



Department
of Energy &
Climate Change

Phasing

CfD Expert Group Meeting



Agenda

- Recap of latest position.
- Contract Structure questions.



Objectives of approach

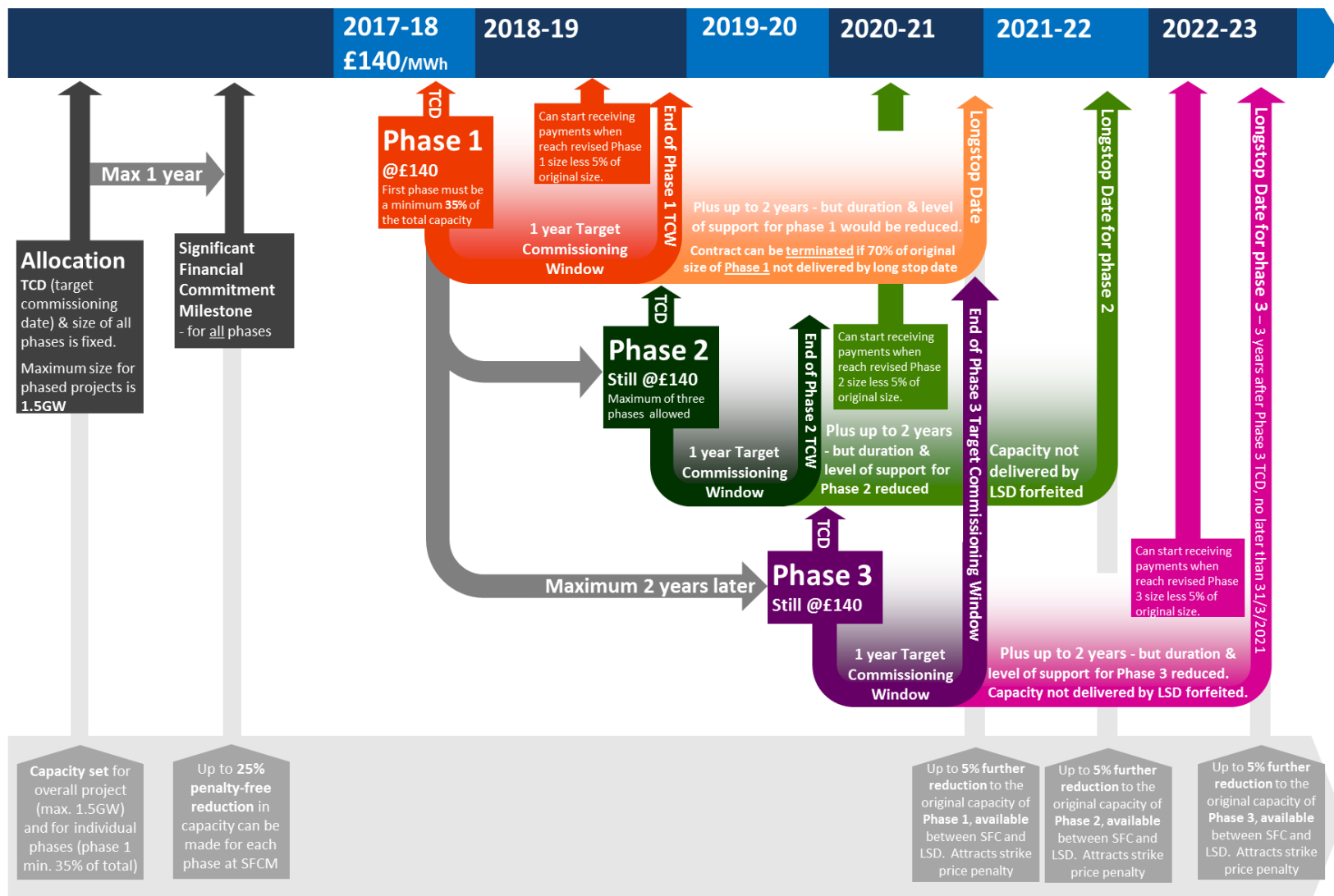
- Facilitate investment in large offshore wind projects which commission in multiple phases over several years.
- Ensure consistency with other projects and technologies, so that phased projects do not deviate from the standard model unless there is a good justification.
- Support the effective use of the CfD Budget by:
 - Limiting incentives to over-bid for capacity
 - Providing incentives to deliver in line with commissioning dates included in CfD application (reducing any ‘gaming’ of strike prices)
 - And, allow for the timely reallocation of budgets in event of a failure to deliver
- And, thereby, give Government confidence of timely delivery of low-carbon electricity.

Proposed changes to August position

- All Phases must be in same Crown Estate zone.
- Each Phase treated separately for purpose of Payment Start, Strike Price Adjustment, and Capacity Adjustment.
- Capacity not delivered by LSD for Phases 2 or 3 forfeited.
- Payment Starts for each Phase once capacity agreed at SFC (less additional 5% flexibility) reached.
- Still considering position on:
 - Percentage of whole capacity Phase 1 is required to represent.
 - Why would 30% be materially better than 35%?
 - How significant a proportion of total project costs are represented by shared works?
- Constrained Allocation Workshop on Monday 09.30-13.00



Capacity Adjustment and Phasing





Financing Structure

- Seeking views on financing approaches for Phased Projects and whether these require changes to the contracting relationship.
- In particular we would like to know:
 - How are developers likely to structure & refinance each Phase of a project?
 - Will there be different financiers and equity providers for each stage?
 - Can you give examples?
 - What should the approach to cross default be?
- *Happy to receive further responses from participants by e-mail by Wednesday 20 November.*

Illustrative Example - Relationship between CfDs

Framework CfD between:

-Counterparty

- JV 1
- JV 2
- JV 3

Framework CfD:

Governs relationship between CfDs prior to the Start Date of CfD 1 & governs :

- Cross default
- Capacity adjustments
- Force Majeure / Relevant Geological Event
- Milestones

CfD 1:
Counter
party &
JV1

CfD 2:
Counter
party &
JV2

CfD 3:
Counter
party &
JV3

Subordinate CfDs:

Akin to standard CfD terms except:

- Capacity Adjustments
- Change in Law
- Termination
- Milestones

where amended terms are anticipated.



Illustrative Example - Relationship change over time

