

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
Delivered via email

3 February 2023

To whom it may concern,

Consultation Response: Consultation on policy considerations for future rounds of the Contracts for Difference scheme

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 330 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 outlined in this consultation. In responding, we would like to highlight the following points:

- Scottish Renewables supports the proposal to make electricity supplied via private wire to offshore oil and gas facilities ineligible for CfD payments from AR6 onwards. Where a project exports power to the grid in addition to the power supplied via private wire to oil and gas, the project should be eligible to receive CfD payments for the power supplied to the grid.
- We support introducing a new definition of floating wind that promotes innovation. We see merit in introducing a list of eligible floating wind technologies, but this list should

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be non-exclusionary to avoid unduly preventing novel floating wind technologies from receiving support through the CfD.

- Allowing MPI-OFW projects into future CfD rounds will be a crucial enabler of these projects. Given that we do not see a material difference between MPI-OFW and radially connected offshore wind, we believe that all output from MPI-OFW should be eligible for CfD payments.
- We do not agree with BEIS' assertion that phasing policy has fulfilled its purpose and is therefore no longer needed. The question of whether to remove or restrict phasing policy is complex as it impacts many different aspects of a project as well as having knock-on impacts on the supply chain. We therefore urge BEIS to consider in greater detail the implications of changing phasing policy to develop an evidence base upon which this claim can better be assessed.
- Scottish Renewables believes the CfD appeals process should adopt a fixed timeline in future rounds. We also encourage BEIS to consider how the appeals process could be streamlined to ensure that it does not undermine the move to annual auctions.
- We believe that the CfD is an appropriate mechanism through which to support repowered projects and that these projects should be able to compete in the same way as new build projects. However, only fully repowered projects should be eligible to participate in the CfD and not projects which pursue alternative end-of-life options.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Andrew MacNish Porter', with a long horizontal flourish extending to the right.

Andrew MacNish Porter

Policy Manager – Economics and Markets

Scottish Renewables

CONSULTATION QUESTIONS

CfD for Private Network Generators

- 1. The Government welcomes views on its proposal to make electricity that is supplied via private wire to offshore oil and gas facilities ineligible for CfD payments from Allocation Round 6 onwards. What would be the likely impact of this approach, and should any alternative approaches be considered?*

Scottish Renewables supports the proposal to make electricity that is supplied via private wire to offshore oil and gas facilities ineligible for CfD payments from Allocation Round 6 onwards.

The CfD is a support mechanism for reducing financial risks and boosting the investment attractiveness of projects that are deemed to be beneficial to the UK. As CfD payments to offshore oil and gas facilities will only benefit the final buyers, in this case oil and gas platforms, we do not see any benefit in this type of project being eligible to obtain support via the CfD regime.

A standard PPA contract between an oil and gas platform and an offshore wind farm can be used without any need for a support mechanism.

We agree that if a project supplied electricity via a private wire to an offshore O&G facility in addition to the national electricity grid, it could still apply for a CfD on the condition it would only receive CfD payments for the electricity exported to the grid.

Defining Floating Offshore Wind

- 2. Would you support a change to Regulation 27ZA(4) in the CfD (Allocation) Regulations 2014? If yes, what would you suggest?*
- 3. Would you support Government publishing a list of technology types which it considers eligible to compete for a floating offshore wind CfD? If yes, would you support this in addition to, or instead of, a change to Regulation 27ZA(4)? If yes, what technologies would you support including on the list?*
- 4. Can you provide any further evidence of the impact of these changes to support your responses?*

A significant number of floating projects have been awarded lease options recently and it is important to give these projects direct access to CfD pots where the tariff is appropriate to their specificities. Scottish Renewables therefore supports amending Regulation 27ZA(4) to better accommodate technological developments in the floating offshore wind sector and we would welcome a clear statement of the purpose of the Regulation. We also recognise the need to balance the flexibility of the definition with protecting against the risk of gaming.

Overall, we believe the focus of the Regulation should be to promote innovation to help floating offshore wind technology to mature to a level where it can compete with mature fixed-bottom technology. Stating a clear purpose will help developers to understand what the Regulation is intended to achieve and then decide what steps are needed in order to comply.

In terms of amending the Regulation, there are advantages and disadvantages to both introducing a new principles-based definition of floating offshore wind and a creating list of eligible technology types. Having a principles-based definition of floating wind without prescribing eligible technologies has the advantage of being more accommodating of innovation (provided the criteria aren't overly restrictive). The downside is that, as with the current regulations, without explicit confirmation of eligibility, novel technologies will still face a degree of uncertainty over their ability to bid for a CfD. It could also provide opportunities for gaming. Having a list of eligible technologies eliminates this uncertainty and risk. However, this comes at the price of flexibility and the list could quickly become outdated as new technologies emerge and develop.

We, therefore, propose that a hybrid arrangement is adopted where the eligibility of technologies is determined according to an approval process based on a new definition of floating offshore wind. Technologies deemed eligible are then added to a public list of qualifying floating offshore wind technologies. This list should be non-exclusionary and function primarily as a guide for prospective applicants. The process for adding a new technology to the list should be as clear and quick as possible to avoid slowing project delivery.

The criteria for assessment should account for site-specific factors and include the broadest foundation definition acceptable to BEIS in order to accommodate innovative new technologies and avoid the need to re-evaluate the definition between rounds. Considering projects on a site-by-site basis will also help with assessing which Pot technologies that fall between the fixed and floating categories should compete in. Amongst these assessment parameters, we anticipate both the specific water depth and the distance to shore (or distance to the landfall or connection point if it is an offshore interconnector) would weigh significantly in the CfD support decision. In this case, the generic restriction (greater than

45m) can either be removed or instead used as a guide to identify the most suitable technology types. The definition should also be aligned with wider definitions in the sector. For example, for the Celtic Sea leasing round, the Crown Estate has provided the following definition: 'All wind turbines must utilise floating sub-structures which rely primarily on buoyancy to counteract vertical loading'.¹

We do not support creating a new technology category as this will introduce unnecessary additional complexity to the CfD.

Facilitating coordinated infrastructure

5. *Do you believe that an MPI-OFW should be eligible to apply for future CfD rounds? Please provide details/evidence of your reasoning, including around the impact of eligibility on the sector, decarbonisation, security of supply and cost to consumers of electricity.*
6. *What changes, other than those identified above, would be required to allow the participation of MPI-OFW in the CfD scheme?*

We do not believe there is a material difference between an MPI-OFW and a radially connected offshore wind project that has some of its output exported through an interconnector via the grid. Scottish Renewables is therefore of the view that MPI-OFW projects should be eligible to apply for future CfD rounds.

Allowing MPI-OFW projects into future CfD rounds will be a crucial enabler of these projects, helping to stabilise interconnections between the UK and other energy markets. A key point for BEIS to consider further is how MPI-OFW projects are included in a CfD auction alongside conventional offshore wind projects. Clarification is also required regarding the metering arrangements that would apply to MPI-OFW projects and whether the output that is exported is eligible for CfD payments. Given that we do not see a material difference between MPI-OFW and radially connected offshore wind, we believe that all output from MPI-OFW should be eligible for CfD payments.

Since an MPI is defined as being connected to both the UK and another country – which can have another market mechanism – it is important to ensure that the MPI-OFW cannot change the supplied country during, or at the end of, the supporting period. This ensures that

¹ [The Crown Estate \(2022\) Floating Offshore Wind in the Celtic Sea Programme, Developer Event October 2022, p15](#)

the country providing the support mechanism will always receive the benefit of the energy produced.

Phasing

7. *The Government welcomes views on whether offshore wind phasing policy is still needed, now the offshore wind sector has matured.*
8. *The Government welcomes views on the impact of restricting or removing phasing policy may have on offshore wind projects.*

Scottish Renewables does not agree with the assertion that phasing policy has fulfilled its purpose and is therefore no longer needed.

Whilst advances in the construction process have been achieved, building wind farms offshore is an inherently challenging task. Competitive CfD auctions mean that developers are still incentivised to minimise the cost of constructing and commissioning their project, and any policy change which adds to the risks involved will therefore be reflected in higher strike price bids.

Mandating that developers construct their projects in one season will increase these risks by limiting flexibility to sequence the construction process. Even though turbine power has increased, and developers are installing fewer turbines for a given generation capacity, the increase in the size of projects means that the number of turbines being installed has not necessarily fallen. Limiting developers to one season will also have knock-on impacts on the supply chain as developers will need to secure the required capacity to construct their entire project within one window. With supply chain capacity already extremely constrained, shortening construction periods could therefore have severe unintended consequences. Developers engaging suppliers with a steady stream of orders over an extended period of time is key to unlocking supply chain investment. Condensed construction periods would therefore be counterproductive to efforts to increase domestic supply chain capacity. For similar reasons, we believe that setting achievable delivery years that drive the steady, predictable delivery of projects is critical.

We would therefore urge BEIS to consider further the impact of restricting or removing phasing as we do not feel there is yet sufficient evidence to demonstrate that phasing no longer has a role to play in the construction of offshore wind projects.

Appeals

9. *The Government welcomes views on the current CfD appeals process now that we have annual allocation rounds.*

10. *The Government welcomes views on potential changes and the potential options outlined, and if there are any other options for the appeals process.*

Scottish Renewables' preference is to have a fixed timeline for appeals, with milestones that occur at similar times each year, to give certainty to applicants. To ensure the appeals process does not undermine the move to annual auctions, we would also urge BEIS to explore ways to accelerate this process so the timeline can be as streamlined as possible.

We do not believe having a pending applications process is appropriate for the CfD because of the ambiguity of how successful appellants will be factored into the allocation process and the effect this will have on the auction outcome.

Treatment of repowered projects

11. *Is the CfD an appropriate mechanism through which to support repowered assets, or are there other appropriate routes to market? If participating in the CfD, should these projects compete alongside new build projects? Please, provide details and/or evidence for your reasoning. We are particularly interested in evidence on the impact of supporting repowered projects on decarbonisation, and the relative cost competitiveness of repowered projects.*

Scottish Renewables believes the CfD is the most appropriate mechanism to support fully repowered projects. These projects have similar cost and financing conditions to new projects and should therefore be able to compete against new projects within the existing CfD framework (i.e., it is not necessary to create a new pot/technology category to accommodate fully repowered projects).

Typically, the full repowering of a site requires capital expenditure equivalent to the construction of a new development. Full repowering will also usually require new planning consent and/or upgrades to the existing grid infrastructure. In effect, a repowered wind farm is a new development on a brownfield site and should therefore be able to compete with new wind farms in CfD auctions.

12. *In your opinion, how should a "repowered" project be defined? How does this definition align with current CfD eligibility?*

Definitions of end-of-life options for onshore windfarms, as well as evidence on the benefits of repowered projects, can be found in this [briefing](#) produced jointly by SR, RUK and EUK.

The briefing sets out the following definition for a fully repowered project:

The existing turbine infrastructure is removed and dismantled, and entirely new turbines are constructed. The layout and number of turbines will most likely be changed and new foundations are likely to be required to support larger turbines. Developers will re-use and utilise existing infrastructure where possible, but new network connection infrastructure may be needed. Repowering will tend to result in an increase in installed capacity and energy generation.

Given that the material factors of a fully repowered wind farm and a new build wind farm do not significantly differ, we believe that the above definition is aligned with current CfD eligibility. To certify eligibility, repowered projects could be issued with a certificate upon the decommissioning of the old site.

Projects which pursue alternative end-of-life options as set out in the briefing (e.g. lifetime extension) should not be eligible to compete in the CfD.

13. What are the main barriers to repowering projects in relation to the CfD? Are there any additional factors that are not outlined in the above text?

A potential barrier to repowered projects participating in the CfD is regarding eligibility and the potential to have a large gap between decommissioning and repowering in time to participate in a CfD auction. Under current rules, if a project is already in receipt of a subsidy they are ineligible, likewise if it is already operating. So there will likely be a need for some kind of specific facility for repowered projects to ensure they can receive a signal early enough to allow them to participate in their desired allocation round. This would help to bring forward projects quicker helping to hit deployment targets and deliver much-needed reductions to consumer bills.