

29 January 2021

**Q: If a Generator's transmission connection agreement is staged, how could this impact achieving CfD contractual obligations for Generators?**

A: As the CfD Counterparty, Low Carbon Contracts Company (LCCC) recognises that some Generators, notably large Offshore Wind, may have grid connection agreements that are staged when signing their CfD, which may have the potential to impact on the ability of the Generator to achieve the obligations under the CfD. This is likely, for example, where a large facility is to be integrated into the transmission network and where the deployment of supporting infrastructure is over a period of time.

Generators are required to secure transmission entry capacity of at least 75% of the provisional capacity estimate of the CfD unit as part of their eligibility to take part in the allocation process<sup>1</sup>. The provisional capacity estimate becomes the Initial Installed Capacity Estimate (IICE), as defined under the CfD.

Once a contract has been awarded to the Generator, they are able to reduce their IICE by up to 25% at the Milestone Delivery Date (MDD). The capacity, whether reduced or not, is then taken forward as the Installed Capacity Estimate (ICE).

In order to fulfil the Operational Conditions Precedent (OCP) in the CfD, the Generator has to demonstrate that at least 80% of the ICE has been Commissioned (as defined in the CfD). The details of the obligations for the OCPs can be found in the CfD Standard Terms and Conditions Part B of Schedule 1, Further Conditions Precedent and the associated LCCC Guidance Document for wind technologies can be found here: <https://www.lowcarboncontracts.uk/index.php/publications/wind-commissioning-guidance>. Other technology-specific OCP guidance can be found here: [https://www.lowcarboncontracts.uk/publications?field\\_publications\\_category=55](https://www.lowcarboncontracts.uk/publications?field_publications_category=55).

Where the grid connection agreement upon signing the CfD is staged so that the grid connection is less than 100% of the IICE when the OCP are to be achieved (but in all cases 100% of the IICE by the Long Stop Date (LSD)), LCCC would consider this to meet the OCP provided the grid connection is never less than 75% of the IICE and subject to satisfying ALL other OCP commissioning obligations including demonstrating the facility has Commissioned 80% of the ICE.

At the OCP stage, the Generator is required to provide the staged grid connection agreement that demonstrates a grid connection capacity at least equal to the ICE by the LSD.

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<sup>1</sup> Regulation 25 of the Contracts for Difference (Allocation) Regulations 2014 (as amended).