

Contracts for Difference Team
Clean Power Strategy and Deployment Directorate
Department for Business, Energy and Industrial Strategy
3rd Floor Spur
1 Victoria Street
London
SW1H 0ET
BEISContractsforDifference@beis.gov.uk

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To whom it may concern,

Consultation Response: Consultation on Updating the Allocation Round 5 Supply Chain Plan Questionnaire

Scottish Renewables is the voice of Scotland's renewable energy industry. Our vision is for Scotland leading the world in renewable energy. We work to grow Scotland's renewable energy sector and sustain its position at the forefront of the global clean energy industry. We represent over 300 organisations that deliver investment, jobs, social benefits and reduce the carbon emissions which cause climate change.

Our members work across all renewable energy technologies, in Scotland, the UK, Europe and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland's homes and businesses.

Scottish Renewables welcomes the opportunity to provide our view on the proposed amendments to the AR5 Supply Chain Plan (SCP) questionnaire outlined in this consultation and we have set out our answers to the consultation questions below. However, we would like to emphasise, as we did in our response to the previous call for evidence on SCPs, that the current SCP process poses fundamental challenges to achieving BEIS' supply chain objectives.

The British Energy Security Strategy (BESS) significantly increased what were already ambitious targets for renewable energy deployment in the UK. Across Europe and beyond, targets for deploying renewables are also being raised in similar efforts to reduce dependence

6th Floor, Tara House, 46 Bath Street,
Glasgow, G2 1HG
☎ 0141 353 4980 📧 @ScotRenew
www.scottishrenewables.com

Scottish Renewables Forum Limited.
A company limited by guarantee in Scotland No.200074
Registered office: c/o Harper Macleod,
The Ca'd'oro, 45 Gordon Street, Glasgow G1 3PE

on imported fossil fuels. With the increased risk of supply chain bottlenecks arising from the global demand for components, resources and skills, the importance and benefits of a strong domestic supply chain have only become more apparent.

However, existing challenges mean that the current SCP process risks being a barrier to achieving both the deployment targets set out in the BESS as well as supply chain objectives. These challenges include the competitive pressures of the CfD auction limiting the ability of developers to collaborate and invest in supply chain capacity, the project-by-project assessment precluding a strategic approach to supply chain development, and the subjectivity and data collection requirements of some SCP questions. These challenges are often felt particularly keenly by smaller projects (e.g. floating offshore wind (FLOW) demonstration projects) given their tighter resource constraints and higher levels of risk and uncertainty.

Scottish Renewables, therefore, believes that a new approach is required that takes account of these challenges and facilitates a more strategic and collaborative pathway to supply chain development. This approach should appreciate that SCPs alone will not deliver the necessary supply chain growth and as well as recognising that there are significant benefits to be gained from collaboration outside of the competitive framework of the CfD.

We appreciate that it would be unrealistic to expect such wholesale changes to be made in time for AR5, and we have set out our answers to the consultation questions below accordingly. However, Scottish Renewables stands ready as the voice of Scotland's renewable energy industry to work with BEIS on a review of the SCP process ahead of subsequent allocation rounds.

Scottish Renewables would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

Yours sincerely,



Andrew MacNish Porter

Policy Manager – Economics and Markets

Scottish Renewables

CONSULTATION QUESTIONS

1. Whether the proposed rephrasing of questions has increased clarity of what is required from applicants.

Scottish Renewables welcomes the increased clarity that the updated questionnaire has brought in some areas.

Specifically, the restructuring of how evidence is provided will help to ensure that developers provide evidence of direct actions to develop the supply chain rather than simply outline their policies. Additionally, removing subjective questions on UK content and job creation from the scored section of the questionnaire will help to improve the consistency of applications.

However, Scottish Renewables is concerned about the decision to move questions on UK content and jobs to the 'key statistics' section. It is unclear why the decision to move these questions to a separate, unscored part of the AR5 questionnaire has been taken. Instead of better aligning the questionnaire with the SCP objectives, this step appears to implement a data-gathering exercise that will put a significant administrative burden on (particularly smaller) developers given the specificity of the requested information whilst having no bearing on whether they are successful in the SCP process.

We appreciate that information on UK content and jobs is useful to BEIS. However, with the move to annual auctions, there is a need to streamline the SCP questionnaire as far as possible. We would therefore propose that this data be gathered via a channel separate from the SCP process thus allowing applicants to focus on the scored aspects of the questionnaire.

2. Whether the proposed new questions being asked are the right questions to support the delivery of the Supply Chain Plan objectives. *(These objectives are to build competitiveness, capability and capacity in supply chains.)*

Scottish Renewables welcomes the effort to merge questions to limit duplication in answers. However, we are concerned that many questions appear to be straying away from the core assessment of a project's direct supply chain activity in that they are assessing portfolio and corporate level impacts rather than project-level impacts.

This includes questions on community impact, investment in R&D, and environmental assessments. These elements are often difficult to quantify and evidence at the project level and often overlap with wider company or industry level initiatives.

An industry-wide assessment of these initiatives in line with the proposals we set out in our cover letter would offer many advantages in terms of being able to quantify impacts more accurately, facilitate cooperation and showcase investment. However, a potential method to capture these impacts within the SCP questionnaire would be to have separate sections focused on portfolio impacts and project level impacts for each question.

We are also concerned about the commercial sensitivity of the information being asked for, particularly in Question 1.1. It is not clear that gathering information at this level of detail is necessary to achieve the objectives of the Green Growth section. We would instead suggest that questions ask about the unfolding and structure of the process rather than the content of the bids and names of competitors.

3. Whether the bespoke questionnaire proposed for sub 300MW Floating Offshore Wind applicants asks appropriate questions in relation to the scale and maturity of the industry.

Whilst a simplified approach is welcome for FLOW there are still areas of assessment and evidencing that seem onerous and complex for projects in the early stages of development. As with some of the information being collected for above 300MW projects, Scottish Renewables feels this information would be better collected through alternative channels.

In terms of the questions included in the questionnaire, Scottish Renewables agrees that Question 3 is appropriate to the scale and maturity of the sector. Innovation is important to test technology and develop processes on smaller projects to learn lessons which will in turn de-risk larger projects thus aiding the overall progression of the industry. However, BEIS should clarify what they consider qualifies as R&D. Given that the very purpose of these projects is to test novel technologies and processes, we believe it would be excessive to expect projects to be carrying out R&D activities in addition to this.

However, we have serious concerns about the implications of Questions 1, 2, and 4 which, given the high pass mark, put place a considerable financial and resource burden on projects to deliver supply chain benefits and jobs that are typically beyond the scope of small, pre-commercial projects.

Question 1.1

We are concerned that the way this question is scored places emphasis on demonstrating commercial agreements have been secured prior to the project being awarded a CfD.

Procuring prior to being awarded a CfD and making the final investment decision is a challenge for any project. A CfD and the revenue certainty it provides is a negotiating tool and until being awarded one a developer cannot benefit from this commercial advantage. This arrangement also places a considerable risk on the supply chain given agreements could fall through if a project fails to win a CfD.

However, this challenge is particularly acute for smaller projects that are primarily focused on testing technologies as there is a greater need to offset financial risk by delaying high expenditure elements such as surveys and front-end engineering and design until the project has secured the route to market offered by a CfD.

Having a top score for having commitments signed with the majority of suppliers prior to the submission of the SCP seems an unrealistic expectation for small-scale projects which are often unable to give such assurances so early in the process. A more realistic aspiration would be to have placed MoUs with suppliers of 1 or 2 of the major project components and be in advanced discussions with other parties.

We also believe that this question should as far as possible ensure alignment with the Supply Chain Development Statement (SCDS) required by the Crown Estate Scotland seabed leasing process. The two requirements are similar in their objective of informing supply chain development and encouraging local content and responsible sourcing where possible. Any aspects on which the SCP and SCDS could align would therefore reduce the administrative burden of completing both processes which would be a particular benefit to smaller projects.

Please see our answer to Question 2 which outlines concerns over the commercial sensitivity of the information requested by this question.

Question 1.2

We are strongly supportive of the premise of this question. Promoting collaboration across the offshore wind industry will be key to delivering supply chain ambitions in both floating and fixed

bottom wind. We, therefore, welcome projects being rewarded for efforts to promote collaboration.

However, there is currently only a small number of geographically dispersed sub-300MW FLOW projects in the pipeline. These smaller projects have different supply chain geographies and will have limited scope for collaborating with each other given resource constraints and uncertainty relating to technical and financial challenges. As mentioned in our response to Question 2, it is difficult to evidence that local, project-specific actions of developers “*support the development of the sector as a whole*”. It is also not clear whether “*sharing data, pooling resources, or working with other developers to attract greater interest from the supply chain*” is an exhaustive list of what BEIS will consider evidence of collaboration or whether BEIS will consider other activities as evidence of collaboration, for example participating in events, conferences and clusters.

FLOW projects larger than 300MW will arguably achieve greater impacts through collaboration given their scale, yet they are not subject to this question and are therefore not incentivised to collaborate to the same degree.

As set out in our cover letter, Scottish Renewables is of the view that a strategic, industry-level approach is necessary to effectively foster collaboration between developers. We urge BEIS to consider such an approach and clarify how collaboration will be promoted from AR6 onwards.

Question 2

Question 2 seems to set an unrealistic expectation and onus on developers of pre-commercial technology to invest in the supply chain. The FLOW industry is still a small industry at the innovation stage, with a variety of technical concepts under demonstration and serious technical challenges that could be resolved in a variety of ways. More experience through innovation and pre-commercial sites is therefore needed to let the ‘winning concepts’ emerge in the sector and in a sufficient volume that justifies investment across the supply chain

The primary objective of small-scale pre-commercial projects is to test technology and ensure it is suitable for commercialisation. Higher CAPEX and OPEX costs are inherent in early technologies and first-mover projects, and there is a constant focus on the need to reduce LCoE to win a CfD. Having a section that ultimately requires developers to spend additional capital outlay to score highly does not appreciate the technical or financial nature of projects at this scale, which are often being developed by smaller developers who often have small

delivery teams and do not have ready access to balance sheet finances and therefore need to justify costs to lenders and shareholders.

Question 4

FLOW technology and the deployment of FLOW are at a very early stage of development and therefore few people in the industry have hands-on experience. There is a good opportunity and indeed a necessity to upskill to deliver FLOW projects.

However, it is unrealistic to expect a small project to have the ability to trigger significant numbers of new FTE roles or have the resource to allow the supply chain to take on apprentices. BEIS, therefore, needs to clarify what it considers to be a passable level of ambition in response to these questions.

4. Whether there are any other questions that should be included in the questionnaire. (Please specify whether you are referring to the standard questionnaire or the bespoke Floating Offshore Wind questionnaire.)

Scottish Renewables does not feel that any additional scored questions should be included in either questionnaire. However, we suggest that BEIS might find it useful to gather information on how projects are financed as this will determine the level of risk that projects are able to take and thus provide important context to the answers to scored questions in the questionnaire.

5. Whether the proposed new scoring methodology provides a clear understanding of how Supply Chain Plans will be assessed, whether this methodology would ensure that marks are awarded appropriately, and whether the pass mark for 300MW+ projects is appropriate in this context. (Please specify whether you are referring to the standard questionnaire or the bespoke Floating Offshore Wind questionnaire.)

Overall, Scottish Renewables welcomes the new scoring methodology. The effort to set out in more detail how points are awarded for each question represents an improvement on the AR4 questionnaire.

However, there remain areas where the methodology could be further refined (the following points apply to both questionnaires):

- Aspects of some questions are scored on a binary basis whereas some are scored on a graduated basis depending on the quality or detail of information provided. It is unclear why the methodology for scoring different aspects differs in this way. This is particularly true in section 2.1 of the standard questionnaire where a “full mark” is provided on commitment to providing a carbon footprint methodology, whereas questions relating to existing commitments and investments in other questions only receive “half marks” for actual tangible commitment.
- Question 1.1 of both questionnaires and 2.4 and 5 of the standard questionnaire include expectations that projects will be progressed in their procurement activities. However, it isn't clear what actual commitment levels should be and how they will be implemented at the approval stage of the SCP.
- We note that whilst the new scoring methodology provides detail on how elements of each question are scored, little detail is provided on what BEIS considers a sufficient level of ambition or progress to be awarded the available points. We would urge BEIS to recognise that the level of ambition should always be evaluated in the context of the size of the individual project and the maturity of its respective industry.
- Where evidence is requested “*compared to existing industry standards or common standards*”, government should provide guidance such as the example that has been set out on page 27 of the standard questionnaire. This would aid developers in increasing their ambition.

The following comments apply to the standard questionnaire:

- Question 1.1 on ‘Supply Chain Competition’ should recognise that preferred bidders may not be in place by the time of writing the SCP. Consideration should be given to this in designing the question and information requested (e.g. alternatives considered).
- Greater clarity is required for Question 1.3 on ‘Supply Chain visibility’ with respect to how visibility is measured and what is considered common practice currently across industry.
- For Question 1.4 ‘Procurement value drivers’ further information on ‘non-cost factors’ and a definition of the boundary are required.

- For Question 2.4, strong consideration should be given to expanding the length in years for determining both new manufacturing facilities (e.g. preceding 7 years) and upgraded facilities (preceding 5 years).
- Regarding Question 2.5, it must be recognised that any reduced expectation on UK content will have negative impacts on lower tier UK suppliers.
- Question 4.2 on 'Apprenticeships, scholarships and trainees' should recognise that obtaining detailed information on apprenticeships ahead of signing contracts is very challenging. In addition, it would need to be amended post-CfD award to reflect the intention of specific contractors.
- Related to the above, the number of positions (apprenticeships, trainee positions) attached to the points available seem unrealistic and require further understanding. This is particularly the case in light of the fact that UK and non-UK facilities are now acceptable and whether other countries provide similar apprenticeship programmes.

6. The proposed weighting attributed to the questions, and whether it gives due importance to the most pressing supply chain issues. *(Please specify whether you are referring to the standard questionnaire or the bespoke Floating Offshore Wind questionnaire.)*

Scottish Renewables believes that the weightings in the bespoke FLOW questionnaire should be weighted towards promoting innovation and the delivery of new technology rather than addressing supply chain capacity and skills gaps. It is multi-gigawatt commercial projects that will be the primary drivers of supply chain investment given their scale. In contrast, demonstration projects that are subject to the bespoke questionnaire do not have capacity to deliver substantial investment to expand supply chain capacity or develop skills given their scale and tight resource constraints. The purpose of these projects to test new technologies, not deliver a commercial project, and the value they deliver is through their innovation so the SCP questionnaire should reflect this by scoring these projects accordingly.