

Contracts for Difference Round Guidance

Contracts for Difference Allocation Round 1 – 2014



CFD Round Guidance

3rd October 2014

This Round Guidance must be read in conjunction with the Contracts for Difference (Allocation) Regulations 2014 (“the Allocation Regulations”), the Contracts for Difference (Definition of Eligible Generator) Regulations 2014 (the “Eligibility Regulations”) and the Contracts for Difference Allocation Framework (the “Allocation Framework”): failure to do so may result in failure to qualify or to be awarded a Contract for Difference in the CFD Auction.

This Round Guidance is for information only and in the event of any conflict or inconsistency between the Allocation Regulations, the Eligibility Regulations and the Allocation Framework in force, the Allocation Regulations, Eligibility Regulations and/or Allocation Framework take precedence over this Round Guidance.

This Round Guidance does not constitute legal or investment advice and applicants are urged to obtain their own independent advice.

Table of Contents

1 Introduction	3
1.1 Document Status.....	3
1.2 Contact Us.....	3
2 Specific Criteria for Allocation Round 1	4
2.1 Application for a CFD	4
2.2 Eligible Technologies, Technology Groupings and Administrative Strike Prices	5
2.3 Date restrictions	6
2.4 Geographic Scope	6
2.5 Calculation Year	6
2.6 Application Window Dates	6
2.7 Working Day Definition	6
2.8 Overall Round Timeline	7
2.9 Budget	8
2.10 Minima.....	8
2.11 Maxima.....	8
2.12 Valuation	8
3 List of Key Documents Relevant to Allocation Round 1	9

1 Introduction

National Grid is the Delivery Body for Electricity Market Reform (EMR). Part of this role includes the qualification of applicants and the allocation of Contracts for Difference (CFD) in accordance with the CFD legislative framework and a number of Department of Energy and Climate Change (DECC) documents that are specific to each Allocation Round.

This Round Guidance document has been prepared by National Grid to provide generators with an overview of the key information, parameters and dates, relative to the first allocation round (Allocation Round 1), which is due to commence on 16th October 2014. This guide pulls together information from a number of DECC documents including the Allocation Framework, the CFD Budget Notice, the CFD Allocation Round Notice, the Round Variation Notice, and the Framework Notice. In the event of any discrepancy between these documents, in all cases the DECC documents (and any subsequent updates or revisions to them) have precedence over the contents of this guide.

This guide is not intended to provide an overview of the general rules or processes associated with qualification or allocation. This information which is not round specific can be found in the Allocation Regulations, Allocation Framework, CFD User Guide, CFD Auction Guidance, and DECC's FAQ. Section 3 provides an overview of these documents with related links.

1.1 Document Status

This document is an updated version of the Draft CFD User Guide published on the 9th of September 2014. This Round Guidance is based upon published material such as the Budget Notice, the CFD Allocation Framework, the Contracts for Difference (Allocation) Regulations 2014, and the Allocation Round Notice.

These documents may be subject to further change by DECC (subject to the restrictions in the Allocation Regulations).

We welcome any feedback on the usefulness of this document and advice on what else could be added to versions for future Allocation Rounds. Please use the email contact details in Section 1.2 to provide any feedback.

1.2 Contact Us

If you would like to have more information on any aspect covered in this guide, there are a number of ways you can get in touch with us:

National Grid

 Phone: 01926 655300

 Email: emr@nationalgrid.com

or visit our dedicated website: www.emrdeliverybody.com

For information on the CFD Application process please refer to our website.

2 Specific Criteria for Allocation Round 1

This section provides a summary of the key criteria that are applicable to Allocation Round 1.

2.1 Application for a CFD

In order to apply for a CFD, participants will be required first to register their companies and users with the Delivery Body. In this first Allocation Round applicants will be required to register their organisation(s) using a Registration Form that has been published on the Delivery Body's website¹. Participants will have to submit an electronic copy and a completed signed copy of the Registration Form to the Delivery Body via normal email.

All registered Companies will be able to apply for a CFD commencing 16th October 2014 by submitting a CFD Application Form with all associated supporting documentation, during the application submission window to the Delivery Body. All applications will have to be submitted to the Delivery Body via Egress² Switch. Applications sent with any other medium will not be accepted by the Delivery Body.

To ensure that all sensitive data and information contained in the Delivery Body's communications to applicants, such as their qualification outcome, is not compromised, the Delivery Body has established a secure email facility in Egress. Applicants will need to register to Egress in order to receive these emails.

In the event of a constrained allocation (auction) all qualifying and pending applicants will be invited by the Delivery Body to submit their sealed bids through Egress Switch. Sealed bids sent via any other medium will not be accepted by the Delivery Body.

Details on Company registration, application submission/withdrawal, and request for review and appeal will be provided as part of the system specific training pack on the EMR Delivery Body Portal early October. Specific details on how to submit sealed bids will be provided during the qualification stage of the Allocation Round. Other requests for information which may become pertinent during the Allocation Round (e.g. Notification of Delays), will be communicated to applicants as soon as practicable.

¹ www.emrdeliverybody.com

² Further information on Egress Switch and Egress Secure Email can be found in the "Pre Qualification Application for Contracts for Difference Guide" available at www.emrdeliverybody.com

2.2 Eligible Technologies, Technology Groupings and Administrative Strike Prices

The table below lists the technologies that are eligible for Allocation Round 1 and the Administrative Strike Prices (in £/MWh) applicable for each target commissioning year. The table also shows which technologies have been specified as established technologies (pot 1), less established technologies (pot 2), and biomass conversion (pot 3) for valuation and allocation purposes.

Technology Type	POT	2015/16	2016/17	2017/18	2018/19
Energy from Waste (with CHP)	POT 1	80	80	80	80
Hydro (>5MW and <50MW)	POT 1	100	100	100	100
Landfill Gas	POT 1	55	55	55	55
Sewage Gas	POT 1	75	75	75	75
Onshore Wind (>5MW)	POT 1	95	95	90	90
Solar PV (>5MW)	POT 1	120	115	110	100
Tidal Stream (0-30MW)	POT 2	305	305	305	305
Wave (0-30MW)	POT 2	305	305	305	305
Offshore Wind	POT 2	155	150	140	140
Geothermal (with or without CHP)	POT 2	145	145	140	140
ACT (with or without CHP)	POT 2	155	150	140	140
AD (with or without CHP; >5MW)	POT 2	150	150	140	140
Dedicated Biomass (with CHP)	POT 2	125	125	125	125
Biomass Conversion	POT 3	105	105	105	105

Table 1. Technology Strike Prices

NOTE 1. All Administrative Strike Prices are published in the CFD Allocation Framework and are in 2012 prices.

NOTE 2. The generic CFD application process doesn't include applications for nuclear power stations or for generators connected to a complete CCS system. Any queries in regards to CFD applications relating to these technologies should be directed to DECC.

NOTE 3. Scottish Islands: onshore wind (>5MW). A strike price for this technology has previously been published; however the inclusion of this technology in the CFD framework remains subject to State Aid approval. Currently there will not be a separate Scottish Island Onshore Wind Technology in Round 1, although projects that would previously have fallen into this category could apply as an onshore wind projects in Round 1. They would however be subject to the Strike Price for onshore wind projects.

NOTE 4. The methodology for calculating Administrative Strike Prices for Wave and Tidal Stream projects that are greater than 30 MW uses a volume weighted approach that is included in the Allocation Framework Appendix 1.

2.3 Date restrictions

In the Allocation Framework, DECC has published Strike Prices for projects with Target Commissioning Dates (TCDs) in the years from 2015/16 to 2018/2019 (table 1), therefore in Allocation Round 1 applicants will only be able to apply for CFDs with TCD's in these years.

DECC intends to publish Strike Prices for 2019/2020 and 2020/2021 in the 2015 Annual Update to the Delivery Plan. Once Strike Prices for these years are published we expect these to be included in subsequent allocation rounds.

2.4 Geographic Scope

For Round 1, CFD applications can only be made by Eligible Generating Stations situated in Great Britain and its territorial waters.

2.5 Calculation Year

All of Round 1 will take place using 2012 prices, including valuation, allocation and the issuance of CFD Notifications. From an applicant perspective, this means that should competitive allocation be required, sealed bids will need to be submitted in 2012 prices.

For the first Allocation Round, the Budget values in the Budget Notice are in 2011/2012 prices. However, given that strike prices and Reference Prices have been published in £2012 prices (Allocation Framework), the Government will inflate the budgets values, using a factor of 1.0195, to convert into a £2012 price. For actual settlement, indexation from 2012 prices is dealt with through the indexation terms contained in the CFD contract.

2.6 Application Window Dates

The CFD Allocation Round 1 will start on the 16th of October 2014. Applicants will have 11 working days to submit their applications, with the application window closing at 5pm on the 30th of October.

2.7 Working Day Definition

All deadlines for the Allocation Round are based on a "9 am to 5 pm on Mondays to Fridays excluding GB bank holidays" working day definition in the Allocation Regulations and Allocation Framework.

The Bank Holidays relevant for Round 1 are listed below:

- St Andrew's Day (Scotland): 1 December;
- Christmas Day: 25 December;

- Boxing Day: 26 December;
- New Year's Day: 1 January;
- 2nd January (Scotland): 2 January;
- Good Friday: 3 April;
- Easter Monday: 6 April.

2.8 Overall Round Timeline

The time to complete the allocation round will depend on a number of variables, including whether reviews or appeals are raised and whether sealed bids are required. According to the CFD Round Variation Notice published on the 26th of September 2014, the end date of this allocation round is the 15st of April 2015.

This section shows an indicative timeline of the CFD allocation process and the effect of potential disputes on the round implementation timeline. In the table below are highlighted two possible alternative scenarios; Scenario 1: no disputes raised by applicants, scenario 2: applicants request a review by the Delivery Body and an appeal by Ofgem. As the round progresses we will provide updated information on the expected timeline and allocation process status.

Milestone	Expected Date (with no disputes)	One Possible Alternative Scenario (with reviews and appeals)
Commencement date of the allocation round	16 Oct 2014	16 Oct 2014
Application closing date	30 Oct 2014	30 Oct 2014
Eligibility Results Day	13 Nov 2014	13 Nov 2014
Deadline for applicants to raise a review of non-qualification	20 Nov 2014	20 Nov 2014
Non-qualification review notification	n/a	05 Dec 2014
Applicant makes appeal in respect of non-qualification determination	n/a	12 Dec 2014
Target date for completion of Tier 2 disputes by Ofgem	n/a	06 Feb 2015 (assumed)
Auction notice	02 Dec 2014	17 Feb 2015
Sealed bids submission closing date	09 Dec 2014	24 Feb 2015
CFD notifications sent to Low Carbon Contracts	06 Jan 2015	18 Mar 2015
Low Carbon Contracts sends contracts to successful applicants	07 – 20 Jan 2015	19 Mar – 01 Apr 2015

Table 2 – Allocation Round Timeline

All timescales are indicative and not binding on the Delivery Body or Ofgem. They are set out for illustrative purposes.

2.9 Budget

All Budget, Pots, Minima, and Maxima information are published in the Budget Notice for CFD Allocation Round 1.

Table 4 sets out the total amounts that could be expected to be paid to generators in any given year and are used as part of the allocation process only.

£m (2011/2012 prices)	Delivery Year					
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
CFD Budget (2014 release)	50	220	300	300	300	300
Pot 1 (established technologies)	50	65	65	65	65	65
Pot 2 (less established technologies)	-	155	235	235	235	235

Table 3 – Round Budget and Pots

NOTE 1. DECC are not at present intending to release further budget for biomass conversion, beyond the funding that is allocated through the FIDeR process (Final Investment Decision Enabling for Renewables launched by DECC in March 2013 and closed on 1 July 2013).

NOTE 2. All budget numbers in table 3 have been calculated in real terms on the basis of a £2011/12 price level. However, given that strike prices have been published in £2012 values, the Government will inflate the budgets presented in this table by a CPI inflator of 1.0195 (for more information refer to the Budget Notice).

2.10 Minima

The Allocation Regulations allow DECC to set minimum budget reservation (in MW or £s) to a specific technology or group of technologies. One minimum of 10 MW for wave and tidal stream technologies applies to this allocation round.

2.11 Maxima

The Allocation Regulations allow DECC to set a maximum budget reservation (in MW or £s) to a specific technology or group of technologies. There are no maxima in this round.

2.12 Valuation

Valuation of applicants against available budget is carried out based on information provided by the applicant (technology, MW, Target Commissioning Date) and using fixed factors provided by DECC in the Allocation Framework. Listed below are the relevant valuation factors published in the Contract for Difference Allocation Framework:

- Reference Price (2012 prices): appendix 2;

- Load Factors: appendix 3;
- Transmission Loss Multiplier: appendix 4
- Renewable Qualifying Multiplier (RQM): appendix 5;
- CHP Qualifying Multiplier (CHPQM): schedule 2, Valuation Formula;
- Days: appendix 6;
- Year 1 Factor (YR1F): schedule 2, Valuation Formula;
- Applicable Reference Price: schedule 3.

3 List of Key Documents Relevant to Allocation Round 1

All information relevant to CFD Allocation Round 1 is provided in the following documents:

- **Contract for Difference Allocation Framework:** this document sets out the rules by which the delivery body determines which qualifying applications are successful applications, the strike price applicable to successful applications, and all parameters necessary for application valuation.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360269/Updated_Final_AF.pdf
- **Budget Notice for CFD Allocation Round 1:** this document sets out the overall Budget and Pots which is available for each delivery year applicable to an allocation round, and minima and maxima relative to specific technologies and pots.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360129/CFD_Budget_Notice.pdf
- **The Contracts for Difference (Allocation) Regulations 2014:** in this document are set out all the regulations relevant to this allocation round.
http://www.legislation.gov.uk/uksi/2014/2011/pdfs/uksi_20142011_en.pdf
- **The Contracts for Difference (Definition of Eligible Generator) Regulations 2014:** this document defines the technologies in respect of which an eligible generator may apply for a CFD (eligible generating stations).
http://www.legislation.gov.uk/uksi/2014/2010/pdfs/uksi_20142010_en.pdf
- **Allocation Round Notice:** this document sets out the commencement date of the allocation round, the end date of the allocation round, and which delivery year or years apply to any CFDs to be allocated further to the allocation round:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/348201/The_Contracts_for_Difference_Allocation_Regulations_2014_-_Allocation_Round_Notice_29_August_2014_.pdf
- **Allocation Round Variation Notice:** this notice is provided by the SoS to the Delivery Body and the CFD counterparty in case there is a change in the

commencement date of an allocation round, the application closing date or the end date of the allocation round.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/358727/CFD_Allocation_Round_Variation_Notice.pdf

- **Allocation Framework Notice:** this document identifies the allocation framework which applies to an allocation round.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/349371/Framework_Notice.pdf
- **DECC's CFD FAQs:** these FAQs address some of the main queries raised by stakeholders on CFD to date.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/353094/Contracts_for_Difference_-_FAQs_FINAL.pdf
- **CFD Auction Guidance:** this document's objective is to assist stakeholders in their understanding of the constrained allocation and auction process.
<https://www.gov.uk/government/publications/electricity-market-reform-contracts-for-difference>
- **CFD User Guide:** this document provides an overview of EMR Contracts for Difference key processes and steps that participants will require to follow or will need to be aware of while applying for CFDs. www.emrdeliverybody.com
- **Delivery Body – Qualification Frequently Asked Questions (FAQs):** this document aims to provide additional support to CFD participants on Qualification.
<https://www.emrdeliverybody.com/pages/home.aspx>

For detailed information on the 2014 Allocation Round, all interested parties should refer to these documents.

The first part of the paper discusses the theoretical framework of the study, which is based on the theory of planned behavior (TPB) and the theory of reasoned action (TRA). The second part of the paper describes the methodology used in the study, including the sample and the data collection process. The third part of the paper presents the results of the study, which show that the TPB model is a good fit for the data. The fourth part of the paper discusses the implications of the findings and the limitations of the study.

The results of the study show that the TPB model is a good fit for the data. The model explains 68% of the variance in the dependent variable. The path coefficients are significant and in the expected direction. The findings suggest that the TPB model is a useful tool for understanding the factors that influence the intention to use a new technology. The findings also suggest that the TPB model can be used to design interventions to promote the adoption of new technologies.

The findings of the study have several implications. First, the findings suggest that the TPB model is a good fit for the data. This suggests that the TPB model can be used to understand the factors that influence the intention to use a new technology. Second, the findings suggest that the TPB model can be used to design interventions to promote the adoption of new technologies. For example, interventions could be designed to target the factors that are most influential in the TPB model, such as perceived ease of use and perceived usefulness.

There are several limitations to the study. First, the study is a cross-sectional study, which means that it cannot establish causality. Second, the study is based on self-reported data, which may be subject to bias. Third, the study is limited to the use of a single technology, which may not be generalizable to other technologies.