

**Questions and Answers published by LCCC in response to queries received at CFD
Allocation Round 2 stakeholder event on 16 March 2017**

Q: Will any of the changes that have been made to the Allocation Round 2 CFD apply to Allocation Round one contracts?

A: Changes and updates incorporated into the Allocation Round 2 CFD templates do not automatically apply to existing CFD holders. There are mechanisms within the existing Allocation Round 1 CFDs (and Investment Contracts) for making contractual amendments, as there are within the Allocation Round 2 templates. LCCC will consider whether any of the changes made to the Allocation Round 2 CFD templates would be suitable amendments to make to the Allocation Round 1 CFDs (and Investment Contracts) under the contractual change procedures that are set out in the CFD (or Investment Contract).

Q: If during the term of the CFD you become a private wire operator does that invalidate the CFD?

A: There is no right or mechanism to switch from a standard (directly connected) CFD to a private network CFD or vice versa. A private network CFD does not have the necessary provisions in it to work for directly connected Facilities and similarly the Standard CFD lacks the necessary provisions to work in a private network environment.

Q: Is it likely a project will be able to receive RHI if it is ACT with CHP?

A: There is no restriction in the CFD that prevents an ACT with CHP from receiving RHI payments.

Q: If you do apply to operate as a private network and subsequently change your mind what happens?

A: There is no right or mechanism to switch to or from a private network (other than for an islanded private network generator that has 18 months to find an alternative route to market if its electricity offtaker is lost). Applicants should therefore consider their choice carefully at the application stage.

Q: Could you walk us through the difference between National TLM and Locational TLM?

A: We would direct generators' to Elexon's website where information about the P350 modification is available: <https://www.elexon.co.uk/mod-proposal/p350/>. In particular the Load Flow Modelling Report may be useful to you in understanding the potential impacts on your generating station: <https://www.elexon.co.uk/wp-content/uploads/2016/07/P350-Load-Flow-Modelling-Final-Report-v2.0>.

Q: Will you be publishing your calculation of the adjustment to the TLM to make it locational?

A: The CMA's decision to make the Transmission Loss Multiplier (TLM) locational will impact on generators difference payments depending on their location, as intended by the CMA. This will apply regardless of any change to the CFD Standard Terms and Conditions as it is provided for in the BSC.

However, in relation to the calculation for Strike Price Adjustment in the CFD, in order to uphold the original policy intent to "hold CFD generators neutral to any change in the average transmission losses allocated to generators under the BSC" (p29, P350 Assessment Report, 12/01/17), LCCC proposes to align the definition of TLM(D) used for the Strike Price Adjustment with the volume weighted average (across all GB generators) of the transmission loss multiplier as follows:

"TLM(D) means one (1) minus the volume weighted average of the transmission loss multiplier allocated in accordance with the BSC to BM Units belonging to delivering Trading Units or any new or substituted multiplier or factor which is in the nature of, or similar to, a transmission loss multiplier"

We consider this to be a change that will need to be applied to all CFD generators prior to the 1 April 2018 commencement date for the CMA decision, without which Elexon would need to make an adjustment in the BSC calculation.

Q: Who can own the private networks?

A: Anyone, including the generator, can own the private network. However, it does not need to be owned by the generator. This ownership issue will impact the information requirements that need to be provided at the application stage.

Q: Am I right in thinking all meters in a private network CFD should not have BSC meters?

A: Correct. No BSC meters can or will be used for accurately measuring the Net Metered Output under a Private Network CFD.

Q: If one of the non-consumer loads on a private network has storage does that not mean it acquires BSC metering?

A: Non-consumer loads and other users elsewhere on a private network are outside of the Facility's metering and do not use the Facility Metering Equipment. As such, other users of a private network can determine their own metering requirements without reference to the CFD.

Q: Under partial connections, what meters are relevant and what meters are LCCC concerned about?

A: The relevant meters are the ones that exclusively measure all the input and output electricity of the Facility. They must be separate from any other input and output electricity and together accurately meter the net output of the Facility.

Q: Is there a minimum biogenic content requirement for the feedstock of ACT facilities?

A: There is no minimum biogenic content requirement for ACT feedstock. However, the Renewable Qualifying Multiplier will apply to ACT facilities having the effect of reducing CFD payments for feedstock with lower renewable content.

Q: How does the Renewable Qualifying Multiplier affect the CFD payment?

A: The Renewable Qualifying Multiplier (RQM) is calculated as the percentage of biogenic content all fuels used within a facility in a RQM Calculation Month.

$$RQM = \frac{A}{B}$$

Where:

A is the Energy Content of all of the Fuels with Variable Renewable Content used in generating that Facility's gross output during the relevant RQM Calculation Month, less the Energy Content of any Fossil Fuel from which those Fuels with Variable Renewable Content are in part composed; and

B is the Energy Content of all of the fuels used in generating that Facility's gross output during that RQM Calculation Month;

The Renewable Qualifying Multiplier (RQM) shall apply only if the RQM is expressed to apply to the Contract for Difference in the CFD Agreement.

Q: Are End of Life Tyres (ELTs) eligible as a defined waste stream for ACT CFDs?

A: ACT facilities must generate electricity from Advanced Fuels which have been produced directly or indirectly from the Gasification or the Pyrolysis of Waste or Biomass (please refer to the definition of Advanced Fuels in the CFD Agreement).

The specification of the ELTs feedstock must fall within the meaning of Waste as given to that term in the 2008 Waste Framework Directive 2008/98/EC.

Questions following Installed Capacity presentation

Q: Is there any more guidance on installed capacity estimate for ACT?

A: Guidance on installed capacity is already on LCCC's website. Advanced Conversion Technology ("ACT") plants generate electricity using only Advanced Fuels. An Advanced Fuel is a gas or liquid fuel produced directly or indirectly by gasification or pyrolysis and with a gross calorific value of no less than 2 mega joules per cubic metre.

We understand that by definition an ACT plant includes gasification and/or pyrolysis as integral to the Facility's ability to generate and in most instances fully integrated as part of the Facility, such that generation cannot continuously take place without these assets in operation.

In calculating Initial Installed Capacity Estimate ("IICE"), generators should deduct the parasitic load for gasification (or pyrolysis as relevant) which is used solely for gasification and/or pyrolysis and not for other ancillary purposes (other than a Permitted Ancillary Activity, such as cleansing of the syngas) and the parasitic load for other Permitted Ancillary Activities (such as cleansing of the syngas).

For ACT projects using a boiler to generate steam we assume that all steam will be used for the generation of electricity. Should Generators intend that steam be used for anything other than electricity generation, such as an ancillary industry process that is not a Permitted Ancillary Activity, they should consult with us at their earliest convenience.

Please note that the above guidance does not apply to ACT with CHP schemes.

Generators are encouraged to discuss their project with us at earliest convenience. We reserve the right to review each project on a case by case basis to ensure IICE is appropriately determined.

Q: Is there any impediment for building a plant that is significantly larger than initially intended?

A: Final Installed Capacity must be between 85% to 100% of the Installed Capacity Estimate for offshore wind and 95% to 100% for all other technologies. For the determination of Initial Installed Capacity Estimate generators should deduct losses and parasitic loads (capacity is measured as a net figure). Loads for assets not being part of the Facility should not be included. There is no opportunity to further increase the Initial Installed Capacity Estimate.



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Q: A Facility connected to an islanded Private Network gets a grace period of 18 months to find an alternative route to market in the event loads disappear. Is there any restrictions on when that grace period applies e.g. only after commissioning?

A: The grace period is not limited / restricted to post commissioning events.