Department of Energy & Climate Change

CfD Contract – administrative architecture

CfD Expert Group, 26 September 2013

Overview

Department of Energy & Climate Change

- Background
- Requirement for flexibility
- Options
- Timing

Background

Department of Energy & Climate Change

CfDs will be effected as bilateral contracts between the CfD counterparty body (the “CPB”) and the relevant generator.

The desired outcome is for all FiT CfDs to be in as standard a form as possible.

BUT

- amendments for private wire projects;
- variations to distinguish between intermittent and baseload generators;
- technology-specific variations which may be more or less extensive depending on the technology type (for example, to take account of phasing);

Flexibility is required

Department of Energy & Climate Change

- CfD Variations
- Current approach ‘single form’ CfD
  - Between CPB and relevant generator
  - CfD documents the terms of arrangements between each party
- Element of cross – referencing to other documents
  - BSC for metering
  - Private wire arrangements
  - FMSQ/A
  - Direct agreement
  - Industry documents

Options we've considered

Department of Energy & Climate Change

Multiple standard forms

- for each major technology type
- baseload and intermittent generation
- attractive, eliminate the need for certain tailoring of the CfD to be undertaken manually and, as such, is likely to reduce the risk of unintentional errors being made.

- Impracticable to implement?
  - will require the development of a significant number of "standard form" CfDs
  - difficulty in ensuring that there was consistency between contracts.
  - need for manual amendments to be made to effect the CfD Variations.

Options we've considered (2)

Department of Energy & Climate Change

'Cover sheet' /Accession style agreement coupled with standard FiT CfD terms and conditions.

- preferred option
- based upon a contractual structure
- provides for each generator to sign a short cover sheet/accession agreement ("Accession Agreement")
  - Incorporates by reference a standard set of CfD terms and conditions ("Standard Terms") .

Options we've considered (2)

Department of Energy & Climate Change

'Cover sheet' /Accession style agreement coupled with standard FiT CfD terms and conditions.

- The Standard Terms would apply to all irrespective of the nature of the project.
- The 'Cover sheet' /Accession and Standard Terms structure will allow for greater flexibility in the early years of the FiT CfD regime when terms are likely to need a period of bedding down.
- The 'Cover sheet' /Accession and Standard Terms structure would document all of the required CfD Variations.

Options we've considered (2)

Department of Energy & Climate Change

'Cover sheet' /Accession style agreement coupled with standard FiT CfD terms and conditions.

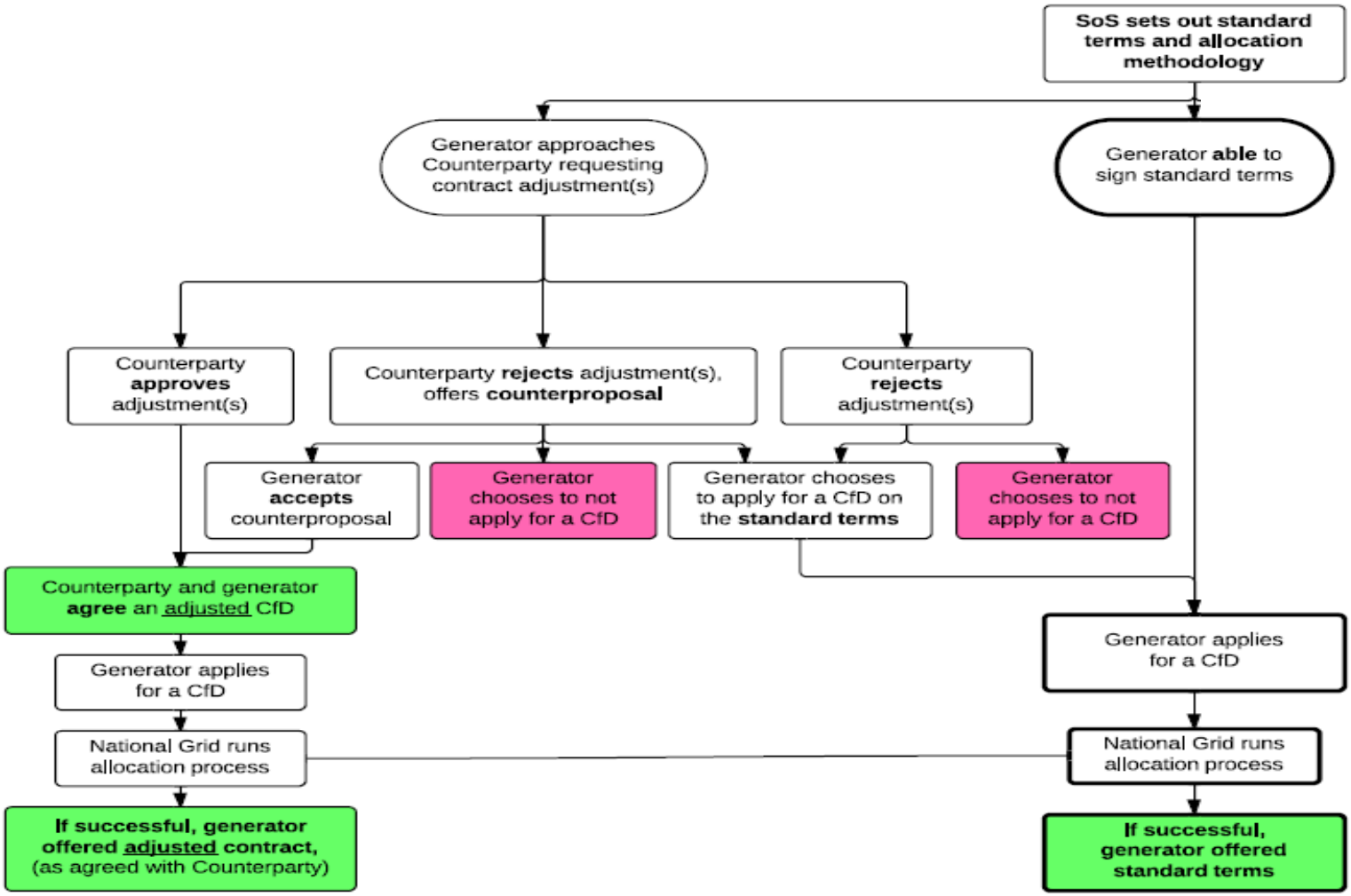
- The process for documenting these CfD Variations would be more streamlined.

- We are expecting that the CfD application and allocation process will provide for a checklist of required information in relation to each project

  - a requirement for the generator to propose a target commissioning date,
  - the target commissioning window
  - the substantial financial commitment
  - eligibility criteria each within defined parameters

Possible process for amending standard form CfD prior to signature

Department of Energy & Climate Change



Adjusting the CfD prior to signature

Department of Energy & Climate Change

- Two principles must be met:
  - The adjustment is essential for the generator to be able to sign a CfD (**necessity**)
  - The adjustment will not alter the risk-reward balance of the CfD (**non-materialit**y)
- SoS to provide further detailed guidance to the Counterparty and the public
- May include lists of which clauses may or may not be adjusted

Counterparty to consider adjustment requests

Department of Energy & Climate Change

- Before applying for a CfD any adjustments must be agreed with Counterparty
- Must submit a request to the Counterparty, enclosing:
  - Evidence to show that the change is necessary
  - Evidence that it is non-material
- A charging regime will be in place
- Counterparty can Approve/Reject/Counterproposal
- Applicant has the right to appeal to an independent arbiter (agreed with the Counterparty) for a ruling - costs of appeal borne by the losing side

Department
of Energy &
Climate Change

Any questions?