

Strike prices for Contracts for Difference published and other Electricity Market Reform news

DECC has published finalised strike prices for the Feed-In-Tariff Contracts for Difference (CfD), some additional information on CfD contract terms and some further information on investment contracts under the Final Investment Decision Enabling for Renewables process, including the list of qualifying projects.

Development of CfD contract terms

Further to its August announcements, DECC has published details of some additional changes to contract terms:

- **Reduction of Capacity:** developers will be able to reduce project capacity without penalty by:
 - up to 25% between date of allocation and "Substantive Financial Commitment" (SFC).
 - A further 5% between SFC and the Longstop date.
- **Relief for unexpected events:** Relief will be provided for connection-related delays, and unexpected geological conditions, environmental events or archaeological finds.
- **Collateral:** Generators will only have to post collateral if they fail to comply with payment obligations.
- **Changing circumstances:** Revenue adjustments will be available if the generator is prevented from generating without obtaining reasonable compensation. Strike price adjustments will apply in case of changes in charges for transmission losses and balancing services costs.
- **Reference prices:** Baseload generators will be able to switch to a year-ahead reference price. Circumstances where reference prices can be changed will include where the "weight of the market" has shifted or where "market splitting" influences the validity of the price. Further detail remains to be published on this.

Also for offshore wind, DECC has confirmed that all phases will receive the same strike price, determined by the target commissioning date of the first phase. Only 25% (rather than 35%) of the capacity would need to be developed in the first phase.

CfD Strike prices

The finalised strike prices table (set out below), contains marked increases in prices for geothermal and some of the newer technologies (e.g. anaerobic digestion) but also reductions in some of the more established technologies (onshore wind, energy from waste, landfill gas, and large scale photovoltaic).

Table 1 ¹	Strike Prices £/MWh (2011/2012 prices)				
	2014/15	2015/16	2016/17	2017/18	2018/19
Advanced Conversion Technologies (with or without CHP)	155	155	150	140	140
Anaerobic Digestion (with or without CHP)	150	150	150	140	140
Dedicated Biomass (with CHP)	125	125	125	125	125
Energy from Waste (with CHP)	80	80	80	80	80
Geothermal (with or without CHP)	145	145	145	140	140
Hydro	100	100	100	100	100
Landfill Gas	55	55	55	55	55
Sewage Gas	75	75	75	75	75
Onshore Wind	95	95	95	90	90
Offshore Wind	155	155	150	140	140
Biomass Conversion	105	105	105	105	105
Wave	305	305	305	305	305
Tidal Stream	305	305	305	305	305
Large Solar Photo-Voltaic	120	120	115	110	100
Scottish Islands Onshore				115	115
Key		Price Increased			
		Price Reduced			

©Crown copyright 2013

Notes:

The strike price in Table 1 show the strike price for projects commissioning in the year stated in the column.

These prices are in all cases maximum strike prices. In the case that constrained allocation applies earlier, the actual strike price will be the outcome of the constrained allocation process if that is a lower value.

While strike prices have been set out for 14/15 in order to ensure comparability, the EMR consultation on proposals for implementation discussed a start date for CfD payments of April 2015.

Tidal range projects, which include both tidal lagoon and tidal barrage technologies, do not have a published strike price. Instead, given the lack of cost data available DECC will consider how best to price CfDs and the appropriate length of contracts for these projects on a case by case basis.

The strike prices for Tidal Stream and Wave are intended for the first 30MW capacity of any project.

¹ Extract from: Investing in renewable technologies – CfD contract terms and strike prices – December 2013

Final Investment Decision Enabling for Renewables

DECC has published details of the 16 qualifying projects² which have applied to receive investment contracts before the main CfD scheme comes into operation. The projects are a mixture of biomass / biomass conversion and wind projects (onshore and offshore):

Final Investment Decision Enabling for Renewables Qualifying Projects

Applicant	Qualifying Project
<i>Dedicated Biomass with CHP</i>	
MGT Power Ltd	Teesside Renewable Energy
<i>Biomass Conversion</i>	
Drax Power Ltd	Drax 2 nd Conversion Unit (Unit #3)
Drax Power Ltd	Drax 3 rd Conversion Unit (Unit #1)
Eggborough Power Limited	Eggborough 2 nd Unit
Eggborough Power Limited	Eggborough 3 rd Unit
Eggborough Power Limited	Eggborough 1 st Unit
Lynemouth Power Ltd	Lynemouth Power Station
<i>Offshore Wind</i>	
Beatrice Offshore Windfarm Ltd	Beatrice Offshore Wind Farm
Dong Energy Wind Power A/S	Burbo Bank Wind Farm
Dong Energy Wind Power A/S	Hornsea Offshore Wind Farm
Dong Energy Wind Power A/S	Walney Extension Offshore Wind Farm
Dudgeon Offshore Wind Ltd	Dudgeon Offshore Wind Farm
Inch Cape Offshore Limited	Inch Cape Offshore Wind Farm
UK Mainstream Renewable Power Ltd	Neart na Gaoithe Offshore Wind Farm
<i>Onshore Wind</i>	
Beinn Mhor Power Limited	Beinn Mhor Wind Farm
Ecotricity Group Ltd	Heckington Fen

² [Final investment Decision Enabling for Renewables Qualifying Projects](#)

In a third update³, DECC has provided the detailed process as to how projects will be chosen to receive investment contracts. In addition, the document sets out the following timetable towards award of investment contracts:

Date	Milestone and activity
December 2013	DECC publishes an update to the CfD terms, an explanation of any terms where detailed drafting is not available and the final EMR Delivery Plan.
19 December 2013	DECC sends draft Investment Contracts to applicants of Qualifying Projects, provides details of their provisional rankings and LCF affordability positions, and invites binding applications by a date to be specified.
March 2014	DECC sends final draft versions of Investment Contracts, together with marked-up versions showing the changes since the December 2013 drafts to applicants in respect of Qualifying Projects.
By a date to be specified some days after the sending of final versions of Investment Contracts	Deadline for binding applications for Investment Contracts.
Following receipt of binding applications for Investment Contracts	Assessment of affordability. DECC completes any necessary down-selection process.
Within approximately 10 working days of receipt of binding applications	The Secretary of State awards Investment Contracts to successful applicants.

© Crown Copyright 2013

³ Final Investment Decision Enabling Update 3: Contract Award Process – December 2013

Authors

**Nigel Howorth**

Partner,
Environment & Planning

T: +44 20 7006 4076
E: nigel.howorth@cliffordchance.com

**James Shepherd**

Senior Associate, Environment &
Planning

T: +44 20 7006 4582
E: james.shepherd@cliffordchance.com

**Michael Coxall**

Senior Professional Support Lawyer,
Environment & Planning

T: +44 20 7006 4315
E: michael.coxall@cliffordchance.com

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

www.cliffordchance.com

69697-5-1549

Clifford Chance, 10 Upper Bank Street, London, E14 5JJ
© Clifford Chance 2013

Clifford Chance LLP is a limited liability partnership registered in England and Wales under number OC323571

Registered office: 10 Upper Bank Street, London, E14 5JJ

We use the word 'partner' to refer to a member of Clifford Chance LLP, or an employee or consultant with equivalent standing and qualifications

If you do not wish to receive further information from Clifford Chance about events or legal developments which we believe may be of interest to you, please either send an email to nomorecontact@cliffordchance.com or by post at Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London E14 5JJ

Abu Dhabi ■ Amsterdam ■ Bangkok ■ Barcelona ■ Beijing ■ Brussels ■ Bucharest ■ Casablanca ■ Doha ■ Dubai ■ Düsseldorf ■ Frankfurt ■ Hong Kong ■ Istanbul ■ Kyiv ■ London ■ Luxembourg ■ Madrid ■ Milan ■ Moscow ■ Munich ■ New York ■ Paris ■ Perth ■ Prague ■ Riyadh* ■ Rome ■ São Paulo ■ Seoul ■ Shanghai ■ Singapore ■ Sydney ■ Tokyo ■ Warsaw ■ Washington, D.C.

*Clifford Chance has a co-operation agreement with Al-Jadaan & Partners Law Firm in Riyadh.

69697-5-1549-v0.6

UK-0040-BD-EPCC