

CBI response to BEIS Contracts for Difference for Low Carbon Electricity Generation - Consultation on proposed amendments to the scheme

The CBI welcomes the opportunity to respond to the BEIS Contracts for Difference (CfD) for Low Carbon Electricity Generation consultation on proposed amendments to the scheme. The CBI believes the CfD scheme, as part of the EMR policy portfolio, is a fundamental facet of a wider policy framework contributing to our long-term climate change objectives. Allowing all technologies to compete fairly in the auctions is our primary objective, so that the lowest cost technologies can come forward.

We strongly support the decision made earlier this year to lift the effective ban on onshore wind. Onshore wind remains a vital technology, not just because of its low cost, but because of the jobs and economic benefit we believe it brings to local towns and communities. We are also very pleased to see floating offshore wind technology discussed in detail within this consultation.

The CBI is the UK's leading business organisation, speaking for some 190,000 businesses that together employ around a third of the private sector workforce. With offices across the UK as well as representation in Brussels, Washington, Beijing, and Delhi, the CBI communicates the British business voice around the world.

The CBI would be happy to expand upon any of our answers below.

CBI Response

Community Support

1. How can the government better ensure that the local impacts and benefits of renewable energy developments are taken into account across the whole of GB?

The CBI believes it is important that there is a consistent approach across all parts of GB to the consideration of local impacts and benefits of renewable energy developments, combined with flexibility for devolved administrations to implement further initiatives as appropriate and where economically beneficial to do so.

There should be a platform or opportunity for the local impacts and benefits of renewable energy developments to be shared nationally so that best practice, experience and guidance can be shared amongst the sector and with the Government. As the energy sector continues to interact with other sectors, including that of transport, buildings, construction, heavy industry, there will be shared learnings for these sectors too.

2. What exemplifies 'best practice' when it comes to engaging with and supporting local communities on renewable energy developments? Examples of specific projects and/or developers would be welcomed.

To date, the policy focus for engagement with local communities has focused on onshore wind developments. We believe that consideration should also be given to developments of solar and other renewable energy technologies when promoting engagement with local communities. The expectations for each technology should be proportionate to the scale of the local impacts.

3. How should the government update the existing community benefits and engagement guidance for onshore wind to reflect developments in best practice for engagement between developers and local communities?

There is a range of existing guidance that is specific to each of England, Scotland and Wales. Scottish Government updated its good practice principles in 2019 in collaboration with industry and communities and we welcome that approach to updating the guidance in England.

It is important that there is consistency in the approach to community benefits and engagement while allowing devolved administrations and developers the flexibility to take account of local circumstances. We believe taking this approach will allow for wider deployment of technologies from wind to solar. Such community benefits should be easily accessible for those outside the sector too.

4. Should the government consider creating a register of renewable energy developments in England that list available projects and associated community benefits?

We support further consideration of a register of renewable energy developments in England. However, a key principle for the compilation and use of the register should be that the purpose is to communicate the full range of options for community benefits that have been deployed. The register should not be used as a checklist of expectations for a new renewable energy development, as each will need a site-specific approach to community benefits. The register is only as useful if the information in it is updated and maintained and government should consider ways to encourage participation (which will include community groups in receipt of community benefit) by keeping the process as simple as possible.

In our view, the register should cover all technology categories, so that it includes all terrestrial renewable energy developments in England. The register should not be restricted to onshore wind alone.

Pot structure

5. The government welcomes views on whether, compared to maintaining the existing two pot structure, the proposed option of introducing a new Pot 3 for offshore wind is an effective means of ensuring value for money and achieving our decarbonisation and other objectives in the long term. We welcome the submission of supplementary evidence to support views on this.

The CBI supports the proposed option of introducing a new Pot 3 for offshore wind. Taking account of the characteristics of each of the technologies that will be included in Auction Round 4, it would not be appropriate to place offshore wind in either Pot 1 or Pot 2. Offshore wind has a number of unique characteristics that are not shared by any other renewable technology and, as a result, it is appropriate to manage offshore wind separately in the auction pot structure.

We support and welcome the proposal to include Pot 1 (containing onshore wind and solar) in Auction Round 4. We believe that the proposed three pot structure will be the most effective approach to Auction Round 4. We also consider that the proposed allocation of technologies to each pot will be most effective.

6. The government welcomes views on whether the proposed options are an effective means of bringing forward a greater diversity of low carbon electricity generation.

The CBI believes that the proposed arrangement of three pots will be an effective means of bringing forward a diverse mix of low carbon electricity generation.

However, we would also highlight that the subsequent selection of budgets for each pot and other auction parameters will be as significant as the headline decisions on technology allocation to pots, set out in the current proposals. To enable progress in innovation and cost reduction in all

technologies, the auction design must ensure that there is a viable minimum level of further deployment of each pot of technologies from Auction Round 4.

We believe that the most efficient mechanisms for ensuring this, while ensuring competitive tension in the auctions, is by the use of a capacity maxima and minima within pots, to supplement the three-pot structure. For example, Pot 2 contains a wide range of technologies, at varying degrees of commercial readiness. To ensure a tranche of floating wind projects are successful in Auction Round 4, we recommend that a minima is specified for this technology.

7. The government welcomes views on whether there are alternative approaches to be considered in light of net zero.

At this stage, the CBI does not have any alternative approaches to propose in light of net-zero. We consider that the package of measures proposed for Auction Round 4 will make a substantial contribution to the delivery of net-zero, by bringing forward further cost reductions and diversity in low carbon generation.

Floating offshore Wind

8. The government welcomes views on whether the proposed approach is an effective means of supporting floating offshore wind.

The CBI supports a separate definition and administrative strike price for floating offshore wind in Auction Round 4. There is a strong possibility that several floating offshore wind projects will be able to bid in Auction Round 4 and deliver on the required timescales.

These early projects could make a valuable contribution to the deployment and cost reduction trajectory of the rapidly evolving technology, which has the potential to provide substantial low carbon generation at a low cost, while providing further diversity to the generation mix.

9. The government welcomes views on whether the proposed definition is a suitable definition of floating offshore wind projects, which should be distinguished from fixed bottom offshore wind, and what evidence prospective generators should be asked to supply in order to demonstrate that they have the required characteristics.

The CBI considers that the requirement in the proposed definition that the water depth must exceed 60 metres is not appropriate or necessary. We do not believe that it is appropriate to specify any minimum depth of water for floating offshore wind projects. Other characteristics such as geology or environmental issues may contribute to the suitability of a site for a floating structure to be deployed as opposed to purely water depth.

In addition, with respect to the note in the definition that "...It may be electrically connected to an offshore substation irrespective of whether floating or not..." we recommend that it is made clear in the definition that a floating offshore wind CfD unit can also connect directly to an onshore substation.

Our objection to a minimum depth for floating offshore wind projects is that it will significantly constrain both the initial development of the technology and the long-term deployment, for no discernible benefit to electricity customers or generators.

10. The government welcomes views and evidence on any potential wider benefits or disadvantages that floating offshore wind may bring to the UK, in particular in respect of wider system impacts.

Floating offshore wind has the potential to open areas of the seabed which are not suitable for fixed foundation turbines. As well as areas with deeper waters, this also includes large areas of shallower waters where the underlying geology means that fixed foundations are not feasible.

A further benefit of increased geographical diversity is that this can create opportunities for supply chains in new areas. Floating offshore wind has development potential in areas that have not so far been able to progress fixed foundation offshore wind, such as Cornwall and South Wales.

Looking at the patterns of seabed depth globally, floating offshore wind has the greater potential for global deployment, as few coastlines have the same large areas of shallower waters as the UK, where fixed foundation wind can be deployed. Floating offshore wind is at a relatively early stage and an international supply chain has not yet developed. This means that there is a major opportunity for the UK to develop an export market for this technology, building on the success of the UK fixed foundation offshore wind industry.

The greatest export opportunities are likely to be in the development and application of novel technology and techniques that are specific to floating offshore wind, rather than in the components that use established engineering capabilities already in use in other sectors.

11. The government welcomes views on the need to deploy floating offshore wind at scale through the 2030s to meet net zero, and what trajectories for deployment and cost reduction are realistic and feasible, both globally and in the UK.

Fixed foundation offshore wind has substantial potential to deliver further low carbon generation at low-cost. However, as scenarios for net-zero have indicated, there needs to be a quadrupling of low-carbon generation from current levels, so all available sources of low-cost, low-carbon generation will have a role to play in delivering net-zero.

Floating offshore wind has the potential to deploy at large-scale and low-cost. It can also be deployed in addition to the maximised deployment of the fixed foundation offshore wind resource.

To get maximum value from the floating offshore wind resource, CBI believes that deployment should start as soon as possible, with the aim of large-scale commercial deployment through the 2030s.

12. What further amendments to the CfD allocation process could be necessary to facilitate floating offshore wind technologies?

The subsequent selection of budgets for each pot and other auction parameters will be as significant as the headline decisions on technology allocation to pots, set out in the current proposals.

To enable progress in innovation and cost reduction in all technologies, the auction design must ensure that there is a viable minimum level of further deployment of each pot of technologies from Auction Round 4. As previously mentioned, Pot 2 contains a wide range of technologies, at varying degrees of commercial readiness. To ensure a tranche of floating wind projects are successful in Auction Round 4, we recommend that a minimum is specified for this technology.

13. Are there additional measures to support pre-commercial deployment and cost reduction which would be more effective than the CfD, or which could enhance the effectiveness of the measures under the CfD?

We think government support should be provided to supply chain companies to develop innovative products and services. Additionally, incentives for developers to incorporate new technology into projects would be beneficial as this would allow for early deployment.

Extending Delivery Years

14. Should the government amend the Contracts for Difference (Allocation) Regulations 2014 in order to extend the delivery years specified in those regulations to the 31st March 2030?

The CBI supports the proposal to extend the delivery years specified in the CfD Regulations to the 31st March 2030.

Supply Chain Plans

15. The government welcomes views on whether the Supply Chain Plan process for all technologies should be more closely aligned with the Industrial Strategy, for example with criteria headings to reflect a focus on competition, innovation, people and skills, infrastructure and regional growth, and within this what other measures the government could adopt and consider to support its objectives, for example, in the Offshore Wind Sector Deal.

As a principle, the CBI agrees that the Supply Chain Plan process for all technologies should be more closely aligned with the Industrial Strategy. This would provide some much-needed consistency between Government strategies which we called for within our 2019 report Decade of Delivery. As the Sector Deals are a major part of the UK's Industrial Strategy, they too should be aligned with the SCP where possible. We would, however, note that the targets and commitments in the Offshore Wind Sector Deal are for the sector as a whole, rather than an individual project which should be considered in this context.

SCPs can be a useful tool to achieve policy objectives. However, the SCP process can only ever be one component of a wider set of actions to enable offshore wind and other renewable technologies to deliver the Industrial Strategy as effectively as possible. This wider set will include actions by each Government, developer and supply chain company. CBI recommends that the policy objectives for the supply chains for renewable generation are reviewed and the roles of SCP are confirmed, before Government reviews the SCP process itself.

More generally, CBI considers that the issues raised by SCPs are complex and multi-faceted. To properly address all the relevant factors, any changes to the existing SCP process warrant a dedicated work stream that brings together all stakeholders for a thorough assessment of the issues and options.

16. The government welcomes views on strengthening the powers to fail SCPs on the basis that the Applicant has not demonstrated compliance with a past SCP.

Developers need to clearly understand the risk associated with their submission. This can only be done if there are clear, prescriptive success factors that the applicant understands must be passed before they submit.

The assessment of SCPs must be sufficiently flexible to recognise the wide range of options to deliver supply chain benefits. Failing an SCP on a technicality would undermine developer confidence and increase their assessment of the risks associated with SCP delivery. Failing an SCP based on non-compliance with a past SCP could hinder future progress made in good faith by developers.

17. The government welcomes views on whether requiring an updated SCP at a later stage after a CfD is awarded, for example at FID or after MDD, when major contracts would have been awarded, would deliver more focused and deliverable commitments.

It is possible that a later update of an SCP could deliver more focused commitments. However, to ensure a consistent preparation of bids for the CfD auctions, it is important that SCP obligations made prior to the CfD auction are comparable.

Guidance on the expected content of a SCP prior to the CfD auction and then in the update at a subsequent milestone will be essential to reassure the developer that uncertainty over SCP expectations does not present a significant risk. This will be particularly important in the context of any strengthened compliance measures.

18. The government welcomes views on the current compliance process for SCPs for failure to implement an approved SCP. Is it sufficient and if not, what other potential compliance options could be considered, for example by linking non-compliance to CfD payments?

CBI is not aware of any compelling evidence that the current SCP compliance process is not sufficient. Before considering other compliance options it is essential that there is a clear definition of the shortfalls in the current compliance arrangements, with evidence.

19. The government welcomes views on any impact of reducing the threshold limit for the submission of a Supply Chain Plan to capture offshore wind extension projects (which were not envisaged when the policy was first drafted) and to reflect that projects below 300MW will also have a material impact on supply chains and if so, what the limit should be.

The CBI considers that the existing threshold limit for a Supply Chain Plan of 300MW remains appropriate for all technologies and categories.

For projects at a smaller scale than this, the supply chain arrangements are at a correspondingly smaller scale and it would not be appropriate to apply the same requirements as the larger projects.

20. The government is committed to achieving net zero by 2050 and encouraging the growth of sustainable, efficient supply chains through the consideration of the carbon footprint of supply chains. We welcome views on how industry takes account of the carbon footprint of their supply chains. What methodologies are being used or could be developed to take greater account of the carbon intensity of supply chains when considering Supply Chain Plans.

The CBI is conscious that introducing any methodology is likely to consume scarce resource but is unlikely to deliver any significant change in the supply chain.

[Coal-to-biomass conversions](#)

21. Views are welcomed on the proposal to exclude new biomass conversions from future CfD allocation rounds, on the likely impact of this approach, and on any alternative approaches.

The CBI recognises the principle behind why new biomass conversions are to be excluded from future CfD allocation rounds. We do not envisage this action to have too far-reaching impacts on the sector.

However, we believe this exclusion must not lead to future policy decision making which may lead to unintended consequences on the development and scale up of certain greenhouse gas removal (GGR) technologies which require biomass, such as BECCS.

We see a clear role for GGRs in the UK's wider strategy to reach net-zero emissions by 2050, of which BECCS will play a significant role. We encourage the Government to ensure any decision making now does not hinder the deliverability of this technology in the near future.

Decommissioning plans

22. The government welcomes views on how best to link the OREI decommissioning regime with the CfD scheme to ensure that offshore renewable projects that are party to a CfD fully comply with their obligations under the Energy Act 2004.

In our view, the OREI decommissioning regime should not be linked to the CfD scheme.

The CBI believes that the existing requirements for a developer to consider decommissioning from the very first stage in project development are effective and robust. The CBI is not aware of any shortcomings in the existing arrangements that requires or justifies any further action. The current OREI decommissioning regime requires holders of a CfD to have securities in place before the end of the CfD contract which provides certainty to the taxpayer.

Administrative Strike Prices

23. The government welcomes views on how we might change our approach to administrative strike prices to ensure value for money in future.

We agree that applying a stringent approach in the same way across a diverse range of technologies can lead to setting ASPs at a level that may not reflect scale of deployment and cost reduction potential.

It will, however, be important to achieve an appropriate balance between flexibility and consistency.

Non-delivery disincentive

24. The government welcomes views on extending the exclusion period for sites excluded under the Non-Delivery Disincentive, including on whether 36 months is a suitable period, or a longer period is needed.

The CBI considers that it is appropriate to extend the exclusion period for sites excluded under the NDD and agrees that 36 months is a suitable period.

25. The government welcomes views on whether different forms of disincentive are needed for technologies at different levels of development and on what basis such differentiation might work most effectively.

The CBI does not see any reason to apply different forms of disincentive to technologies at different levels of deployment. Speculative bidding by any project at any scale can significantly distort the outcome of the CfD auction. All applicants should have a strong disincentive to submit speculative bids and instead ensure that they put forward a viable bid that is sufficient to enable their project to proceed if successful.

However, in our view, the current disincentive is not sufficient to address the risk of speculative bids and we recommend that stronger disincentive measures are applied.

26. The government welcomes views on the advantages and disadvantages of introducing a new requirement for a bid bond where applicants provide a deposit, either by cash payment, bank guarantee or letter of credit.

We support the introduction of a requirement for a bid bond. We believe that this would significantly reduce the risk of speculative bidding. A bid bond requirement could be introduced for Pot 1 and Pot 2, as the technologies in these categories have relatively low entry costs (in the form of the advance expenditure to prepare a project that is qualified to bid).

A bid bond need not necessarily be applied to Pot 3, as the level of expenditure and other commitments required to qualify to bid in a CfD auction is much higher for offshore wind and the risk of speculative bids is very low.

The use of bid bonds is well established in a wide range of auction applications.

27. The government welcomes views on whether a bid bond would be practical for smaller projects. If difficulties are foreseen, what are they, what mitigation might apply and in respect of what size of project?

The CBI does not see any obstacles to a developer obtaining a bid bond for any scale of project, if the project has been developed to a level sufficient to demonstrate that it is viable.

28. The government welcomes views on what a suitable level for a bid bond would be: would £10,000 per MW be effective and practical?

Taking into account the costs of developing a project to the stage that it is ready to bid in a CfD auction and the potential costs of construction following CfD success, a bid bond at a level of £10,000/MW is practical for all technologies at all scales, though BEIS may wish to consider applying a cap so as to avoid the cost of the bid bond becoming disproportionate for large projects. This level of bid bond should be effective without placing an excessive burden on the developer.

29. The government welcomes views on alternative approaches to the Non-Delivery Disincentive and how they might work in practice.

The CBI considers that the application of a bid bond requirement is the most appropriate additional approach to the current Non-Delivery Disincentive.

Technical changes to future rounds

30. Whether you agree the government should introduce the flexibility to apply any capacity cap, maxima, and minima as either a soft or hard constraint, set on a round by round basis?

We support the introduction of the flexibility to apply any capacity cap, maxima, and minima as either a soft or hard constraint.

31. The type of soft constraint (including those proposed) that could be deployed in future allocation rounds;

The CBI considers that a soft constraint accepting the bid and awarding a contract to the project that breaches the cap, if enough monetary budget remains, is a simple and effective approach.

32. And any further evidence on benefits and disadvantages of a soft capacity cap constraint.

A soft capacity cap avoids scenarios in which the outcome of a CfD auction caps capacity some way below the target capacity to be procured due to a combination of pricing and size of the marginal clearing project. This will give confidence to developers that they should put forward the optimum size and price combination for a project.

Storage

33. What storage solutions could generators wish to co-locate with CfD projects over the lifetime of the CfD contract?

Storage will be an important part of the future low-carbon electricity system. It is important that the policy framework, including the CfD contract, enables the deployment of storage and the maximum flexibility and maximum efficiency of storage use at all the available sites.

There are a wide range of storage options and business models, many of which are well suited for co-location with a CfD project.

Co-location can allow a storage operator to avoid some of the costs of connecting to the grid, which improves the business case for the storage asset. This includes both the regulatory costs of operating a connection and the costs of the physical connection assets, both of which can be shared with the CfD project. The business case for storage is further strengthened by maximising the range of services that can be delivered, thereby building up a revenue stack.

From the point of view of customers, maximising the co-location of storage with CfD projects will minimise the total cost of installing the further storage that is needed to develop a flexible future electricity system, as that reduction in cost will ultimately be passed on to the customers. It is in all stakeholders' interests to maximise the opportunities to co-locate storage.

34. What, if any, barriers are there to co-location of electricity storage with CfD projects?

Metering

Current metering agreements for CfD schemes with storage which make realising the full potential of the battery difficult. We would support further discussions in this area to fully address and resolve these issues.

Regulatory Uncertainty

The ongoing [Targeted Charging Review \(TCR\): Significant Code Review \(SCR\)](#) by Ofgem continues to create a degree of uncertainty for co-located assets, which is inhibiting decision-making by developers.

Ancillary Services Market

To support a smarter, more cost effective and flexible electricity system we consider that changes to the ancillary services market are needed and welcome the work that is ongoing in this area which begins to address this barrier.

In addition, time-shifting of CfD output and payment is possible under the current CfD metering rules for just one configuration, for storage located behind the CfD meter. However, in that configuration, the storage unit cannot import "brown" power from the grid for export later, which restricts the range of other storage services that can be provided.

35. What, if anything, could be changed in the CfD scheme to facilitate the co-location of storage with CfD projects?

Whilst we agree that CfD payments should only be made on electricity generated by the CfD generating assets, to realise the full potential of the storage facility, to both the CfD project and the system, there must be greater flexibility around how the battery can be utilised. We believe that changes to metering arrangements are required to enable greater flexibility to maximise the benefit of the battery to the system and the developer, and ultimately the consumer. We also believe that metering and other controls need to be utilised to guarantee that brown power is not re-exported as renewable generated power not the grid.

Negative Pricing

36. Do you have any views on the proposal to extend the negative pricing rule? Please include in your response any specific evidence in relation to the incidence and impact of negative pricing.

Negative pricing is becoming increasingly significant risk for generators. The level of negative pricing in future years depends heavily on the composition of the future generation mix. As that composition is not possible to predict in detail, it is correspondingly hard to predict the significance of negative pricing.

Given this context, one possible impact of the extension of the negative pricing rule is that it could affect the perception of investors of the level of revenue risk for projects supported by the CfD. If investors believe that the CfD revenue risk has increased due to this rule change, then this could increase debt financing costs and reduce project investment gearing ratios. That in turn will lead to increased project costs and increased strike prices under the CfD. The outcome could be a higher cost to the consumer for the delivery of low carbon generation through the CfD. It is important to note that this risk of a change in investor perception is potentially independent of the actual change in risk from the rule change.

Consequently, if Government does proceed with this rule change, it will be important to fully engage the investment community to communicate Government's assessment of the effect of the change (which could include analysis by external consultants). This is to ensure that the investment community responds proportionately to the change, based on the best available evidence rather than perception.

Phasing

37. The government welcomes views on the preferred approach to maintain the cap on phased projects at 1500MW.

The CBI considers that the cap on phased projects should remain at 1500MW for AR4. We agree that this could increase the likelihood of a greater number of applicants (including potential new entrants) being successful in future allocation rounds thus further diversifying the projects in play.

We would note that the current ScotWind leasing round does not include a maximum project size and therefore we consider the cap should be reviewed ahead of future allocation rounds.

38. The government welcomes views on whether there are any barriers to developing a phased offshore wind project on a part-merchant basis.

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Milestone Delivery Date

39. The government welcomes views on the benefits, such as successful delivery of projects or reduced costs for consumers, that would result from extending the Milestone Delivery Date for: (i) the project commitments route only, or also (ii) the 10% spend route.

The CBI strongly recommends that the timescale for the Milestone Requirement is increased to 18 months for offshore wind, onshore wind and for Remote Island Wind (RIW) projects, for both the project commitments route and the 10% spend route.

For offshore wind farms, neither of these routes can be achieved within 12 months without costly acceleration of the project. This requires decisions on technical solutions and suppliers to be taken almost immediately, unnecessarily expedited project finance, highly constrained ability to open up supply chains to UK entrants and negotiate with suppliers, unnecessary increases in the time cost of capital and reduced access to viable, next generation technologies. The unique scale and complexity of offshore wind compared to other CfD technologies means that the typical 12-month duration is too short.

Onshore wind projects are increasing in scale and complexity to maximise the opportunities that are offered from each site. This trend is one of the factors that is delivering further reductions in the cost of onshore wind. However, it can also require more time to finalise suppliers and technical solutions once a CfD has been secured. Compressing these timescales to meet an arbitrary 12-month deadline for the Milestone Delivery Date can increase costs. Therefore, extending the MMD to 18 months is an effective solution.

For RIW projects, a key step in enabling the project is to secure a grid connection agreement. This will require confirmation from the transmission owner that new capacity in the grid interconnection to the island will be installed. The timescales for this confirmation are variable and, for this reason, the Milestone Requirement should be increased to 18 months for RIW too.

40. The government welcomes views on whether an extension should apply to all projects or only to particular technologies or sizes of projects.

For technologies other than offshore wind, onshore wind and RIW, meeting the Milestone Requirement within 12 months is not as challenging. However, given the severe consequences of not meeting the Milestone Requirement, this presents a significant risk to the project and, as a result, activities and expenditure may be brought forward to ensure sufficient margin to assure the due date is met. An extension for all projects would avoid this.

If bid bonds are introduced for all technologies, then the Milestone Requirement need only provide a “backstop” assurance of progress with a project and can be extended to 18 months for all technologies without undermining the incentives for developers to deliver progress.

41. The government welcomes views on the length of an effective extension and the implications. Would an extension to a 15-month deadline be effective and if not, why?

For offshore wind, onshore wind and for RIW, an extension to 18 months is appropriate.

Miscellaneous Allocation Regulation Changes

42. Do you agree with the government’s proposal to remove all references to “end date of the allocation round”?

The CBI agrees with this proposal.

43. Do you agree with the government’s proposal to add more detail on when key dates can be varied using a round variation notice?

The CBI agrees with this proposal.

43. Do you agree with the government’s proposal to add more detail on when key dates can be varied using a round variation notice?

The CBI agrees with this proposal.

44. Do you agree with the government's proposal to remove the requirement to publish certain dates in the allocation framework?

The CBI agrees with this proposal.

45. Do you agree with the government's proposal to provide an extra scenario under which the allocation process must commence?

The CBI agrees with this proposal.

46. Do you agree with the government's proposal to make explicit the ability to amend the overall budget before the commencement of an allocation round?

Developers must prepare their bids some time in advance of the auction itself, to allow time for internal verification and approval. A key factor in preparing a bid is an understanding of the auction parameters, including the overall budget. For this reason, the preference of developers is to minimise revisions to any auction parameter once the original auction announcement has been made.

If the intention is to maintain the implicit ability to amend the overall budget before the commencement of an allocation round, then we agree that this should be made explicit with a transparent process for doing so. However, we recommend that the need for this ability to amend the budget is first reviewed.

47. We would welcome views on adding additional powers to allow revision of a capacity cap before an allocation round commences.

Developers must prepare their bids some time in advance of the auction itself, to allow time for internal verification and approval. A key factor in preparing a bid is an understanding of the auction parameters, including the capacity cap. For this reason, the preference of developers is to minimise revisions to any auction parameter once the original auction announcement has been made.

Our preference is therefore not to add additional powers to allow revision of a capacity cap before an allocation round commences.

48. We would welcome views on adding additional powers to pause an allocation round between the commencement of the round and the issuance of CfD notifications.

Developers prepare bids, including target delivery windows and dates, on the basis of the specified timetable for the CfD auction completion and subsequent CfD notifications. If an allocation round is paused, this will inevitably lead to a delay in the CfD notifications and in the commencement of the CfD project construction. A delay in commencing project construction can have numerous impacts (for example, on supply chain timing and availability of project resources), all of which have cost implications.

Consequently, a delay to the allocation round could significantly change the project cost base, potentially increasing the total cost beyond the value used to prepare the original allocation round bid. This would be unfair on the allocation round participants.

We would recommend that additional powers, to pause an allocation round between the commencement of the round and the issuance of CfD notifications, are not added.