and wider decarbonisation targets, we are implementing partial bid stack visibility. Many respondents to the consultation proposed partial bid stack visibility as an alternative approach to full bid stack visibility. Furthermore, the eligibility reform also proposed in this Impact Assessment directly seeks to increase competitive tension in the auction. Therefore, the risk of bid inflation, and the subsequent risk to value for money is addressed through both bid stack implementation design and further AR7 CfD reforms.

To achieve this, a partial bid stack approach will be implemented for offshore wind. A monetary budget will be published after the application window has closed and before the sealed bid window opens. This will be based on the applications that have met the specified criteria and have been deemed eligible to participate in the allocation process. Once sealed bids are received, DESNZ and the Secretary of State (SoS) will request anonymised bid information for bids which are not successful under the published budget. Anonymised bid information for bids which come in under budget will not be accessed. Through gaining access to bidders' project capacity, the Government will have greater control over the capacity secured in the auction and consequent offshore wind deployment. At the same time, the Government will have access to price information of these bids and so will choose to only increase the budget to capture this capacity if they represent good value for money for the consumer.

Additionally, setting a monetary budget will likely discourage bid inflation compared to an implementation of the bid stack powers where no monetary budget is set. A monetary budget could foster competitive tension in the auction as developers are encouraged to bid at their minimum viable price to increase their likelihood of securing a CfD by falling under the budget. In addition, through not seeing the most cost-effective bids, we weaken the incentive to conceal or inflate their true cost at the perceived risk that Government would use this information in future auction parameter setting. Failing to maintain this competitive tension, as could be the case under full bid stack visibility, could undermine securing a good VfM outcome. Designing the partial bid stack in this way is likely to improve competition in the auction compared to full bid stack visibility. As an illustrative example, if increased competition led to a decrease in the clearing price of £5/MWh, Government

²¹ [Clean Power 2030 Action Plan: A new era of clean electricity – main report](#)

²² Methodology used to set Administrative Strike Prices for CfD Allocation Round 6

²³ [Further reforms to the Contracts for Difference scheme for Allocation Round 7: Final stage impact assessment](#)

estimates that for every GW of offshore wind procured this could decrease lifetime subsidy costs borne by electricity consumers by an estimated £350 million (all real 2024 prices). This example serves as an illustration of strike price impacts on lifetime subsidy costs and should not be interpreted as the expected impact from this reform. A more detailed consideration of the risks of full bid stack visibility can be found in the previous Impact Assessment.

In summary, the proposed implementation of the bid stack powers represents a targeted response to the underspend risk for offshore wind. It seeks to mitigate the risk of inflated prices seen under the full bid stack option, while enabling the Government to secure competitively priced capacity that could otherwise be lost under BAU budget-setting. This better supports the dual objectives of achieving value for money and ensuring delivery against CP2030 deployment targets.

Public sector equality duty (PSED)

No impacts were identified across the nine PSED protected characteristics.

7. Regulatory scorecard for preferred option

Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		Directional rating
		Note: Below are examples only
Description of overall expected impact	The reforms are expected to support decarbonisation and security of supply. Primarily, the introduction of partial bid stack visibility will allow the Government increased oversight over the amount of OFW capacity secured in the auction, derisking deployment ambitions for CP2030 as we prepare for significant growth in electricity demand in the 2030s and beyond as major parts of our economy electrify. While the eligibility proposal may raise non-delivery risks, safeguards—such as a 12-month planning milestone requirement and penalties for non-delivery—aim to mitigate this. Considering consumer value for money, increasing the CfD contract term aims to reduce medium-term subsidy costs and strike prices, offering more stability for investors and lowering consumer bills for both domestic and non-domestic energy users in the medium term. Although, there is a possibility that the policy increases consumer costs in the longer term. Through the bid stack visibility reform, the Government will have access to bid price information (for bids which exceed the initial budget). This will allow Secretary of State to choose whether to raise the budget to secure the additional capacity if those bids are deemed to represent good value for money. The full bid stack proposal risks the perception of less competitive tension in the auction this could negatively impact	Positive Based on all impacts (incl. non-monetised)

	achieving a value for money outcome (see Section 5 in this Impact Assessment and the previous Impact Assessment published in May 2025). The implementation of the partial bid stack approach has been designed to offer greater protection against bid inflation than the full bid stack option. Importantly, to ensure that the cost benefits of contract extension materialise and to maintain value for money alongside derisked deployment under the bid stack reform, competition in the auction process is essential. Therefore, the OFW eligibility reform plays a vital role in securing the benefits from the other reforms. The eligibility proposal aims to increase competitive tension in the auction by decreasing the degree of market concentration in the OFW bid stack and, so, incentivising developers to bid their minimum viable price. Therefore, the overall impact of the package of reforms will likely derisk capacity ambitions and under a competitive auction environment will likely achieve a value for money outcome.	
Any significant or adverse distributional impacts?	As explained above, this package of reforms is likely to derisk the deployment of renewables. Through increasing renewable generation against the counterfactual, this will likely decrease emissions. In the counterfactual, whereby emissions may be higher, disadvantaged households may be disproportionately impacted by the future effects of climate change. It is possible that the package of reforms may place an upward pressure on the levy cost if a competitive auction outcome is not achieved. To materialise the downward pressure on strike prices from the contract length reform, there must be competitive tension in the allocation round. Competitive auction dynamics in solar PV and onshore wind CfD allocation tend to be present due to the relatively high number of bidders competing within an allocation round. However, market concentration continues to be at play for OFW which could prevent these positive cost impacts from being realised in the auction outcome, this risk could be exacerbated by the bid stack reform. However, as set out previously, the policy package has been designed to largely mitigate this potential impact. Importantly, the eligibility reform directly addresses the issue of market concentration as to foster a competitive outcome for the fixed-bottom offshore wind auction, and the partial bid stack implementation design aims to mitigate competition risks. Therefore, whilst there is likely to be a positive impact on subsidy costs relating to ONW and solar, the impact on OFW remains uncertain. Although the possibility of an upward pressure on the subsidy cost is not the same as the net impact of increased renewables deployment on electricity bills, the Government recognises that any material impact on subsidy costs borne by electricity consumers has the potential to disproportionately impact economically disadvantaged households as electricity bills tend to be a higher proportion of overall spending.	Neutral

	Additionally, under the contract length proposal, the extension of revenue support (i.e. extending from 15 to 20 years) could lead to higher consumer bills during the additional years of CfD coverage, compared to the counterfactual. Counter to this, the proposal will likely lead to a reduction in subsidy costs in the medium term due to strike price reductions. Therefore, there is likely a generational distributional impact, when comparing consumers in the long-term with consumers in the medium-term future. However, as detailed in the analysis in section 5, the magnitude of these future long-term costs are uncertain, and dependent on future wholesale market prices.	
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(2) Expected impacts on businesses

Description of overall business impact	The impact of the reform package on businesses will likely be positive compared to the counterfactual. As outlined in the assessment of overall impact, the reforms are expected to result in increased deployment of renewable generation and lower energy prices in the medium term. Albeit as a trade-off against higher subsidy costs in the longer term during the additional contract years. Increasing renewable generation contributes to ensuring that GB has a strong domestic electricity production capability and could reduce the exposure of the GB energy system to international gas prices and price of importing electricity. Reducing the share of natural gas in the electricity system should result in less volatile electricity prices due to decreased exposure to fluctuations in the global gas market. Reducing electricity price volatility would have a positive impact on businesses and encourage investment in GB. By extending the contract length, the package should result in decreased electricity prices in the medium term, albeit at the expense of an increased cost to electricity consumers in the additional years of the contract. Decreased electricity prices have the potential to benefit businesses by decreasing their overall costs in the medium term. The impact of the reforms on renewable energy developers is expected to be positive. The increased contract length provides increased certainty of revenue to developers. Offshore Wind developers could be positively impacted by the proposal to implement a partial bid stack approach. The reform aims to derisk the deployment of higher levels of capacity. In the counterfactual, if a developer bids in at a price which offers good VfM, but is in excess of the budget, they are likely to be unsuccessful in securing a CfD. In this case, the deployment of the project and so the developer's ability to generate revenue would be delayed until at least the next Allocation Round, where they could then re-bid in their project. As such, this proposal could derisk revenue for developers who are placing competitive bids. In addition, in the consultation some developers indicated that amending the	Positive
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	eligibility requirements could reduce development timelines by eliminating the waiting period between receiving planning consent and applying for a CfD.	
Any significant or adverse distributional impacts?	As outlined in the overall distributional impacts, in the medium term the proposal could lead to a reduction in electricity costs for businesses compared to the counterfactual. Businesses with a higher proportion of total costs coming from electricity will benefit proportionally more. However, the inverse may be true in the longer term due to the longer-term subsidy cost increases due to contract length.	Neutral

(3) Expected impacts on households

Description of overall household impact	The impact of the reform package on households is likely positive. The reforms will mainly impact households by influencing the price of electricity and the deployment of renewable generation. Compared to the counterfactual, increasing the contract term is expected to decrease electricity prices in the medium term, albeit at the expense of an increased subsidy cost to electricity consumers in the additional years of the contract. As set out in the strategic section, we consider this an acceptable trade-off, whereby we rebalance the costs of the energy transition in the context of the current pressure on energy bills, in the hope that some of the consumer benefits of renewable assets rolling off their contracts in the 2040s can be brought forward to the 2030s. The benefits from increased competition, by amending the eligibility criteria for offshore wind, is expected to reduce the cost of electricity for households and should incentivise developers to pass the benefits of the extended contract length to consumers. As outlined in the assessment of overall impact, the Value for Money of the reforms is dependent on complex auction dynamics. Realising the downward pressure on bid prices from the extended contract length is reliant on achieving sufficient competitive tension in the auction. Competitive auction dynamics for solar PV and onshore wind CfD allocation tend to be present due to the relatively high numbers of bidders competing in the auction. The impact on competition in the offshore wind auction is uncertain, with the eligibility reform targeted at improving competition and bid stack reform potentially decreasing the bidder's perception of competitive tension. However, the partial bid stack implementation is designed to mitigate the risk of bid inflation. Due to the increased deployment of renewables expected due to the reforms, emissions are expected to decrease as a result and support the decarbonisation of the UK economy. Successfully decarbonising the UK economy is essential to credible long-term growth. The increased investment required to deploy the additional renewable capacity could provide long term productivity benefits and help transition to a more	Positive
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	resilient and sustainable economy. Additionally, due to lower emissions, households may be impacted less by the future effects of climate change.	
Any significant or adverse distributional impacts?	As outlined in the overall impacts, the impact of the reforms on electricity prices is difficult to predict due to complex auction dynamics and the interplay between the different reforms. In the medium term, it's expected that low income households benefit proportionally more from the price reductions from the increased contract term. CfD subsidy costs are paid for by households depending on their level of electricity consumption. Households with higher electricity consumption will pay a larger amount in CfD subsidy costs. However, the proportion of electricity costs from CfD support costs is equivalent across all households. As such households with a higher proportion of their income spent on electricity consumption will be more exposed to impacts on CfD subsidy costs from the package of reforms. As a result the impacts are expected to disproportionately affect low-income household. While electricity consumption correlates with household income, with higher income households consuming more electricity on average, the proportion of household income spent on electricity is higher for low-income households. If the reforms result in a decrease in electricity prices compared to the counterfactual, low-income households will disproportionately benefit and vice versa.	Neutral

Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
Business environment: Does the measure impact on the ease of doing business in the UK?	In the aggregate, the Government anticipates that the proposal will ease doing business in the UK. Firstly, contract length extension should reduce project risk and improve investor confidence. Amending the eligibility requirements for fixed bottom offshore wind may allow developers to reach final investment decision (FID) on nationally significant infrastructure projects earlier, as it could allow certain pre-consent projects to win a CfD. Increasing visibility of the bid stack when setting the budget for fixed bottom offshore wind should reduce allocation risk for good value projects.	Supports

International Considerations: Does the measure support international trade and investment?	Increased renewables deployment would likely lead to increased international trade due to the global nature of renewable generation supply chains. In general, Government anticipates that the package of options will increase investor confidence and likely international investment.	Supports
Natural capital and Decarbonisation: Does the measure support commitments to improve the environment and decarbonise?	The proposals are designed to support the Government in procuring low-cost renewable electricity. This induces benefits associated with the deployment of low carbon power by securing the supply of renewable energy and aiding in decarbonisation goals. All projects bidding into the CfD require the appropriate environmental approvals.	Supports

8. Monitoring and evaluation of preferred option

M&E Objective 1: To provide timely learnings about the implementation of the proposed policy changes for AR7 to inform for AR8.

A process evaluation conducted following the launch of the next Allocation Round will provide timely insights into the policy proposal. This evaluation would aim to provide direct insights and recommendations to feed into the development of AR8. Fieldwork is scheduled to take place in Autumn/Winter 2025 and as such will be after the launch of AR7, but prior to any outcome announcement.

The process evaluation would consist of:

- Interviews/survey with DESNZ colleagues involved in the design and launch of the next Allocation Round to provide learnings about how internal processes could be improved.
- Interviews/survey with applicants to AR7 to understand experiences of participating in the auction. This would provide learnings about how scheme design could be improved.
- Interviews/survey with developers without a CfD to understand why developers did not want to apply for AR7.

Interviews/survey with industry experts and academics to understand broad views around wider renewable sector, pertaining to AR7, and whether any lessons or challenges can be identified.

M&E Objective 2: To monitor short and long-term benefits from the proposed policy changes, enabling course-correction as needed.

A robust monitoring and benefits realisation plan will be designed and implemented alongside launch of the next Allocation Round to monitor progress and outcome metrics. Specific metrics to be monitored will need to be developed, with the intention that these will provide valuable insights to allow deeper investigation or course-correction as needed (e.g. linked to a non-delivery disincentive process).

Since the previous process and impact evaluation conducted in 2018 – 2021 by Technopolis of AR1, AR2 and AR3, the Department for Energy Security and Net Zero will be taking a proportional approach to evaluate scheme changes to the CfD scheme that were introduced after the previous evaluation was completed, for AR4, AR5, AR6 and AR7. The evaluation of AR 4, 5, 6 and 7 will be commissioned to Technopolis. The evaluation is scheduled to have a 9-month duration, commencing in June 2025, and ending in February 2026.

M&E Objective 3: To evaluate the impact of the proposed policy changes, and the extent to which the proposed policy objectives have been realised.

Five years following the implementation of the proposals there will be a post-implementation review. This review will look to answer the following questions:

1. To what extent is the existing regulation working?
2. Is the existing form of Government regulation still the most appropriate approach?
3. Is Government intervention still required?
4. If this regulation is still required what refinements could be made? (What scope is there for simplification, improvements?)
5. If this regulation is not required, but Government intervention in some form is, what other regulation or alternatives to regulation would be appropriate?

Evidence from the process evaluation, monitoring and wider evaluation activities and analysis in this space will be used to inform this review.

9. Minimising administrative and compliance costs for preferred option

It is not anticipated that the proposal will incur additional costs to developers which would not already be borne by those applying to the CfD. To minimise potential administrative burden caused from the introduction of a new policy within the CfD, the Government will mitigate this by clearly outlining how the policy will be applied in the Allocation Framework, which will be published before AR7 begins.

Declaration

Department:

Department for Energy Security & Net Zero

Contact details for enquiries:

ContractsforDifference@energysecurity.gov.uk

Minister or Senior responsible officer:

Michael Shanks

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed:

Michael Shanks

A handwritten signature in black ink, appearing to read 'Michael Shanks', followed by a period. The signature is written in a cursive style.

Date:

03/07/2025