UK Government

Contracts for Difference for Low Carbon Electricity Generation

Consultation on proposed refinements for Allocation Round 8 and future rounds

Closing date: 30 January 2026

Department for Energy Security and Net Zero (December 2025)

Contents

General information

Why we are consulting

Delivering clean power by 2030 is central to the Government's ambition to make the UK a clean energy superpower. The Contracts for Difference (CfD) scheme is our flagship policy for supporting low-carbon electricity generation and has already secured significant renewable capacity, with more to come in future rounds. To date, the CfD and its predecessor investment contracts have delivered around 10 GW of renewable generation, with a further 23 GW contracted to become operational by 2030. The CfD remains vital to achieving the deployment needed to meet our 2030 targets.

The Clean Power 2030 Action Plan, published in December 2024, set out the scale of deployment required. While significant capacity has already been built or contracted, further growth will be required to achieve targets for 2030. All changes proposed in this consultation seek to ensure that value for money is maximised whilst we drive towards our 2030 and net zero targets.

This consultation seeks views on a package of proposed refinements to the CfD scheme to ensure the CfD continues to deliver at scale and pace, while maintaining value for money for consumers. These changes are focussed on continuity and aim to improve scheme efficiency, enable innovative technologies and support timely deployment for Allocation Round 8 (AR8) – ensuring certainty whilst supporting ongoing delivery. They also provide increased clarity on obligations and enforcement mechanisms as reflected through the CfD Standard Terms and Conditions.

Scope of the consultation

The proposals in this consultation cover a range of areas, including:

- Policy on surrendered CfD capacity – making permanent the restriction on bidding previously surrendered capacity into future rounds to protect auction integrity and deployment timelines.
- Hybrid metering for single technology/multiple commercial arrangements – enabling CfD and merchant assets of the same technology to share metering infrastructure, reducing costs.
- Contractual changes for floating offshore wind (FLOW) – extending the Longstop Period and reducing the Required Installed Capacity threshold to reflect the scale and complexity of future projects.
- Introducing a new technology category for Other Deepwater Offshore Wind (ODOW) – enabling innovative foundation designs for deepwater sites to compete for CfD support.

- Changes to improve scheme efficiency – proposed legislative amendments to allow the National Energy System Operator (NESO) to correct errors made during the assessment of CfD applications and consider new documentary evidence to clarify non-material errors and omissions in applications, and minor adjustments to improve administration of the pending applications process.
- Strengthening Unilateral Commercial Operations Notice (UCON) provisions – improving metering access and enforcement to prevent distribution-connected generators from delaying CfD start dates and operating on a merchant basis at elevated wholesale prices.
- Excluding applications with Gate 1 connection offers – aligning CfD eligibility with grid connection reforms to prioritise projects with firm connection dates.
- Visibility of sealed bids – changing our approach on the ability of the Secretary of State to see bids for AR8.
- Minor and Technical changes to the CfD contract terms – updating the CPI inflation factor in the CfD Standard Terms and Conditions and amending the definition of Inside Information.
- In addition, to provide a policy update on fixing the appeals timeline.

Together, these refinements are designed to maintain investor confidence, support timely delivery of renewable capacity, and ensure the CfD remains fit for purpose as projects scale up in size and complexity.

Some of the proposals in this consultation require changes to the CfD contract terms. A CfD is a private law contract between a generator of low carbon electricity and the Low Carbon Contracts Company (LCCC), a government-owned company. The contract terms have been amended ahead of each allocation round to evolve with policy and ensure that they remain fit for purpose. The changes proposed in this consultation document will apply for contracts signed from AR8. The proposed drafting changes are shown as tracked amendments in the CfD Agreement, the CfD Standard Terms and Conditions and the CfD Agreement (Apportioned) Phase 1 published alongside this consultation document. We encourage respondents to the consultation to read and consider the draft changes to the contracts carefully.

The CfD contract consists of two components: the CfD Agreement and the CfD Standard Terms and Conditions. The CfD Agreement is the document that a successful generator will sign following an allocation round. It contains project-specific information and designates which conditions of the CfD Standard Terms and Conditions apply to that project. There are variants to the generic CfD Agreement drafted for phased offshore wind projects (‘Phasing Agreements’), private network generators (‘Private Network Agreement’) and Unincorporated Joint Ventures (‘CfD Agreement for Unincorporated Joint Ventures’). Any final changes will be transposed into the other variants of the CfD contract as appropriate and published before AR8 opens to applications.

Consultation details

Issued: 16 December 2025

Respond by: 30 January 2026

Enquiries to: contractsfordifference@energysecurity.gov.uk

Consultation reference:

Contracts for Difference for Low Carbon Electricity: Consultation on proposed refinements for Allocation Round 8 and future rounds.

Audiences:

The Government welcomes responses from anyone with an interest in the proposals. We envisage that the consultation will be of particular interest to those considering participating in AR8 and future rounds. Existing CfD generators may be interested in some of the proposals in this document.

Territorial extent:

This consultation applies to Great Britain only as the CfD scheme does not operate in Northern Ireland.

How to respond

Please submit your response online using the dedicated online portal or by email, as indicated below. When responding, please state whether you are responding as an individual or representing the views of an organisation. Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome. Please do not send responses by post to the department, as we may not be able to access them.

Respond online at: https://energygovuk.citizenspace.com/energy-security/proposed-refinements-ar8-and-future-rounds

Alternatively, please email your responses to the following address and including ‘CFD consultation on contract amendments’ in your email subject line

Email to: contractsfordifference@energysecurity.gov.uk

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our privacy policy.

We may share responses to this consultation with Crown bodies, other government departments and/or DESNZ partner organisations to assist our analysis and inform the Government's policy decisions on the proposals in this consultation document.

We will summarise all responses and publish this summary on GOV.UK. The summary may include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

Quality assurance

This consultation has been carried out in accordance with the government's consultation principles.

If you have any complaints about the way this consultation has been conducted, please email: bru@energysecurity.gov.uk.

Proposed reforms to the CfD scheme

1. Policy on surrendered CfD capacity

Where this chapter refers to 'surrendered capacity' it refers to capacity that was previously awarded a CfD in a prior allocation round which was then released with the use of either and/or both Permitted Reduction and Final Installed Capacity contractual flexibilities. For a complete overview of the policy context, please refer to the prior Government Consultation document[1] and Government Response[2].

Policy Context

For Allocation Round 7 (AR7), the Government previously consulted on the proposal to temporarily restrict generators from being able to bid in capacity which was previously surrendered through the use of the Permitted Reduction and/or Final Installed Capacity contractual flexibilities with the aim of developing an enduring policy from AR8.

Subsequently, through consultation and with support from most respondents who cited concerns regarding budget limitations, new deployment losing out and distorted competition, the Government placed a temporary restriction in AR7 on projects which sought to enter the round with surrendered capacity. The restriction applied to all CfD capacity from allocation rounds 1-6, ensuring that there is no capacity arbitrage for AR7.

The Government noted that some consultation responses highlighted that it was necessary for some projects to exercise the flexibilities with the aim of bidding back into subsequent allocation rounds in order to preserve the economic viability of their developments and ultimately, to prevent projects from terminating entirely. Some responses further suggested that the flexibility of allowing projects to use the provisions in such a way could be a useful contingency in addressing future macroeconomic uncertainties, thus suggesting that it would be a positive outcome for Clean Power 2030.

The Government stated that it would explore the implications of allowing surrendered capacity into subsequent allocation rounds and consult on an enduring policy position to come into effect from AR8.

Proposal

The Permitted Reduction and Final Installed Capacity contractual flexibilities were not intended to be used in a way which allows developers to bid back into a subsequent CfD allocation round with the surrendered capacity. The Government therefore proposes to retain the restriction on generators being able to apply into AR8 and subsequent allocation rounds with surrendered capacity.

[1] Further reforms to the Contracts for Difference scheme for Allocation Round 7: consultation
[2] Government response to policy proposals in the consultation on further reforms to CfD for AR7

To facilitate this, Government proposes to keep the current Rule 5 ('Excluded Applications') restriction and Schedule 5 eligibility checks within the Contract Allocation Framework[3]. The exclusion would apply to all projects which were previously awarded a CfD agreement in a prior allocation round. i.e. for AR8, this exclusion would apply to all projects from allocation rounds 1-7.

For the avoidance of doubt, our proposal does not interfere with the ability of CfD generators to exercise their right to reduce their project capacity as permitted by the contract to accommodate changing circumstances around the construction of their projects.

Assessment of impacts

Since this is a consultation stage assessment, the assessment is draft and will be considered further following the consultation responses in line with responses to the questions below. The Government considers the key impacts of this change listed in the response to the AR7 Consultation to largely remain valid for AR8, namely:

- Potential savings to electricity consumer costs by preventing surrendered capacity from rebidding into a subsequent allocation round and achieving a higher strike price purely for commercial gain.
- Ensures fairness in allocation of contracts, helping to support greater deployment of renewables since budgets will be allocated effectively to projects ready to build at the strike price.
- Ensures a strong incentive is maintained for project developers to bid sustainably, wherever possible pricing an appropriate level of risk into their bids, and locking in prices early through supply chain contracts.
- Greater certainty for the supply chain that capacity secured is more likely to build out according to the original bid timelines.
- Ensures positive public perception of the CfD scheme as a means of delivering new build renewable electricity generation at a low cost.
- The key potential risk of the change is that it could prevent or slow renewable electricity deployment if developers would have sought to use this flexibility in order to respond to changes in project economics that would otherwise make their projects commercially unviable. However, while the Government acknowledges that market conditions remain challenging, it believes that it is reasonable for developers to manage the risk of cost increases through pricing in a proportionate level of risk into their bids, and negotiating terms with the supply chain.

Overall, allowing surrendered capacity to bid could lead to impacts on value for money. The introduction of 20-year CfD contracts for Solar, Onshore Wind and Offshore Wind technologies may incentivise some generators to surrender capacity to secure a lengthier contract for a portion of their facility. Generators seeking to improve their contract terms may then lead to

[3] Contracts for Difference (CfD) Allocation Round 7: allocation framework - GOV.UK

situations where previously awarded capacity is being recycled at the expense of newer developments, leading to ineffective budget utilisation**.** At the same time, generators choosing to exercise the flexibilities in this manner would essentially be moving a portion of their facilities to a later delivery year, thus potentially delaying deployment (there is also an additional risk where generators aiming to bid back in may be unsuccessful in the subsequent auction leading to the surrendered capacity not being built at all). This would be detrimental to the Government's deployment ambitions. However, continuing to allow surrendered capacity to bid back in could promote sustainably priced bids and give an opportunity to ensure as much capacity is built as possible.

Consultation Question

1. **Do you agree with the proposal to exclude generators from applying into AR8 and subsequent allocation rounds with surrendered capacity? If not, please explain why with evidence to support your position.**

2. **Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.**

2. Hybrid metering for single technology/multiple commercial arrangements

Policy context

Reliable and robust metering is fundamental to the integrity of the CfD scheme, protecting consumers and ensuring good value for money. Under the Standard Terms and Conditions of the CfD contract, each CfD Facility must be metered as a separate Balancing Mechanism Unit (BMU)[4]. This requirement was introduced to ensure that generators' Metered Output and CfD payments are recorded and settled accurately. Technological advancements mean it is now more practical to meter CfD facilities at the point of generation, reducing the need for separate BMUs. We therefore propose to relax this requirement for CfD and merchant assets of the same technology, introducing a limited form of 'hybrid metering'.

The Government first consulted[5] on proposals to introduce hybrid metering into the CfD scheme in 2024. While feedback was generally positive, some stakeholders raised complex challenges. We therefore chose not to make hybrid metering available through the CfD contract for AR7, but to wait for greater clarity on how hybrid assets would be treated in the wider electricity system.

NESO has now published an assessment of the operational and market-wide impacts of hybrid metering. The assessment covers our proposal (type 1 - single technology/multiple commercial arrangements), as well as more complex hybrid metering for multi-technology set ups, storage and final demand sources (types 2 and 3).[6]

In parallel with NESO's work, some targeted changes have already been made to metering requirements in the CfD, following the implementation of Balancing and Settlement Code (BSC) Modification P484 in May 2025. P484 means that CfD and merchant assets of the same technology can now operate behind one BMU, providing this is explicitly permitted by LCCC.

LCCC has already permitted this form of hybrid metering in certain exceptional cases, including the following:

- **Phased Offshore Wind Projects:** Phased CfD projects can use a single BMU for CfD generation across all phases, rather than separate meters for each phase. However, the staggered start dates result in staggered contract end dates, meaning that projects operating behind the same BMU will eventually operate on a combined merchant and CfD-supported basis.
- **Tidal:** There can be multiple tidal projects located at the same testing facility. Metering via separate BMUs is difficult technically and financially, risking viability.

[4] A balancing Mechanism Unit (BMU) is a registered unit that exports or imports electricity and is treated as a single entity for balancing and settlement purposes.
[5] Proposed amendments to Contracts for Difference for Allocation Round 7 and future rounds - GOV.UK
[6] Zero Carbon Operation | National Energy System Operator

- **Exceptional cases** where metering requirements impact the commercial viability of projects.

Proposals

The Government is proposing to allow hybrid metering for single technology/multiple commercial arrangements under the Standard Terms and Conditions of the CfD contract, covering the following situations:

- Multiple CfD facilities of the same technology;
- CfD and merchant facilities of the same technology.

Instead of measuring Metered Output at the BMU level (as illustrated in figure 1), assets that share a BMU would measure Metered Output at a sub-BMU level, at the point of generation (as illustrated in figure 2). For the purposes of the BSC, sites would still settle at the BMU boundary point.

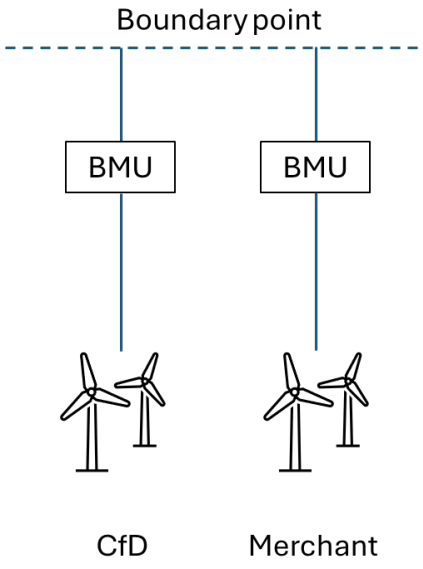

Figure 1 Simplified example of typical metering set up under current rules

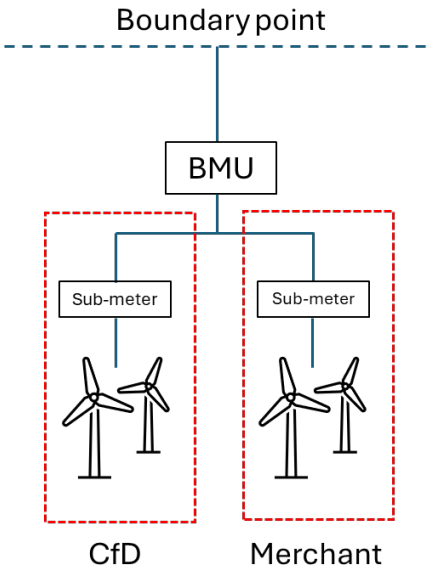

Figure 2 Simplified example of metering set up under hybrid metering proposal

A generator may wish to use this form of hybrid metering to:

- Save money on their site design and development costs.
- Flexibly incorporate merchant generation into their project.

This proposal would apply to all technology types supported by the CfD scheme. Facilities subsidised under other Government support schemes would not be eligible.

We propose that multiple CfD facilities from the same allocation round are not eligible for hybrid metering (i.e. are not permitted to share a BMU), with exemptions for tidal projects and phased offshore wind projects due to the requirements specified above. This is to mitigate the

risk of generators exploiting this flexibility in a way that is detrimental to consumer value for money.

We propose to introduce the change retrospectively. Generators who already have a CfD contract will be eligible to introduce hybrid metering for single technology/multiple commercial arrangements on their sites, with subsequent CfD facilities or new merchant capacity able to share BMUs with existing assets, subject to LCCC approval. However, under this proposal, generators would still be subject to requirements set out in the CfD surrendered capacity policy, which is the subject of a separate chapter in this consultation.

Within existing metering requirements, generators must demonstrate BSC compliance through the Operational Conditions Precedent (OCP) process. This is to ensure metering integrity and minimise the potential fraud risk which could arise from the physical tampering of BMUs or misreporting on generation values.

To facilitate hybrid metering, CfD difference payments would be calculated by references to the output measured at a sub-BMU level using SCADA data (using a meter attached to individual assets such as turbines). To maintain the integrity of metering and to minimise any potential fraud risk which could arise from the tampering of SCADA sensors or data manipulation, generators who take advantage of hybrid metering will be subject to enhanced monitoring by LCCC. This will include enhanced OCPs, site audits and on-going compliance checks such as external audits and annual metering audits.

LCCC would collect data from generators' operational systems using a secure Edge Application Programming Interface (API) which protects generators' systems from external threats. LCCC would have access to more detailed data and would have greater visibility of electricity flows than under the current system. This sub-metering approach aligns with the BSC Codes of Practice, ensuring that data collection will be of equal or higher quality than the current approach. The data would be published via LCCC's Data Portal, maintaining the same level of transparency and accessibility as currently published on the CfD.

Amendments to the CfD contract

We anticipate that the CfD contract would require significant amendments to implement the policy changes outlined above. We are therefore not consulting on specific contract drafting amendments now, but aim to do so in due course.

Assessment of impacts

Since this is a consultation stage assessment, the assessment is draft and will be considered further following the consultation responses to the questions below. We believe that changes to hybrid metering are most likely to have implications for cost, and deployment:

- **Cost savings** - Allowing CfD facilities to share a BMU with other CfD facilities and merchant facilities of the same technology could lower development costs. While the meters are inexpensive, a full separate electrical circuit is required for each BMU, with associated costs for additional cabling, switchgear, electrical equipment and installation.

- **Additional capacity** - This proposal could help generators to bring forward more renewable capacity by allowing them to add a small amount of merchant capacity when finalising their project design or equipment manufacturers, rather than having to reduce their initial CfD capacity (via Permitted Reduction or Final Installed Capacity). Allowing this change retrospectively would allow generators to increase their merchant capacity post-CfD start date. Bringing forward additional renewable capacity could benefit consumers by reducing wholesale prices as well as supporting Clean Power 2030 ambitions.
- **Wider efficiency benefits** – It is likely that there are some wider efficiency benefits of shared infrastructure (BMUs) including quicker deployment of renewable energy and positive environmental impacts.
- **Administrative costs –** Enhanced monitoring by LCCC, site audits, and on-going compliance in the form of external auditors and annual metering audits may add administrative costs to LCCC and generators.

Consultation questions

3. **Do you agree with the proposal to allow hybrid metering in the CfD for single technology/multiple commercial arrangements? Please provide any further detail to support your answer.**

4. **We propose that multiple CfD facilities from the same allocation round cannot share a BMU, with exemptions for tidal projects and phased offshore wind projects. Do you agree with this proposal? Are there any other exemptions that we should consider? Please provide any further detail to support your answer.**

5. **Do you agree with the use cases and the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including cost savings, capacity estimates or wider risk implications.**

6. **Are there any other use cases, benefits or risks arising from this proposal that we have not identified? Please provide any additional information or evidence to support your answer.**

3. Floating offshore wind – proposed contract changes

Policy context

When floating offshore wind (FLOW) was first included in the CfD scheme ahead of Allocation Round 4 (AR4), the Government considered[7] whether the Longstop Period and Required Installed Capacity (RIC) should align with those applied to fixed-bottom offshore wind.

The Longstop Period and RIC are key contractual parameters within the CfD scheme that influence project delivery timelines and subsidy entitlement. The Longstop Period represents the time between the end of the Target Commissioning Window (TCW) – when the 20-year payment term begins – and the Longstop Date, by which the generating station must commission to avoid contract termination. All CfD technologies except fixed-bottom offshore wind currently have a Longstop Period of 12 months. Similarly, all CfD technologies except offshore wind are required to deliver a minimum of 95% of the capacity they have contractually agreed to install. This is known as the RIC. For offshore wind, the RIC is set at 85% to reflect the construction risks in the marine environment, such as encountering unsuitable seabed conditions after work has commenced.

At that time, the Government noted that while the majority of respondents argued that FLOW experiences construction risks similar to fixed-bottom offshore wind, the limited empirical evidence and the relatively small scale of near-term projects (approximately 100MW) did not justify applying the same level of contractual flexibility. The Government therefore determined that FLOW should be treated in line with other CfD technologies, with a Longstop Period of 12 months and a RIC of 95%. The Government response stated that this position could be reviewed in the future if new evidence suggested that FLOW projects were of a size or complexity that might require a longer Longstop Period and lower RIC to help developers manage construction risk.

Since the previous position set out ahead of AR4, FLOW has secured 432MW of CfD capacity. However, future allocation rounds may include projects exceeding 1GW. This scale-up means the assumption that FLOW projects will remain demonstration-scale is no longer valid. The rate of increase in size and complexity is also greater than for early fixed-bottom projects, which may lead to higher construction risk.

Key factors have been highlighted which are likely to slow build-out compared to fixed-bottom offshore wind, including limited port capacity, increased sensitivity to adverse weather, and supply chain constraints. These factors, alongside the fact that FLOW remains a high-cost emerging technology with an end-to-end process that is yet to be industrialised, indicate that the assumptions underpinning the current Longstop Period and RIC may no longer be appropriate.

[7] Contracts for Difference (CfD): changes to Supply Chain Plans and the CfD contract - GOV.UK

Proposals

Contract drafting amendments

The Government is therefore consulting on whether to extend the Longstop Period for new FLOW projects to 24 months and reduce the RIC to 85%, in line with fixed-bottom offshore wind. To implement these changes, Government proposes drafting amendments to the following contract documents:

- Conditions 5.3 (Longstop Period) and 7.2(A) (Required Installed Capacity) of the generic CfD Agreement, and the corresponding sections[8] of the Private Network Agreement and Unincorporated Joint Ventures contract, and
- Conditions 5.3 (Longstop Period) and 6.3 (Required Installed Capacity) in each of the single and apportioned metering phased offshore wind contract templates.

In addition, the Government will amend Table H of the Standard Terms Notice to confirm that a 24-month Longstop Period will apply to new FLOW projects with effect from AR8. The Standard Terms Notice is a statutory document that Government is required to publish before an allocation round starts and contains information which LCCC must use to complete the standard terms for projects that are awarded a CfD contract.

Assessment of impacts

Since this is a consultation stage assessment, the assessment is draft and will be considered further following the consultation responses in line responses to the questions below. We believe that the potential contract changes to FLOW would help derisk construction as well as support further deployment at scale. This should be beneficial to consumers as lower risk should help projects deliver at lower cost.

Consultation questions

7. Do you agree that for new FLOW projects from AR8 onwards the Longstop Period should be extended to 24 months and the RIC reduced to 85%? If not, please tell us why.

8. Do you agree with the proposed drafting amendments to the CfD contract to implement these changes? If not, please tell us why.

9. Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.

[8] The corresponding sections in the Private Network Agreement are Conditions 9.3 and 11.2(A).

4. Offshore wind with innovative ‘Other Deepwater’ foundations - proposals for a new technology category

Policy context

To date, floating semi-submersible, barge, tension-leg platform (TLP) or spar foundations have been the primary substructure technologies proposed and demonstrated to enable offshore wind deployment in waters too deep for the use of conventional foundation types, such as jackets and monopiles. The Government anticipates that further rapid expansion of deepwater deployment throughout the 2030s could be important to achieving the UK’s long-term decarbonisation targets, as the availability of suitable shallow water sites declines and subject to being value for money for the consumer. The Government therefore invites views on proposed amendments to the CfD eligibility requirements to ensure that they do not impede the commercial viability of new or innovative substructure technologies, which could enable cost-effective deepwater offshore wind deployment.

The CfD scheme currently supports two categories of offshore wind technology: fixed bottom offshore wind and FLOW. Regulation 27ZA(4)(b) of the Allocation Regulations 2014 defines the parameters under which a CfD unit is considered to be ‘floating offshore wind’ as:

> “*all turbines forming part of the relevant CFD unit—*
>
> (i) *are mounted on floating foundations; and*
>
> (ii) *are situated in offshore waters of at least 45 metres depth (measured from the seabed to chart datum);”*

This definition means that for a CfD unit to be considered ‘floating offshore wind’, any foundation designs used must float. However, the Government is aware of novel ‘hybrid’ foundation designs which may be suitable for deepwater deployment but do not technically float and would therefore not be considered eligible as ‘floating foundations’ under the existing legal definition of ‘floating offshore wind’.

Exploration of different technological solutions is crucial to developing learnings needed to bring down costs ahead of commercial-scale deployment.

The Government recognises that there has not yet been the scale of deepwater offshore wind deployment necessary for the sector to determine the most cost-effective technological solutions. The Government therefore believes that the technology definitions applied under the CfD scheme should not represent a barrier to the deployment of new or innovative substructure technologies with the potential to unlock cost-effective commercial deployment of offshore wind in deep waters. However, it is also critical to ensure that if eligibility to compete alongside other emerging technologies in the CfD were extended to non-floating deepwater substructures, this does not enable gaming by more established technologies capable of deploying at lower cost, and thereby negatively impact value for money for the consumer.

The joint Government-industry Floating Offshore Wind Executive (previously the Floating Offshore Wind Taskforce) has now formally endorsed a refined set of technical definitions characterising 'Floating' and 'Other Deepwater' (or 'hybrid') foundations. The Government wishes to explore the adoption of the recommended definitions. To expedite delivery of AR8, we propose to introduce a new 'Other Deepwater Offshore Wind' (ODOW) technology category via the Allocation Framework. Stakeholder views, as well as supporting evidence, are sought on these matters.

Proposals

To ensure that ODOW projects are appropriately recognised and treated under the CfD scheme, the Government proposes a series of amendments to the Contract Allocation Framework and the CfD contract. These changes aim to reflect the distinctive characteristics of ODOW while maintaining consistency with existing provisions for fixed-bottom offshore wind and FLOW technologies. The main proposed changes are outlined below. Any technology support is dependent on future auction budget decisions which are not set out in this document.

Proposed definition of ODOW

For AR8, the Government proposes to define 'Other Deepwater Offshore Wind' in the Contract Allocation Framework as follows:

> "*An **Other Deepwater Offshore Wind CFD unit** is an Offshore Wind CFD unit that satisfies the Other Deepwater Offshore Wind conditions. The Other Deepwater Offshore Wind conditions are that all turbines forming part of the relevant unit, in normal operation—*
>
> *(i) are mounted on foundations supported by any combination of buoyancy, support-structure transferring loads to seabed through a rigid structure within water column, and/or slender tensile members/moorings, where:*
>
> *(ii) the support structure shall not comprise:*
>
> 1. *a monopile, with a L/D ratio of less than 18 (where L is measured from seabed to chart datum and D is the diameter of the foundation at its base at the seabed), or, with a seabed penetration depth exceeding 20% of the water depth measured from seabed to chart datum; or*
> 2. *a jacket or lattice-structure with a width at its base at the seabed of greater than 20m; or*
> 3. *a continuous gravity base structure with a depth-averaged width in the water column from seabed to chart datum of greater than 10m; and*
>
> *(iii) are situated in offshore waters of at least 50 metres depth (measured from the seabed to chart datum)."*

Demonstration of ODOW conditions at application stage

Specific eligibility criteria for ODOW applications will be added to Schedule 5 of the Contract Allocation Framework. The approach will be similar to that for FLOW in that applicants of ODOW projects will have to demonstrate to the Delivery Body (NESO) that their project is expected, by the Target Commissioning Date, to have satisfied the conditions set out in the ODOW definition.

Proposed drafting treatment of ODOW within the CfD contract

We propose the following main changes to the CfD contract:

- **Definition of ODOW:** A proposed definition of 'Other Deepwater Offshore Wind' has been added to Condition 1.2 of the Standard Terms and Conditions which cross-refers to the definition to be inserted into the Contract Allocation Framework, as proposed above.
- **Facility Generation Technology:** ODOW will be a subset of 'Offshore Wind' for the purposes of the CfD contract. This means that all references to 'Offshore Wind' in the CfD Agreement and CfD Standard Terms and Conditions will automatically apply to ODOW unless specified otherwise. ODOW will be designated as a Facility Generation Technology in its own right to ensure that the contract can apply specifically to ODOW, and not to offshore wind more generally, where required. There are several instances where this narrower meaning may apply:

  Condition 28.2(B) – this requires the Generator to give the LCCC a contractually binding promise that the technology deployed by the Facility complies with the eligibility requirements for that technology from the date on which the Facility starts generating (the 'Start Date') and becomes eligible to receive CfD payments. This will enable the Generator to demonstrate that the deployed technology is ODOW and not Offshore Wind more generally;

  Condition 30.1(F) – this requires the Generator to give a general undertaking to the LCCC to maintain at all times the same generation technology as the Facility Generation Technology, in this case ODOW as defined and not offshore wind more generally; and

  Condition 31.1(F) – which requires the Generator to give an undertaking to the LCCC that the Facility will only store electricity generated by the Facility Generation Technology (i.e. the ODOW CfD unit) and not any electricity imported from any other source.

Drafting amendments are proposed to Conditions 1.16 and 1.17 of the Standard Terms and Conditions to achieve these outcomes.

- **Operational Condition Precedent (OCP)**: similar to the contractual obligations in place for FLOW generators, we propose to create a new OCP to require ODOW generators to provide evidence to LCCC that their facility complies with the conditions set out in the ODOW definition. A new OCP has been inserted at Schedule 1, Part B, Further Conditions

Precedent, paragraph 2.1(K). The OCP will have to be satisfied before CfD payments can start being paid to the generator. The LCCC will have the right, though not the obligation, to terminate a contract where an ODOW generator does not fulfil the OCP.

Other proposed changes for ODOW

The Government proposes the following additional scheme changes for ODOW projects to bring the new technology category into line with the other offshore wind technologies:

- **Phasing:** ODOW projects will be permitted to phase, with metering arrangements for phased projects to follow existing provisions – allowing either a single or apportioned metering arrangement across phases. To enable this, drafting amendments will be made to the Single and Apportioned phased CfD agreements, including updates to associated definitions and schedules, to ensure ODOW projects can adopt the same metering flexibility as fixed-bottom offshore wind and FLOW CfD projects. The Contract Allocation Framework will also be amended to permit ODOW projects to phase.
- **Contract Duration:** ODOW projects will be eligible for a 20-year CfD term, consistent with the treatment of both fixed-bottom Offshore Wind and FLOW technologies since AR7.
- **Required Installed Capacity and Longstop Period:** Subject to the Government's final decision on the proposal to extend the Longstop Period to 24 months and reduce the RIC to 85% for FLOW projects, as consulted on in this document, we propose that ODOW projects will be subject to the same Longstop Period and RIC as the other offshore wind categories. Similar drafting amendments proposed to enable these changes for FLOW projects (as mentioned in chapter 6 of this consultation) – if implemented – will also be applied to ODOW projects, ensuring consistency across offshore wind technologies where appropriate.
- **Clean Industry Bonus:** ODOW projects will be eligible for the Clean Industry Bonus and will therefore fall outside the Supply Chain Plan regime.

The Government intends that ODOW projects will not be eligible to apply as an Unconsented Project. Accordingly, the contract provisions applicable to Unconsented Projects will not apply to ODOW. This aligns with the treatment of FLOW and maintains the Government's current position to only permit fixed-bottom offshore wind projects to apply as an Unconsented Project. The contract will be amended where appropriate, e.g. at the definitions of Longstop Date, Milestone Delivery Date and Target Commissioning Date, to ensure this outcome.

Assessment of impacts

Since this is a consultation stage assessment, the assessment is draft and will be considered further following the consultation responses in line with responses to the questions below. We believe that by introducing a new technology category, it provides impacts on overall value for Money. In the longer-term, newer technologies might be necessary to support the achievement of our carbon targets, whilst ensuring delivery of a power sector at the lowest possible cost. The inclusion of nascent deepwater offshore wind technologies in the CfD will support the development of this sector, as part of a competitive process, whilst retaining the optionality to ensure delivery each allocation round at the least cost.

Consultation questions

10. Would you support the adoption of an additional 'Other Deepwater' offshore wind technology categorisation, as defined above? Why or why not? Include any early concerns or potential risks you may foresee. We are particularly interested in any potential gaming risks or unintended consequences you have identified. What evidence can you provide to support your arguments?

11. Can you identify any considerations related to the Clean Industry Bonus? We are particularly interested in any potential unintended consequences you have identified.

12. Do you agree with the proposed contract and policy amendments to enable the new ODOW technology to participate in the CfD scheme? Please let us know if you disagree with any of the proposed changes or policies and why.

13. Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.

5. Changes to improve scheme efficiency – proposed legislative amendments

Policy context

As the CFD scheme has grown in popularity, the number of applications has increased significantly, with several hundred applications received in recent allocation rounds. These high numbers increase the potential for administrative errors to occur during the application and assessment stages of the allocation process, impacting the scheme's efficiency and raising the risk of unintended outcomes. The Government therefore proposes to make several changes to the scheme to allow for certain types of applicant and Delivery Body errors to be corrected during the assessment and appeal stages.

The Government is also inviting views on a proposal to change regulations to improve the Pending Applications process while Tier 2 appeals are reviewed.

The measures described below will require changes to regulations, which the Government aims to implement for AR8, subject to the outcome of this consultation and approval by Parliament of the amending regulations. The Government reserves the right to roll any or all of these changes forward to a future allocation round should it not be possible to introduce them in time for AR8.

Correcting Delivery Body administrative errors at the assessment stage

Background

Currently NESO, as the CfD Delivery Body, determines whether CfD applications satisfy the eligibility criteria and therefore qualify to participate in an allocation round. NESO must issue a notice under regulation 19 of the Allocation Regulations[9], (the "Allocation Regulations"), to each applicant confirming whether they qualify or not to take part in a round. Where an applicant fails to satisfy any of the eligibility criteria, the notice must specify which criteria have not been met and give reasons for that decision. This is known as a "non-qualification determination", and an applicant so notified has failed to qualify at this stage.

Where an applicant receives a "non-qualification determination", they may ask NESO, in accordance with regulation 20, to review their determination (a "non-qualification review"). This is commonly referred to as a Tier 1 appeal. An applicant may, in accordance with regulations 43 and 44, appeal to Ofgem[10] if NESO upholds its original decision to disqualify the application at Tier 1. This is referred to in the Allocation Regulations as a "qualification appeal", but is also commonly referred to as a Tier 2 appeal.

[9] The Contracts for Difference (Allocation) Regulations 2014 (an up to date and consolidated version of the regulations as published on Legislation.gov.uk).
[10] Ofgem is referred to as the 'Authority' in the Allocation Regulations.

Proposals

NESO's assessment process is very robust and the likelihood of Delivery Body errors occurring is consequently very low. However, with NESO having to assess increasingly large numbers of applications within a short timeframe and make complex decisions which cannot be automated, the potential for administrative errors cannot be ruled out.

Certain types of administrative errors, such as an applicant being disqualified by mistake for failing to satisfy a particular eligibility criterion, can be rectified through the existing appeal arrangements. It is currently not possible, however, to correct other types of administrative errors, for example, where an applicant qualified but should have been disqualified, or where some, but not all, of the grounds for disqualification were communicated to the applicant in the Delivery Body's original decision notice.

The Government is therefore minded to amend the regulations to require NESO to correct such errors promptly where they come to light. We could do this by requiring NESO to notify the applicant, for example, by issuing a new or replacement notice to rectify an administrative error in a previous decision notice or by notice at the end of the Tier 1 appeal stage. Prompt notification of an administrative error could, in some cases (e.g. to correct a non-qualification decision), prevent the need for an applicant to lodge a Tier 1 appeal and save time.

Where a new or replacement notice gives an applicant the right to request a Tier 1 appeal, we could apply a general pause to the allocation round to allow an affected applicant more time to consider appealing at Tier 1 and NESO to determine such an appeal. However, this would add an element of unpredictability to the overall timetable because the need to pause the process would only be known once an error had materialised. Alternatively, to avoid impacting the round as a whole, the process could be paused for the affected project only with the allocation process continuing to the published timetable for all other projects. NESO would be required to determine a new Tier 1 appeal quickly to allow the affected applicant to rejoin the process at Tier 2 should they wish to appeal to Ofgem. This could mean that a project notified of an administrative error has less time to prepare a Tier 2 appeal to Ofgem should NESO uphold a decision to disqualify the applicant at Tier 1. One possible solution to this could be to remove the Tier 1 appeal stage for an affected applicant and allow them instead to dispute NESO's decision in respect of any additional grounds for disqualification by appealing to Ofgem within the existing statutory timeframe.

To allow for flexible implementation, Government is inclined to amend the Allocation Regulations to allow for the administrative arrangements around these new provisions to be set out in the Contract Allocation Framework.

Consultation questions

14. Do you agree that the Government should amend the Allocation Regulations to require NESO to correct administrative errors promptly when they come to light? If not, please tell us why.

15. Would you support a general pause to the allocation process to allow affected applicants more time to consider appealing and NESO to determine a Tier 1

appeal, or should the pause be limited to affected projects only? Please give reasons for your answer.

16. **What is your view on removing the ability of an affected applicant to appeal at Tier 1 in favour of allowing them to submit a Tier 2 appeal directly to Ofgem? Please give reasons for your answer.**

17. **Do you agree that the administrative arrangements around the process to correct Delivery Body errors can be set out in the Contract Allocation Framework to allow for flexible implementation? If not, please tell us why.**

Discretion to clarify non-material errors and omissions in CfD applications

Background

Applicants must satisfy certain eligibility criteria before being allowed to participate in a CfD allocation round. Applicants must submit a range of information and documentary evidence, such as copies of planning consents, grid connection agreements and other relevant material, before the application window closes, to demonstrate their eligibility. The full range of information and evidence that applicants must submit is detailed in the Contract Allocation Framework[11] and supported by extensive guidance published by NESO[12].

Recent allocation rounds have seen many applications submitted with errors, ranging from minor clerical or administrative errors to the absence of key documentary evidence or documents submitted without the requisite signatures or missing essential details. These errors have initially resulted in applicants being rejected by NESO with some being overturned on review at the Tier 1 appeal stage. However, many errors and omissions cannot be resolved at this stage and often lead to applicants disputing NESO's decisions by appealing to Ofgem at Tier 2. The triggering of appeals due to errors or omissions in applications has, in many cases, resulted in allocation rounds running to the longest timelines (i.e. 5-6 months from application window opening to the announcement of results).

The Allocation Regulations do not currently allow NESO to consider additional information that was not in front of it when it made the initial decision. Operational experience indicates that some applications have been rejected for minor and non-material errors which could have been rectified had NESO been able to consider additional information. Regulation 20(2)(c) says that a request for a Tier 1 appeal "*must…not contain any documentary evidence which was not provided to the delivery body in support of the application which is the subject of the non-qualification determination*".

Proposals

The Government considers there is merit in allowing the Delivery Body to accept new documentary evidence as part of a Tier 1 appeal to correct or rectify minor errors and omissions in applications. While this would not prevent some applications from progressing to the Tier 2 appeal stage, we believe it would result in more qualifying applications and increase

[11] Contracts for Difference (CfD) Allocation Round 7: allocation framework - GOV.UK
[12] Contracts for Difference (CfD) | National Energy System Operator

competition in the auction that follows. However, the Government remains firmly of the view that applications should continue to be disqualified where essential documentary evidence and information has not been submitted by the application deadline, as the appeals process cannot become an extension of the application process.

The Government is therefore minded to amend regulation 20(2)(c) of the Allocation Regulations to allow applicants to submit new documentary evidence to support a Tier 1 appeal. The changes would be along similar lines to those introduced to the Capacity Market scheme in 2021[13]. The key elements of amended CfD legislation could be:

- To allow the Delivery Body to consider new information or evidence which is intended to correct a non-material error or omission and is capable of doing so;
- To define "non-material error or omission" along similar lines as the corresponding definitions in regulation 69 of The Electricity Capacity Regulations 2014, as amended, in respect of the Capacity Market scheme, i.e.,

  (a) manifest, and either inadvertent or the result of an honest mistake;

  (b) clerical, typographical or trivial in nature; and

  (c) determined by the Delivery Body to be inconsequential to the affected person's compliance with, or the enforcement of, any requirement in the Allocation Regulations or the Contract Allocation Framework to which the error or omission relates;

- To exclude new documentary evidence or information which the applicant was unable to provide to the Delivery Body with its application, for example, an applicable planning consent which was issued to the applicant between the application window closing and the deadline for submitting a Tier 1 appeal would not be acceptable.

As with the proposed changes concerning the correction of Delivery Body errors outlined in the previous section above, Government is minded to amend the Allocation Regulations to allow for the administrative arrangements around these new provisions to be set out in the Contract Allocation Framework.

Consultation questions

18. Do you agree that Government should amend regulation 20(2)(c) of the Allocation Regulations to allow NESO to consider new documentary evidence to correct non-material errors or omissions at the Tier 1 appeal stage? If not, please tell us why.

19. Do you agree that the key elements of the legislative changes should be as outlined above? If not, please tell us why. Should the Government consider any additional or alternative changes to achieve the policy objective?

20. Do you agree that the administrative arrangements around the submission and consideration of the new evidence, and guidance on what would constitute

[13] Capacity Market 2021: proposals for improvements - GOV.UK (Chapter 2.3: Discretion to clarify errors and omissions in prequalification applications)

acceptable new documentary evidence, can be set out in the Contract Allocation Framework to allow for flexible implementation? If not, please tell us why.

Revising Pending Application regulations

Background

Within the CfD regulations, there is a process that allows the contract allocation process to proceed whilst Tier 2 appeals are reviewed. This process is known as Pending Applications. The rules of this process are set out in Part 8 of the Allocation Regulations.

Proposal

During consideration of the deliverability of the Pending Application process in AR7, the regulations as currently drafted posed delivery issues for both the Delivery Body (NESO) and the Government. These include restrictions on the Delivery Body being able to view sealed bids associated with pending applications. Although this was not an issue in AR7, to make the Pending Application process more effective for future allocation rounds, the Government proposes to make minor amendments to the Allocation Regulations. These amendments include, but are not limited to:

- How the Delivery Body receives a pending bid,
- How the Delivery Body processes a pending bid, maintaining restrictions on what is shared with the Department, but enabling the Delivery Body to most efficiently carry out their responsibilities under the Regulations, and
- How the Delivery Body proceeds when a pending bid is deemed eligible.

Consultation questions

21. Please flag any unintended consequence of this change that the Government may need to consider.

6. Removal of default bids

Policy context

Current rules in the Contract Allocation Framework – namely, Rule 12.9 – mean that when an applicant does not submit a bid in respect of a qualifying application within the sealed bid window and the application is not withdrawn, they are automatically assigned a default bid, with the same target dates and capacity as in the application and a strike price equivalent to the relevant Administrative Strike Price (ASP).

CfD auctions are intended to encourage competitive bidding, to support outcomes that deliver successful projects that represent value for money for consumers. Default bids do not promote price discovery and are unlikely either to represent value for money or to be successful. Multiple default bids could also unnecessarily engage complex tie-breaker rules that require consideration of the various possible combinations of tied bids that best fit within budget.

Proposal

In order to encourage bidders to bid their true value within the sealed bid window and to ensure better competition that supports value for money for consumers, the Government proposes to remove the rule and facility to assign default bids. Following this proposed change, an application for which a sealed bid is not submitted in the sealed bid window would be treated as if it had been withdrawn.

Before making a change, the Government would like to understand the reasons why applicants might not submit a sealed bid within the appropriate window, and any impacts of removing the facility for assigning default bids or of the proposed approach.

Consultation questions

22. What reasons are there for not submitting a sealed bid within the sealed bid window?

23. Do you support the proposal to remove default bids and treat applications for which a bid is not submitted in the sealed bid window as if they have been withdrawn? Please provide any further comments to support your answer.

7. Preventing delayed CfD start dates - enhanced requirements for distribution-connected CfD generators

Policy context

The Unilateral Commercial Operations Notice (UCON) mechanism was introduced in Allocation Round 5 to address market behaviour observed during AR4, which resulted in lost savings for consumers under the CfD payback mechanism. UCON allows the Low Carbon Contracts Company (LCCC) to issue a formal notice when a generator is deemed to have commenced commercial operation before the CfD contract has officially started. Once issued, the generator must submit a Start Date Notice within 10 business days, or LCCC may issue one itself, thereby commencing the CfD contract. The UCON provisions prevent generators from avoiding their contractual obligations while benefiting from elevated market conditions and ensure they cannot operate commercially before the CfD Start Date without triggering difference payments.

Transmission-connected generators are metered centrally under the Balancing and Settlement Code (BSC) through the Central Meter Registration Service (CMRS), which provides clear visibility of operational status. Distribution-connected generators, however, are typically registered under the Supplier Meter Registration Service (SMRS), with metering data managed through suppliers rather than centrally. This arrangement can limit LCCC's ability to access timely operational data for these generators.

The Government is therefore proposing to strengthen UCON provisions by introducing contractual measures that enable LCCC to obtain near real-time metering information for distribution-connected generators. This would ensure that the LCCC can decide to issue timely UCONs to both transmission and distribution connected generators where necessary.

Proposals

To ensure that UCON provisions can be applied promptly and effectively to all generators, the Government is proposing to strengthen contractual requirements by introducing measures that enable LCCC to obtain near real-time metering information. This will be implemented through amendments to the CfD STCs, as outlined below:

Condition 31.13 – Clarification of When Metering Access Obligations Begin

A drafting amendment to Condition 31.13 to clarify that the Generator's obligation to provide metering access begins "with effect from the installation of any Facility Metering Equipment", rather than from the Start Date as previously drafted.

This change ensures that LCCC has the right to access, inspect, and test metering equipment as soon as it is installed, regardless of whether the CfD Start Date has formally commenced. It strengthens LCCC's ability to verify metering integrity and data accuracy during the commissioning and pre-Start Date period, which is particularly important where estimated output or early operational assessments, particularly for distribution-connected generators (for whom LCCC's access to data is limited), may be required.

Condition 3.26(B)(iii) – Additional Measures for Satisfying UCON Preconditions

Condition 32 of the STCs allows LCCC to request information from Generators, including the request for Actual Generation Output Data and/or for LCCC to exercise its Metering Access Right. Whilst the request for information under Condition 32 is crucial for LCCC to verify whether a Generator has commenced commercial operation, and as such, for calculating accurate payment volumes, there is currently no consequence for Generators should they fail to comply with such information requests.

As such, the Government proposes a new clause – specifically Condition 3.26A(B)(iii) – which allows LCCC to assume that the preconditions for issuing a UCON have been satisfied in specific circumstances of non-cooperation by the Generator. Specifically, the LCCC may now proceed on the basis of that the UCON pre-conditions have been met if:

- It has made a request for Actual Generation Output Data and Supporting Information under Condition 32.1(K), and the Generator has failed to respond within 10 Business Days; or
- The Generator is in breach of its obligation to permit LCCC to exercise the Metering Access Right

This amendment strengthens the LCCC's ability to enforce metering and data access obligations by enabling contract commencement where the Generator is obstructing verification of operational performance.

Following this, as per the existing UCON provisions[14], LCCC can unilaterally commence the CfD Start Date even if the Generator has not fulfilled all Operation Conditions Precedent (OCPs). In line with Condition 3.35, payments to the Generator are suspended until those OCPs – including metering obligations – are fulfilled.

Conditions 10.4(C) & 18.6(C) – Application of Default Interest for Failure to Provide Metering Information

As LCCC are unable to access the necessary metering information for such distribution-connected generators, new provisions have been introduced under Condition 10.4(C) (for baseload generators) and Condition 18.6(C) (for intermittent generators) to allow LCCC to apply Default Interest to Reconciliation Amounts owed in its favour where such information has not been provided by the Generator.

Under both clauses, Default Interest may be applied where:

> (i) The Generator either failed to provide Actual Generation Output Data when requested under Condition 32.1(K), or breached its obligation to provide Metering Access Rights;
>
> (ii) The Generator could reasonably have complied with those obligations; and

[14] Contracts for Difference: contract changes for Allocation Round 5 - GOV.UK

(iii) The Reconciliation Amounts relate to a period prior to the fulfilment or waiver of the Operational Condition Precedent in Paragraph 2.1(C) of Part B of Schedule 1

Equivalent provisions have also been introduced under Condition 4.4 (Metered Output) of the Private Network Agreement, pursuant to Conditions 10.4(C) and 18.6(C), to permit the application of Default Interest to Reconciliation Amounts owed in favour of LCCC where metering information has not been provided by the Generator in accordance with its obligations.

These amendments are designed to deter non-cooperation during the pre-OCP period by introducing a financial consequence where the LCCC is forced to rely on estimated data due to the Generator's failure to provide access or information. If this results in a later adjustment in the LCCC's favour, Default Interest – the higher of the two contractual interest rates – may be applied to reflect the Generator's non-compliance.

As per the existing UCON provisions, once the Generator has fulfilled their final OCPs, including granting metering access, LCCC will resume payments and settle any amounts due for the suspension period. However, for any payment amounts owed to LCCC before the metering data or access is provided, the Government proposes that in line with the Default Interest, no interest is payable on these deferred payments, ensuring that the Generator does not benefit financially from delaying compliance.

Assessment of impacts

Since this is a consultation stage assessment, the assessment is draft and will be considered further following the consultation responses in line responses to the questions below. We have identified two main potential impacts from the proposed change:

- **Administrative costs** – the Government recognise that these proposed changes may introduce some minor administrative costs for distribution-connected generators, primarily related to enabling near real-time metering access.
- **Consumer impacts** - By ensuring timely and accurate operational data, these measures will help protect consumer interests by reducing the risk of generators strategically delaying CfD commencement to operate on a merchant basis at elevated wholesale – retaining revenues that would otherwise have been returned to consumers under the CfD payback mechanism.

Consultation questions

24. Do you agree with the proposal to introduce contractual measures to enable LCCC to obtain near real-time metering information for distribution-connected generators? If not, please explain why.

25. Do you agree that Default Interest should apply under Conditions 10.4(C) and 18.6(C) where Generators fail to provide metering information or access as required? If not, please explain why.

26. Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.

8. Proposed exclusion of applications with Gate 1 connection agreements

CfD Eligibility Criteria for Connection Agreements

The vast majority of CfD generators are required to have obtained a valid connection agreement[15] which enables electricity generation from the proposed CFD Unit to be supplied to the transmission system, the distribution system or a private network in order to be eligible for a CfD. This connection agreement must stipulate a connection date which occurs either on or before the Target Commissioning Date (TCD) specified in the application by the generator[16]. In essence, it is a fundamental CfD requirement for generators to demonstrate that they can commission their facility within the applicable delivery years.

NESO's Connections Reform

The National Energy System Operator (NESO) has recently introduced the Connection Reforms process aiming to positively transform the connection queue by removing unviable projects and unlocking projects which will help the Government to achieve its 2030 Clean Power ambitions and net zero. To facilitate this, NESO has introduced the Gate 2 to Whole Queue (G2TWQ) process to ensure that projects which meet key criteria, such as 'readiness and strategic alignment', will be able to make sufficient progress in being able to connect to the grid. Once projects have been assessed in line with NESO's criteria, they will be assigned to either a Gate 1 or Gate 2 status which will determine the revised connection offer they will receive—issued later in 2026[17].

- Gate 1– projects which do not meet either the readiness or strategic alignment criteria will receive a Gate 1 status and will receive a Gate 1 connection offer. This would also apply to projects that self-declare that they do not satisfy Gate 2 criteria. Gate 1 connection offers will be assigned an indicative connection date and point of connection, meaning there will be no commitment or priority to connect these projects to the grid. However, there is opportunity for these projects to apply for a Gate 2 connection offer in subsequent Gate 2 application windows, subject to demonstrating that they meet the Gate 2 readiness and strategic alignment criteria when they reapply.
- Gate 2 – projects with a Gate 2 status will receive a Gate 2 connection offer. This status is further categorised into either Phase 1 (projects that align with the permitted capacity for 2030 as per Government's Clean Power 2030 Action Plan and that are prioritised for connection by 2030) and Phase 2 (projects that align with the permitted capacity for 2035 as per Governments CP30 Plan, and that are prioritised for connection by 2035). To be eligible for a Gate 2 offer, projects must demonstrate that they meet the readiness and at

[15] In some instances no connection agreement may apply to the relevant CFD Unit, for a full overview on the connection agreement eligibility criteria, please refer to AR7's Schedule 5—Contracts for Difference (CfD) Allocation Round 7: Schedule 5 - Application checks to be carried out by the Delivery Body
[16] With the exception of later phases of Phased Offshore Wind CFD Units. Please refer to the definition of Target Commissioning Date in Schedule 1 of the AR7 Contract Allocation Framework.
[17] Connections reform timeline | National Energy System Operator

least one of the strategic alignment criteria. These offers will include a confirmed connection date and point of connection[18].

Proposal

The Government proposes to require that all applicants must have a Gate 2 connection agreement in order to be eligible in applying for the CfD, and exclude projects from being eligible where they hold a Gate 1 connection agreement[19]. This will apply to both transmission connected and distribution connected projects. We propose to do this by including an exclusion within the Contract Allocation Framework's Schedule 5 eligibility criteria for Connection Agreements, which would apply at the time of application to state, to some effect, of the following:

> '*For the avoidance of doubt, this criteria only applies to Applicants holding a Gate 2 Connection Agreement. Where the Applicant only holds a Gate 1 Connection Agreement, this would not satisfy the requirements. This applies to both transmission and distribution connected projects.'*

Assessment of Impacts

Since this is a consultation stage assessment, the assessment is draft and will be considered further following the consultation responses in line responses to the questions below. We expect this proposal to have two main impacts:

- **Deployment** – As Gate 1 connection agreements will not have a confirmed point of connection or connection date, there is significant uncertainty as to when these projects will be able to connect to the grid. We understand that if Gate 1 projects obtain a CfD agreement, these projects would receive 'protections' in subsequent Gate 2 application windows which may lead to a Gate 2 connection offer. However, subsequent Gate 2 connection agreements are likely to be for later connection dates, unless projects ahead in the queue terminate their contracts. As a result, there is a significant risk that these subsequent projects will not receive a Gate 2 connection date which is in line with their AR8 delivery years.
- **Value for money** – The inclusion of Gate 1 projects may increase auction competition as it may lead to more projects applying for the CfD. However, we believe that this would significantly reduce the quality of viable applicants. Allowing projects with a Gate 1 connection agreement would have considerable downside risks for the CfD in relation to value for money due to the nature of Gate 1 agreements as outlined above. Budget could potentially be spent on procuring Gate 1 projects which may be significantly delayed in connecting to the grid, thus may not be generating in line with their AR8 delivery years.[20]

Consultation Questions

[18] Connections Network Design Methodology (April 2025) (1).pdf
[19] This includes 'Gate 1 with reservation' connection agreements.
[20] AR8 delivery years are not confirmed. They will be confirmed and published closer to round opening.

27. Do you agree with the Government's proposal to exclude applicants with Gate 1 connection agreements from being eligible to apply for a CfD? Please explain why or why not, and where appropriate, supporting evidence.

28. The Government also invites views on any issues/concerns regarding NESO's connection reform process and its interaction with the CfD. Where a concern has been raised, please propose potential mitigations focusing on the provisions within the CfD in the first instance.

29. Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.

9. Visibility of Sealed Bids and Sealed Bid changes for technology types with Sealed Bid visibility.

Visibility of sealed bids

In February, the Government consulted on changing the Allocation Regulations to enable the Secretary of State to view anonymised sealed bids. We confirmed in the Government response[21] and Contract Allocation Framework that we would enable this legislatively for all technologies, but apply it just to fixed bottom offshore wind for AR7.

AR7 is still in progress. However, as the Government considers its approach in this area for AR8, we would welcome stakeholder views on the merits of a) retaining this policy for fixed bottom offshore wind and b) expanding visibility of bids to other technologies.

Sealed bid changes for technology types with sealed bid visibility

As per the Government's approach in AR7, the Government proposes, through amendments in the Contract Allocation Framework, to limit the number of sealed bids applicants can submit to just one bid. This change will only be implemented for technology types where the Government has visibility of bids. Rules pertaining to the 'Submission of Sealed Bids', as will be set out in the Contract Allocation Framework for AR8, would be consistent with rules for technologies with no bid stack visibility. We propose this approach because multiple bids will not serve a useful purpose if we have the ability to set the budget following sight of anonymised bid information.

Assessment of Impacts

Providing the Government greater control over how much capacity is successful, by enabling greater visibility of auction information for budget setting, increases the likelihood of buying the right volume at a good price for consumers. A change to extend visibility to more technologies could allow the Government to consider budget choices for multiple technologies together, enabling the most cost-effective decisions to enable decarbonisation through the CfD. However, the Government is aware that there is a risk that changes to the current process may lead to gaming and inflated bids, as well as concerns over anonymisation of small pipelines for nascent technologies.

Consultation questions:

30. Do you agree with the Government in a) retaining bid stack visibility for fixed bottom offshore wind for AR8 and b) expanding bid stack visibility beyond fixed bottom offshore wind to other technologies from AR8? If yes or no, please explain why with particular reference to merits and concerns.

[21] Further reforms to the Contracts for Difference scheme for Allocation Round 7: government response to the legislative proposals

31. For any technology type for which the Government has visibility of sealed bids, do you agree with our proposal to limit applicants to submitting only one sealed bid?

32. For any technology type for which the Government has visibility of sealed bids, do you agree we should retain the anonymity of those bids? If yes or no, please explain why with particular reference to merits and concerns.

33. Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.

10. Minor and Technical changes to the CfD contract terms

Updating the CPI inflation factor in the CfD Standard Terms and Conditions

We changed the Base Year from 2012 to 2024 in AR7 to reflect the Government's decision to set AR7 Administrative Strike Prices, reference prices and strike price bids in 2024 prices. As a result of this change, the Standard Terms and Conditions now require the LCCC to calculate the annual strike price adjustment with reference to the value of the CPI[22] for October 2023, in accordance with the definition of Base Year CPI in the AR7 STCs. To ensure closer alignment between these two methodologies, Government proposes to amend the definition of "Base Year CPI" to mean the full-year 2024 CPI. This means that LCCC will no longer calculate the annual strike price adjustment with reference to the value of CPI for October in the calendar year immediately preceding the Base Year (which will remain 2024 for AR8, but which may be rebased again in future).

Consultation question

34. Do you agree with our proposal to change the Base Year CPI to ensure that the price base used to calculate the annual strike price adjustment is the full-year 2024 CPI? If not, please tell us why.

Proposed amendment to the definition of 'Inside Information'

The definition of 'Inside Information' in the Standard Terms and Conditions means Generator Confidential Information which is "inside information" within the meaning of section 118C of the Financial Services and Markets Act 2000 (FSMA) or section 56 of the Criminal Justice Act 1993 (CJA) in relation to the Generator or any member of its Group. The Market Abuse Regulation[23] (known as the UK Market Abuse Regulation (UK MAR) since the UK left the EU) has replaced the definition of 'Inside Information' in the FSMA. It is therefore necessary to amend the definition of 'Inside Information' and Condition 72.6 (*CfD Counterparty: insider dealing and market abuse*) to ensure that the CfD contract reflects current UK law in this area.

The definition of 'Inside Information' in UK MAR is contained in Article 7(1) and is wider than just information relating to the Generator or any member of its Group. It also potentially covers information in relation to financial instruments, commodity derivatives and emission allowances. For example, it may be inside information if the Generator changes a material term of a listed financial instrument in scope of UK MAR that it has issued, as well as a development related to the Generator itself. In reality, if the Generator and any members of its Group are not listed (either equity or debt), UK MAR is unlikely to be of relevance.

Accordingly, we have adjusted the definition of 'Inside Information' in the Standard Terms and Conditions to reflect Article 7(1) of UK MAR. We have omitted the previous limitation that

[22] Published by the Office for National Statistics (ONS). Please note that CPI index values are subject to the ONS CPI Revisions Policy and may change in the future.
https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt
[23] Market Abuse Regulation | FCA

inside information was only "in relation to the Generator or any member of its Group" as that is narrower than the Article 7(1) definition in UK MAR.

We have adjusted Condition 72.6 to reflect the fact that the Generator should only be expected to consult with the CfD Counterparty as to whether Generator Confidential Information is Inside Information in relation to information that is in relation to (i) the Generator, (ii) any member of the Generator's Group, or (iii) any financial instruments, commodity derivatives, emission allowances (or auctioned products based thereon), of the Generator and/or the Generator's Group. This is required due to the wider definition of Inside Information.

Limb (ii) of Condition 72.6 is not considered necessary as the obligation to consult as to whether information is Inside Information is now specifically limited (in the first sentence of Condition 72.6) to information in relation to the Generator and its Group (and their financial instruments). Limb (ii) has therefore been removed.

Condition 72.6 has been amended to include an acknowledgement by the CfD Counterparty of its obligations under UK MAR, if any Inside Information is provided to it. The provision of any Inside Information to the CfD Counterparty would require the Generator to prepare an Insider List, pursuant to UK MAR, and market practice and custom is that the Generator, as the party disclosing Inside Information, would notify the CfD Counterparty when they are placed on the Insider List and why (i.e. what Inside Information this relates to). An acknowledgement of this type has become relatively standard practice in confidentiality agreements where Inside Information may be provided since the adoption of UK MAR, so that both parties are aware that Inside Information may be provided as part of the confidential information, and that there are consequences from the receipt of Inside Information (including being made an Insider for the purposes of UK MAR).

Consultation question

35. Do you agree with the proposed amendments to the definition of 'Inside Information' and Condition 72.3? If not, please tell us why.

11. Policy update on decision to fix the appeals timeline

This section provides an update to stakeholders on the Government's decision to apply a fixed timeline for appeals from 2026. This is included for information only and not subject to consultation.

The Government consulted ahead of AR7 on potential changes to the CfD appeals process to reduce uncertainty around the timelines for allocation rounds and project delivery whilst maintaining a fair process. In October 2024, having considered stakeholder feedback, the Government published its response[24]. This set out the Government's intention to amend regulations to implement a fixed timeline for appeals from 2026 onwards, and to make a further minor change to expedite document sharing between NESO and Ofgem, at the same time.

The Government has since published its Clean Power Action Plan, which set out an ambitious deployment schedule for renewables. This is particularly notable for offshore wind projects, which have longer deployment timelines and for which there are, therefore, fewer available allocation rounds to secure suitable capacity for delivery by 2030. In view of this, the Government sought to expedite AR7 timelines for offshore wind to secure auction results as early as possible.

In the light of all this, the Government has reviewed its intentions for AR8. Whilst fixing the appeals timeline could provide clarity to stakeholders, running to the longest timeline, even when there were no appeals, may result in later deployment than necessary. Therefore, in order to facilitate timely delivery of AR8 and to support delivery of its ambition, the Government has decided not to make the proposed changes to regulations to amend the appeals process at this time. The Government will keep this decision under review and consult on any further changes ahead of future allocation rounds.

[24] Proposed amendments to Contracts for Difference for Allocation Round 7 and future rounds - GOV.UK

Next steps

Once the consultation has closed, we will analyse the responses and feedback received and set out how we intend to proceed in a government response. The response will provide a summary of the views expressed by stakeholders and will set out the decisions that Government has taken.

Further consultation may be required, for example, on drafting changes to the CfD contract to implement policy proposals on hybrid metering or if Government's decisions necessitate significant changes to policy design.

To facilitate changes to regulations before AR8 commences, we may, subject to a decision to proceed, publish a government response on the proposals to improve scheme efficiency ahead of our response to the other sections of this consultation.

It is our intention that the proposals in this consultation would, if implemented, be done so together. However, subject to the consultation responses received and timing considerations, some refinements may be implemented in a future allocation round.

This publication is available from: www.gov.uk/government/consultations/proposed-refinements-for-allocation-round-8-and-future-rounds

Any enquiries regarding this publication should be sent to us at: contractsfordifference@energysecurity.gov.uk

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