

Welcome to

Introduction to CfD Allocation Round 3

London, 12 February 2019

Version shared on the CfD AR3 portal, www.cfdallocationround.uk

Introduction to the day

Ruth Herbert

Director of Strategy and Development
Low Carbon Contracts Company

CfD Delivery Partners


Department for
Business, Energy
& Industrial Strategy

- Policy
- Regulations
- Reg Decisions

nationalgridESO
Electricity Market Reform
Delivery Body

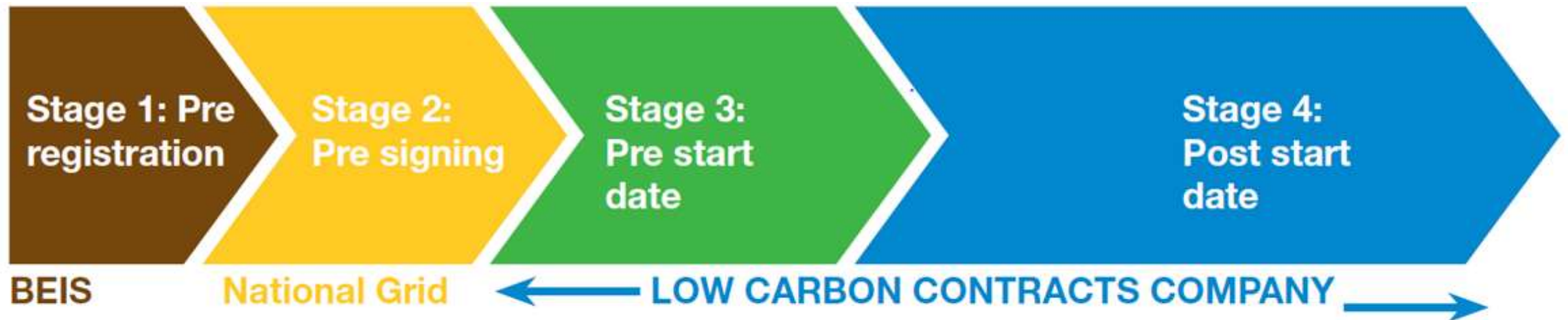
- Registration
- Qualification
- Reviews
- Allocation



- Appeals
- DB Regulation


LOW CARBON
CONTRACTS COMPANY

- Minor and Necessary
modifications
- CfD Counterparty



Agenda

10:00	Welcome and today's agenda	LCCC
10:10	The CfD Policy Context including Q&A	BEIS
10:40	Overview of the Allocation process	National Grid ESO
11:20	<i>Coffee break</i>	
11:35	Minor & Necessary modifications, Pre-bidding considerations and what happens post Allocation	LCCC
12:15	<i>Lunch</i>	
13:15	Q&A panel discussion	All
13:45	Introduction to breakout sessions	LCCC
13:55	<i>Coffee break</i>	
14:10	Breakout session 1	
15:00	Breakout session 2	
15:45	Next steps	LCCC
16:00	Close	

New, dedicated AR3 Portal

Contracts for Difference (CfD) Allocation Round 3 Resource Portal



nationalgridESO
Electricity Market Reform
Delivery Body



About

Partners

What is the CfD scheme?

FAQs

Timeline

News

[Home](#) / [About](#)

- **Partners**
- **What is the CfD scheme?**
- **FAQs**
- **Timeline**
- **News**
- **Sign up for the mailing list (at the bottom of each page)**
- **Submit your queries (on the FAQ page)**

www.cfdallocationround.uk

Submit your questions

- Today: via **sli.do**
 - Download the app (iOS and Android)
 - Web access: www.sli.do
 - Event code: **#CfDAR3**

- At any time: via the AR3 portal
 - Submit them via the FAQ page www.cfdallocationsround.uk

The CfD Policy Context including Q&A

Department for Business, Energy and Industrial
Strategy (BEIS)

CfD Allocation Round 3

policy context

Kieran Power
Alex Campbell

Policy context

- Strong UK renewables sector:
 - nearly **40GW** of installed renewable capacity
 - The CfD scheme is supporting around **10GW** of that
- We have seen substantial investment and significant cost reductions in some technologies
- The scheme is at the heart of the Industrial Strategy and Clean Growth Strategy, helping us to:
 - Transition to a low carbon economy
 - Deliver diverse, clean, secure and affordable power

Main CfD scheme changes

- RIW can now compete in Pot 2
- Mitigating load factor risk – improve forecasting of scheme's costs
- ACT eligibility changes
- Simplification of how 'Optional CHP' technologies are treated under the contract
- Increased efficiency requirements for certain CHP technologies and updated CHP Quality Assurance standard
- Lower GHG threshold for solid and gaseous biomass

Contract changes

- Force majeure
- Grid connection delay
- Installed capacity definition
- Amendment to Facility definition
- Other changes: Brexit, ILUC, Waste definition and minor & technical

Budget

- Pot 2 auction
- Delivery years 23/24 and 24/25
- Budget of £60m
- Administrative Strike Prices set at 25% of the supply curve
- No technology specific minima or maxima
- Whole auction capacity cap set at 6GW
- Increased load factor assumptions
- Final Budget Notice will be published no later than 10 working days before round commences

Eligible technologies

- Advanced Conversion Technologies
- Anaerobic Digestion (> 5MW)
- Dedicated Biomass with CHP
- Geothermal
- Offshore Wind
- Remote Island Wind (> 5MW)
- Tidal Stream
- Wave

AR4 and beyond

- Scheme reputation - high bar to significant changes
- Importance of continuity and certainty

AR4 in
2021

- ▶ Subsequent auctions every 2 years after that
- ▶ 1-2GW of new capacity every year in the 2020s, subject to auction prices

Claire Perry July 2018

Factors that we will be thinking about when putting advice to Ministers:

- 4 principles
- Climate targets
- Effectiveness of auction design
- Consultation expected in 2019



Overview of the Allocation process

National Grid ESO

EMR Delivery Body

Contracts for Difference
February 2019

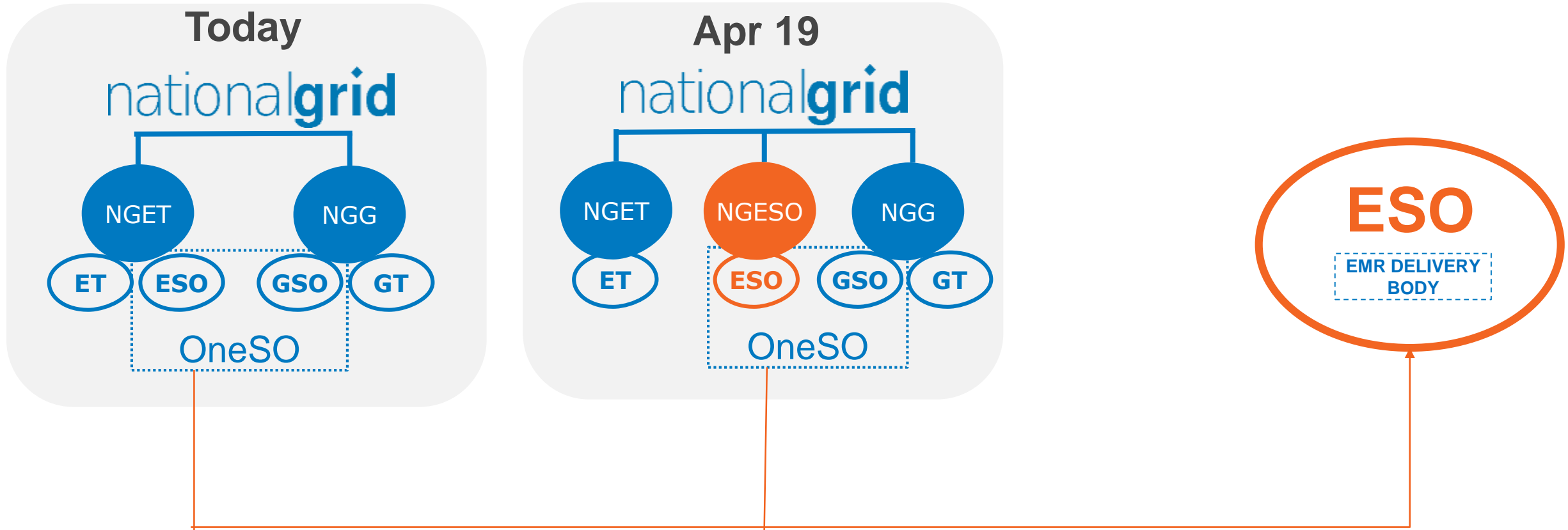


What we would like to cover?

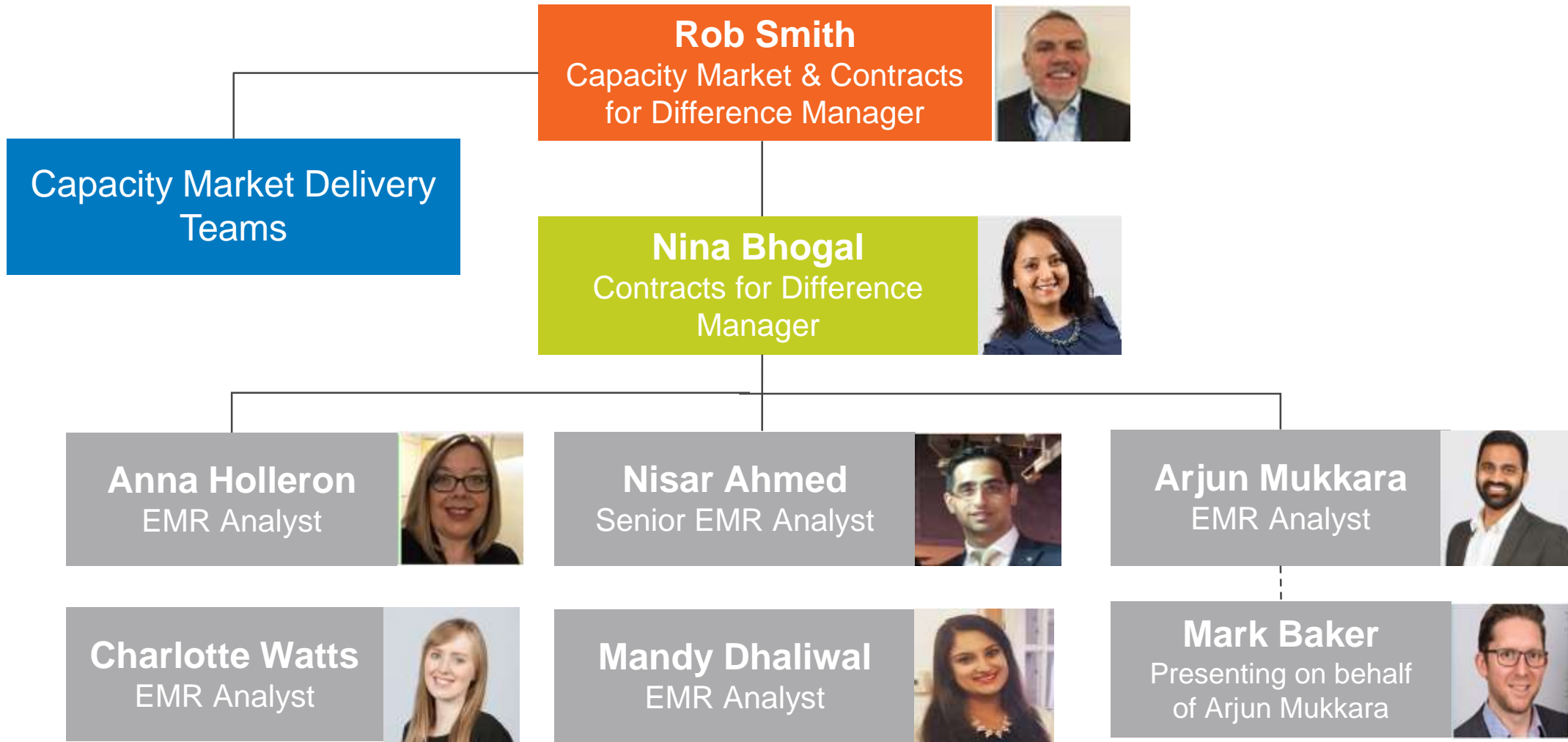
-
- 1 Introduction**
 - 2 Qualification**
 - 3 Allocation**
 - 4 Future Engagement**
-

Where does the ESO sit in National Grid?

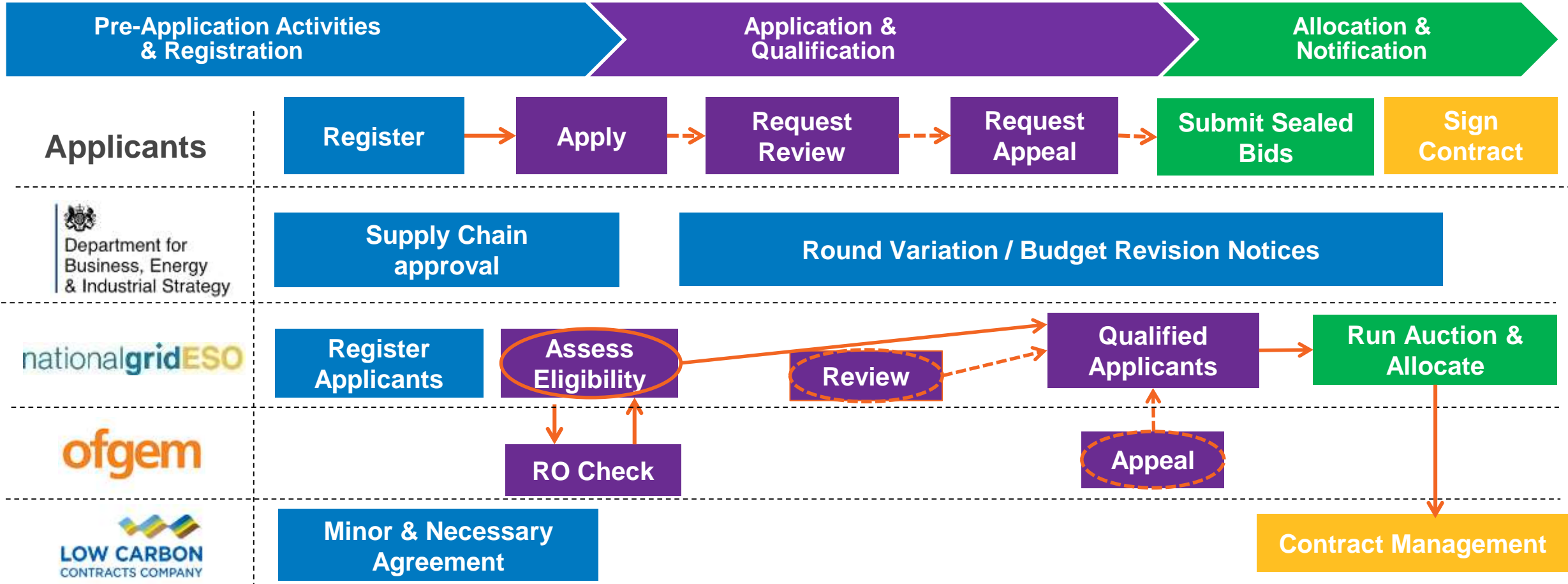
The creation of a new Electricity System Operator company within the National Grid Group



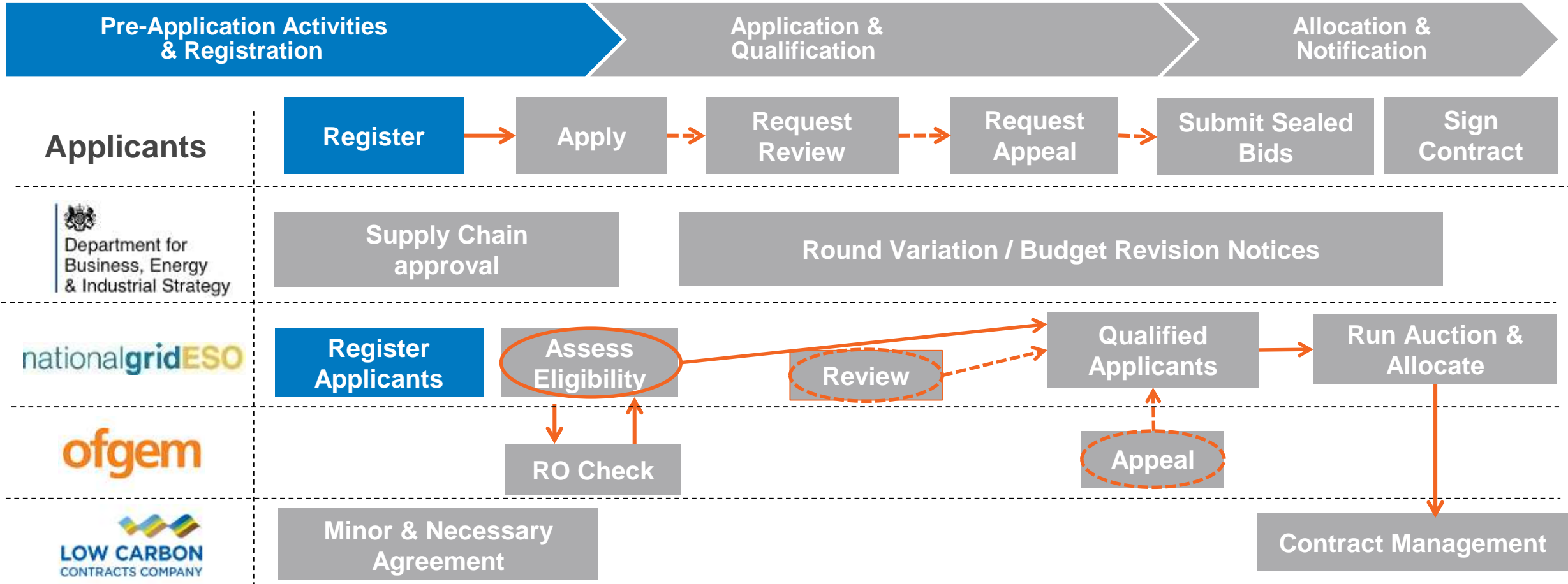
CfD Delivery Body Team



Allocation process overview



Allocation process overview - Registration



Registration



System Registration

Why: Application is being made with consent from an Authorised Person

When: Register before the Application Window opens

Support: Registration guidance and tutorial videos will be available



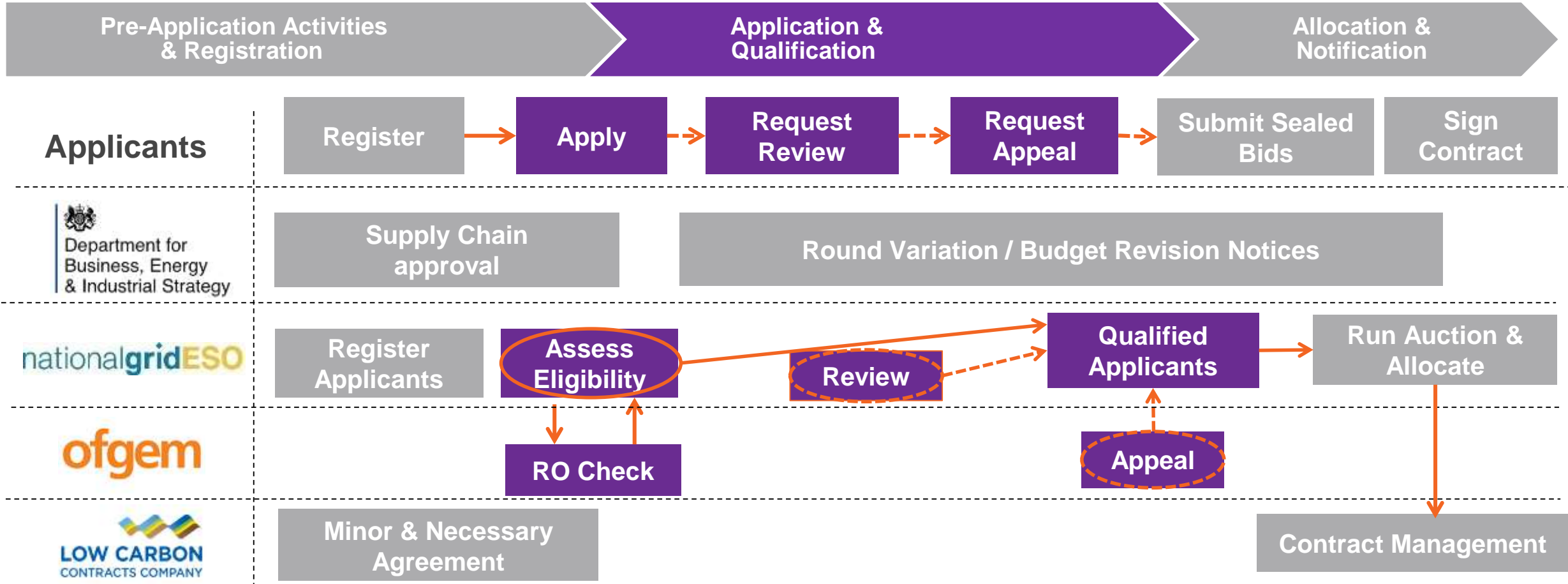
Print on Company Headed Paper

Authorised Person must sign and date the Registration Form

Company Details and Company number must match exactly Companies House

Do not edit or delete sections from the Registration Form

Allocation process overview - Qualification



Qualification



Key Qualification criteria

Connection Agreements

Planning Decision Notice

Supply Chain Approval
Certificate if $\geq 300\text{MW}$

Cross-Subsidy
Declarations

Evidence of
Incorporation

Target Commissioning
Date within Target
Commissioning Window

Agreement to Lease

Offshore capacity
requirements

Application Form general requirements

Remote Island Wind – Specific requirements

New Allocation Regulation - 27A (3) sets out conditions to qualify as Remote Island Wind:

- (a) the CfD Unit generates electricity by the use of wind;
- (b) the CfD Unit is located on a Remote Island;
- (c) the CfD Unit is connected to the national Transmission System or to a Distribution System (cannot be private wire only).

(d) Cabling Requirements

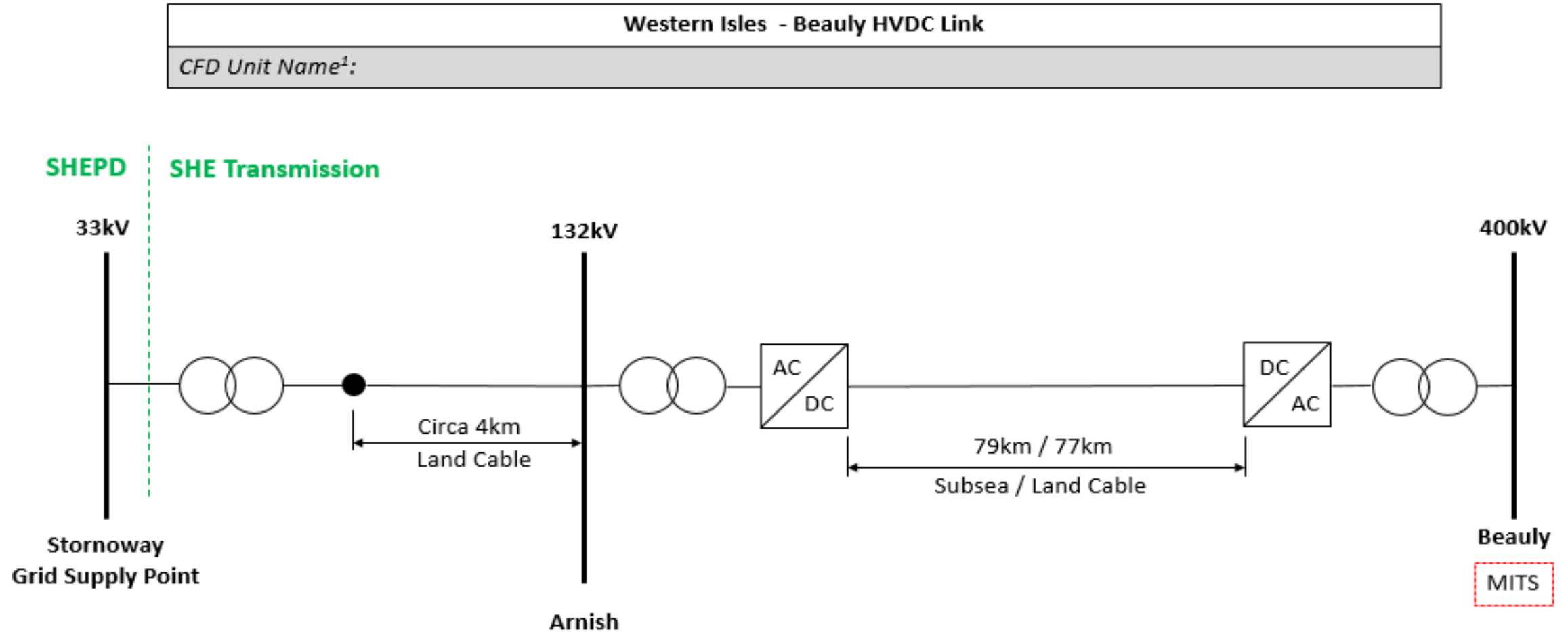
Transmission Connection

The Generation Circuit between the **CfD Unit** and the Main Interconnected Transmission System (MITS) consists of 50 km or more of Cabling, of which there is a minimum of 20 km of Subsea Cabling.

Distribution Connection

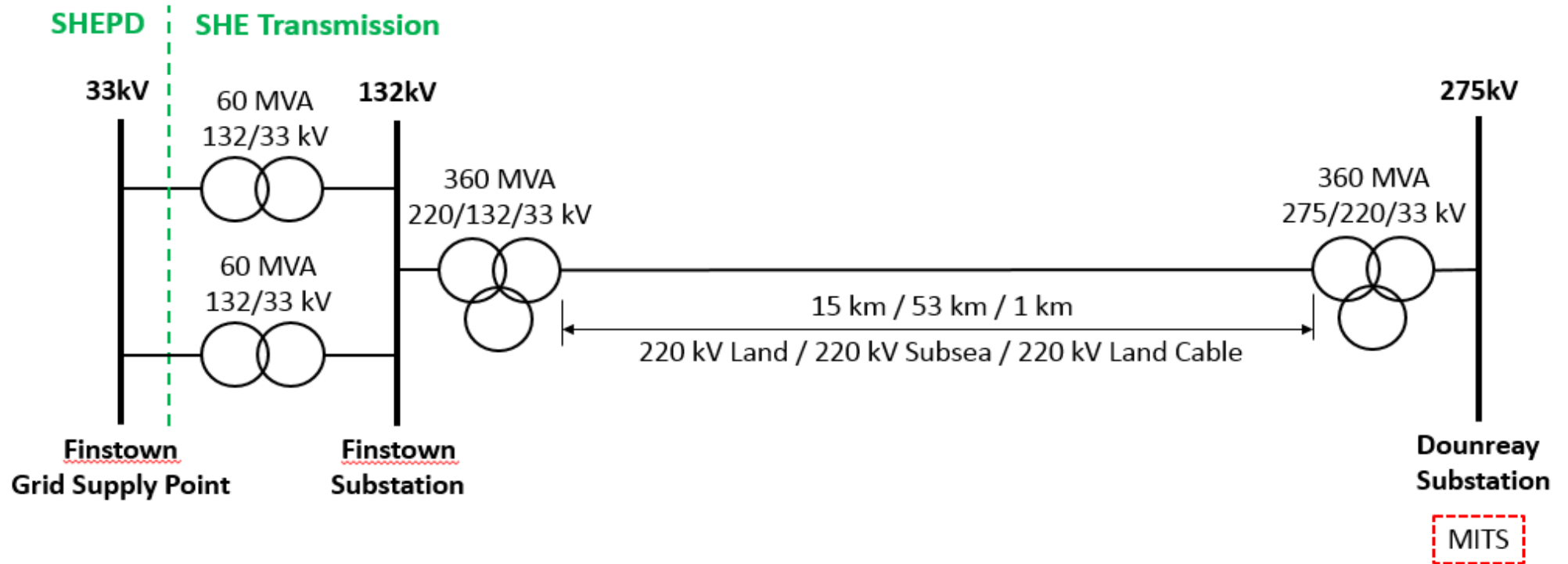
The electrical connection between its **Grid Supply Point** and the Main Interconnected Transmission System (MITS) consists of 50 km or more of Cabling, of which there is a minimum of 20 km of Subsea Cabling.

Remote Island Wind

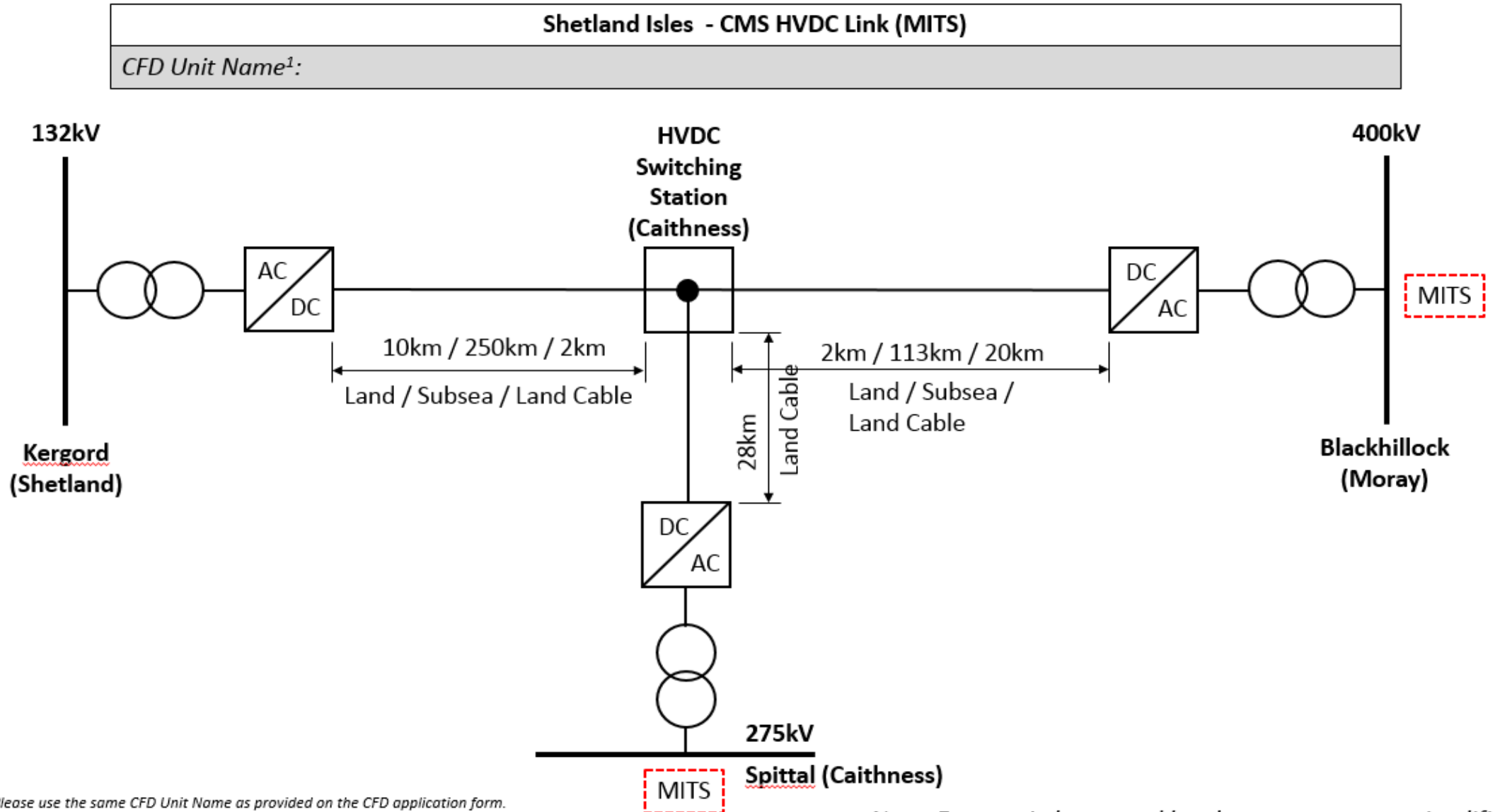


Remote Island Wind

Orkney - Dounreay HVAC Link
CFD Unit Name ¹ :



Remote Island Wind



Advanced Conversion Technology

A generating station which generates electricity by the use of Advanced Fuel (gas or liquid formed by Gasification or Pyrolysis of Biomass or Waste).

New Requirement for AR3

- For Advanced Conversion Technology (ACT), the Applicant must demonstrate that the CfD Unit is expected to comply with the Physical Separation Requirement (PSR) by submission of a process flow diagram in the application form.
- Requiring the *synthesis* and *combustion* processes to be separated ensures clear distinction between ACT and less advanced processes that are closer to conventional boiler technologies.

Advanced Conversion Technology

- BEIS have published [ACT Guidance](#) to support the ACT requirements.

Documents



[Compliance with the ACT Efficiency Standard criterion in the Contract for Difference scheme](#)

PDF, 322KB, 18 pages

This file may not be suitable for users of assistive technology. [Request an accessible format.](#)



[Compliance with the Physical Separation Requirement in the Contract for Difference scheme](#)

PDF, 208KB, 11 pages

This file may not be suitable for users of assistive technology. [Request an accessible format.](#)

- Further details on the specific requirements for the process flow diagram can be found in the [Draft Allocation Framework](#) for AR3 in the Schedule 4 section.

Results

- Results of the assessment are issued in the EMR Delivery Body Portal.
- Qualification status will either be Qualifying Applicant or a Non-Qualifying Applicant.
- Non-Qualifying Applicants will have the opportunity to raise a Non-Qualification Review to the Delivery Body.

Reviews Process overview

- **Applicant**

- Review Window – 5 working days
- Non-qualification areas only
- No new evidence

- **Delivery Body**

- 10 working days to reply



**Non Qualification
Review Notice**

- **Delivery Body**

- Upholds or overturns original decision

Appeals Process Overview

Ofgem Appeals

Applicant

- Appeal to Ofgem within 5 working days. NB After review window closes

Delivery Body

- Notify Stakeholders of Appeals
- BEIS may decide for Allocation to proceed

Ofgem

- Overturn or uphold original decision



**If Ofgem upholds
Delivery Body
decision**

High Court Appeals

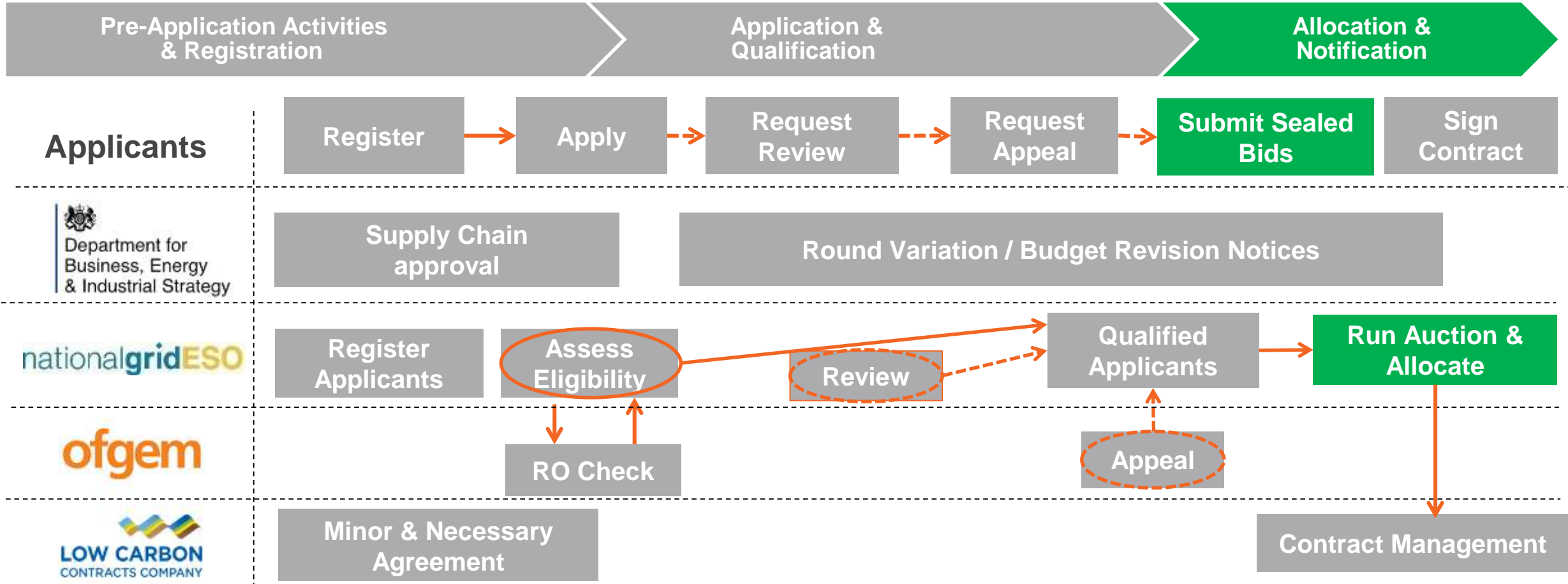
Applicant

- 28 calendar days to appeal to High Court

High Court could:

- Uphold decision
- Ask Ofgem to reconsider
- Direct Delivery Body to qualify Applicant

Allocation process overview - Allocation



Allocation



Valuation formula

**Administrative
Strike Price
minus
Reference Price**

ASP: Maximum Strike Price (£/MWh) that applies to an Application.
Reference Price: Market Electricity Price (£/MWh) in a given time period



Capacity

MW value provided by Applicants



**Technology
Specific
Factors**

i.e. Load Factors and other multipliers

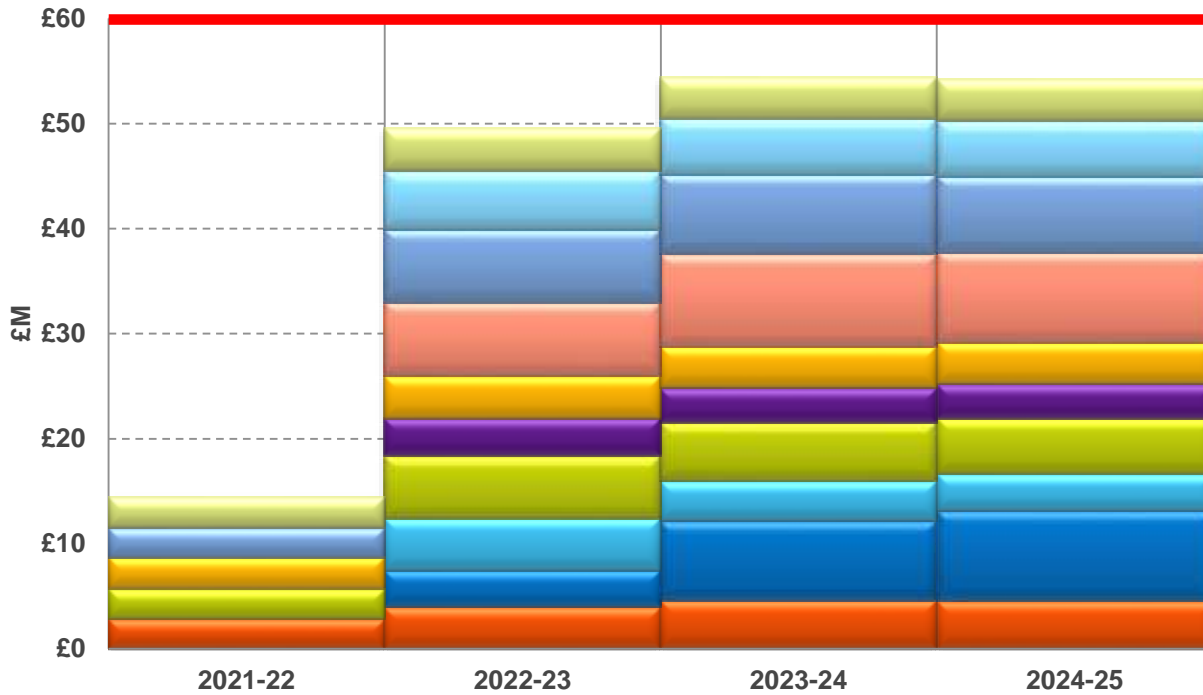


**General
Conversion
Factors**

i.e. Transmission Losses, hours to days etc.

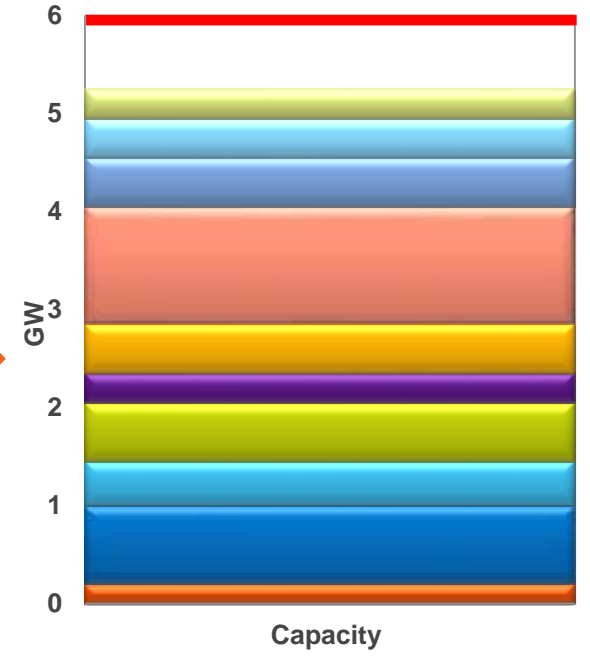
Unconstrained Allocation (No Auction)

Budget Impact

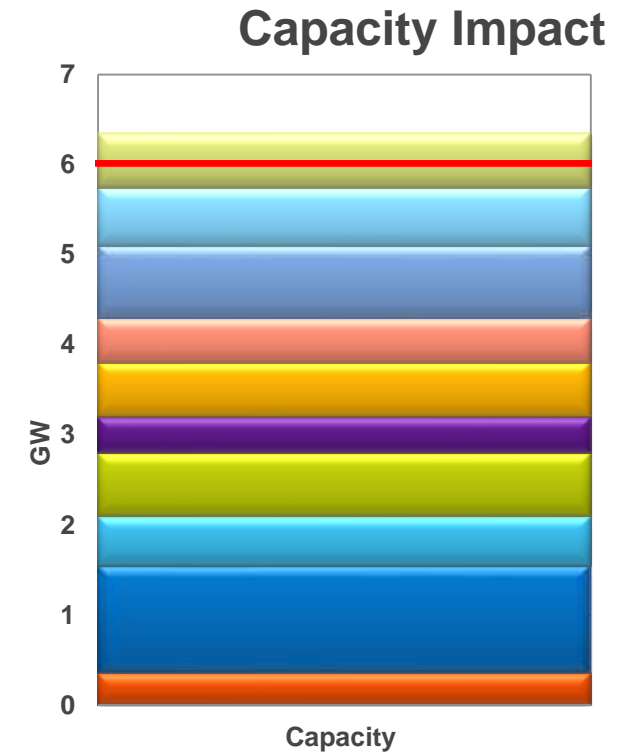
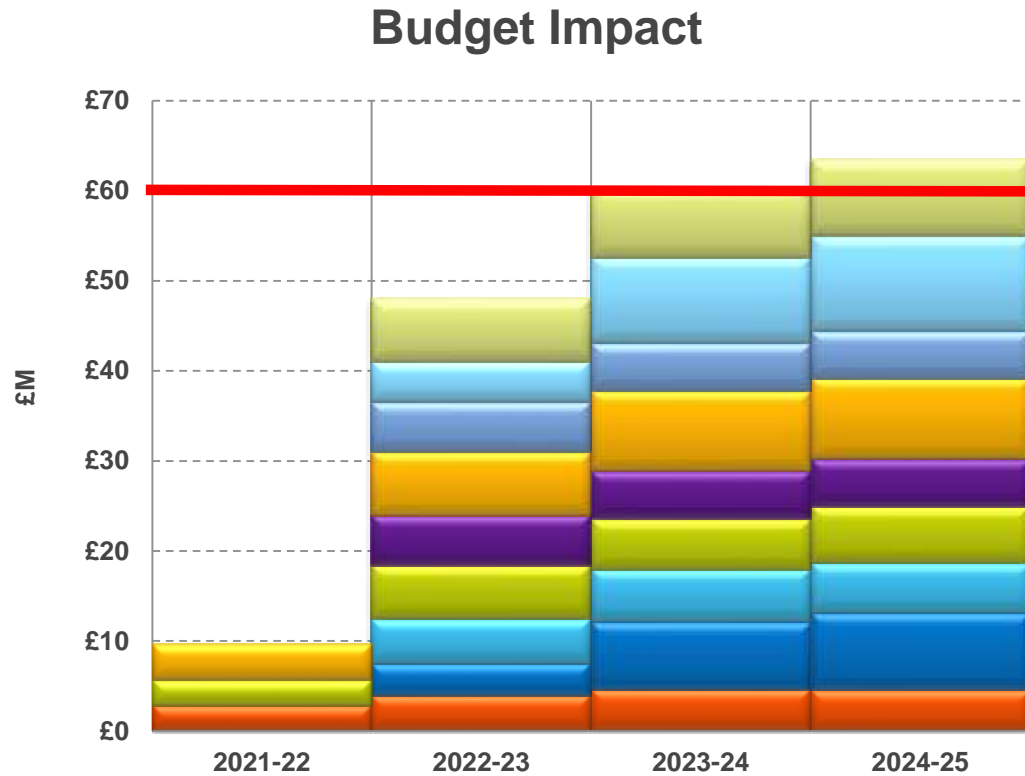


**BUDGET AND
CAPACITY
WITHIN LIMIT**

Capacity Impact



Constrained Allocation (Auction)



Sealed Bids

Auction - valuation determines constrained allocation

Sealed bids submission window – 5 Working Days

Maximum of 4 sealed bids (2 per Delivery Year) allowed

Sealed bids submitted to EMR Delivery Body Portal

Changes that can be made to each sealed bid:

Strike Price

TCW

TCD

Capacity

During the Auction

All application sealed bids compete on Strike Price basis

Sealed bids awarded from lowest to highest Strike Price

Sealed bids tied on the same Strike Price will be handled by the Tiebreaker Rules set out in the Round specific Allocation Framework

Successful applications are paid the Pot Clearing Price set by the most expensive successful bid in each Delivery Year (subject to any cap at the Technology specific Administrative Strike price)

During the Auction

		Original Bid		
Flexible Bid or Interleaving Bid		Budget Breach	Capacity Breach	Budget & Capacity Breach
	Budget Breach	Delivery Year Closed	Auction Closed	Auction Closed
	Capacity Breach	Delivery Year Closed	Auction Closed	Auction Closed
	Budget & Capacity Breach	Delivery Year Closed	Auction Closed	Auction Closed

After the Auction

Independent Auditor carries out assessment of the Delivery Body Valuation

Secretary of State undertakes an Allocation Process Review and shall decide whether to Proceed, Re-run or Cancel the Allocation Process

Delivery Body provides necessary notifications to the Low Carbon Contracts Company and Applicants including:

All Applicants:

Whether successful or unsuccessful in securing a CfD

Successful Qualifying Applicants/LCCC:

- The awarded CfD Strike Price
- Successful Allocation Capacity
- Target Commissioning Date

Future engagement



How we will support you



Guidance



Front desk



Videos

How to contact us



Department for
Business, Energy
& Industrial Strategy

T: **0207 2155000**

E: **beiscontractsfordifference@beis.gov.uk**

nationalgridESO | Electricity Market Reform
DELIVERY BODY

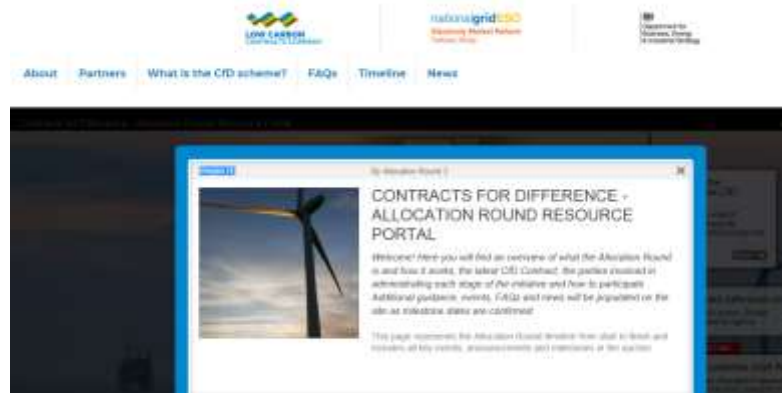
T: **01926 655300**

E: **box.emr.cfd@nationalgrid.com**



T: **0207 2118881**

E: **info@lowcarboncontracts.uk**



CfD Allocation Round 3 portal
<https://www.cfdallocationround.uk/>

Thank you



nationalgrid**ESO**

Minor & Necessary modifications, Pre-bidding considerations and what happens post Allocation

Low Carbon Contracts Company (LCCC)

Minor and Necessary modifications, pre-bidding considerations and what happens post allocation

Federica Maranca
Head of Scheme Management

Low Carbon Contracts Company (LCCC)
12 February 2019

What we will cover

- Role of LCCC
- Minor and Necessary modifications process
- Pre-bidding considerations
- What happens post allocation?

Role of Low Carbon Contracts Company (LCCC)



Low Carbon Contracts Company

We are an independent, non-profit private company owned by the Secretary of State for Business, Energy and Industrial Strategy (BEIS)

Our Vision...

is to be at the heart of the delivery of the UK's goal for **secure, affordable and sustainable electricity**

LCCC's Guiding Principle...

Is to **maintain investor confidence** in the CfD Scheme and **minimise costs to consumers**

Our roles:

- 'CfD Counterparty' to Contracts for Difference for low carbon electricity generation
- 'Settlement Body' under the Capacity Market scheme to improve security of supply

Minor and Necessary (M&N) modifications process



Minor and Necessary modifications must be both minor and necessary

The process for M&N modifications include:

- Engage in preliminary discussions with LCCC
- Apply for modifications during the **M&N Modification Request Window**
- Opens after publication of Allocation Round Notice
- Closes no later than 20 working days before the application closing date specified in the Allocation Round Notice

Information to be provided must include:

- Short description of change
- Proposed amendment to the CfD wording
- Explanation of why it is both minor AND necessary

Determination before application closing date ensures applicants can submit, amend or withdraw their applications based on this determination

Not everything will be considered a Minor and Necessary modification

Not considered minor if it:

- Is likely to affect any generator's liabilities or commercial benefits under the CfD
- Is likely to cause LCCC to incur cost in carrying out its obligations under the CfD above the specified limit
- Would affect any agreement between LCCC and any third party or require any new agreement between LCCC and a third party

[https://www.lowcarboncontracts.uk/
pre-contract-signature](https://www.lowcarboncontracts.uk/pre-contract-signature)

Minor and Necessary Modification Request Form

Signed requests for Minor & Necessary Modifications should be sent as a scanned **pdf attachment** to contractmanagement@lowcarboncontracts.uk.

In this form, references to the "Regulations" are to The Contracts for Differences (Standard Terms) Regulations 2014.

Applicants should use one request form per minor and necessary modification request.

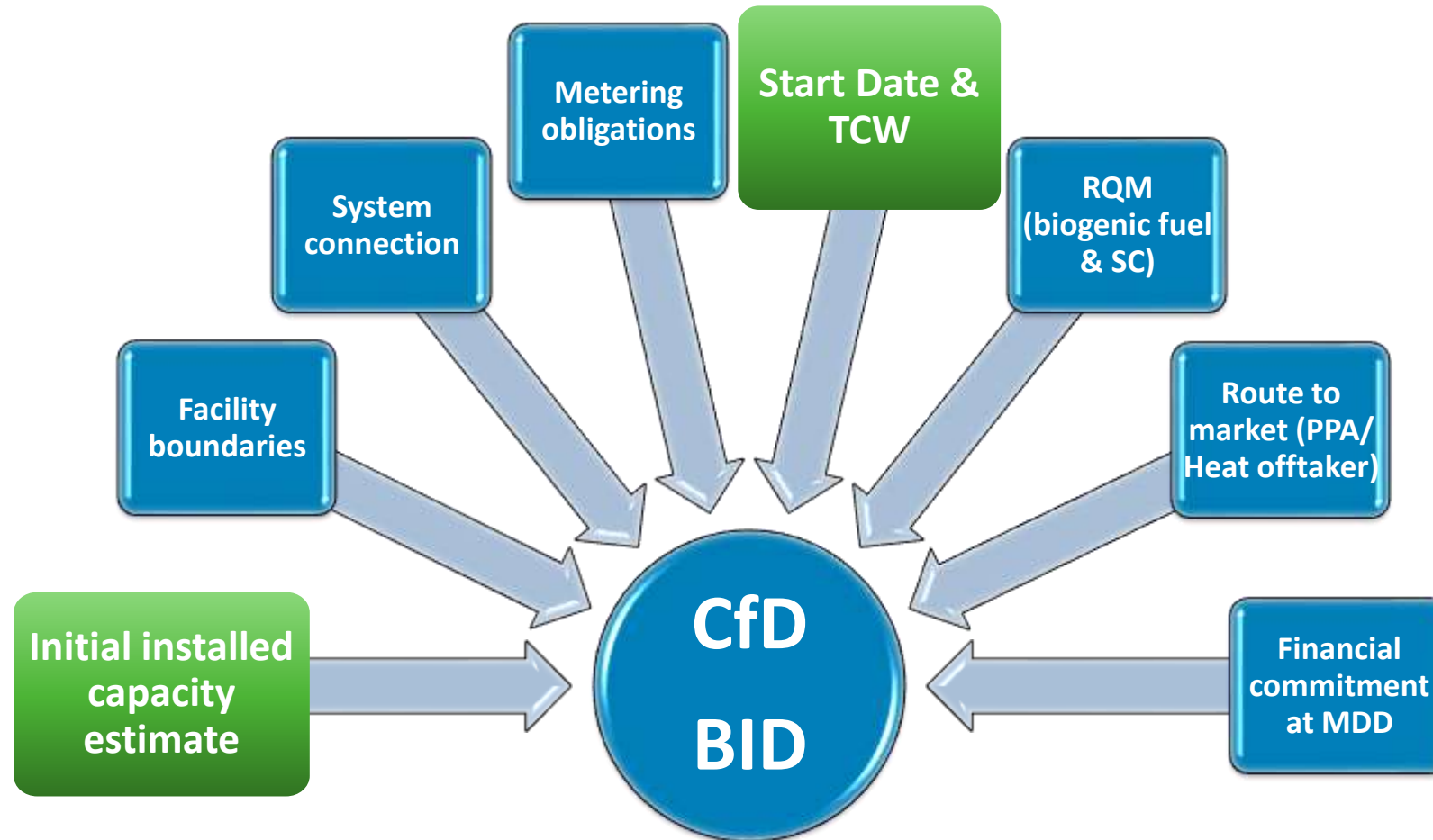
1. Applicant Details

Applicant's full company name	
Applicant's registered company number	
Applicant's address	
Name of Project	
Brief description of Project, including generation technology and expected capacity of facility (by MW).	
Location of Project	
Contact name of individual making request on behalf of applicant (i.e. Point of Contact for all communications with LCCC as the CfD Counterparty) in relation to this minor and necessary modification request	
Email address	
Alternative email address	
Telephone number	
Alternative phone number	
Postal address	

Pre-bidding considerations

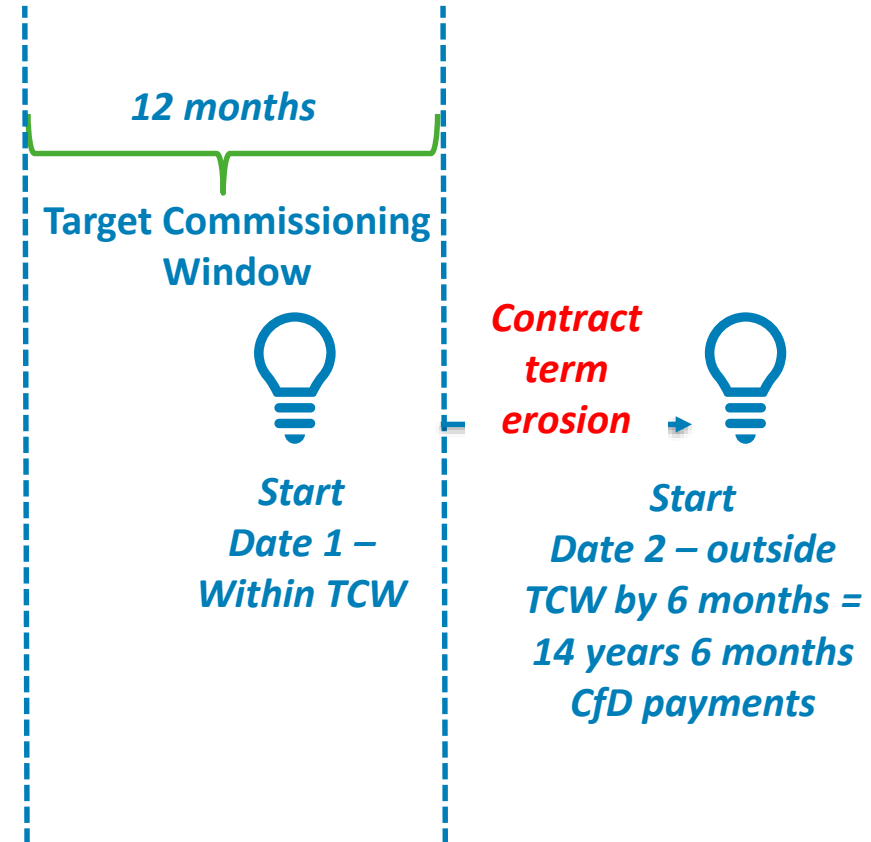


Pre-bidding considerations



Get the TCW right or miss out on CfD payments

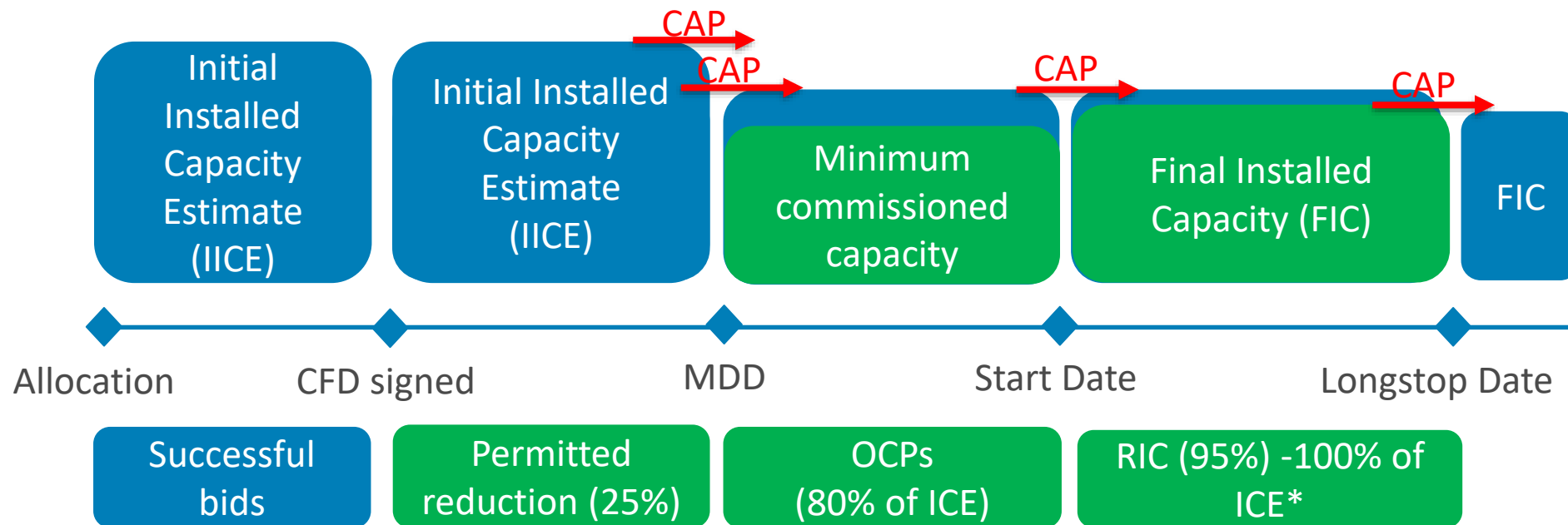
- The TCW is the period in which a generator should commence operations under the CfD, known as the **Start Date**
- The CfD 15 year contract term commences **at the latest on the last day** of the TCW, regardless of the generator's ability to deliver
- Therefore, if a **Start Date Notice** is issued after the end of the TCW, then the generator is subject to **contract term erosion**



Installed Capacity journey

“Installed Capacity” is defined in the CfD as:

“the capacity of the Facility (expressed in MW) were it to be operated at optimal conditions on a continual basis at the maximum capacity possible without causing damage to it (net of any loads operating the facility and all losses that incurred from the units to the metering equipment)”



* RIC is 85% for offshore wind

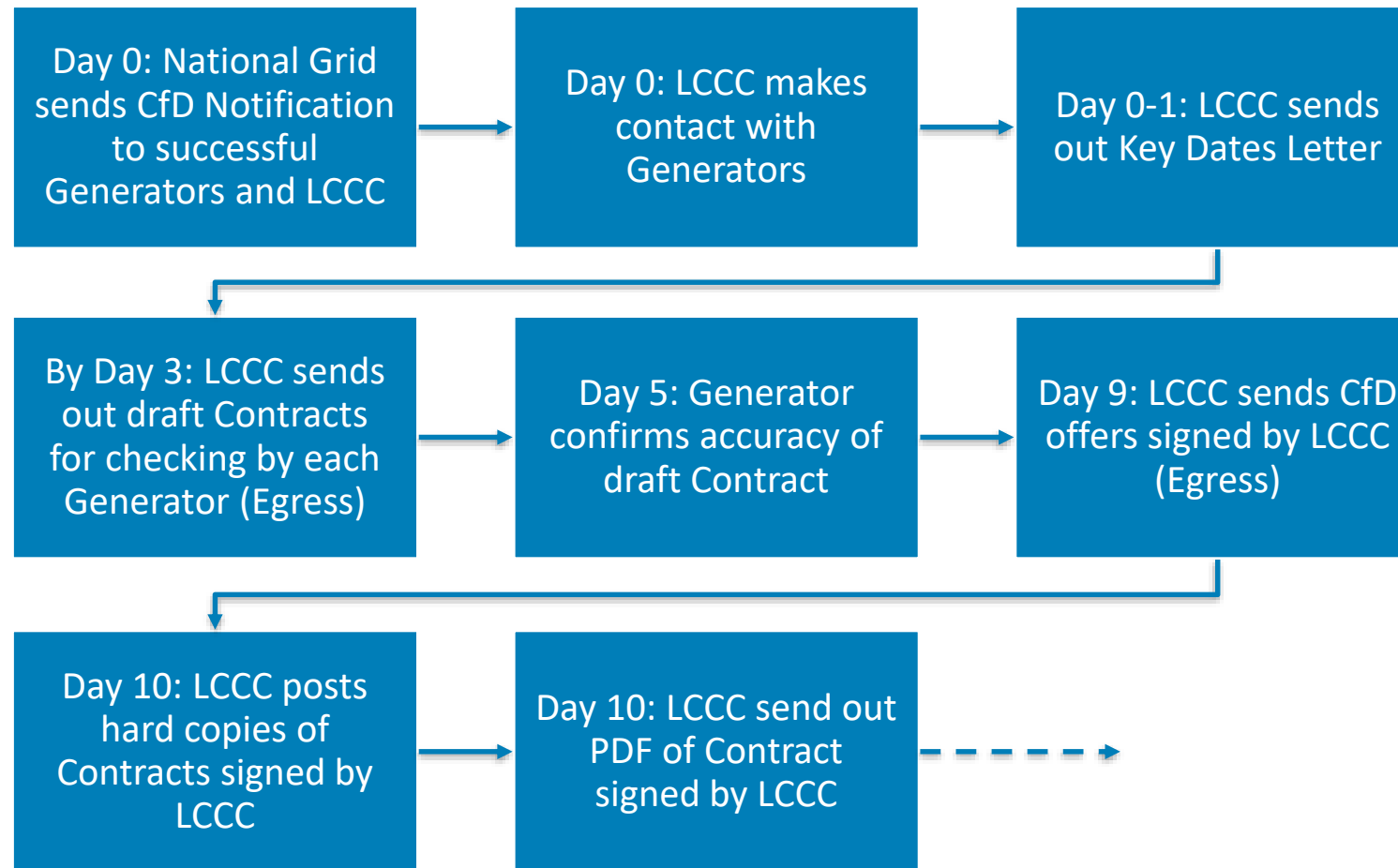
LCCC Guidance at “CFD Generator/ Contract Management Process”: [LCCC Installed Capacity Guidance](#)

What happens post allocation?



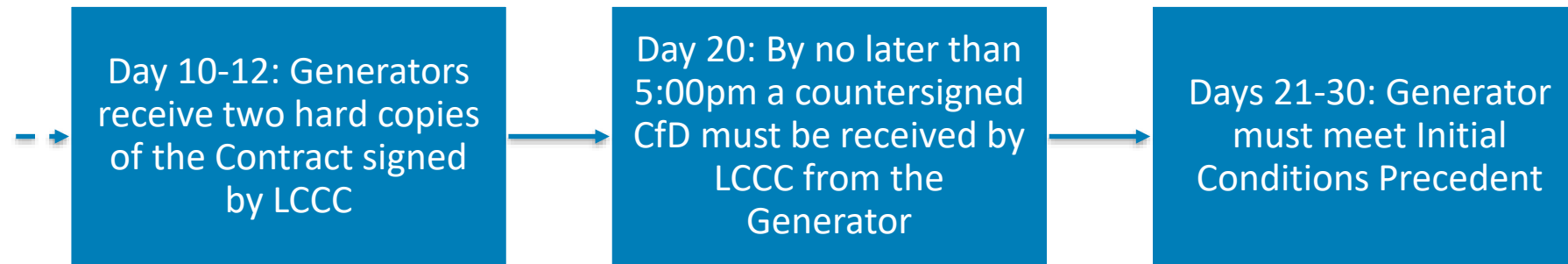
Contract Production

Day 0 to 10 following successful auction



Contract Signing

Day 11 to 30 following successful auction



To note: LCCC can only offer a contract to a party named in the CfD Notification. It can only be that party who signs the agreement

The CfD Contract



CfD agreement
Project specific
with project details (e.g.
IICE, TCW, technology)



CfD standard terms & conditions
Generic terms applicable to
all technologies

Specific for offshore wind

- For projects of up to 1,500MW phased CfDs agreement for each phase

Specific for private wire

- Private Network CfD agreement



CfD Standard T&Cs apply

- with any necessary phasing-specific amendments

CfD Standard T&Cs apply

- with any necessary specific amendments

Requirements for first delivery milestone: Initial Conditions Precedent (ICP)

- **Legal Opinion** - Generator's legal capacity and authority to enter into the CfD
- **Know Your Customer** – LCCC to be satisfied with legal identity, ownership and control of the Generator
- **Facility description** - details of the assets comprising the Facility (including map or plan)

Due within 10 working days of CfD agreement date

Sources:

- Template Legal Opinion will be provided by LCCC
- KYC form, from LCCC's website
- LCCC guidance docs

[www.lowcarboncontracts.uk/
pre-contract-signature](http://www.lowcarboncontracts.uk/pre-contract-signature)

Key points to remember

To be successful bidders should

- Understand the CfD in full
- Engage early on Minor & Necessary
- Understand pre-bidding considerations

Understand Initial Conditions Precedent:

- Ensure early planning and readiness strategy
- Read ICP guidance doc on the LCCC website

Know the contract!

- Info on contract terms
 - Information on AR3 portal
 - The CfD Guide by LCCC
 - CfD master class by LCCC
 - LCCC guidance docs

CfD AR3 dedicated portal
www.cfdallocationround.uk

Panel discussion (Q&A)

Chaired by Ruth Herbert, LCCC

BEIS

Kieran Power
Alex Campbell

National Grid

Nina Bhogal

LCCC

Federica Maranca

Next steps

Low Carbon Contracts Company (LCCC)

If you have further questions, check out the portal FAQs:

www.cfdallocationround.uk/faq

FAQs

Here you can find FAQs on the Allocation Round and CfD Scheme. Should your question not be covered in the information below, please use the submit a question form at the bottom of the page.

[Home](#) / [FAQs](#)

Frequently Asked Questions

- › [What is a Contract for Difference \(CfD\)?](#)
- › [When is the next allocation round?](#)
- › [What changes is the government making to the CfD scheme for the third allocation round?](#)
- › [Why are you making these changes?](#)
- › [Is there a maxima or minima set for any of the technologies?](#)
- › [What are the delivery years for this next auction?](#)

Find the timeline at www.cfdallocationround.uk

Contracts for Difference (CfD)

Allocation Round 3 Resource Portal



About

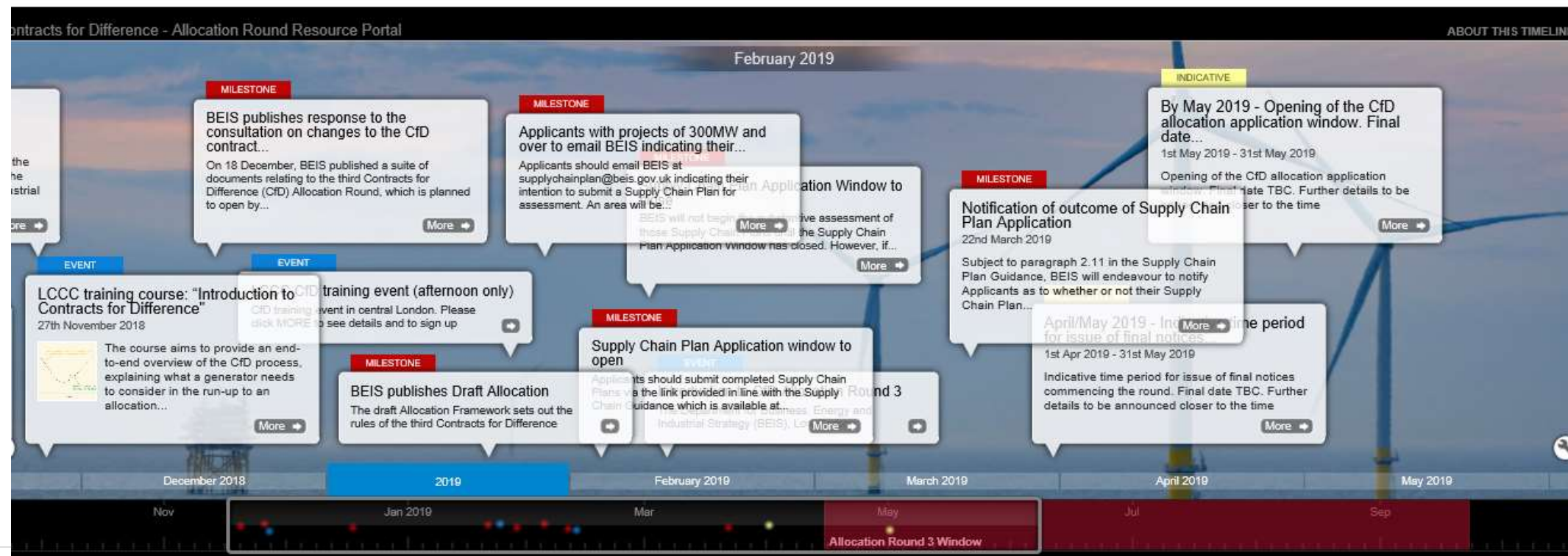
Partners

What is the CfD scheme?

FAQs

Timeline

News



Key timeline dates

- Closing of the Supply Chain Plan Application Window - **10 Feb**
- Notification of outcome of Supply Chain Plan applications – **22 March**
- Informal engagement with LCCC on any questions regarding the Minor & Necessary process – **March**
- Indicative time period for issue of final notices commencing the round – **April/May**

Introduction to the breakout sessions

You can attend two different sessions

Low Carbon Contracts Company (LCCC)

Breakout session 1

Topic	Led by	Location
How does the Auction work? Valuation, Sealed Bids and Allocation	National Grid (+BEIS)	Main room
How do I register and navigate the EMR portal? Registration Form	National Grid	12th floor, Great Eastern
Application deep dive Qualification and Eligibility Rules	National Grid (+BEIS and LCCC)	12th floor, Discovery

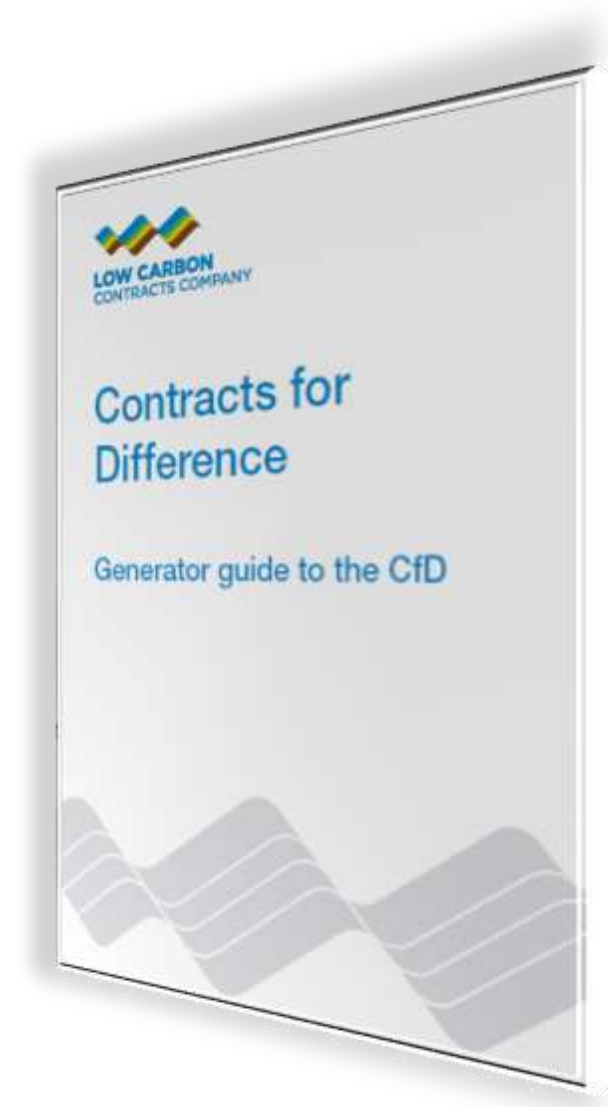
Breakout session 2

Start: 15:00

Topic	Led by	Location
How does the Auction work? Valuation, Sealed Bids and Allocation	National Grid (+BEIS)	12th floor, Discovery
How do I register and navigate the EMR portal? Registration Form	National Grid	12th floor, Great Eastern
Application deep dive Qualification and Eligibility Rules	National Grid (+BEIS and LCCC)	Main room

What next

- Sign up to the dedicated CfD AR3 mailing list via the portal, **www.cfdallocationround.uk**
- Read the CfD Guide and look out for training events, webinars and publications (via the portal)
- Fill in the feedback form on **sli.do** **[#CfDAR3](https://twitter.com/CfDAR3)**



Thank you

For latest updates please see
www.cfdallocationround.uk

Feedback
[sli.do #CfDAR3](https://sli.do/#CfDAR3)