Contracts for Difference Team
Department of Energy Security and Net Zero
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Delivered via email

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To whom it may concern,

Consultation Response: Proposed refinements for Allocation Round 8 and future rounds

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 360 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 feedback on the Department for Energy Security and Net Zero's (DESNZ's) proposed changes to Allocation Round 8 (AR8) and future rounds, following the UK Government's commendable delivery of a successful AR7. Scottish Renewables was pleased to see two Scottish projects, Berwick Bank B and Pentland, secure CfDs in the Pot 3 and Pot 4 auctions, respectively. The success of these projects represents a much-needed boost for the Scottish offshore wind sector, and their delivery will drive growth and innovation across the Scottish supply chain.

After what we hope will be a similarly positive announcement when the AR7a results are published in early February, focus must turn to ensuring AR8 builds on AR7's success. It is notable that whilst the most southerly AR7-eligible Scottish fixed offshore wind project secured a CfD, the most northerly has been forced to pause development as it currently sees no viable route to market. This is a stark and regrettable consequence of the huge challenges projects in northern Scotland are still facing due to unpredictable, volatile and rapidly increasing network charges.

UK Government's clean power targets will not be met without further Scottish projects being secured through the CfD. Reforming network charges ahead of AR8 must therefore be a top priority to ensure these projects can be delivered at best value to consumers by an auction which builds on the momentum that AR7 has restored to the Scottish offshore wind sector. We set out in more detail below what this should mean in practice, alongside further measures to ensure a successful AR8, before providing a summary of our responses to the consultation proposals.

- **Addressing TNUoS and locational charging uncertainty:** The consultation does not consider the impact of Transmission Network Use of System (TNUoS) charges and wider locational signals on CfD bidding, auction competition and consumer value, despite long-standing industry concerns about the lack of cost certainty developers face when preparing bids. Industry-led solutions developed through the NESO code modification process in 2025

(including CMP444 and CMP432), requested by Ofgem and aligned with Government objectives in the Clean Power by 2030 Action Plan, were rejected shortly before the AR7 sealed bid window, highlighting a misalignment between policy ambition and regulatory outcomes. This uncertainty is materially undermining the competitiveness and viability of northern-connecting Scottish projects, as evidenced by recent project delays. **We urge DESNZ to work with Ofgem to support an accelerated industry workstream to deliver in time for AR8 reforms which allow CfD applicants to fix TNUoS charges at their current levels**, as well as consider interim CfD-based solutions which may be necessary to ensure TNUoS charges do not continue to be a barrier to effective auction competition and delivering consumer value while longer-term TNUoS reforms are progressed.

- **Indexing Transmission Loss Multipliers (TLMs):** TLMs are additional locational charges faced most severely by projects connecting in northern zones. TLMs suffer from the same issues of unpredictability and volatility as TNUoS, further exacerbating the challenge for northern Scottish projects. TLMs are comprised of a locational factor and non-locational factor, of which the locational factor represents a much larger portion of the total charge. The non-location factor is already indexed to CfD payments. We call on DESNZ to review this and move to indexing both the non-locational and locational components to CfD payments.

- **Continued support for floating offshore wind (FLOW):** FLOW projects face distinct challenges, including longer development timelines, emerging supply chains, port and vessel constraints, and heightened delivery risk associated with novel technology and harsh metocean conditions. Deployment of floating offshore wind is a priority in Scotland and will be a key enabler of the transition from oil and gas, as well as supporting cost-reduction pathways, with small-scale test and demonstration (T&D) projects and potentially larger projects eligible for AR8. We encourage DESNZ to continue to take this into account in their policy ambition and resultant AR8 parameters to ensure the learning and cost-reduction opportunities from both T&D projects and commercial-scale developments are maximised**.**
- **Grid delay compensation risk:** DESNZ should address grid delay compensation risk in collaboration with Ofgem and look to provide certainty to developers as soon as possible, ahead of AR8**.** Currently, projects will not be able to bid into the CfD without accounting for the risk of grid delays. This has serious consumer impacts, which are only increasing due to the number of grid upgrade projects needed over the next 5+ years. Ultimately, grid delay risks are borne by consumers as risk premiums added to strike prices; doing this via developers that have access to higher cost capital and no ability to mitigate delays is not in consumers' best interests. We would highlight that other geographies employ an approach based on a deemed CfD payment to address network delay risk.
- **Additional later delivery year for key technologies:** We welcome an additional later delivery year being granted for offshore wind in AR7, and we believe that the same should be provided for other key technologies, namely FLOW, onshore wind, Remote Island Wind (RIW) and solar PV, in AR8. Across technologies, renewable energy projects are growing in size and complexity and are facing common challenges related to supply chain constraints, the delivery of required network upgrades and longer construction durations. Providing an additional delivery year for all key technologies would reduce the risks associated with project delivery, better align decision-making timeframes with the CfD process and ensure the CfD properly adapts to reflect the changing nature of renewable energy projects competing in future allocation rounds.
- **Market reflective reference prices:** Reference prices used to calculate the budget impact of capacity procured in CfD auction have consistently tracked below market expectations, leading to overestimations of the cost of CfD payments to successful projects and inflating the monetary budget required to procure a given capacity. We urge DESNZ to review reference prices for

AR8 to ensure they accurately reflect market expectations and avoid creating an inaccurate perception of the cost of providing support for renewable energy projects through the CfD.

- **Auction timings:** We support the AR8 timeline returning to earlier in the year, with the round opening in summer and results published by the end of 2026 to retain the annual auction schedule. As part of this, DESNZ should consider measures to accelerate the auction timeline. This will enable the procurement of shovel-ready capacity that can contribute meaningfully to CP2030 and deliver wider economic benefits sooner. This could include: publishing the CIB framework and implementing the necessary legislative changes as early as possible; avoiding major disruptive reforms to the scheme for this round; splitting the round into offshore and non-offshore technologies to reduce delays; and making use of the 'pending applications' process, provided any timelines are communicated clearly in advance. That being said, it will be important to ensure that the necessary reforms to network charging (discussed above) are implemented in time for the round opening and DESNZ should coordinate closely with Ofgem to ensure the delivery of network charging reforms is aligned with the AR8 timeline. Finally, whilst we note the decision not to move to a fixed auction timeline, we reiterate our support for a single auction timeline and forward auction schedule with GW procurement targets for upcoming rounds, subject to consumer value for money.

Summary of Scottish Renewables' response to consultation proposals

Regarding the consultation proposals, we welcome the focus on smaller technical changes relative to the major changes made for AR7. Stability and predictability in policy frameworks is crucial to maintaining investor confidence and incentivising the DevEx required to deliver a consistent pipeline of projects and ensure competitive auctions. However, we are concerned that informal consultation on the proposed fixed offshore wind gainshare mechanism for potential introduction in AR8 and the draft CIB documents undermines this.

While we are grateful for DESNZ's early engagement on the proposed gainshare mechanism, its potential introduction for AR8 has caused concern, given that the full implications and detailed design of such a mechanism are still to be worked through, and formal consultation will not be possible without delaying the auction. Any introduction of a gainshare mechanism should be from AR9 at the earliest. Going forward, we are keen to support a return to CfD policy development based on the good-practice principles of stability, predictability and sufficient lead times for material changes.

We summarise our response to consultation proposals below:

- **Surrendered capacity:** Scottish Renewables supports the proposal to exclude generators from applying into AR8 with surrendered capacity. However, we believe DESNZ should keep this proposal under review for future rounds and consider introducing a restriction on surrendered capacity similar to the non-delivery disincentive. By allowing surrendered capacity in future rounds, DESNZ could enable the procurement of lost capacity.
- **Hybrid metering:** We support the introduction of hybrid metering for AR8, but believe the Government should build on this proposal for future rounds. The Government should consider further development of this proposal to support the benefits of the co-location of multiple technologies. We disagree with the proposal to restrict sites with multiple CfD from the same allocation round from sharing a BMU. For onshore wind, solar PV and offshore wind technologies, there are many practical reasons for needing to share a BMU.
- **Proposed floating offshore wind contract changes:** We support the proposed contract changes.
- **Introducing a new technology category for Other Deepwater Offshore Wind (ODOW):** We with introducing an additional technology category to support innovation. However, we do not

believe the category should be introduced for AR8 as parts of the definition are unnecessarily restrictive, and it is unclear whether any projects are sufficiently developed to be eligible for AR8.

- **Changes to improve scheme efficiency:** We do not support enabling NESO to unqualify applicants who have already qualified, as this introduces significant uncertainty for applicants. More information is needed regarding introducing a general pause to the allocation process, as this could harm timelines; therefore, in its current form, we oppose this proposal. More information is also needed on the objectives and specific changes proposed to revise pending applications regulations.
- **Preventing delayed CfD start dates:** We support this proposal.
- **Proposed exclusion of applications with Gate 1 connection agreements:** We support this proposal, but the government should confirm that confirmation of Gate 2 status is a sufficient eligibility requirement, given the risk that projects may not have a signed Gate 2 offer before the application window opens. The government should prioritise AR8-eligible projects in the Gate 2 offer process. Following NESO's announcement on January 29 of further delays to Gate 2 offers, the LCCC should clarify how NESO's grid connection reform programme will be treated (as was done for AR7), clarifying that such an event is capable of constituting a grid delay for the purpose of the CfD. Projects also face risk from the interaction between increasing grid liabilities and the current CfD timeline, despite this being separate from the connection reform process.
- **Visibility of sealed bids:** We do not support extending sealed-bid visibility beyond fixed-bottom offshore wind, as the case for doing so is less compelling for other technologies.
- **Minor and technical changes to the CfD contract terms:** We agree with the proposals.

We are grateful to DESNZ for considering our response to this consultation, and we offer our full support to the Department over the coming months to help ensure the successful delivery of AR8.

Yours sincerely,

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Consultation Response

1. Policy on surrendered CfD capacity

1. **Do you agree with the proposal to exclude generators from applying into AR8 and subsequent allocation rounds with surrendered capacity? If not, please explain why with evidence to support your position.**

    - We welcome DESNZ's focus on bringing forward new capacity and to this end we support excluding generators from applying into AR8 with surrendered capacity. However, we do not support the permanent exclusion of surrendered capacity in future rounds. DESNZ should keep the exclusion of surrendered capacity under review policy in future rounds to see if there is value in identifying lost capacity, particularly as there may be a situation where surrendered capacity can be used with hybrid metering in the future.
    - DESNZ should consider introducing a restriction on surrendered capacity, similar to the restriction on projects that terminate their CfD contracts. This would mean that surrendered capacity cannot apply for two allocation rounds after receiving a CfD. Introducing this could enable the procurement of lost capacity without introducing the risks this proposal aims to address. A solution similar to the Non-Delivery Disincentive would allow surrendered capacity from AR7 or AR8 to enter future rounds in AR10 or AR11. This period would be long enough for gaming to not be an issue.
    - For floating offshore wind in particular, there is a higher likelihood that final installed capacity may evolve post-award due to supply chain availability, port constraints, or optimisation following FEED. DESNZ should ensure that any future review of surrendered capacity policy recognises these technology-specific risks and does not inadvertently penalise early-commercial FLOW projects that are delivering learning and cost reduction for future rounds.
    - There are valid reasons that projects bid into separate allocation rounds with part of their capacity, which should not be restricted. Some of these reasons include partial grid connection offers, supply chain availability, procurement processes, optimum construction timings and lease area considerations.

2. **Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.**

    - The government should consider the impacts of a situation where projects apply with a certain capacity of its site and then secure the remaining project capacity in a future auction with surrendered capacity. This could erode the integrity of the auction; the delivery of successful projects should not depend on the success of future auctions.
    - The government should consider the potential competition that surrendered capacity sites could bring to future rounds post AR8, in which a smaller pool of offshore wind projects may be eligible.

2. Hybrid metering for single technology/multiple commercial arrangements

3. **Do you agree with the proposal to allow hybrid metering in the CfD for single technology/multiple commercial arrangements? Please provide any further detail to support your answer.**

- Yes, we welcome the introduction of hybrid meeting to enable both merchant and CfD generation of the same technology to share the same metering.
- However, whilst the proposed hybrid metering options are a step in the right direction in fostering greater flexibility, this proposal does not go far enough to deliver the full benefits of co-location of multiple technologies/demand behind the same meter making use of the same grid connection.
- With grid access being such a scarce commodity, and load factors in the AR7 Allocation Framework being 43.6%, there is valuable unused grid capacity going to waste that could benefit consumers and reduce system costs.
- Whilst we recognise and understand the challenges highlighted in the NESO's report into Hybrid Balancing Mechanism Units, we do not view these as insurmountable.
- With the progress made on enabling Virtual BMU's to participate in the Balancing Mechanism, that are made up of aggregated units of different technologies/demand, we are of the view that if the challenges are visibility, forecasting and data provision are solvable in that instance then they should be solvable for type 2 and 3 BMU's.
- SR recommends that the Government builds on this AR8 proposal and initiates a further programme and review with Ofgem, NESO, and LCCC to examine what more can be done on hybrid metering to support system flexibility and deliver consumer benefits.
- The introduction of hybrid metering must also consider the needs of Targeted Oil and Gas (TOG) projects. TOG projects must supply contracted volumes to oil and gas (O&G) installations via a private wire. Under the current CfD eligibility criteria, WTGs connected to O&G facilities are not eligible to apply for a CfD. Under current rules, any output not delivered by these WTGs to the O&G facility would therefore have to be sold merchant. Instead, allowing TOG projects to be treated as a single CfD unit (rather than a CfD and an O&G unit) would allow output produced by O&G connected WTGs that is not delivered to the O&G facility to be metered as CfD output. Reducing post-TOG merchant exposure would reduce both CfD bid prices and PPA prices for O&G operators, supporting the delivery of FLOW at lower cost to consumers and aiding the decarbonisation of O&G production in the North Sea.
- Scottish Renewables views the rules on sub-metering for facilities subsidised under other support schemes as excessive. Under the rule, the non-CfD part of a total site would lose access to other support schemes, such as the Capacity Market. This merchant half would typically have a PPA where it is generating and receive CM payments when it is not generating, thereby maximising revenue (and making the CfD half more competitive).
- While we accept the long-standing rule that CfD projects cannot access other support schemes, our view is that sub-metering rules should not obstruct a generator from accessing all support schemes for the total generation a site can qualify for. In other words, metering rules on one part of a generation site should not obstruct other parts from maximising revenue (e.g. through the CM).

- We recommend that these rules are adapted to allow an overall simplification of metering across all subsidies without limiting a site's ability to access other revenue schemes for the non-CfD part of the project.
- Any hybrid metering framework must also clearly distinguish between legitimate curtailment management and speculative trading behaviour. This is particularly important to avoid unintentionally disadvantaging FLOW projects that are already exposed to higher technical and commercial risk.
- DESNZ have specified that developers that use hybrid monitoring will be subject to enhanced OCPs, on-going compliance checks and external audits. It should be ensured that these checks are not overly onerous and that it remains more cost-effective than retaining the initial arrangements without hybrid metering.

4. **We propose that multiple CfD facilities from the same allocation round cannot share a BMU, with exemptions for tidal projects and phased offshore wind projects. Do you agree with this proposal? Are there any other exemptions that we should consider? Please provide any further detail to support your answer.**
   - SR disagrees with the proposal to also restrict sites with multiple CfD from the same allocation round from using hybrid metering arrangements.
   - For renewable generation projects, including onshore wind and solar PV, which are increasing in scale and size, grid system operators are increasingly splitting their connection offers into at least two blocks of capacity, with a year or so between. The split gives grid operators more time and flexibility to upgrade the grid system to accommodate the new capacity. Provided there are sufficient delivery years, a developer may opt to bid the entire project into a single auction CfD across two delivery years.
   - Our view is that it is unfair to exclude onshore wind and solar sites, which face similar issues to phased offshore wind. When it is connection agreements that ultimately force developers to split capacity across multiple delivery years within a single delivery year, it is unclear why the government has introduced this limitation as it will mean metering flexibility cannot be used in these cases.
   - An alternative solution to this issue is to introduce a CfD phasing policy for technologies with staggered grid connections. We highlighted this in our response to the 2025 AR7 policy consultation, on the expectation of significantly larger onshore wind and solar PV sites emerging – sites that would clearly benefit from a phased CfD approach. These developments will require phasing to minimise construction risks. This is especially true for repowering projects that rely on a back-to-back sequence of decommissioning and commissioning, where existing infrastructure is taken offline while new installations are brought online. By adopting CfD phasing for onshore wind and solar PV, the Government could support a smoother transition, reduce downtime, and substantially improve the overall efficiency and cost-effectiveness of onshore wind construction.
   - Consideration also needs to be given to offshore wind projects using multiple foundation technologies. A mixed-technology project holding both a fixed-bottom and floating offshore wind CfD awarded in the same allocation round could be prevented from using hybrid metering despite being developed as a single integrated site, increasing cost and complexity without clear system benefit. This same concern applies should the proposal for a new technology category outlined in section 4 of this consultation - *Offshore wind with innovative 'Other Deepwater' foundations* – be taken forward. Consideration is needed around projects that choose to integrate innovative foundation types, which

qualify as Other Deepwater Offshore Wind (ODOW) foundations, within an offshore wind farm with primarily fixed or floating foundations.

- While potentially adding complexity to the CfD process, there could be an opportunity to hybridise foundation technologies within a single project footprint to help deploy stepping stone-scale capacity of more nascent technologies. We urge DESNZ to consider these dynamics within the wider scope of proposed changes to the CfD to facilitate such arrangements that may benefit the wider UK supply chain. By encouraging deployment of floating and ODOW with in the relative security of a larger fixed-bottom packages, there could be faster uptake of industry learnings and supply chain readiness to support larger-scale projects when they come.

5. **Do you agree with the use cases and the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including cost savings, capacity estimates or wider risk implications.**

    - We agree.

6. **Are there any other use cases, benefits or risks arising from this proposal that we have not identified? Please provide any additional information or evidence to support your answer.**

    - The AR8 proposal is good for reducing costs and complexity for a single technology site. However, the additional flexibility in metering rules is very limited. It still does not allow the option to store output from a CfD during hours of low system demand in battery storage, and then release this to receive CfD payments when the system needs it. The rules mean that, for example, a “front of CfD meter” battery cannot be connected by private wire to a CfD generator to shift load from negative price hours. Neither, for example, can a “behind the meter” battery connect to the CfD generator to shift load at a different time to receive payment.
    - Changing the metering rules could allow battery storage to time-shift CfD generation output, to operate in a way that would be beneficial to the system and consumer by reducing curtailment and increasing system efficiency.
    - There are valid concerns that imported grid power (brown power) could be re-routed through a CfD meter to claim CfD payments, if the metering is not prescriptive enough. However, there are technical solutions for the CfD and battery metering that can ensure this cannot happen in practice.
    - Government, Ofgem and NESO should work with generators to allow more flexibility in metering and operation of co-located storage with CfD assets, while addressing valid concerns of the risk of re-export of imported gird electricity.
    - We would like to see both type 2 and type 3 Hybrid BMU’s being enabled.
    - We feel the visibility, forecasting and data provision are solvable and could enable more innovative business models that make sure of excess grid capacity and speed up connections of both storage, generation and demand the system needs.
    - The proposal also did not identify the potential risk regarding CfDs awarded in Allocation Round 4 to hybrid projects that bid on the basis of delivering submetered solutions. Some of these sites have developed ahead of policy confirmation, so this policy allows those actions to align with policy. This will result in CfDs being changed retrospectively. The market needs transparency to understand what is allowed.

3. Floating offshore wind – proposed contract changes

7. **Do you agree that for new FLOW projects from AR8 onwards the Longstop Period should be extended to 24 months and the RIC reduced to 85%? If not, please tell us why.**

   - Yes, we agree that extending the Longstop Period to 24 months and reducing the Required Installed Capacity to 85% better reflects the realities of early-commercial floating offshore wind projects. Flexibility of the Target Commissioning Window within the same period is also encouraged for the same reasons.

   - Particularly for FLOW projects situated in the northeast of Scotland, these changes materially reduce delivery risk associated with weather-dependent installation campaigns, availability of specialist vessels, port and fabrication readiness, and first-of-a-kind integration challenges.

   - While this is not consulted on, we urge DESNZ to provide an additional delivery year for floating offshore wind. This provision can be implemented without consultation, as this precedent was set by AR7 with the inclusion of an additional delivery year for fixed-bottom offshore wind. The same delivery challenges – including supply chain constraints, grid connections, installation challenges, and more – justify a similar amendment for floating offshore wind.

8. **Do you agree with the proposed drafting amendments to the CfD contract to implement these changes? If not, please tell us why.**

   - Yes, we agree with the proposed drafting amendments.

9. **Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.**

   - Yes, we agree with the assessment of impacts.

4. Offshore wind with innovative ‘Other Deepwater’ foundations – proposals for a new technology category

10. **Would you support the adoption of an additional ‘Other Deepwater’ offshore wind technology categorisation, as defined above? Why or why not? Include any early concerns or potential risks you may foresee. We are particularly interested in any potential gaming risks or unintended consequences you have identified. What evidence can you provide to support your arguments?**

    - Yes, we support the creation of an additional ‘Other Deepwater’ offshore wind (ODOW) technology categorisation. However, we believe it would be premature for the category to be introduced for AR8 as the proposed definition is too restrictive and it is not clear that there are any such projects that are sufficiently developed to participate in the auction.

- Introducing an ODOW categorisation could open up opportunities and support innovation. However, parts of the definition are unnecessarily restrictive and could unintentionally rule out viable solutions. The definition should be made less restrictive. We're particularly concerned part ii) 1-3 of the definition would stifle innovation - especially the provisions around monopiles. The L/D ratios and seabed penetration depth parameters proposed in (ii) 1 could be relaxed while still achieving the policy intent of facilitating genuine, new hybrid solutions, some of which might otherwise be ruled out by the current definition (e.g. guyed monopile foundations).
- Definitions should focus on functional outcomes rather than prescriptive design features to avoid excluding innovative floating or hybrid foundation solutions that could be well-suited to deepwater Scottish sites. Unlike a typical CfD category that does not change its definition auction-to-auction, the Other Deepwater Offshore Wind definition should therefore be treated as a transitional definition that will be reviewed and subject to change in future rounds. Floating foundations should not be disadvantaged by the inclusion of non-floating deepwater equivalents.
- However, whilst we believe the proposed definition should be broadened to provide greater scope for innovation, it is not clear where an ODOW category should sit within the auction there are still significant challenges to be overcome if ODOW is to be supported through the CfD.
- There is no deployment history to test cost assumptions against. Therefore, we do not believe that there is sufficient clarity on the capital and operational costs of these types of technology to inform a decision on whether they should be seen as in competition to traditional fixed offshore wind in deeper water depths or whether they should be seen as being as direct competition with the technologies which meet the current definition of floating offshore wind.
- We believe there is a risk that if the current proposed minimum water depth of 50 metres is implemented and this category of technologies were to be added to Pot 3, there is a very real risk of gaming by projects which could have used lower cost traditional fixed foundations but which choose to deploy foundations in the ODOW category as a way of accessing a significantly higher strike price. This would both add to consumer cost and also threaten to stymie the development of floating offshore wind through the diversion of budget allocated to Pot 4. Similarly, ODOW should not be included in the floating offshore wind pot, as the risk of windfall gains is high.
- We would strongly argue, therefore, that it is essential to be clear on how these technologies may be deployed and to understand where these may supplant existing foundation technologies, as well as their cost model, before deciding whether these technologies should be allowed to compete directly with fixed and/or floating substructures.
- If ODOW is a separate category, competition will be limited and will be dependent on the ASP. However, the ASP will be difficult to assess for such a novel technology. By creating a third category, concerns over competition distortion with fixed and floating wind projects competing in the same round are greatly reduced.
- Before eventual inclustion in a CfD auction, greater clarity is needed on what the definition of ODOW projects will be, as the number of eligible projects is currently unclear. This would align with our request for frequent reviews of the pot structures and would leave the opportunity for an ODOW pot to be introduced when there is a sufficient number of projects to be competitive.

11. **Can you identify any considerations related to the Clean Industry Bonus? We are particularly interested in any potential unintended consequences you have identified.**

- We believe that if ODOW does not have the same conditions as fixed and floating offshore wind, it could have a competitive advantage. Any ODOW projects should therefore be treated equally in the CIB to any technology they are in competition with. The government should endeavour to ensure there is a level playing field for all technologies.
- The timing of the CIB application window also presents a challenge for ODOW projects. If applications are required before, or very close to, the publication of the final AR8 CfD framework, developers may struggle to thoroughly engage with their supply chain without sufficient clarity on eligibility or assessment criteria, increasing the difficulty of submitting robust and compliant applications. This is another reason why ODOW should not be introduced as a technology category in AR8.

12. **Do you agree with the proposed contract and policy amendments to enable the new ODOW technology to participate in the CfD scheme? Please let us know if you disagree with any of the proposed changes or policies and why.**

- Yes, we agree.

13. **Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.**

- Yes, we agree.

5. Changes to improve scheme efficiency – proposed legislative amendments

Correcting Delivery Body administrative errors at the assessment stage

14. **Do you agree that the Government should amend the Allocation Regulations to require NESO to correct administrative errors promptly when they come to light? If not, please tell us why.**

- More information is needed as this appears to give NESO more leeway for making errors, which we do not support.
- We do not support introducing the Delivery Body's ability to unqualify applicants who have been told they qualify. Allowing retrospective disqualification introduces unnecessary uncertainty for applicants, who would no longer be able to rely on a qualification notice as a definitive outcome.

15. **Would you support a general pause to the allocation process to allow affected applicants more time to consider appealing and NESO to determine a Tier 1 appeal, or should the pause be limited to affected projects only? Please give reasons for your answer.**

- More information is needed on this, as this could harm auction timelines. If the allocation round is delayed this adds uncertainty to financing workstreams and consequently the start of construction. Additionally, developers need to finalise contracts before the start of the project finance process, which it won't be able to do if there is uncertainty on construction dates.
- The government should prioritise predictable timelines as far as possible. Any pause should not affect projects' timelines or their ability to make financial decisions. However, a short pause, i.e., two weeks, is not considered significantly damaging and could allow projects the same amount of appeal time as competitors. It is inefficient for developers to have multiple timelines; the government should consider a pause for a specified amount of time.
- We would oppose a pause as the proposal is currently written, as it puts the auction on the longest possible timeline. We believe the auction should progress at a quicker pace, considering a scenario where the process is streamlined, as happened with the offshore technologies auction and 'pending applications' process in AR7. This could allow a scenario 3-style timeline and find a balance between auction predictability with allowing developers sufficient time for appeals.

16. **What is your view on removing the ability of an affected applicant to appeal at Tier 1 in favour of allowing them to submit a Tier 2 appeal directly to Ofgem? Please give reasons for your answer.**

- A guiding principle should be that the right of the applicant to appeal and access to appeal should not be constrained. Options like allowing applicants to appeal directly to Ofgem appear consistent with the principle of retaining the right to appeal while not adding timeline uncertainty to the allocation process. We believe that Tier 1 disputes should be maintained. Furthermore, if a project is halted at the Tier 1 stage and there is no Tier 2 appeals from any applicant, the remaining applicants would proceed directly to the sealed bid window, leaving the status of the affected applicant uncertain.
- We expect these administrative errors to be rare, so NESO and Ofgem should be able to provide shorter decision timelines for affected applicants to resolve their appeals promptly.

17. **Do you agree that the administrative arrangements around the process to correct Delivery Body errors can be set out in the Contract Allocation Framework to allow for flexible implementation? If not, please tell us why.**

- SR agrees.

Discretion to clarify non-material errors and omissions in CfD applications

18. **Do you agree that Government should amend regulation 20(2)(c) of the Allocation Regulations to allow NESO to consider new documentary evidence to correct non-material errors or omissions at the Tier 1 appeal stage? If not, please tell us why.**

- Yes, we agree, as long as this is used solely to correct non-material errors or omissions and does not impact the auction timelines which should be streamlined

19. **Do you agree that the key elements of the legislative changes should be as outlined above? If not, please tell us why. Should the Government consider any additional or alternative changes to achieve the policy objective?**

- We believe DESNZ should provide standalone guidance on non-material errors and omissions to ensure applicants have clear information.

20. **Do you agree that the administrative arrangements around the submission and consideration of the new evidence, and guidance on what would constitute acceptable new documentary evidence, can be set out in the Contract Allocation Framework to allow for flexible implementation? If not, please tell us why.**

- We do not agree. We believe that specific wording and rules should be in the Allocation Framework, and standalone guidance should be provided separately.

Revising Pending Application regulations

21. **Please flag any unintended consequence of this change that the Government may need to consider.**

- We believe these changes could enable a more efficient process, and we note that this approach was taken for offshore wind in AR7 and helped speed up the allocation round. However, proposed revision lacks clarity on its objectives and specific changes and we need more information on how the government plans to implement this revision.
- If the proposal aims to include pending applications in the initial bid stack, this raises several procedural challenges. An auction will still need to be re-run if a pending project fails its appeal, causing potential delays and disruptions. The Secretary of State would also have to repeat the bid stack optimisation process whenever appeal outcomes change the qualified projects. To keep the process fair, only confirmed competitors should be considered in the final bid stack, not unresolved applicants. There is no clear guidance on how these revisions, appeals, and optimisations would be managed and sequenced into the final allocation award process without adding uncertainty or delay. We urge the Government to clearly define the proposal's purpose, design, and operational steps before implementing any changes.

6. Removal of default bids

22. **What reasons are there for not submitting a sealed bid within the sealed bid window?**

- SR is not aware of any reason to not submit a sealed bid within the sealed bid window.

23. **Do you support the proposal to remove default bids and treat applications for which a bid is not submitted in the sealed bid window as if they have been withdrawn? Please provide any further comments to support your answer.**

- We support the proposal to remove default bids. This reduces the risk that projects will receive a CfD when they may not intend to, or when they did not appropriately withdraw their project.

7. Preventing delayed CfD start dates - enhanced requirements for distribution-connected CfD generators

24. Do you agree with the proposal to introduce contractual measures to enable LCCC to obtain near real-time metering information for distribution-connected generators? If not, please explain why.

- We support this proposal and understand the potential need for contractual measures to ensure the LCCC can obtain more accurate metering information for distribution connected projects.
- We have the following concerns with the wording of the proposal:
    - Condition 31.13. We are concerned that the proposal for this to come into effect on "*with effect from the installation of any Facility Metering Equipment*" could mean the requirement to provide access starts from "installation" of the metering equipment. This may not work in practice noting the needs for commissioning periods for metering equipment.
    - Condition 3.26(B)(iii). The change means that LCCC would be entitled to issue a UCON if they have made a request for metering information and the generator fails to respond within 10 business days or fails to provide access to metering equipment. The risk of a UCON being served by default should be low through good contract management, but the change does introduce a new risk, e.g. if an email /request from LCCC was missed. We would urge a longer period than 10 business days to alleviate this risk further.

25. Do you agree that Default Interest should apply under Conditions 10.4(C) and 18.6(C) where Generators fail to provide metering information or access as required? If not, please explain why.

- LCCC will be entitled to apply default interest to reconciliation amounts owed to LCCC where it has had to rely on an estimate of output if metering information has not been provided by the generator. This is caveated by the provision that default interest can only be applied where the generator could reasonably have complied with the requirement to provide metering information and access to metering equipment. This potentially creates uncertainty on whether it was reasonable for a generator to have provided the information and access in any given case. Clarity should be provided on what is reasonable and in what circumstances access or information would not be reasonable (for instance, during a commission period or event)

26. Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.

- We agree.

8. Proposed exclusion of applications with Gate 1 connection agreements

27. Do you agree with the Government's proposal to exclude applicants with Gate 1 connection agreements from being eligible to apply for a CfD? Please explain why or why not, and where appropriate, supporting evidence.

- It is unclear whether this is an issue that will materialise, but we support the proposal.
- On January 29, NESO announced that there would be further delays to Gate 2 offers, with a new timeline expected in the coming weeks. It is now very likely that Gate 2 offers will be after AR8 eligibility window opens, which adds uncertainty over how the connection reform will interact with AR8 timelines, particularly if revised connection offers delay a project. The Government should confirm that confirmation of Gate 2 status is sufficient evidence for qualification for AR8. As was done for AR7, the LCCC should clarify how NESO's grid connection reform programme will be treated, clarifying that such an event is capable of constituting a grid delay for the purpose of the CfD.
- AR8 eligible applicants should be prioritised in the Gate 2 offer process as they need the outcome of any advancement request confirmed as soon as possible and the Gate 2 offer issued with sufficient time for negotiation and acceptance prior to the window for applying for AR8.
- It would improve the efficiency of bids if projects knew their Gate 2 connection date ahead of the auction. Depending on connection date outcomes (which are not expected until Q2 2026) this could lead to material project issues include delay or termination as projects construction and build schedules are potentially undermined.
- A Gate 1 connection agreement indicates that a project is not aligned with the strategic alignment criteria and is therefore not required to contribute to the delivery of Government's Clean Power 2030 Action Plan. Allowing such projects to bid for a CfD risks crowding out projects that are strategically aligned and expected to deliver against the Clean Power 2030 Action Plan. If the "not aligned" Gate 1 projects are successfully awarded a CfD instead of the "aligned" Gate 2 projects, the objectives of the reformed connections queue to support delivery of Clean Power 2030 Action Plan will be entirely undermined

28. The Government also invites views on any issues/concerns regarding NESO's connection reform process and its interaction with the CfD. Where a concern has been raised, please propose potential mitigations focusing on the provisions within the CfD in the first instance.

- Floating offshore wind projects in Scotland are particularly exposed to uncertainty arising from the interaction between connection reform timelines and CfD application windows. Given longer development lead times and dependency on coordinated offshore and onshore infrastructure, DESNZ should ensure that evidence requirements for Gate 2 eligibility are proportionate and do not exclude otherwise viable FLOW projects solely due to sequencing issues outside the developer's control.
- There is a significant risk for many projects from the interaction between grid liabilities increasing and the current CfD timeline, despite this being separate from the connection reform process. Typically, a project's grid liabilities increase 3 years ahead of any given connection date on 1 April of that year, which is known as the trigger date. These increases can amount to millions of pounds and do not decrease once the date has passed.

- To manage this risk, projects typically aim to secure a Route to Market (RtM) ahead (i.e. CfD results notification) of grid liability increases, providing a window to delay the connection date (through a ModApp) prior to any increase if it is unsuccessful.
- If future auctions follow the same schedule as AR7, the eligibility window for AR8 will likely open in July 2026, which is after grid liabilities go up (in April). This risk is exacerbated if the available delivery years for Pot 1 technologies remains at two, as projects that otherwise would have participated will be pushed back into AR9, which increases their exposure to grid liabilities as they would be closer to the 'trigger date' for these costs increasing (3 years prior to connection date).
- An additional delivery year in AR8 for Pot 1 technologies would address this issue.
- More generally, the option of an additional third Delivery Year for AR8 for other technologies (in addition to fixed foundation offshore wind) was not included in the consultation for refinements to AR8. This option is of particular interest for developers of solar, onshore wind, RIW and floating offshore wind projects.
- Many of these projects are facing challenges in matching the timing requirements of the two delivery years currently available in the CfD auctions. Reasons include insufficient delivery year options, longer supply chain delivery times, increased construction durations and phased grid connections and charges (as noted above).
- These timing and eligibility challenges are becoming more common, particularly due to the increasing size of onshore wind, solar and floating offshore wind projects. To match the progress of the sector, it is important that the design of the CfD auction is reviewed and updated to address these challenges to maximise competition and project delivery.
- We note that the interaction between grid connection reform and CfD eligibility presents a distinct challenge for RIW projects. RIW connection dates are determined by long-lead, nationally significant transmission infrastructure, often delivered on multi-year timelines that extend beyond typical CfD delivery years. In parallel, RIW developers must commit to early and substantial financial obligations, such as securities, transmission works and enabling infrastructure, several years before energisation. For example, some Western Isles onshore wind projects may be required to commit to around £200 million in grid securities in Q2 2027, 3.5 years before energisation, to support the wider HVDC interconnector. A CfD is critical to securing this commitment so far in advance, and RIW-appropriate delivery windows must therefore be considered.
- Under current proposals, RIW projects risk falling outside AR8 delivery years not because of project readiness, but because their transmission-driven energisation dates occur beyond the proposed September 2030 cut-off. This undermines the ability of RIW to participate in the scheme and risks suppressing deployment in island regions despite government objectives to enable sustainable economic growth in these communities.
- We therefore recommend that AR8 accommodates transmission-dependent technologies by reinstating RIW-appropriate delivery windows (as used in previous rounds) or by enabling flexible treatment where energisation dates are determined by strategic interconnector programmes rather than project-level delays. This approach would mitigate unintended exclusion and ensure that RIW can continue to contribute to UK energy and net-zero goals.

29. Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.

- We agree.

9. Visibility of sealed Bids and Sealed Bid changes for technology types with Sealed Bid visibility

30. Do you agree with the Government in a) retaining bid stack visibility for fixed bottom offshore wind for AR8 and b) expanding bid stack visibility beyond fixed bottom offshore wind to other technologies from AR8? If yes or no, please explain why with particular reference to merits and concerns.

- We do not support extending bid stack visibility beyond fixed bottom offshore wind.
- In terms of reducing budget underspend, there is not the same rationale for viewing bids for smaller projects where the marginal clearing price has less impact. Clarity upfront is necessary. Soft auction caps could allow clearing volume in a mechanistic way and avoid the risk of underspending the budget. However, Government should keep this policy under review for FLOW projects as when their capacity reaches a level similar to fixed OFW, then visibility of sealed bids may need to be extended to FLOW pot.
- The AR7 process was unclear, and the initial budget was lower than Clean Power 2030 targets, creating significant uncertainty for the industry. The government should consider setting a capacity minimum for AR8, which would allow certainty for projects bidding into the round. By using a capacity target approach, auctions clear efficiently against a set capacity targets and remove the need for Secretary of State intervention.

31. For any technology type for which the Government has visibility of sealed bids, do you agree with our proposal to limit applicants to submitting only one sealed bid?

- We agree there is limited use for flexible bids if the Secretary of State has visibility over the bid stack. If the Secretary of State has visibility of the bid stack, we support there only being one sealed by allowed per applicant.

32. For any technology type for which the Government has visibility of sealed bids, do you agree we should retain the anonymity of those bids? If yes or no, please explain why with particular reference to merits and concerns.

- Bids should remain anonymised. The more information that is made available, the higher the risk that the auction process is no longer viewed as mechanistic and neutral, with no opportunity for judgment to be applied in selecting successful projects. This could undermine confidence in the CfD auction process.
- If anonymity is not maintained, a number of risks are introduced. These include a high degree of government oversight of the bid stack, the risks of irrational bidding, the risks of sharing highly confidential and sensitive bidding information and confidence in decision making and risks of political and market interference.

33. Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.

- SR does not agree. We do not believe that this is a market-led best practice approach for the CfD in the long-run. As a principle, the government should not intervene in the CfD auction process unless there is a clear need or rationale. The government should consider a solution to the issue of leftover budgets through utilising a full capacity target approach.

10. Minor and Technical changes to the CfD contract terms

Updating the CPI inflation factor in the CfD Standard Terms and Conditions

34. **Do you agree with our proposal to change the Base Year CPI to ensure that the price base used to calculate the annual strike price adjustment is the full-year 2024 CPI? If not, please tell us why.**

- SR agrees.

Proposed amendment to the definition of 'Inside Information'

35. **Do you agree with the proposed amendments to the definition of 'Inside Information' and Condition 72.3? If not, please tell us why.**

- SR agrees.

END