



**LOW CARBON
CONTRACTS COMPANY**

POWERING NET ZERO



**Electricity
Settlements
Company**

AR4 Generators Welcome Event

September 2022

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LOCC Strategy

Gordon Edge

Head of Strategy & Corporate Affairs



Independent, non-profit, private limited companies owned by the Secretary of State for Business, Energy and Industrial Strategy (BEIS)

Our Vision...
“...to accelerate the delivery of Net Zero”

Our Mission...
to shape and implement schemes which enable low-carbon investment at least cost to the consumer

LCCC's Guiding Principle...
Is to maintain investor confidence in the CfD scheme and **minimise costs to consumers**

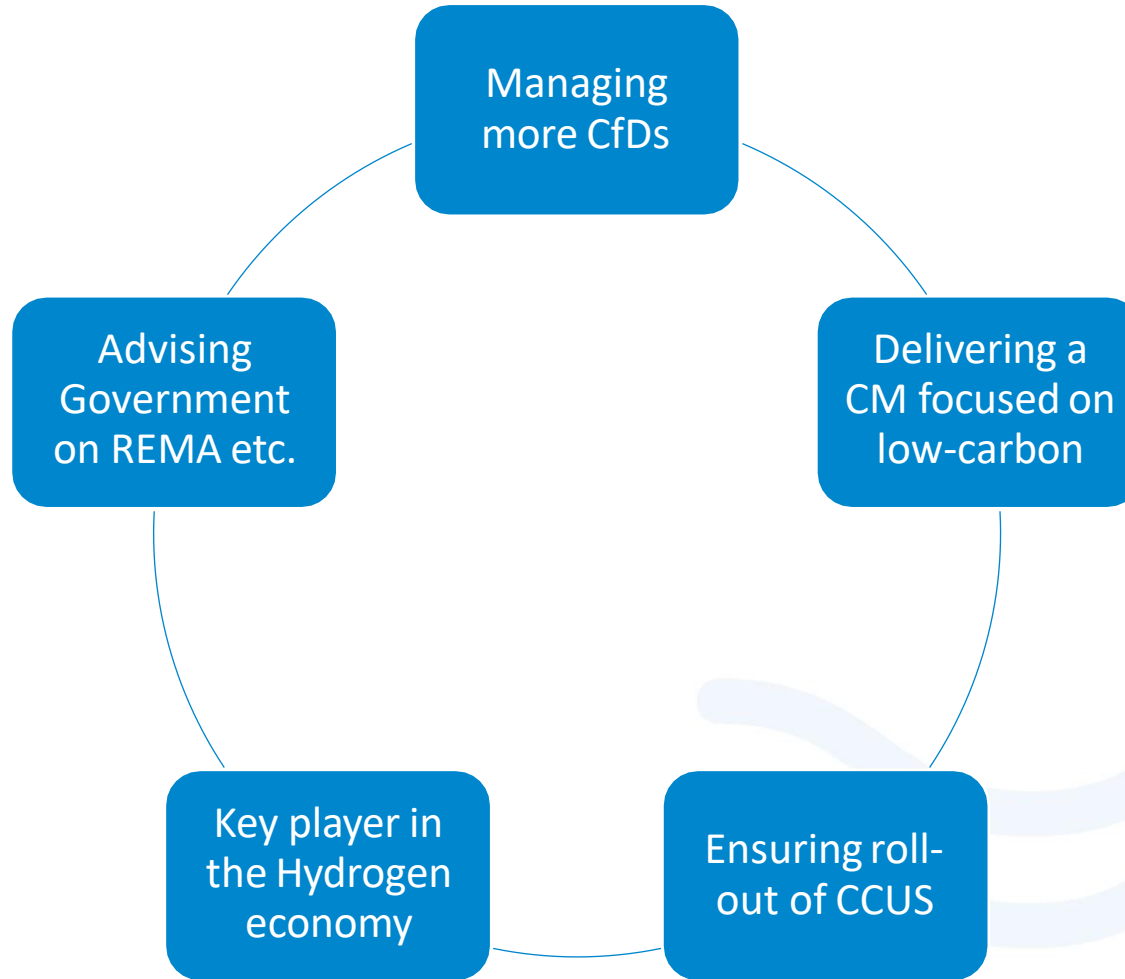
Our current roles:

- **‘CfD Counterparty’ to Contracts for Difference (CfD) for low carbon electricity generation (LCCC)**
- **‘Settlement Body’ for the Capacity Market scheme to improve security of supply (ESC)**

New & potential counterparty & settlement body roles:

- **New counterparty role - Power: Carbon Capture, Usage & Storage Dispatchable Power Agreement**
- **Potential counterparty roles: Industrial Carbon Capture, Utilisation & Storage Contract for Difference; Hydrogen production contract**
- **Settlement role – Nuclear RAB**

Accelerating Net Zero



The CfD Contract Management Team

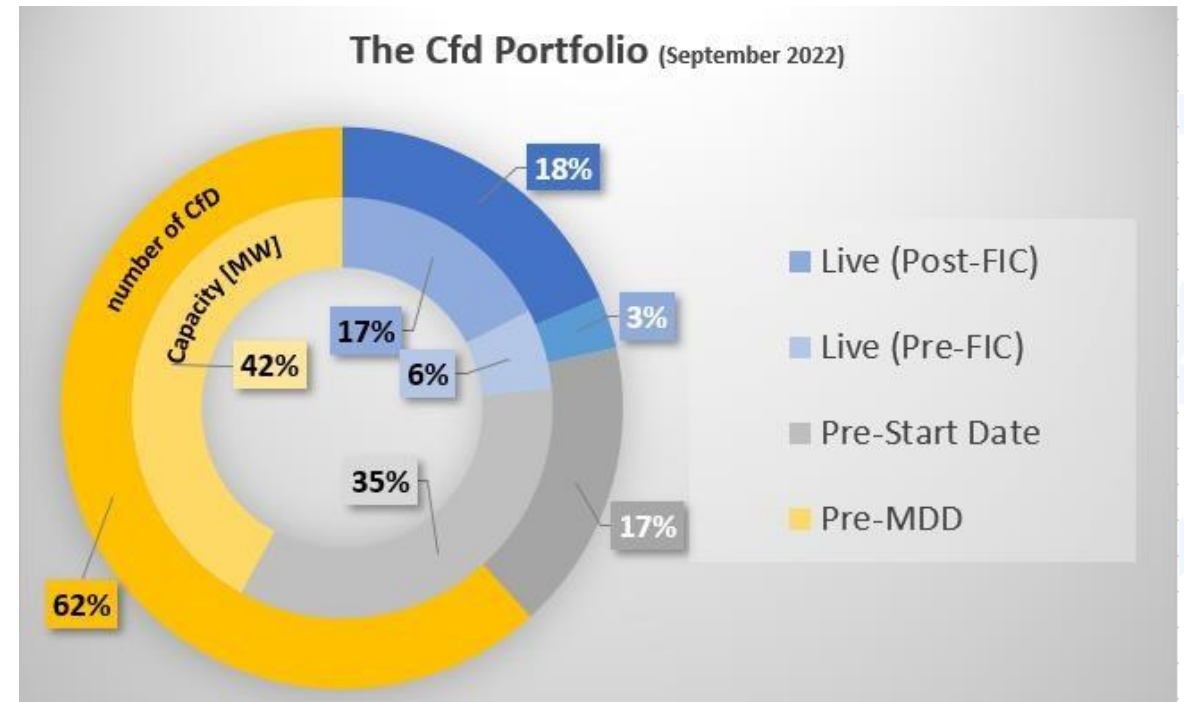
Ed Kriznic

Head of Contract Management



The Contract Management Team maintains investors' confidence and minimise costs to consumers by delivering day-to-day relationship, contract, and stakeholder management of the CfD portfolio, working collaborative with Generators towards their contractual milestones, enforcing the terms of the CfD contracts, and actively identifying opportunities.

	CfD	Capacity [GW]
Construction/Development	131	20.1
Operation	36	6.2
Total	167	26.3



Ways of Working

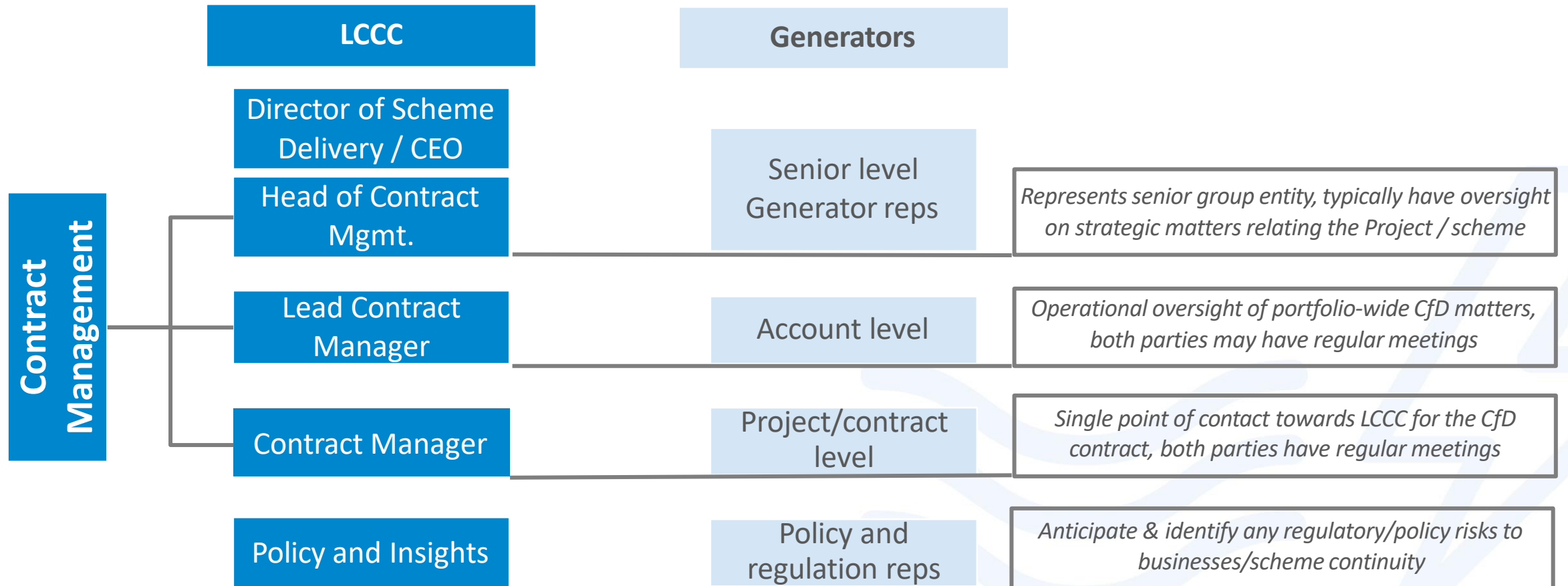
Kevin Mettam

Lead Contract Manager



Contract Management Framework

- Typical roles defined in view of multilevel / multidimensional industry relationships
- Engagement and ways of working is adapted and driven by the needs of your Project and / or portfolio



Contract Management Principles



Relationship Management

- Prioritised with clear, defined parameters
- Based on sharing common objectives and goals
- Aim to create transparent partnerships, not commercial driven or adversarial relationships



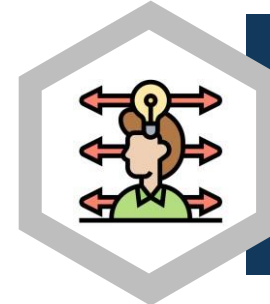
Contract Management Framework

- Contract ownership, management processes and governance mechanisms are clear
- We aren't 'blockers' – we will work with you on appropriate solutions to queries, issues or risks



Role Enhancements and Agility

- Focus on technology / financial training to improve capability as intelligent customer
- Flex priorities to ensure objectives are pursued e.g. ICP process, stakeholder engagement



Flexibility and Engagement

- We look to be pragmatic in applying T&Cs, e.g. reducing scope of reporting obligations
- We introduced Generator suggestions on Merchant Capacity / Storage Co-location



People

- Diverse range of skills, capability and experience deployed effectively and efficiently
- Resourced in proportion to portfolio demands



Administration aligned to 'good practice'

- Continuous improvement to Milestones, queries, issue, claim and change management
- Digitalisation driving efficiencies / improvement
- Assurance also driven by National Audit Office

What to Expect - Meetings



- Typically, our Contract Manager will arrange either fortnightly, monthly or bi-monthly Teams meetings (*please turn on your video!*)
 - Agendas typically vary week to week, but as a general principle be prepared to provide an update on your Project, issues / risks and how preparations are going to achieve your next Milestone
- Face-to-face meetings on-site are preferred to discuss complex matters, though office-based meetings can represent a good compromise (*travelling time, availability, etc.*)
- Frequency is driven by the demands of your Project
 - For those with a Milestone approaching, ongoing change or managing an issue, naturally, this will drive more regular engagement
- If you need to speak with us outside of a meeting, both parties should be comfortable in picking the phone and calling (*we endeavour to be reachable and easily contactable!*)

What to Expect - Site Visits

Site visits recommenced last year:

- These are a great opportunity to meet face to face, improve working relationships and understanding of your technology / phase of your Project
- Although it is not formally required under a Milestone, there are obligations in the CfD that permits LCCC to visit the site
- Onshore technologies are typically easier to arrange than offshore, however both should be considered, as appropriate



Contractual Contacts - Notices

- Company details such as address, name, etc. can be easily amended by emailing your Contract Manager
- However, Notices – For the Attention Of: needs to be appropriately defined as the person to whom all formal correspondence under the contract is addressed
- Your formal contact should be listed in 12.1 (A) of your Agreement (front-end); if this needs to be changed please ask your Contract Manager for a copy of the contractual template



To: Low Carbon Contracts Company (the "CFD Counterparty")
Contract Management
Att. [●]
10 South Colonnade
Canary Wharf
London E14 4PU

From: [●] (the "Generator")
Address: [●]
[Unique reference number: [●]]

Dated: [●]

CONTRACT FOR DIFFERENCE - CHANGES OF NOTICE DETAILS

Dear Sir/Madam,

1. We refer to the agreement dated [●] between you as the CFD Counterparty and us as the Generator in relation to the [●] Project (the "**Agreement**"). Terms and expressions defined in or incorporated into the Agreement have the same meaning when used in this notice.
2. We further refer you to Condition 80.4 (Change to notice details) of the Agreement.
3. We hereby notify you that our notice details, contained in Clause 12.1(A) of the Agreement, have changed from:

Address:	
Email address:	
For the attention of:	

And should be amended to:

Address:	
Email address:	
For the attention of:	

Yours faithfully,

AR4 Overview

Colette Woodall / Manmeet Badh
Contract Manager



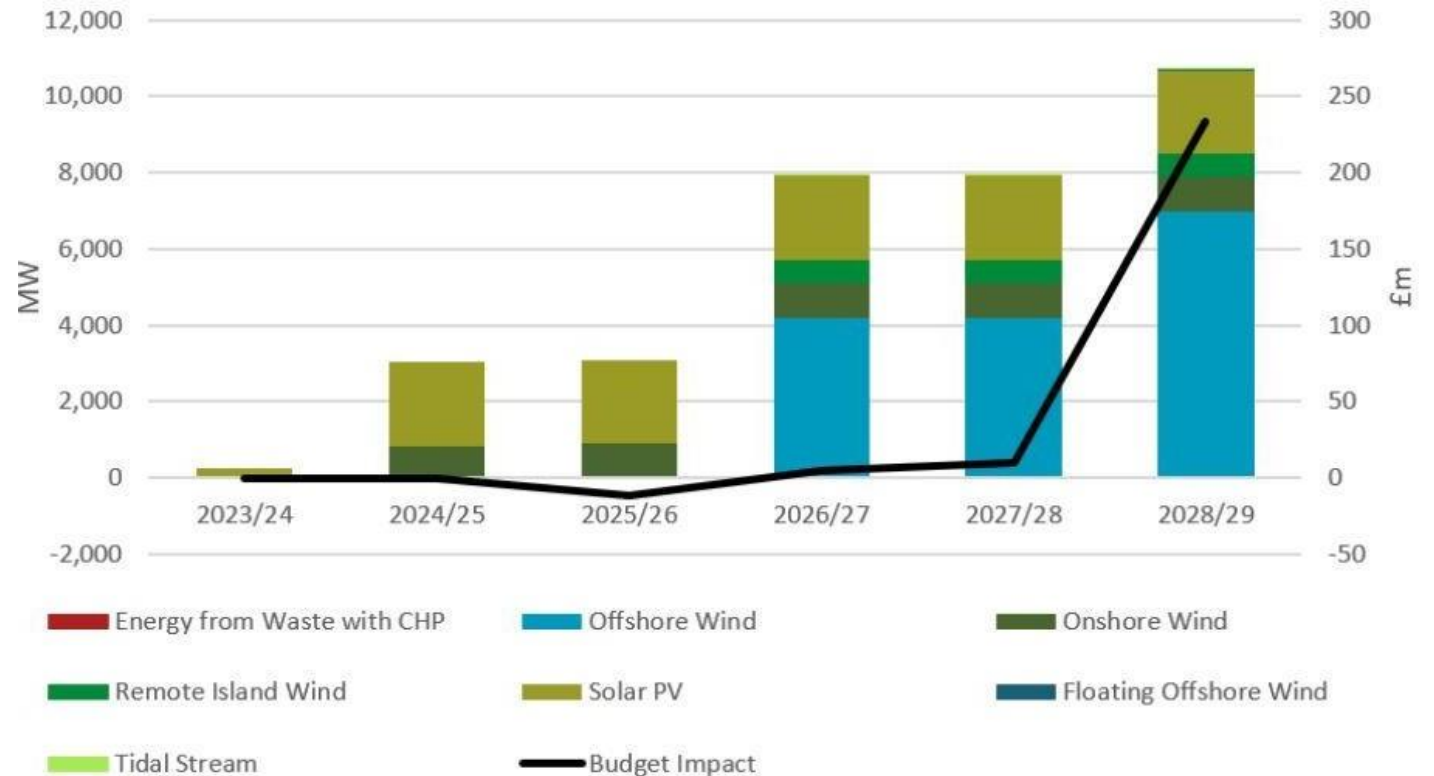
AR4 Overview

92 individual projects to deliver almost 11GW (largest allocation round to date) of clean energy – first projects due to come online in 2023-24.

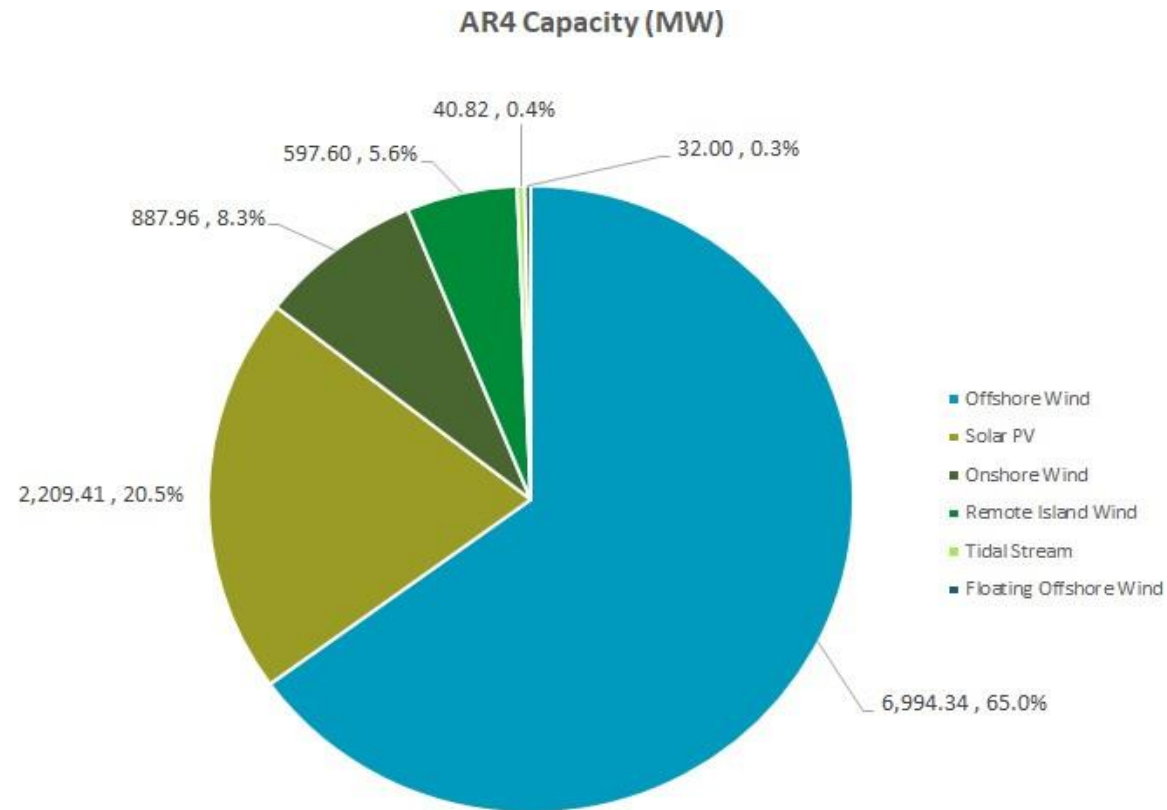
Variety of technologies including tidal stream and floating offshore wind for the first time, established solar, onshore and offshore wind.

Total estimated notional monetary budget impact will be less than zero in the first three delivery years, with a steep increase in 2027-28, all subject to prices at the time of generation

Projects size range from solar PV developments with an average capacity of 33.48MW to Hornsea 3's 2,852MW offshore wind farm.



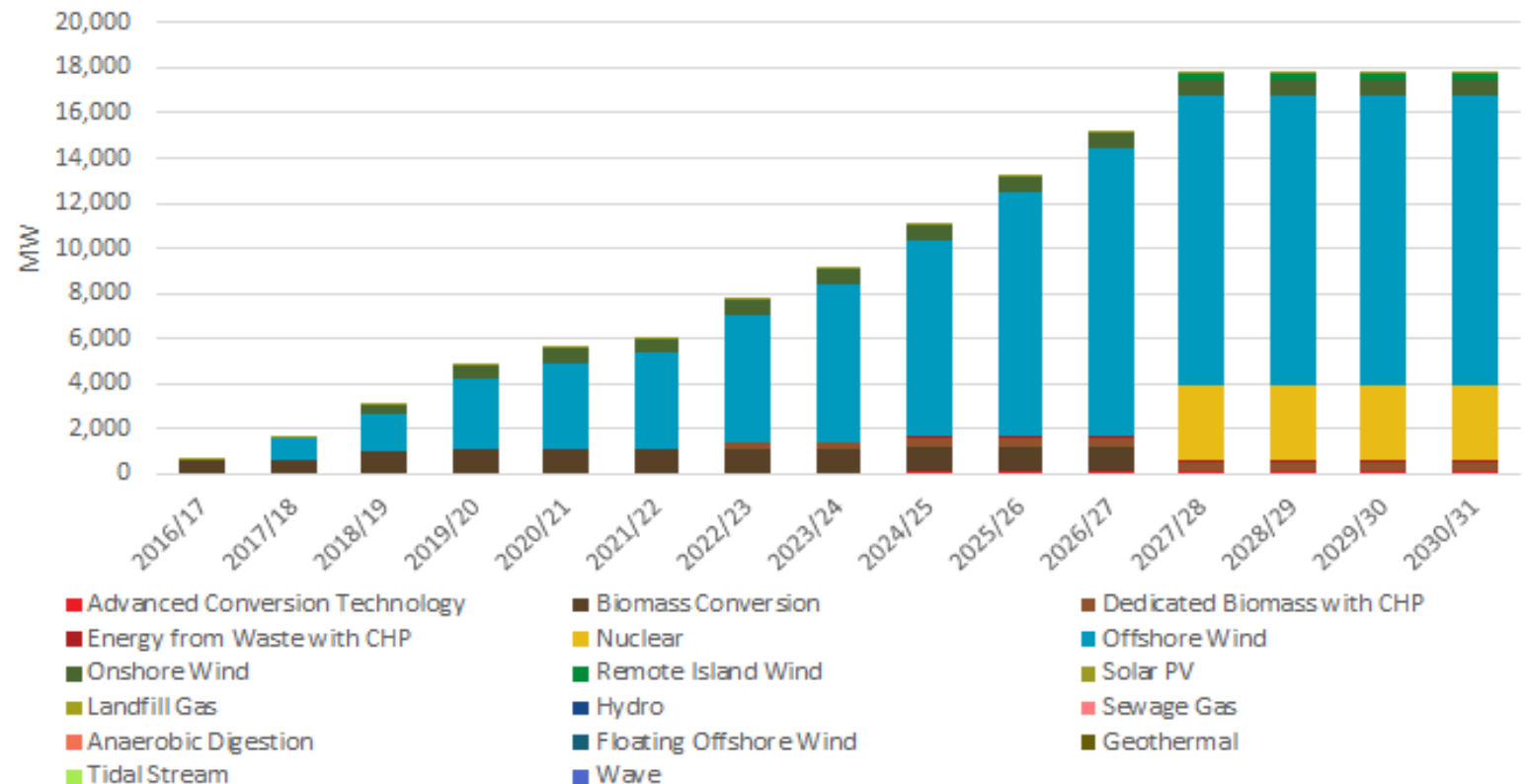
AR4 – Delivery of 10,762 MW over 98 separate CfDs



AR4 impact on current Portfolio by Technology

The addition of AR4 projects will mean:

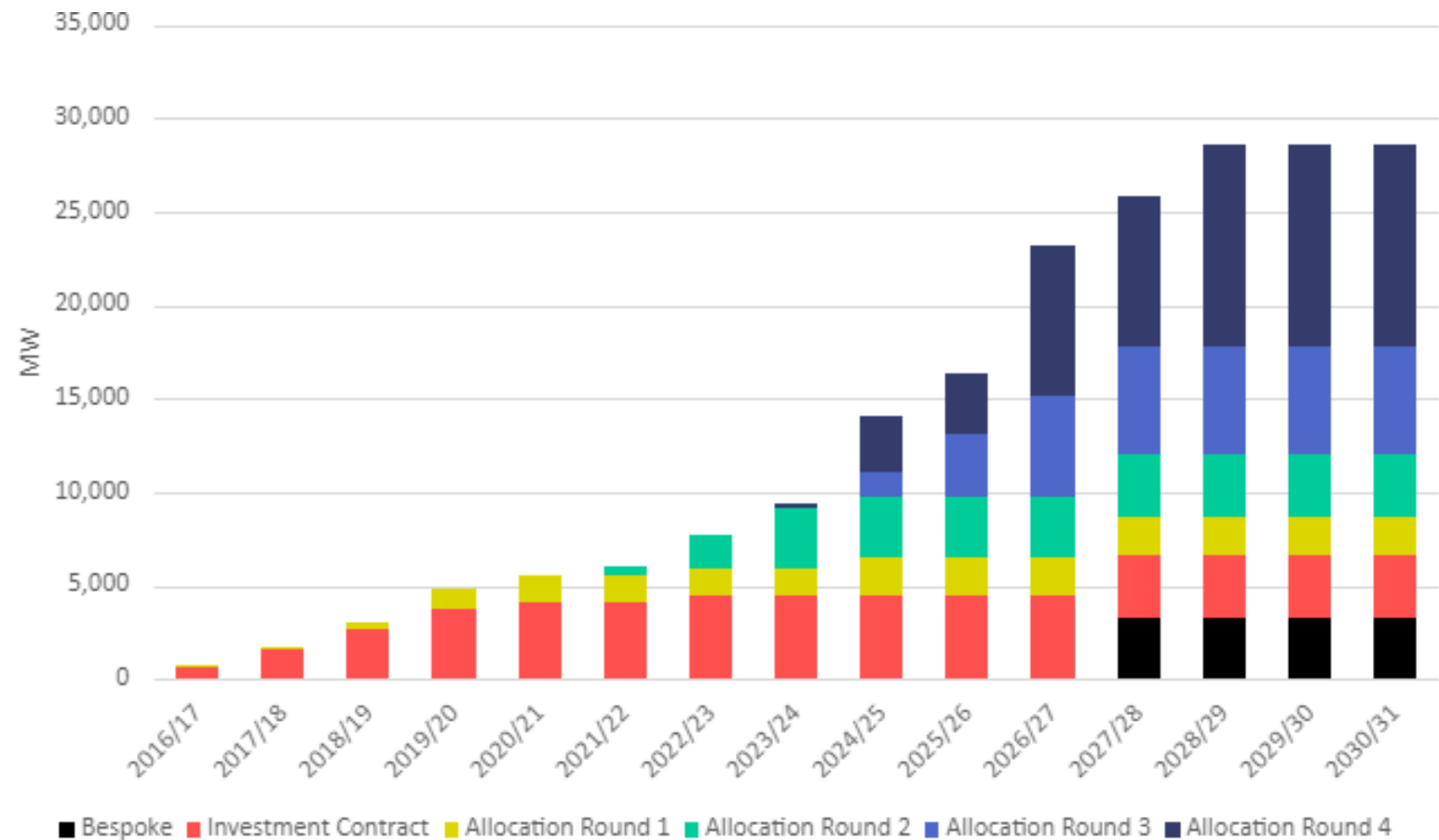
- A record amount of renewable energy has been secured through the biggest auction round to date
- A 60% increase to overall CfD capacity, with projects due to power around 12 million homes



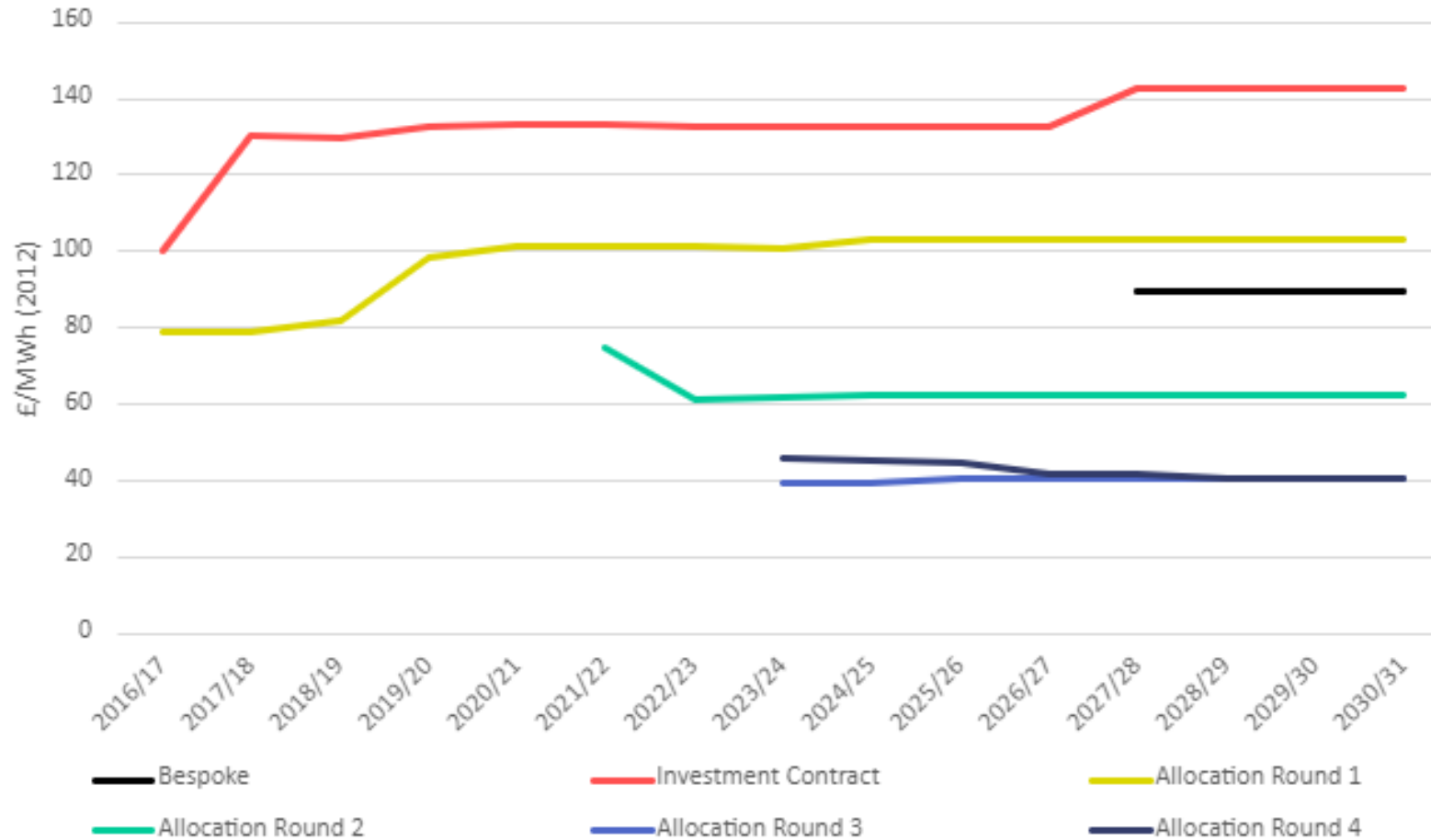
AR4 additional CfDs

The addition of AR4 projects will mean:

- A 145% increase in the number of CfD projects in the portfolio
- An 80% increase to the number of CfD project stakeholders with whom LCCC engages.



Strike Price Overview



CfD Register

Technology Type: Offshore Wind

CFD Agreement Types: All CFD agreement types

Current Strike Price: All current strike prices

Allocation round: Allocation Round 3

Search: Search Reset

Name ↑↓	Type of Technology	Agreement Type	Last updated	Current Strike Price
Seagreen Phase 1 Seagreen Wind Energy Limited	Offshore Wind	Phased (Single Metering)	11th July, 2022	53.46€/MWh
Seagreen Phase 2 Seagreen Wind Energy Limited	Offshore Wind	Phased (Single Metering)	11th July, 2022	53.46€/MWh
Seagreen Phase 3 Seagreen Wind Energy Limited	Offshore Wind	Phased (Single Metering)	11th July, 2022	53.46€/MWh
Sofia Offshore Wind Farm Phase 1 Sofia Offshore Wind Farm	Offshore Wind	Phased (Apportioned)	11th July, 2022	51.06€/MWh

Seagreen Phase 1

Seagreen Wind Energy Limited

Relevant Dates

Date CFD Register Entry was Last Updated	11th July, 2022
Target Commissioning Date	31st March, 2025
Target Commissioning Window Start Date	31st March, 2025
Generator's Expected Start Date	30th March, 2026

Strike price

Initial Strike Price	41.611€/MWh
Change to Strike Price (where applicable)	11.849€/MWh
Current strike price	53.46€/MWh

Project Information

Allocation round	Allocation Round 3
Technology type	Offshore Wind
CFD Unit with Combined Heat and Power ("CHP") (yes/no)	No
Dual Scheme Plant	No
Initial Installed Capacity Estimate for CFD Unit	138.000MW
Unique Geographical Coordinates	N: 56.677, -1.870; E: 56.528, -1.589; S: 56.513, -1.940; W: 56.601, -1.938
CFD Agreement Type (Bespoke, Investment, Generic, Private Network, Phased (Single Metering) or Phased (Apportioned))	Phased (Single Metering)
Version Name and Number of Standard Terms	Version 3, 01 May 2019

Company Details

Unique Identifier	AR3-SEW-101
Company Name	Seagreen Wind Energy Limited
Company Registered Address	No. 1 Forbury Place, 43 Forbury Road, Reading, RG1 3JH, England
Company Registration No	06873902

Location of Facility



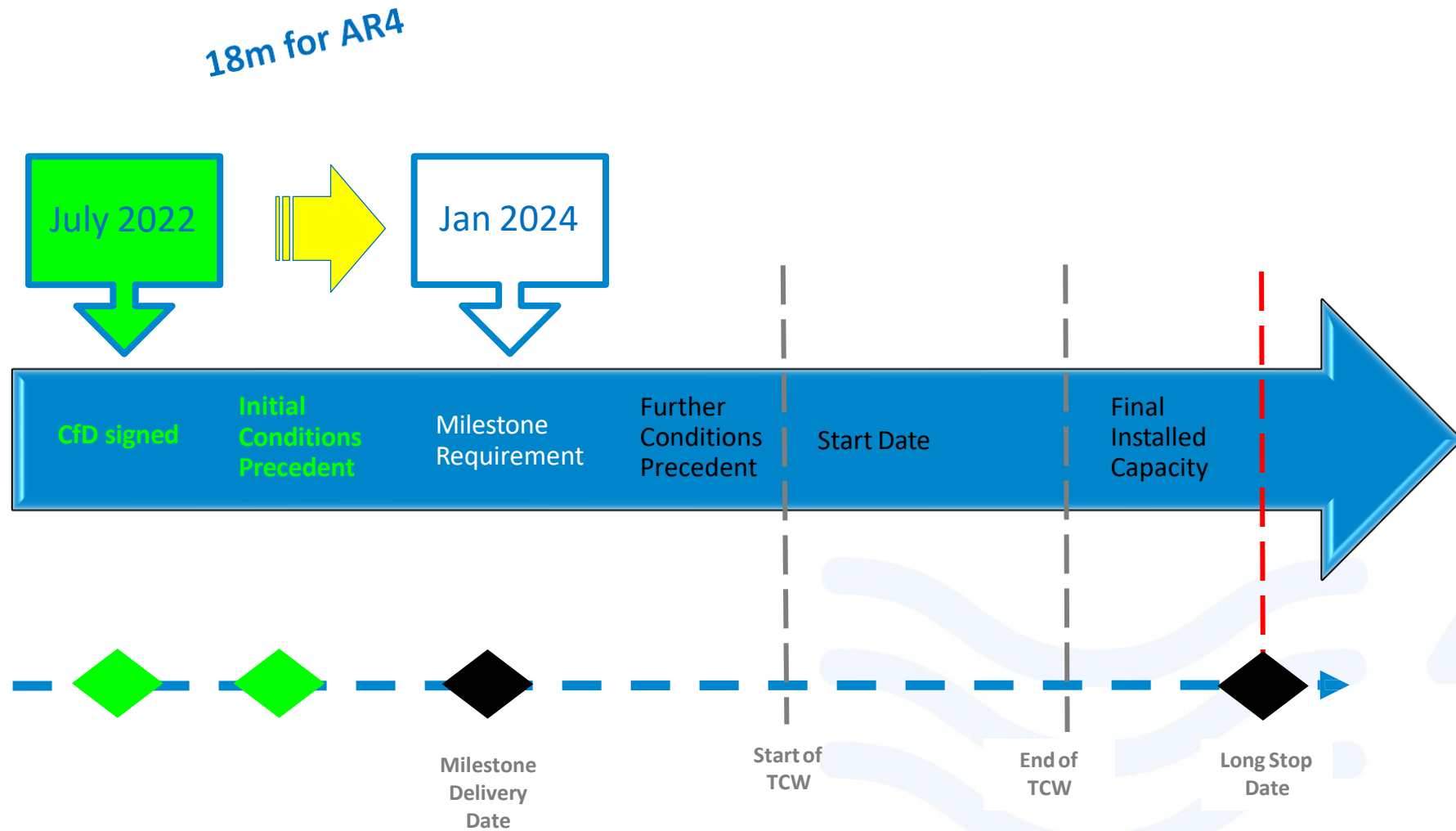
Milestone Requirement & Milestone Delivery Date (MDD) Overview

Alex Graves

Lead Contract Manager



Milestone Delivery Date - CFD Overview



What is the Milestone Requirement (MR)?

- MR confirms progress of Projects and intended to deter speculative bids and mitigate risk of CFD Budget blocking
- Within 18 months of the CFD being granted the Generator must either:
 - A. the “10% spend” route - Provide evidence that it and its direct shareholders have spent 10% or more of a project’s pre-commissioning costs; or
 - B. the “Project Commitments” route - Provide information including
 - i. a board resolution to progress the project
 - ii. Evidence of sufficient financial resources to meet the Total Project Spend
 - iii. Site Leases and Necessary Consents
 - iv. Executed Material Equipment contracts.

Milestone Requirement Notice

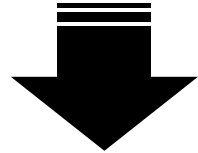
4.1 No later than the Milestone Delivery Date, the Generator shall give a notice to the CfD Counterparty (a “**Milestone Requirement Notice**”) that the Generator considers that it has complied with and fulfilled a Milestone Requirement. A Milestone Requirement Notice shall include either:

- (A) such invoices, payment receipts and other Supporting Information with respect to the Project as the Generator considers relevant to evidence that it and its direct shareholders have in aggregate spent ten per cent. (10%) or more of the Total Project Pre-Commissioning Costs on the Project; or
- (B) such Information as is specified, identified or listed as the Project Commitments and such Supporting Information as the Generator considers relevant to evidence compliance with or fulfilment of the Project Commitments (and for this purpose, where the Project Commitments relate to Material Equipment, taking into consideration the need to demonstrate to the CfD Counterparty’s satisfaction that contracts, agreements and purchase orders relating to such Material Equipment constitute significant financial commitments that are real, genuine and made in good faith),

(each, a “**Milestone Requirement**”).

Generator's submission (MRN)

- Pursuant to condition 4.1 of the CFD, by the Milestone Delivery Date (“MDD”), which is 18 months from the Agreement Date, the Generator must give a notice to LCCC (**Milestone Requirement Notice, “MRN”**) confirming that it has fulfilled the Milestone Requirement and enclosing Supporting Information.
- Pursuant to condition 4.2 of the CFD, the Milestone Requirement Notice (“MRN”) must be accompanied by a Director’s Certificate, certifying that the information contained in and enclosed with the Milestone Requirement Notice is true, complete and accurate in all material respects and is not misleading.



- From the date of receipt of Generator’s MRN, LCCC have twenty (20) Business Days to provide the Generator with a **Milestone Assessment Response Notice (“MARN”)**
- *The MDD Guidance includes template DC’s to be used supporting individual components of the submission. These complement the items of evidence submitted and form a critical link in assessing the suitability of the evidence provided.*

LCCResponse (MARN)

the Generator has complied with and fulfilled the MR

LCCC has not been provided with sufficient Supporting Information

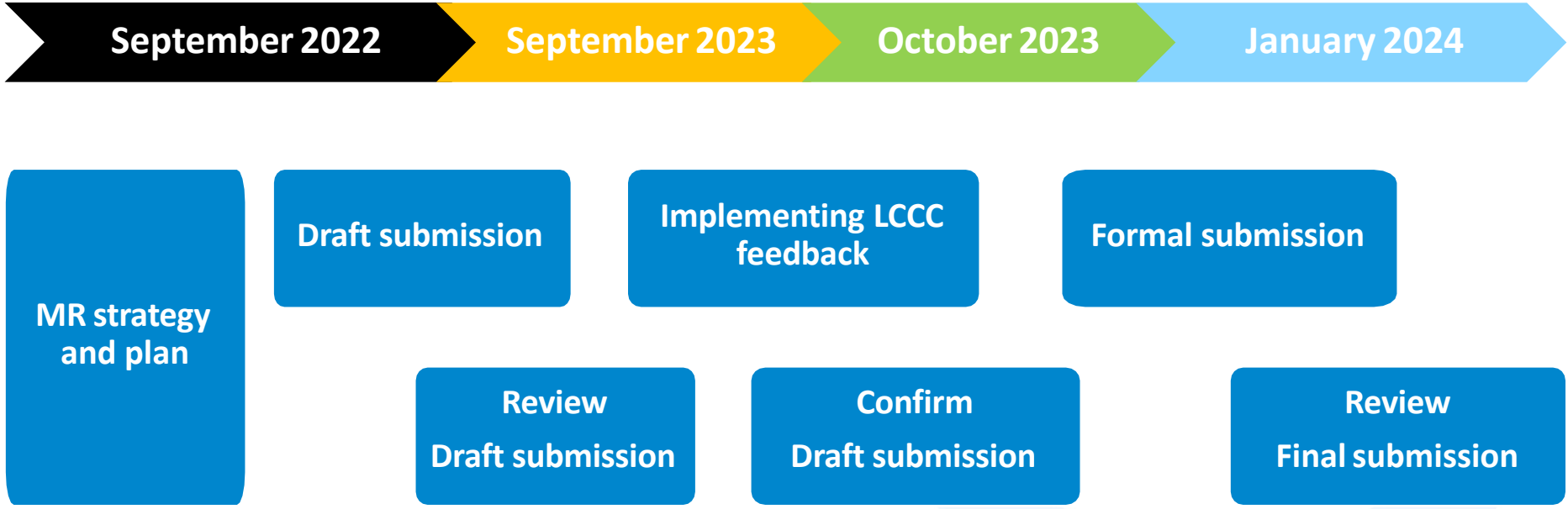
the Generator has not complied with and fulfilled the MR

LCCC will provide a list of the “**Requested Milestone Supporting Information**” setting out the additional Supporting Information required

Generators shall provide LCCC with the “**Requested Milestone Supporting Information**” as soon as reasonably practicable, and in any event no later than ten (10) Business Days after receipt of the Milestone Assessment Response Notice, unless LCCC specify a longer period

LCCC is required to, as soon as reasonable practicable and in any event no later than twenty (20) Business Days after receipt of the Requested Milestone Supporting Information, give a Further Milestone Assessment Response Notice specifying whether or not LCCC consider that the Generator has complied with and fulfilled a MR.

Expected process



What works well....

- **Start early.** Engaging with your LCCC Contract Manager early will help to ensure smooth running of the process and successful fulfilment of the MR.
- If unsure, **keep your options open** and progress both routes before committing to a preference.
- **Look ahead.** Agree a framework and plan with us to manage the submission of information.
- **Make use of our guidance** and templates [Milestone Requirement Guidance](#)
- First submit **overview table** and information in **draft**.
- **Bring queries** or points of uncertainty **to your LCCC Contract Manager as soon as you can.**
- **Meet regularly** with us to monitor progress and stay on track.
- **Don't underestimate the challenge.** Resources and expertise are needed.

Lessons learnt

- Resources – on both sides LCCC/Generators sides
- Performance of a Project under the MR contractual provisions is a very good indicator of the future performance of the Project under the CfD scheme.
- Generators who seemed disengaged, failed to achieve MR by the MDD.
- Generators who depended on Financial Close (or Final Investment Decision, or a Share Purchase Agreement) taking place days before MDD, run out of time.
- If dealing with complicated financing structures, the sooner the better for Generators to engage with their LCCC Contract Manager.



Calculating the “Total Project Pre-Commissioning Costs”

- TPPCC varies by technology and is expressed as £ per MW of capacity. Table I of the Standard Terms Notice identifies the £/MW values of the TPPCC.
- Condition 5.6 of CfD Agreement
- [CfD Allocation Round 4: Standard Terms notice](#)

To calculate the 10% amount for your project simply multiple the per MW rate for your technology, to give the TPPCC, and then divide by 10.

e.g. 30MW [Installed Capacity Estimate] Solar project.

$30\text{MW} \times £0.395\text{m} = £11.85\text{m} = \text{TPPCC}$

$10\% \text{ spend amount} = £11.85\text{m} / 10 = \underline{£1.185\text{m}}$



Table I: Total Project Pre-Commissioning Costs

Technology	Value
Advanced Conversion Technology	3,285,000
Anaerobic Digestion (>5MW)	3,580,000
Dedicated Biomass with CHP	4,020,000
Energy from Waste with CHP	7,800,000
Floating Offshore Wind	3,845,000
Geothermal	2,230,000
Hydro (>5MW and <50MW)	1,690,000
Landfill Gas	1,130,000
Offshore Wind	1,305,000
Onshore Wind (>5MW)	955,000
Remote Island Wind (>5MW)	1,025,000
Sewage Gas	2,390,000
Solar PV (>5MW)	395,000
Tidal stream	2,750,000
Wave	3,030,000

Phased Projects

- A single MR in the phase 1 CfD applies to all three (3) phases.
- The MRN can be given by either:
 - the Generator and other project companies jointly; or
 - the Parent Company of the project companies.
- The TPPCC and resulting 10% spend amount is based on the combined Installed Capacity of all phase.



Calculating the spend

- Money must be spent and unable to be reclaimed or used again.
- Expenditure that is committed to happen but has not been incurred at the time of MDD is not eligible.
- Spend must be before VAT and net of discounts, commissions, credit notes, refunds or any other deductions.
- Spend should be in £GBP. Expenditure in other currencies (if accepted by us) shall be converted into £GBP at a pre agreed rate (e.g the HMRC monthly exchange rate that applied at the time of the spend happening/methodology applied by SAP with written methodology explanation provided)
- All information should be in English.
- Money should be spent directly on the “Project”. A method to apportion the relevant amount will need to be agreed with us for any expenditure which isn’t exclusively on the Project.

Evidence of expenditure

- You will need to evidence to our satisfaction that money has been **spent**. Evidence should be available to validate all items of expenditure.
 1. Invoice
 - with description of the product/service
 - evidence that it's on the Project
 - should be addressed to the Generator or its direct shareholder.
 2. Bank Statement
 3. SAP Documentation (maybe required to support above/FX rates)
- Normally take a representative sample of supporting information to confirm that money has been spent and that the transaction occurred at arm's length between a willing buyer and willing seller – Volume (number) and Value (£m)
- All 'big ticket' items will also be reviewed (e.g TSA payments) and will likely need supporting with the associated Contract (arms length/ non reversable)
- Please group items of expense into categories (e.g. design, development, grid, Staff costs) & share intended evidence in draft.

Categories of cost:

Tier 1 Category	Tier 2 Category
I Development Costs	I a) Design, engineering, planning and consent, surveys etc.
I Development Costs	I b) Grid connection/Network
I Development Costs	I c) Legal, accounting and other
I Development Costs	I d) Lease and land acquisitions
I Development Costs	I e) Acquisitions (of the SPV)
I Development Costs	I g) Staff costs
I Development Costs	I h) Community engagement
I Development Costs	I i) Insurance
I Development Costs	II j) Overhead costs
II Contractor/supplier costs	II a) TSA / EPC advance payments
II Contractor/supplier costs	II b) Early construction works payments
II Contractor/supplier costs	II c) Equipment
II Contractor/supplier costs	II d) Other

- Often driven by SAP/internal reporting categorisation
- Observe they are split between **Direct Spend** with 3rd party invoices (bank statement and invoice) and specific cost categories e.g. overheads/staffing

Categories of cost: Practical working


- 📁 Admin - 23910029
- 📁 Batch Feb - May 18 cost code upload v2
- 📁 Batch Feb - May 18 working hours and wind measurement
- 📁 Concept Engineering - 23910006
- 📁 Doc Control - 23910027 - summary
- 📁 Expenses - transactions
- 📁 Fees - 239100031
- 📁 Financial Close Finance Support - 23910041 + 42
- 📁 Financial Close Legal Support - 23910040
- 📁 GIS System Support -23910026
- 📁 Health Safety - 23910022
- 📁 Legal costs - 23910024 v2
- 📁 Licence - 2391004 - Summary
- 📁 Licences - 23910028
- 📁 Minor Consultancy Services - 23910025
- 📁 Other FEED - 23910039
- 📁 Pre-Construction consent - 23910060
- 📁 Quality Assurance - 23910023
- 📁 Site Investigations - 23910005
- 📁 Staff costs - transactions
- 📁 Stakeholder Consultation - 23910002
- 📁 Substructures Foundations - 23910035

Nature of Payment	Contractor	Amount in mGBP	Generator Comments	Evidence provided	Timing (Docu
Linklaters LLP /	Linklaters LLP	200,000.00		invoice, SAP screen shots & Bank Statement	11/12/2017
Ashurst LLP /	Ashurst LLP	190,000.00		invoice, SAP screen shots & Bank Statement	12/12/2017
Linklaters LLP /	Linklaters LLP	180,000.00			13/12/2017
Ashurst LLP /	Ashurst LLP	170,000.00			14/12/2017
Ashurst LLP /	Ashurst LLP	160,000.00			15/12/2017
Linklaters LLP /	Linklaters LLP	150,000.00			16/12/2017
Pinsent Masons LLP /	Pinsent Masons LLP	140,000.00		Invoice, SAP screenshot & Bank Statement	17/12/2017
Pinsent Masons LLP /	Pinsent Masons LLP	130,000.00			18/12/2017
Linklaters LLP /	Linklaters LLP	120,000.00			19/12/2017
Pinsent Masons LLP /	Pinsent Masons LLP	110,000.00			20/12/2017

Categories of cost: Practical working


The Crown Estate
 16 New Burlington Place
 London
 W1S 2HX

General enquiries: 020 7851 5000
 Email: accountsreceivable@thecrownestate.co.uk
 Website: www.thecrownestate.co.uk



INVOICE Page 1 / 1

Product	Description	Net Amount £	VAT %	VAT Amount £	Total Amount
2050706	Legal Fees - Recoverable Re-stating the Zone Development Agreement completing Deeds of Variation to Agreements for Lease and Deeds of Amendment and Restatement of Guarantees	[REDACTED]	0.00	0.00	[REDACTED]



Particulars	Withdrawn	Paid In	
BALANCE FORWARD			8 JUN
EBP THE CROWN ESTATE			
THE CROWN ESTATE			
EBP [REDACTED]			

00129287
 S/O - Standing Order
 SBT - Funds Transfer
 TSU - Direct or Banking
 DPC - Transaction Tel. or PC
 Full details available on request.
CARD USERS
 If your card is lost or stolen please contact your branch as soon as reasonably practicable or telephone: 08705 13 33 50

Categories of cost: Practical working

Code Submission	Value	Progress	
Zone Appraisal	5,000,000.00	Finalised with Alex for review	g
Stakeholder Consultation	4,900,000.00	Finalised with Alex for review - Additional evidence provided (€50k to Discount re XYZ)	g
Windfarm EIA	4,800,000.00	Finalised with Alex for review - Additional evidence provided	g
Licences and Administrative Authorisation	4,700,000.00	Finalised with Alex for review - Additional evidence provided	g
Site Investigations	4,600,000.00	Finalised with Alex for review - Additional evidence provided	g
Concept Engineering	4,500,000.00	Finalised with Alex for review - Additional evidence provided	g
Health & Safety	4,400,000.00	Finalised with Alex for review	g
Quality Assurance	4,300,000.00	Finalised with Alex for review	g
Legal Costs	4,200,000.00	Finalised with Alex for review - Additional evidence provided	g
Minor Consultancy Services	4,100,000.00	Finalised with Alex (XYZ (£43.2k/3 invoices) to be deducted)	g
GIS System & Support	4,000,000.00	Finalised with Alex for review	g
Doc Control System & Support	3,900,000.00	Finalised with Alex for review	g
Licences	3,800,000.00	Finalised with Alex for review	g
Administration	3,700,000.00	Finalised with Alex for review	g
Fees	3,600,000.00	Finalised with Alex for review - Additional evidence provided	g
Substructures & Foundations	3,500,000.00	Finalised with Alex for review (action on FX related to these invoices and thread)	g
WF FEED	3,400,000.00	Finalised with Alex for review - Additional evidence provided	g
Financial Close Legal Support	3,300,000.00	Finalised with Alex for review - Additional evidence provided	g
Jun-Jul18	3,200,000.00	Finalised with Alex for review	g
Total	77,900,000.00		
Exclusions			
XYZ	300,000.00		
XYZ	1,200,000.00		
Total	1,500,000.00		
Large items			
WTG Downpayment	10,000,000.00	Invoices, SAP and bank statements	
Geo works	5,000,000.00	Invoices, SAP and bank statements	
SPA added value	12,500,000.00		
Topup payment total	27,500,000.00		
Overall Total	104,200,000.00		

Staff Costs/Overheads

- Only those staff costs that are directly attributable to the Project can contribute toward the 10% spend amount. Staff costs that are partially (but not solely) dedicated to the Project must be brought to our attention and an appropriate allocation toward the 10% spend amount agreed.
- Third party verification may be needed to ensure Staff Costs represent an accurate and reasonable amount



Points to note:

- (i) money spent by a direct shareholder of the Generator to acquire an interest in the Generator may be taken into account but only to the extent that the consideration paid for the acquisition exceeds the amount spent on the Project by the Generator and its direct shareholders in the period prior to the time at which such acquisition took place; and
- (ii) money spent by the Generator for the purpose of connecting the Facility to any relevant Transmission System (excluding any Offshore Transmission System) or Distribution System may be taken into account, notwithstanding that assets comprised or to be comprised within any such Transmission System or Distribution System do not form part of the Facility (and, for the avoidance of doubt, provided that money spent on such assets comprised or to be comprised within any Offshore Transmission System is not taken into account).

Acquisition Costs / SPA

- Money spent by a direct shareholder of the Generator to acquire an interest in the Generator can be taken into account toward the 10% spend amount but only to the extent that the amount paid for the acquisition exceeds the amount spent on the Project by the Generator and its direct shareholders in the period prior to the time at which the acquisition took place - **no double counting**.
- Any subsequent intercompany transfers of ownership of the Generator happening before the MDD must be explained such that it is clear who made the acquisition at the time of the transfer.
- Third party verification may be needed to confirm that the transfer has happened at arms length between a willing buyer and willing seller.

Network Costs



- Provided that they have been spent and cannot be redeemed or recovered grid connection costs, whether they be transmission network costs to National Grid or distribution network costs to the DNO, can contribute toward the 10% spend amount.
- For offshore wind, money spent on the Offshore Transmission System were not incorporated within the TPPCC calculation and cannot count towards the 10% spend amount.
- Provided that such costs cannot be redeemed the cost to procure a letter of credit, or equivalent security, given to National Grid as “security” for grid connection costs may be eligible toward the 10% spend amount. The value of that security does not.

10% Route - Lessons Learned

Administration

- Incorrect project names, unexplained changes to company structure, incorrectly addressed invoices etc.
- Invoices not explaining the services provided (in support of eligible spend on the project)

Staff Costs

- Timesheets: generators found it difficult to verify and allocate to specific projects.
- Limited availability of salary information.
- Methodology to apportion costs.

Invoices Apportioning

- Relationship between project companies, affiliates and their parent companies and the allocation of costs between them was unavailable or unclear.
- Immediate provision of relevant contract for LCCC review of eligible spend.

Work with us to find solutions – some examples

- Discuss in advance possible solutions with your Contract Manager
- Unclear invoice descriptions –
 - Provide the consultant's report which was commissioned?
 - Provide the backing data lawyers provide with the invoices?
- Complex historic ownership and company names
 - Provide a written description of the structure evolution and the associated Companies House certificates showing name changes?
- Want to use a different FX rate to HMRC
 - Provide the bank confirmation of the actual rate used (large invoices usually)?
 - Provide a written description of how the SAP system applies FX and the rules/rates it uses?
- Bank statements show lumped payments
 - Provide the SAP extract which shows the different payments which sum to, and match, the Bank statement?

You must do both.



What are the Project Commitments; Part A?

- (A) Board Resolution
- (B) Directors' Certificate
- (C) Supporting Information
 - evidencing that the Generator has or will have **sufficient financial resources** & evidencing the **Facility Requirements**

Annex 5 (Project Commitments)

Part A: General Project Commitments

Delivery to the CfD Counterparty of the following:

- (A) a copy of a resolution of the Generator's board of directors (or an equivalent management committee or body) to:
- (i) undertake the Project;
 - (ii) approve the total financial commitments required to commission the Project (the "**Total Project Spend**"); and
 - (iii) approve a timetable for undertaking the Project which demonstrates that the Facility can reasonably be expected to be commissioned no later than the Longstop Date;

(B) a Directors' Certificate certifying that:

- (i) the Generator has, or will have, sufficient financial resources to meet the Total Project Spend;
- (ii) any contract entered into and provided as Supporting Information pursuant to the Milestone Requirement Notice, in the reasonable opinion of the Generator by reference to the facts and circumstances then existing, is:
 - (a) legal, valid and binding; and
 - (b) entered into with one or more counterparties who are each able to perform their obligations under such contract;
- (iii) the Generator has a leasehold or freehold interest in the site where the Facility is based (the "**Facility Site**") or a contract to obtain the same;
- (iv) the Facility Site is not subject to any covenants, restrictions, agreements, planning obligations, estate contracts, options, rights of way or other encumbrances which materially inhibit the use of the Facility Site for the purposes of the Project;
- (v) there are available to the Facility Site such rights, easements and services as are necessary to undertake the Project and operate the Facility;
- (vi) the Generator has identified all necessary consents and planning permissions to undertake the Project (the "**Necessary Consents**"); and
- (vii) there is a credible strategy in place to obtain the Necessary Consents and the Necessary Consents are not subject to any condition for which there does not exist a plan to satisfy that condition, such that the Generator is not aware of any necessary consents and planning permissions which cannot be obtained or complied with,

((iii) to (vii), together the "**Facility Requirements**");

Sufficient Financial Resources

- Goes significantly further a declaration of being able to fund the Total Project Spend.
- The documents to satisfy the financial requirements will differ on a project-by-project basis, depending on how the project is financed – examples could include:
 - Project Finance loan agreements and suite of accompanying documents
 - Latest audited financial report and accounts demonstrating sufficient scale, profitability, net assets, liquidity etc. to demonstrate financial robustness historically
 - Any external evidence of credit standing (external ratings, rating agency reports, broker's reports etc.)
 - Setting out the track record of experience in delivering projects of a similar size and complexity, including dates, financial commitment involved and a brief project description specifying the roles of the parties also involved with the current project
 - Project board minutes showing commitments through group entities, confirmation of internal FID, documented explanation of group funding arrangements

Part A (c) (ii) Facility Requirements

- Supporting evidence to satisfy facility requirements will differ depending on technology type but could be evidenced by:

Offshore Wind farm:

- Crown Estate Lease
- Generation Licence
- DCO or S36 Consent
- Marine Licence
- Grid Connection Agreement
- Specific marine licences
- Environmental permits
- *Property Rights & Consents Matrix/Timetable*

credible strategy ?

Remote Island Wind:

- Planning Permission/S36 Consent
- Generation Licence
- Grid Connection Agreement
- Waste Management Licence (Construction);
- Controlled Activities Authorisation;
- EIA
- Approval of new Transmission Link
- *Property Rights & Consents Matrix/Timetable*

ACT Plant:

- Planning Permission/DCO
- Generation Licence
- Grid Connection Agreement
- Waste Management Licence/ Controlled Activities Authorisation/ PPC Permit (if Scottish)
- Environmental Permits
- *Property Rights & Consents Matrix/Timetable*

Project Commitments; Part B– Technology Specific?

E.g. Solar

13. SOLAR PHOTOVOLTAIC

Delivery to the CfD Counterparty of Supporting Information evidencing any of the following:

- (A) Entry by the Generator into an engineering, procurement and construction contract for the Facility, providing for the supply and installation of the Material Equipment.
- (B) Entry by the Generator into an agreement for the supply of the Material Equipment.
- (C) Entry by the Generator into: (i) a framework agreement for the supply of the Material Equipment; and (ii) a binding purchase order for the Material Equipment.

For the purpose of this section of Part B, the following definition shall apply to this Contract for Difference:

"Material Equipment" means such equipment, which, acting in accordance with a Reasonable and Prudent Standard, the Generator could reasonably be expected to have ordered and/or concluded a supply agreement in respect of in accordance with the Target Commissioning Date, and in any event, such equipment shall include the photovoltaic panels.

- Evidence of Entry by the Generator into an agreement for the supply of the **Material Equipment**
- Includes Technology Specific defined items such as *WTGs/photovoltaic panels/wave energy converter or generation engines*
- Submission will included
 - Copies of the agreements for supply (and install) of material equipment
 - evidencing the Material Equipment is dedicated to the project (and the agreements supplied are real, genuine, made in good faith and entered into on arms lengths basis with no conditions precedent/side letters or non industry standard termination clauses).
 - Templates, specifying key equipment packages that will be procured in time for MDD, and those which won't.

What is 'Material Equipment?'

- Material Equipment will vary according to technology type, and vary by project
- LCCC approaches this in a pragmatic way, and asks that you submit in a template, the equipment you expect to have procured by MDD, aka the equipment with long lead times that you need to have procured to achieve a Start Date by the Target Commissioning Date.
- You also need to submit in a template, the equipment that you do not expect to have procured by MDD, with an explanation as to why not.

<u>Material Equipment</u>	Name of Agreement	Signed Contract Window	<u>Equipment</u>	Signed Contract Window	Comments
<i>e.g. Wind Turbine Monopile Foundations</i>	<i>Name: Agreement for design, fabrication and supply of offshore foundations.</i>	<i>Jan-Mar 2021</i>	<i>e.g. Harmonic filters</i>	<i>May-Jul 2021</i>	<i>Design dependant on analysis of preceding packages</i>
<i>Array Cables</i>	<i>Agreement for design, fabrication, supply and installation of subsea power and optical fibre array cables</i>	<i>Feb-Mar 2021</i>	<i>Onshore Export Cable Supply</i>	<i>Jul-Sep 2021</i>	<i>Dependant on updated design input, site investigations and iterative process with route design and installation contract</i>

Project Commitment Route- Lessons Learned

- Disclosing full Contracts - required to confirm genuine commitment.
- Engage with LCCC well ahead of time to agree on Material Equipment definition
- Contracts entered by the Generator often require additional representations to confirm equipment/service is for the CFD Project (template DC provided in the MDD Guidance).



CfD & MDD Quiz

Chris Jones

Lead Contract Manager



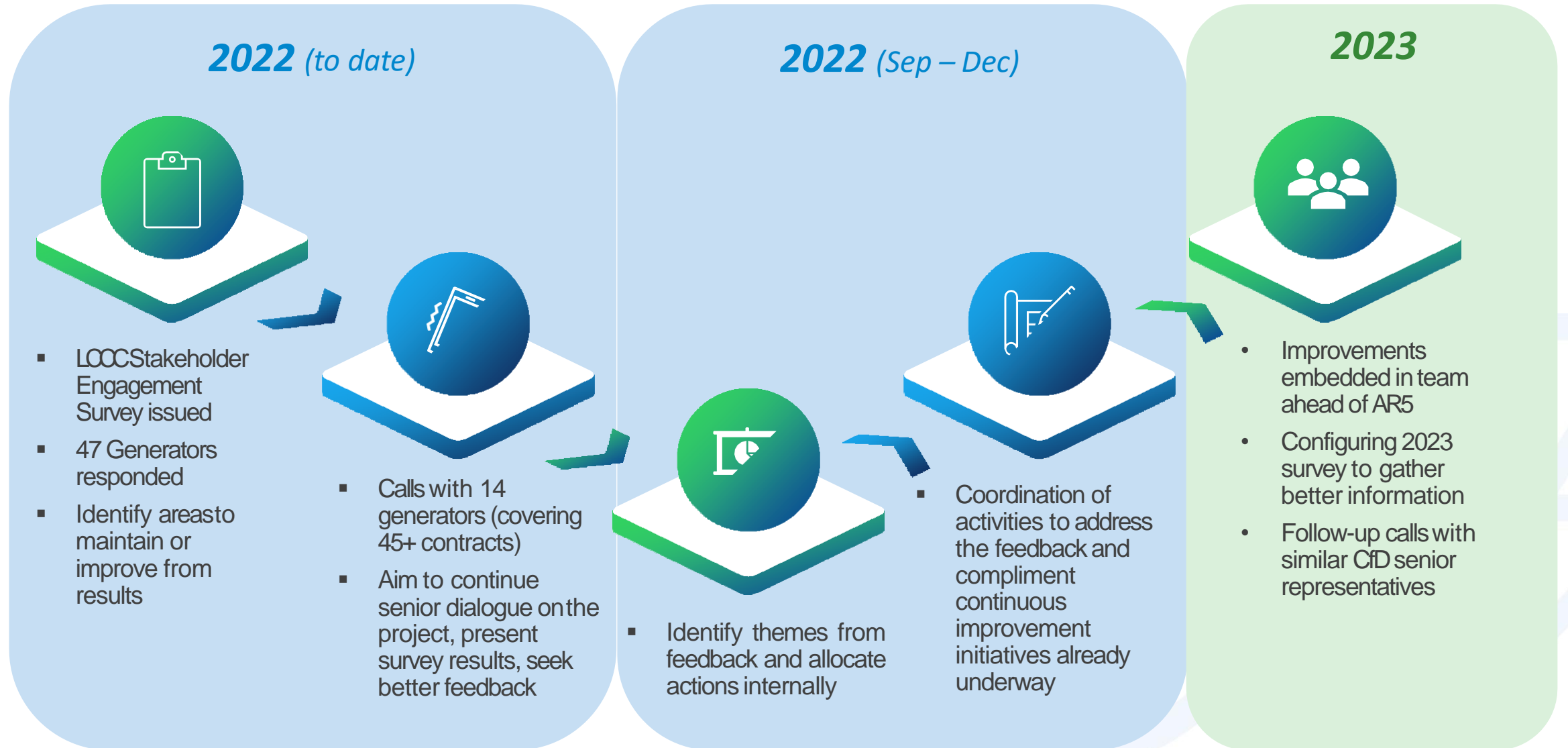
Stakeholder Engagement

Claire Daniels

Contract Manager



The Stakeholder Engagement Journey




2022 Stakeholder Survey – Key Takeaways



- 47 of the responses were from CfD Generators
 - Up from last year's number of 37 CfD Generators

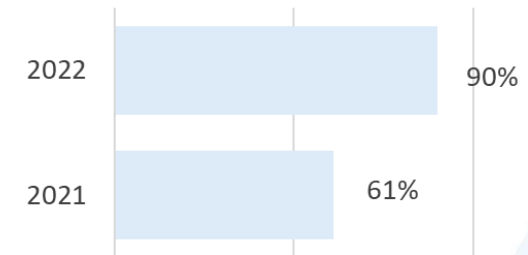
- 81% of generators would speak 'highly' about LCCC

2018	2019	2020	2021	2022
49%	33%	47%	69%	81% 

- 83% of CfD Generators are satisfied with the performance of LCCC – none were dissatisfied!



- 90% of generators speak 'highly' of contract management to other organisations



- 98% believe that LCCC plays an important role in delivering the UK's goals for secure, affordable and sustainable electricity
- 84-91% of Generators were satisfied with query responses / assistance, expertise and friendliness

Continuous Improvement

How do we gather feedback from our Stakeholders?

- Everyday conversations with generators
- Senior stakeholder calls
- Surveys
- Webinars & In person events

Why is it so important for LCCC to receive feedback?

- Allow us to provide the best service – we have shared objectives!
- Help improve LCCC's role in future allocation rounds
- Help build and Improve future schemes
- Continuously improve our ways of working



AR4 Feedback

Considering LCCC's Role in AR4



What went well?



What could be improved?



Q&A

Soby Nonju

Contract Manager



Thank you!

