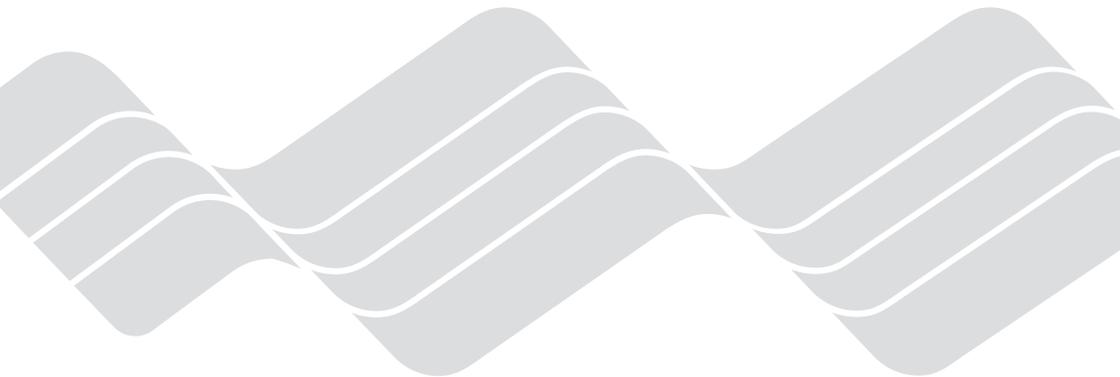




**LOW CARBON**  
CONTRACTS COMPANY

# Contracts for Difference

## Generator Guide



## Disclaimer

The information contained within this document is only intended to be a guide and that nothing in it is intended to replace, supersede or contradict the relevant regulations, the applicable CfD Agreement, statutory notices or Allocation Framework. Should there be any conflict arising between any matter detailed in this guide with a matter detailed in the regulations, the applicable CfD Agreement, statutory notices or Allocation Framework, the latter shall prevail.

# Contracts for Difference - Generator Guide

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## Introduction

The Low Carbon Contract Company (LCCC)<sup>1</sup> has created this guide to provide a concise and practical end-to-end overview of the stages and key features of the Contracts for Difference (CfD) scheme. Each stage and key feature is explained at a high level with links to relevant publications and guidance documents to provide further detail.

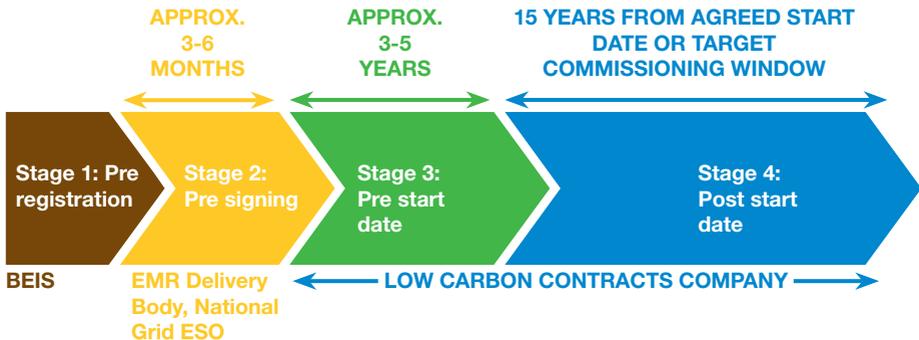
### What is a CfD?

The CfD scheme was designed to provide:

- Private-law contract (the CfD) that mitigates developer exposure to some political & regulatory risks
- Long-term price certainty at an earlier stage of the project, enabled through the fixed Strike Price (index linked), which removes price risk over the 15-year CfD term
- Lower project costs and higher value for consumers delivered by competitive allocation process.

Figure 1 below provides an end-to-end overview of the key CfD stages.

**Figure 1: CfD Stages**



<sup>1</sup> [www.lowcarboncontracts.uk](http://www.lowcarboncontracts.uk)

The rest of this document is structured in line with figure 1.

- **Section 1** covers allocation round set-up, allocation frameworks and details of supply chain plans
- **Section 2** covers allocation, eligibility, qualification criteria and auction parameters
- **Section 3 and 4** covers key features of the CfD and contract milestones
- **Section 5** covers operations, payments and renewable fuel criteria

Whilst this guidance documents covers the full CfD process. Separate guidance documents will be released by BEIS, LCCC and the EMR Delivery Body<sup>2</sup> (National Grid ESO) covering specific areas of the application and allocation processes in more detail.

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<sup>2</sup> <https://www.emrdeliverybody.com/SitePages/Home.aspxk>

# 1. Allocation set up and framework

CFDs are allocated in Allocation Rounds. This section provides an overview of the relevant milestones and publications for the third allocation round, which is planned to open by May 2019.

More information on the timeline of Allocation Round 3 can be found [here](#).

## 1.1 Budget Notice

**Context:** The Budget Notices set out the key auction parameters for the Allocation Round, namely the available spend on applicants for the round and the parameters against which applicant bids will be assessed. BEIS publishes a Draft Budget Notice in advance of a Final Budget Notice.

**Overview:** The CfD Allocation Regulations stipulate that BEIS must issue a Budget Notice for each Allocation Round setting out the overall budget for each delivery year, Administrative Strike Prices (ASPs) and any maxima or minima that may apply. BEIS publishes a Draft Budget Notice in advance of the Final Budget Notice. The next allocation round is planned to open by May 2019.

The Draft Budget Notice for Allocation Round 3 was issued on 20th November 2018, confirming a £60m budget for the allocation round across the delivery years 2023/24 and 2024/25. The draft notice includes a list of eligible technologies, Administrative Strike Prices (ASP) and reference prices. It also introduces two new parameters; a Capacity Cap, which is subject to State Aid approval, and an Intermittent Reference Price to value intermittent technology bids in the context of lower captured wholesale prices received by these generators in the market.

**What you need to know:** The budget is allocated for “less established” technologies (Pot 2) only, which comprise the following:

- Advanced Conversion Technologies
- Anaerobic Digestion (> 5MW)
- Dedicated Biomass with CHP

- Geothermal
- Offshore Wind
- Remote Island Wind (> 5MW)
- Tidal Stream
- Wave

The final Budget Notice will be issued no later than 10 working days prior to the commencement of the allocation round.

**Where to get more information:**

[The Contracts for Difference \(Allocation\) Regulations 2014, as amended](#)  
[BEIS Draft Budget Notice for the Third Allocation Round](#)

## 1.2 Allocation Framework

**Context:** The mechanics and rules of the allocation process are defined in the Allocation Framework, which sets out how the forthcoming allocation round will be run.

**Overview:** The Allocation Framework includes a list of technologies eligible for support in the round, sets eligibility requirements for these technologies, provides the framework for how applications are considered and includes a list of checks that the EMR Delivery Body must carry out when assessing CfD applications.

**What you need to know:**

- Applicants should familiarise themselves with the Allocation Framework to understand the valuation parameters and rules governing the allocation process. Key to this is the eligibility and qualification criteria.
- A Draft Allocation Framework for Allocation Round 3 was published on 21st January 2019.
- The final Allocation Framework will be published no later than 10 working days before the start of the Allocation Round.

**Where to get more information:**

[Draft Allocation Framework for the Third Allocation Round](#)

### 3. The Contract

**Context:** The CfD scheme aims to ensure that generators successful in the allocation round are bound by the same conditions on project delivery and operations. The standard conditions are designed to cover a wide range of eventualities and also deliver fairness, good understanding, robust and consistent delivery.

**Overview:** The CfD is a private law contract between a low carbon electricity generator and Low Carbon Contracts Company Ltd. It consists of the CfD Standard Terms and Conditions and the CfD Agreement (together these form the Contract).

The Contracts for Difference (CfD) Standard Terms and Conditions are generic and applicable to all technologies.

The CfD Agreement is a bespoke document that includes project-specific information, including the estimated installed capacity, the applicable strike price and the specifics of the generator to which the Agreement applies.

#### **What you need to know:**

- There are a number of different templates for the CfD Agreement (published by the Secretary of State before the allocation round opens) depending on technology, connection type and company structure.
- Applicants should familiarise themselves with the appropriate template for their project as you will need to decide which CfD Agreement you want at the application stage.
- Early review of the Contract is strongly advised, and early collection of the data to complete the Contract prior to application is essential.

#### **Where to get more information:**

A draft CfD Agreement and Standard Terms and Conditions for Allocation Round 3 has been published by BEIS and can be found [here](#).

More information on the CfD and links to different types of CfD Agreement published ahead of Allocation Round 2 are available here. <https://www.lowcarboncontracts.uk/cfd-contract>

## 1.4 Supply chain plans

**Context:** The aim of the Supply Chain Plan assessment process is to encourage the effective development of low carbon electricity generation supply chains. Of particular importance is the development of open and competitive supply chains and the promotion of innovation and skills that gives UK companies a fair chance to participate.

**Overview:** In order to be eligible to participate in a CfD Allocation Round, applicants applying on behalf of a generating station with generation capacity of 300MW or more are required to provide the EMR Delivery Body with a statement from the Secretary of State approving the Supply Chain Plan submitted for their station. Where applicants have an existing Supply Chain Plan statement from a previous project, they will be required to demonstrate the progression of the Supply Chain Plan of the previous project through an Interim Post Build Report.

**What you need to know:**

- Applicants applying on behalf of a generating station with capacity of 300MW or more must submit a supply chain plan to BEIS in advance of the Allocation Round during the Supply Chain Plan Window.
- The Secretary of State approval must be provided to the EMR Delivery Body to satisfy the relevant Allocation Round eligibility criterion.
- BEIS monitors the implementation of approved Supply Chain Plans if the project is awarded a CfD on an ongoing basis.

**Where to find more information:**

[BEIS Supply Chain Guidance – November 2018](#)

## 2. The Allocation Process

The allocation process is designed to deliver the policy objective of low-supporting low carbon generation at least cost by allocating, where possible, CfDs through a competitive process. It is therefore designed with a number of checks and processes in place around qualification, eligibility and valuation. This is to ensure that speculative applicants are disincentivised through qualification hurdles and that spending on qualified applicants is allocated within budget frameworks.

Once BEIS has determined the Final Allocation Framework for the round it will address a Final Budget Notice to the EMR Delivery Body to start an Allocation Round. The Final Budget Notice is issued not later than 10 working days before an Allocation Round opens.

The administration of the allocation process falls to the EMR Delivery Body, which is National Grid ESO. Their role is to manage the allocation process from the opening of the application window through to notifying successful generators. Figure 2 below details this process.

**Figure 2: CfD allocation process**



This following sections provide an overview of the end to end process of the allocation round and the key information for Applicants.

## 2.5 Pre Application: Minor & Necessary modifications window

**Context:** The Minor and Necessary modifications (M&N) process allows generators to put forward any potential minor and necessary amendments to the CfD Contract. The process was designed to cater for a potential situation where an eligible generator might have a legal concern that would prevent it from signing a CfD.

**Overview:** Both criteria need to be met (Minor AND Necessary) to change the CfD.

A modification will only be considered 'necessary' if the generator would be prevented from signing the CfD without it.

A modification is not considered to be 'minor' if the change:

- Moves essential timelines within the CfD
- Alters the evidence of financial commitment that a generator must show
- Would be likely to cost LCCC a material amount

BEIS will set a monetary threshold level for the effect of a modification not being minor by issuing a Counterpart Costs Notice. This will be issued alongside an Allocation Round Notice.

**What you need to know:** Applications for changes must be made to LCCC no later than 20 working days before the Application Closing Date.

- LCCC will notify applicants on acceptance or rejection of any requests for modifications 5 working days prior to the Application Closing Date. If successful, applicants must include this information in their CfD application.
- Applicants are able to have preliminary discussions with LCCC on potential M&N modifications to the CfD prior to M&N modifications request window. This provides an opportunity to engage with LCCC and gain a detailed understanding of the CfD and its parameters.

**Where to get more information:**

[Minor and Necessary Modifications Guidance](#)  
[Minor and Necessary Modification Request Form](#)

## 2.6 Registration process

**Context:** To apply for a CfD, participants are required to register their organisation with the EMR Delivery Body. The registration process seeks to ensure that only legitimate representatives of an organisation may act on its behalf in the allocation round. This needs to be completed in advance of the round commencement date.

**Overview:** To register, applications must complete the Company Registration process through the EMR Delivery Body website.

### **What you need to know:**

- Eligible generators, who have successfully registered their companies and have been granted an online account by the EMR Delivery Body, can submit their application form(s) from the round commencement date.
- The registration form must include contact details for the proposed Authorised Person for the Applicant and a Main Administrator.

### **Where to find more information:**

[EMR Delivery Body registration process](#)

## 2.7 Application, qualification and eligibility criteria

**Context:** Generators who wish to participate in the allocation process have an Application Window in which to submit their application form(s) including required qualification evidence. Only application forms that are submitted within this window will be assessed after the Application Window has closed. This eligibility assessment is designed to help mitigate against speculative projects winning contracts and utilising budgets that could have been used for legitimate applicants.

**Overview:** The EMR Delivery Body will determine qualification based upon the information provided in the application form, and in accordance with the Eligibility Regulations, Allocation Regulations and the round specific Allocation Framework.

Eligibility requirements broadly cover:

- Connection agreements
- Planning permissions
- Supply Chain plans (if over 300MW)
- Technology applicability

- Relevant commissioning dates
- Proof of company address and incorporation

Applicants can dispute a Non-Qualification determination with the EMR Delivery Body who will then assess the dispute and make a decision to uphold or overturn the decision. If the decision is upheld, then the applicants will have an opportunity to raise an appeal with Ofgem.

**What you need to know:**

- The Application Window is short and once it closes there are no further adjustments or submissions allowed. It is therefore critical that participants get their applications in on time and in respect of the rules. Only application forms that are submitted within the Application Window will be assessed, after the Application Window has closed.

**Where to get more information:**

[EMR Delivery Body Application and Qualification information](#)

## 2.8 Reviews and appeals

**Context:** A process of review and appeal is provided in the Allocation Rules to allow for Applicants who have not qualified, known as Non-Qualifying Applications, to dispute decisions. The aim is to provide a clear framework for any reviews and create impartiality in decision making through Ofgem undertaking any appeals.

**Overview:** Non-Qualifying Applicants may give notice, to the EMR Delivery Body if they believe that the rules have been incorrectly applied to their application. The EMR Delivery Body will give a determination on this review and Applicants that are still not qualified can raise an appeal with Ofgem. Ofgem can overturn or uphold the original decision and provide reasons for the determination.

**What you need to know:**

- All Applicants should be aware that the Reviews and Appeals process can change the timelines of an Allocation Round and any auction process.
- In previous rounds not a single appeal has been upheld, however the allocation round timeline has been stretched out to its maximum as a result of the time needed to process the appeals.

**Where to get more information:**

[EMR Delivery Body Application and Qualification information](#)

## 2.9 Valuation process and sealed bids submission

**Context:** To ensure alignment with policy cost control aims the EMR Delivery Body will assess all qualified projects against stated allocation round budgets. This is to determine whether an auction process is needed to competitively allocate contracts.

**Overview:** The EMR Delivery Body will assess the total value of Qualifying Applicants. The total value of this calculation is used to determine if the valuation of all applicants exceeds the budget or capacity cap respectively.

If the total value of all Qualifying Applications does not exceed this, an auction will not be required and all the successfully Qualifying Applicants will be allocated to the level of their Administrative Strike Price. This is also known as unconstrained allocation.

An auction, also known as a constrained allocation, is held when the value of Qualified Applications exceeds this budget. The EMR Delivery Body will issue a Notice of Auction to all relevant Qualifying and Pending Applicants inviting them to submit sealed bids

**What you need to know:** For applicant generators, an allocation process will require key project details to be submitted in order for assessment to take place. The sealed bid requirements are:

- Installed Capacity levels (MW) – with Installed Capacity defined in accordance with CfD Standard Terms and Conditions
- First day of the Target Commissioning Window – the window in which commissioning is expected to complete. The length of which is set out in the CfD Agreement
- Target Commissioning Date – expected date of completion of project commissioning, which must fall within the delivery years relevant to the allocation round
- Strike price bid (2012 prices) in £/MWh – the minimum £/MWh value that the Applicant is willing to accept

**Where to get more information:**

[EMR Delivery Body Allocation information](#)

## 2.10 Auction process

**Context:** Sealed bids are then assessed against rules set in the Allocation Framework, which is aligned to policy objectives of securing CfDs at the least cost to the consumer.

**Overview:** Bids are stacked in Strike Price order starting with the lowest price. The EMR Delivery Body will allocate CfDs on this basis, noting total project valuations, until the Budget or Capacity Cap is breached.

Successful participants will receive the clearing price for the delivery year as the auction utilises a pay as clear approach. This means that each delivery year will have a clearing price and successful applicants will be uplifted to the Strike Price level of the last affordable project in that delivery year. The uplift is capped by the Administered Strike Price for the applicable technology of the successful Applicant.

This approach is designed to create a strong incentive for developers to bring forward the cheapest projects while minimising the risk of creating a “winner’s curse” through projects bidding speculatively low.

**What you need to know:** This is a high-level overview of the auction process. Applicants should familiarise themselves with the detailed rules of the auction process including the ability to submit multiple sealed bids and delivery year options.

**Where to get more information:**

[EMR Delivery Body Allocation information](#)

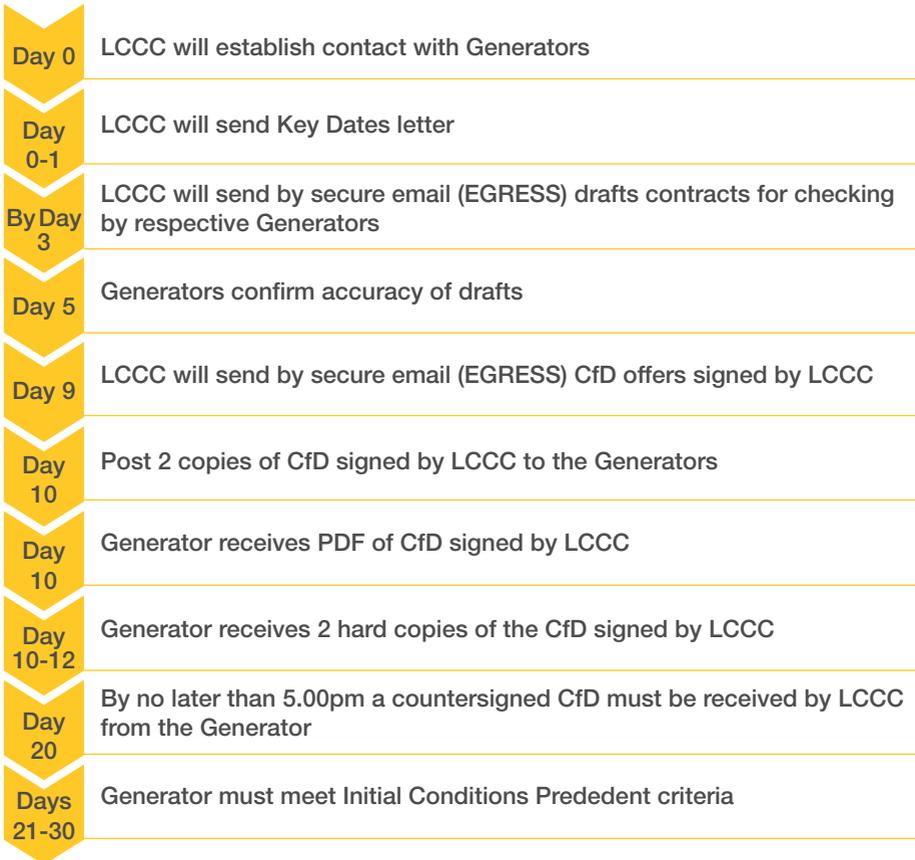
## 2.11 Contract production and signature

**Context:** Following the auction process, the EMR Delivery Body will provide the LCCC with the information necessary to offer CfDs to successful applicants in the form of the CfD Notification. This ensures a smooth process between allocation and the signing of contracts within agreed timelines.

**Overview:** The EMR Delivery Body notifies all Qualified Applicants of the allocation outcome. It also notifies the LCCC of successful applicants that have been awarded a CfD to enable LCCC to produce and issue the contracts. The CfD Notification from the EMR Delivery Body triggers an intensively regulated process where key exchanges of information are required from Applicants (termed “Generators” in this process). LCCC has 10 working days from the EMR Delivery Body notification to offer to successful Applicants a signed contract.

Figure 3 below details this process:

**Figure 3: Contract signature timeline**



Within 10 Business Days of signing the contracts, successful generators must meet the Initial Conditions Precedent (ICP) for the contract to progress. LCCC has the right to terminate the CfD contract if any of these conditions are not fulfilled. ICPs are discussed in more detail in section 4 of this document.

**What you need to know:** This is a short timeline in which generators need to submit key project information and early preparation is therefore essential. LCCC can only offer a contract to a party named in the CfD Notification. It can only be that party who signs the agreement.

**Where to get more information:**

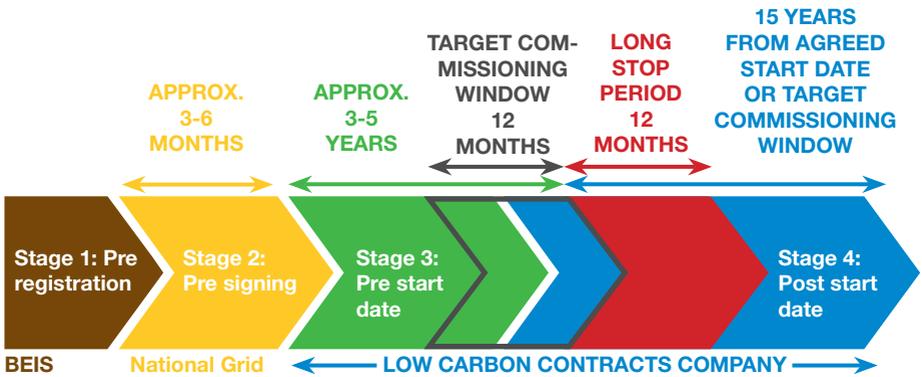
[Contract Signature FAQs](#)

### 3. Key features of the CfD

This section explores key features of the CfD, noting that project parameters, milestones and values are generally defined early in a project lifecycle and are broadly inflexible once set. Therefore, prospective applicants should have a clear understanding of these when looking to enter an Allocation Round. Figure 4 below depicts the lifecycle of the CfD against an example of a project development lifecycle.

**Figure 4: CfD lifecycle and example project lifecycle**

#### CfD lifecycle



#### Project lifecycle

## 3.12 Strike Price

**Context:** The Strike Price is deemed as reflecting the cost of investing in a particular low carbon technology. If a generator is successful in being awarded a contract, the Strike Price awarded sets the level to which generators receive top-up payments, or pay-back, under the CfD Contract. The strike price therefore provides both revenue stability for generators and protection for consumers from additional costs when electricity prices are high.

**Overview:** Generators submit a Strike Price bid in 2012 prices (£/MWh) to the EMR Delivery Body as part of their application. This process is based first on the £/MWh price (cheapest to most expensive) and then whether the project is deemed affordable within auction budgets. A generator's Strike Price will therefore determine its position in this acceptance decision process.

All Strike Prices are bid 2012 money (termed 2012 prices). This is termed the "Initial Strike Price" under the CfD contract. Payments for successful generators are uplifted into money of the day by the LCCC through Strike Price Adjustments.

### **What you need to know:**

- For a prospective generator the terms around the Strike Price are important as once a Strike Price is awarded it cannot be changed by the generator. Therefore, understanding your project's potential Strike Price level is an important consideration in developing your bidding strategy. Adjustment to 2012 prices also needs to be factored into bidding prices.
- Once awarded the Strike Price may be altered, but only by LCCC through processes set out in the CfD standard terms and conditions. The Strike Price is index linked to CPI on an annual basis. It can also be adjusted on an annual basis for changes in Balancing Charges and Transmission Loss Multiplier (TLM) charges for certain generators.

### **Where to get more information:**

[LCCC Payments](#)

### 3.13 Installed Capacity

**Context:** Installed Capacity is defined in the CfD Contract. This is to ensure that successful generators commission the Installed Capacity set out in their application and that budgets spent in an auction deliver on their initial award values. It also ensures that projects do not receive difference payments for over delivery against contractual capacity levels.

**Overview:** Installed Capacity is defined in the CfD as “the capacity of the Facility (expressed in MW) were it to be operated at optimal conditions on a continual basis at the maximum capacity possible without causing damage to it (net of any loads operating the facility and all losses that incurred from the units to the metering equipment)”. Generators submit an Initial Installed Capacity Estimate (IICE) at the time of application. The IICE is used as a reference point throughout the CfD. For a generator, Installed Capacity can only ever be amended to be lower than the IICE.

For successful Applicants the Initial Installed Capacity Estimate (IICE) indicated at the time of the application becomes the Initial Installed Capacity Estimate in the CfD Agreement. From this point forward there are several contractual provisions to lower the level of the IICE. The table and figure 5 below provide detail on these potential changes.



### Step 1 - MDD

- From contract signature, the generator has a 12-month window to the Milestone Delivery Date (MDD) in which to amend the IICE if necessary. The permitted reduction is up to 25% of the IICE if necessary. From this point onwards this becomes the Installed Capacity Estimate (ICE) and is used as a reference point for the rest of the contract to define the capacity cap for payments.
  - **As an example, an offshore wind generator which is successful in the auction has an IICE of 400MW. For project reasons it lowers this by the MDD to 300MW, the maximum permitted reduction of 25%. The ICE for the project is therefore 300MW.**
- 



### Step 2 - OCP

- Once the project moves to commissioning and operations, the ICE is used to set part of the Operational Conditions Precedent (OCP) requirements in the contract. To pass OCP and agree a Start Date for CfD payments, a generator must evidence commissioning of at least 80% of its ICE..
  - **In our example, the offshore wind generator must commission 80% of its ICE of 300MW, being 240MW.**
- 



### Step 3 - RIC

- Once a project has achieved the minimum commissioned capacity at 80% of the ICE as part of meeting the OCPs, a Start Date Notice can be issued to achieve payments under the CfD. From the Start Date to the Longstop Date, the generator must ensure that it has commissioned further capacity to achieve its Required Installed Capacity (RIC). This is 85% of the ICE for offshore wind and 95% of the ICE for all other technologies.
  - **For the offshore wind farm in the example, it will have a RIC of 85% of 300MW, being 255MW.**
- 

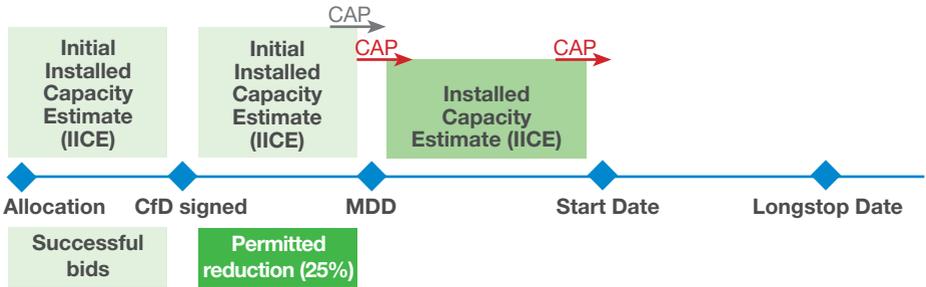


### Step 4 - FIC

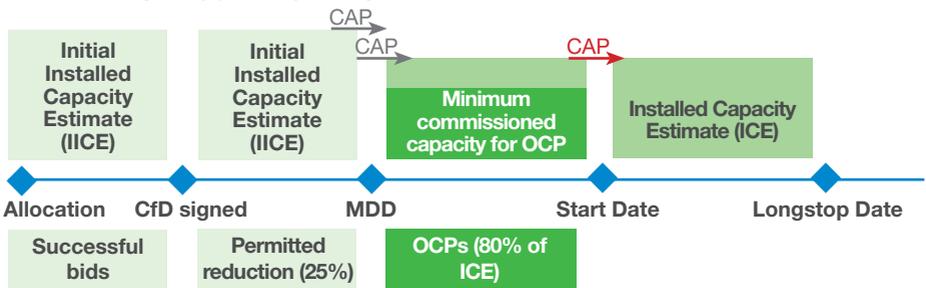
- After the Start Date generators are required under the CfD to notify the LCCC of their Final Installed Capacity (FIC). This level will be a minimum of the Required Installed Capacity and a maximum of 100% of the ICE. Generators must submit a FIC notice no later than 10 Business Days after the Longstop Date. The FIC is used to set the Maximum Contract Capacity (MCC) under the CfD. This is the MW limit to which a generator can be topped-up under the CfD in any settlement period.
- **In our example the offshore wind achieves a FIC of 270MW, setting the MCC for the rest of the contract**

Figure 5: Installed Capacity journey step by step

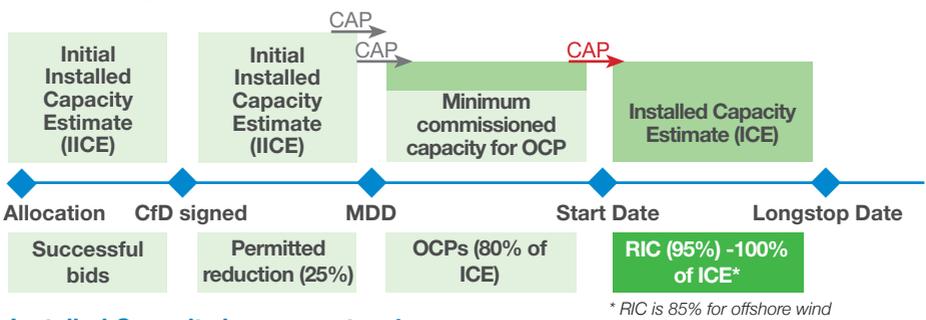
Installed Capacity journey – step 1



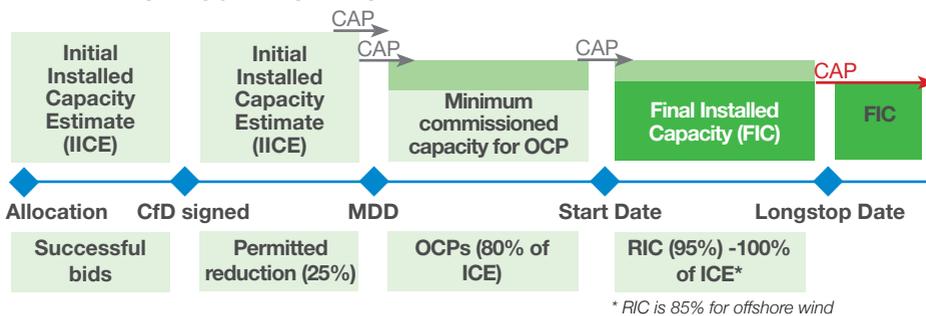
Installed Capacity journey – step 2



Installed Capacity journey – step 3



Installed Capacity journey – step 4



The IICE may only be adjusted downwards by up to 25% before the Milestone Delivery Date (MDD), which is 12 months after contract signature. From the MDD onwards this figure becomes the Installed Capacity Estimate (ICE) and is used as the reference level for obligations under the CfD. By the Longstop Date, a generator must meet a Required Installed Capacity (RIC) in relation to the ICE, being 85%-100% of the ICE for offshore wind and 95%-100% of the ICE for all other technologies. A Final Installed Capacity (FIC) notice is also declared after the project Start Date. This is used to assess and set a cap on CfD payments.

**What you need to know:** Generators need to ensure they have a clear view of their project capacity levels at the start of the application process, bearing in mind the only adjustment that is possible once the CfD contract commences is downwards. This view needs to include the potential impact and probability of changes to installed capacity in the project delivery phase.

**Where to get more information:**

[Installed Capacity and Final Installed Capacity Guidance](#)

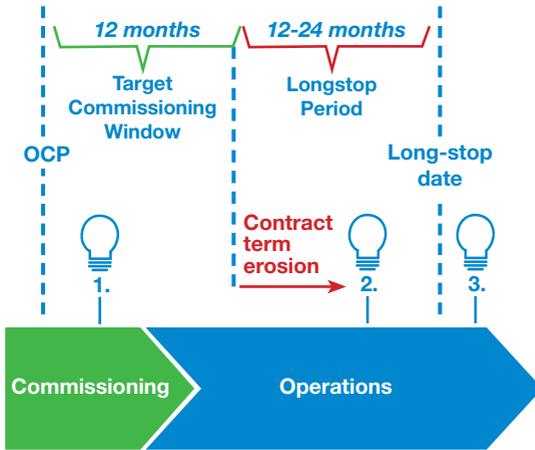
### 3.14 Target Commissioning Window

**Context:** The aim of the Target Commissioning Window (TCW) is to ensure the timely delivery of a project by the generator in line with allocation results.

**Overview:** Once an application has been submitted a TCW cannot be changed or altered, except in the event of Force Majeure or grid delay impacting the project as determined by rules set out in the CfD contract and agreed with LCCC.

If the generator fulfils all Operational Conditions Precedent (OCPs) and submits a valid Start Date Notice to LCCC during the TCW, the Start Date will trigger the start of the 15-year CfD term. However, if the generator provides the Start Date Notice after the TCW has ended (but prior to the Longstop Date), the CfD term will commence on the date of the effective Start Date Notice. The TCW therefore incentivises delivery of projects against stated allocation criteria. This is detailed below in figure 6.

**Figure 6: TCW and Start Date scenarios**



1 = Start Date notice approved and within TCW. CfD payments start for full 15 year duration

2 = Start Date notice approved but outside TCW. The term of the CfD starts from end of TCW and generator risks contract erosion

3 = Start Date notice beyond LD. Generator in breach of CfD and would trigger a termination event

The TCW applicable to each technology is set out in the Standard Terms Notice and is typically 12 months in length.

A project can commission earlier than the start of the TCW, however it will not receive CfD payments as these cannot be made in respect of any generation earlier than the first day of the TCW.

**What you need to know:** TCWs are submitted at the application stage by the generator. Generators will need to assess their project timelines and start date scenarios at the earliest opportunity in their project plan to ensure project completion milestones are aligned to the CfD contractual milestones. The incentive to do this is to avoid the risk of contract erosion, which occurs if a generator has not issued a Start Date Notice before the end of the TCW.

**Where to get more information:**

[Start Date Notice Guidelines](#)

**3.15 CfD Facility**

**Context:** As part of the ICP process, CfD generators must provide a description of the CfD Facility. This is a key descriptor of the project parameters and is used throughout the CfD where “Facility” is referred to.

**Overview:** The facility description should include details of the assets comprising:

- Main assets and systems comprising the facility to deliver electricity
- Feedstock preparation, store facilities, operations centres
- Description of metering equipment – including Balancing Mechanism (BM) units where applicable
- **Specifically for wind generators:** the number of turbines and nameplate capacity of each, offshore transmission system assets and the capacity of electrical collector systems
- **Specific for thermal generators:** The number and size of combustion systems, boilers combustion chambers and nameplate capacity. Prime movers such as steam turbines, engines and turbines including electric generators. Water treatment, flue gas, main auxiliary systems
- An aerial view of the location (OS map or equivalent) showing proposed locations of the facility and metering equipment

**What you need to know:** Generators should give proper consideration to the Facility layout and boundaries and how they describe their Facility at the outset, as this description is used throughout the CfD and for the lifetime of the contract.

**Where to get more information:**

[Facility Description guidance](#)

### 3.15 Metering

**Context:** To secure CfD payments a generator must have a metering system that is compliant with both the CfD contract and the wider market rules, as stipulated in the Balancing and Settlement Code (BSC). Metering requirements are designed to ensure that accurate half-hourly data can be recorded from the generators to create the correct payment and billing for the CfD contract.

**Overview:** Metering requirements in the CfD agreement vary depending on the individual generator and their configuration but for all projects the CfD meters must exclusively measure all the inputs and outputs of the CfD facility. A generator is also required to submit a copy of the Electrical Schematic Design (simplified single line diagram) to LCCC showing the locations of the facility metering equipment.

Generator output and payments are calculated under the CfD on a Net Metered Volume basis. This is broadly defined as the gross generation of the site minus any parasitic load used by the generator and any losses up to the meter point.

Loss Adjusted Meter Output (LAMO) data is also required to take account of any losses in measuring CfD output and payments.

**What you need to know:** Exclusive metering requirements mean that generators need to think carefully about their Facility and what is included and excluded from this. Any processes relevant to the site which a generator elects to exclude from its CfD facility description must be metered separately.

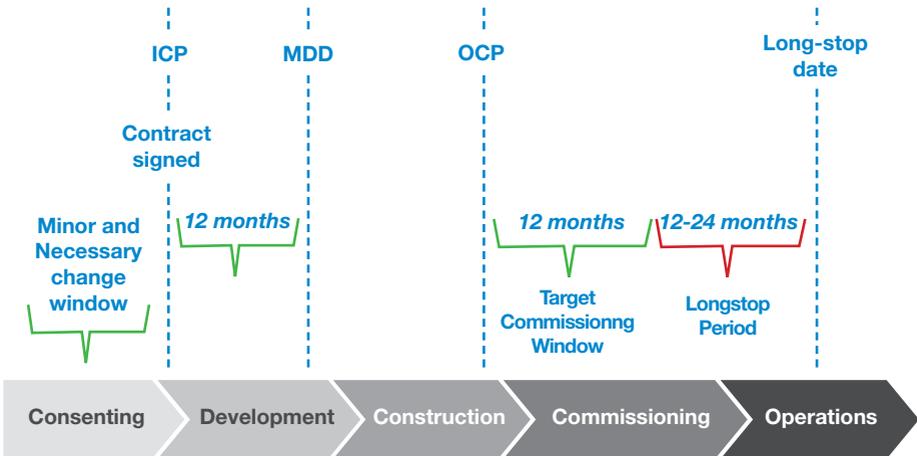
**Where to get more information:**

[G8 CfD Metering Guidance](#)

## 4. Pre-Start Date and project delivery stage

There are a number of key milestones that need to be achieved across the delivery phase of a project from development through to construction, commissioning and operations. This section of the guide covers these key contractual milestones and how they can potentially align to project build timelines (as depicted in Figure 7). Project timelines will in reality vary by the type of generator and maturity of the project.

Figure 7: Key contract milestones



### 4.16 Initial Conditions Precedent (ICPs)

**Context:** The Initial Conditions Precedent (ICPs) are the first milestone of the CfD. They are set to ensure applicants provide clear information on ownership structure and project descriptors to LCCC.

**Overview:** ICPs must be delivered within 10 Business Days after contract signature. Successful generators must deliver the ICP for the CfD contract to come into force. The ICPs consist of:

- **A Legal Opinion** - This confirms the Generator's legal capacity and authority to enter into the CfD
- **Know Your Customer form** - This is a process by which LCCC must be satisfied of the legal identity, ownership and control of the Generator
- **Description of Facility** - This requires the Generator to provide details of the assets comprising the Facility and a map or plan of the Facility

**What you need to know:** As this process is closely aligned to contract signature timelines, generators should note the short timescales involved and prepare accordingly. Failure to meet ICPs by the milestone is a termination event.

**Where to get more information:**

[LCCC Pre-generation information](#)  
[Facility Description Guidance](#)

#### 4.17 Milestone Delivery Date (MDD)

**Context:** The Milestone Requirement aims to ensure that generators evidence significant project commitments and to give confidence to the LCCC and the underlying policy framework that allocated budget will deliver generating capacity. This is used because it is recognised within CfD allocation that there is a risk of speculative bidding and it allows LCCC to terminate the CfD Contracts of projects that have not sufficiently progressed.

**Overview:** The MDD is the date by which generators must demonstrate their commitment to delivering the project. It is typically 12 months from contract signature (the Milestone Delivery Date). This can be achieved by one of two routes:

- The 10% spend route – achieved through providing evidence of spending on 10% or more of a projects pre-commissioning costs
- The project commitments route - evidence of project commitments such as a board resolution or supply contracts

LCCC has the right to terminate the CfD of projects that have not sufficiently progressed. Such a project would also be subject to the Non-Delivery Disincentive.

**What you need to know:** Achieving the MDD require generators to reach key investment decisions or sign significant contracts on the project. It is therefore critical that generators consider and plan in

advance financial arrangements and that the project spend profile fully reflects these requirements.

**Where to get more information:**

[Milestone Requirement Guidance](#)

## 4.18 Operational Conditions Precedent

**Context:** The Operational Conditions Precedent (OCP) ensure certain criteria are met before a generator can issue a Start Date Notice to the LCCC to inform them of commencement of operations and therefore start receiving payments under the CfD.

**Overview:** The OCP criteria require evidence of metering, grid connection, commissioned generating capacity, settlement arrangements and if applicable Combined Heat and Power Quality Assurance (CHPQA) or Fuel Measurement Sampling (FMS) requirements.

The OCP must be all met before the Long-Stop date of a project, which is 12-24 months after the end of a projects Target Commissioning Window. OCPs will usually be met by a generator before or within their Target Commissioning Window, this is to ensure it can progress to a Start Date within this window and receive CfD payments for the entirety of the 15-year agreement.

**What you need to know:** To meet these requirements a generator will need to ensure the OCP's requirements are built into the project planning and implementation timelines. The process of meeting OCPs typically starts from the point of contract signature. If a generator fails to meet the Operational Conditions Precedent by its Longstop Date this is classed as a CfD termination event.

**Where to get more information:**

[OCP evidence requirement guidance](#)

[EMRS Guidance – Contract for Difference Metering](#)

[EMRS Guidance – Operational Conditions Precedent \(Metering and Settlement\)](#)

## 4.19 Start Date

**Context:** The Start Date is used as a key milestone under the CfD to ensure alignment between the generator and LCCC as to when CfD payments should commence under the contract. The date is updated on a monthly basis by the generator from contract signature to ensure that payment profiles and supplier levy payments can be accurately forecast.

**Overview:** Before generators can receive payments under the CfD contract they must submit a Start Date Notice.

The Start Date Notice should specify the date that the generator proposes to be the Start Date for the purposes of the CFD contract. This date must be:

- No earlier than the date on which the LCCC confirms fulfilment of the final Operational Condition Precedent
- No earlier than the first day of the Target Commissioning Window
- No later than the Longstop Date.

### **What you need to know:**

- The LCCC encourages generators to engage as early as possible to discuss their Start Date or Conditional Start Date. The window for issuing a Start Date Notice is short at 10 Business Days following the passing of OCP criteria and an OCP fulfilment notice being received.
- There are specific rules for embedded generators, who as part of their Operational Conditions Precedent must give LCCC at least 3 months' notice of their intended Start Date.

### **Where to get more information:**

[Start Date Notice Guidance](#)

## 4.20 Final Installed Capacity (FIC)

**Context:** The CfD is designed to ensure generators fulfil their application criteria for installed capacity levels. Meeting this level ensures that committed budgetary spend at the time of allocation is delivered to meet low-carbon policy aims.

**Overview:** Generators are required under a CfD to inform the LCCC of the Final Installed Capacity (FIC) of their asset by issuing the Final Installed Capacity Notice. The FIC is the level of capacity

commissioned at the generators Start Date and cannot be higher than the Installed Capacity Estimate (ICE) set by the generator by the time of the MDD. There is also a minimum to this capacity termed the Required Installed Capacity (RIC) which is set in the CfD at 95% of the ICE for all technologies, except for offshore wind which is 85%.

The example below shows how this can develop for a generator.

- **Allocation phase:** An offshore wind generator is successful in the allocation round. The project has an Initial Installed Capacity Estimate (IICE) of 200MW
- **Contracting phase:** Before the Milestone Delivery Date (MDD) the generator adjusts the Installed Capacity Estimate by 15% (the maximum allowed being 25%) to 170MW (the Revised ICE)
- **Construction and commissioning phase:** Consequently, the Required Installed Capacity (RIC) is 144MW, being 85% of the Revised ICE
- **Operations:** The Final Installed Capacity (ICE) must be between 144MW (the RIC) and 170MW (the Revised ICE)

#### **What you need to know:**

- Generators must provide supporting evidence of FIC, this includes details of the assets comprising the facility. Generators must submit a FIC notice following the Start Date and no later than 10 Business Days after the Longstop Date.
- Once a FIC is agreed it is used to set the Maximum Contract Capacity (MCC) under the CfD. The MCC is the capacity limit to which CFD payments will be provided. A generator will only be paid up to their MCC, with any generation above this level not covered by CFD payments.

#### **Where to get more information:**

[Installed Capacity and Final Installed Capacity guidance](#)

## 4.21 Longstop Date

**Context:** The Longstop Date is the final milestone of the CfD timeline to incentivise delivery. It creates a cut-off point after which generators can no longer meet project milestones, including the OCP and the issue of a Start Date Notice.

**Overview:** The Longstop Date is the date by which the generator must have commissioned its Required Installed Capacity (RIC). If a generator fails to meet this and the Operational Conditions Precedent

criteria by its Longstop Date, then this could lead to the termination of the CfD Contract.

**What you need to know:** Generators should ensure that the Longstop Date is incorporated in project timelines. LCCC has the right but not the obligation to terminate the CfD contract in this circumstance.

**Where to get more information:**

[CfD Contract Events](#)

## 4.22 Termination Criteria

**Context:** The policy design of the CfD aims to ensure that only viable projects enter and sign agreements. The CfD itself stipulates a number of criteria which ensure that generators adhere to a number of agreed project timescales, data reporting and financial commitments. If they cannot be met, a CfD may be terminated to halt future commitments and any payments.

**Overview:** There are a number situations in which LCCC has the right to terminate a CfD including:

- Failure to meet milestone requirements in full and by the stated deadlines – this includes the ICP, MDD and Longstop date requirements
- Insolvency of the generator
- Non-payment by the generator to LCCC
- Fraudulent activity by the generator
- Failure to declare transfer arrangements
- Failing to comply with metering requirements

**What you need to know:** Prospective generators should familiarise themselves with the full list of termination criteria to understand their rights and obligations. There can also be financial implications arising from termination, for example if a termination event occurs after the Start Date, the Generator may be required to pay LCCC a Termination Amount.

**Where to get more information:**

[CfD Standard T&Cs](#)

## 5. Post Start Date and operational phase

Once project milestones have been achieved and a valid Start Date Notice issued by the generator the project will move to the operational phase. From the agreed Start Date generators will receive payments under the CfD. The criteria for payments including overall levels, market references and fuel sustainability assessments have clearly defined criteria in the CfD Regulations that must be adhered to. This section provides detail on these criteria and the key information for CfD generators.

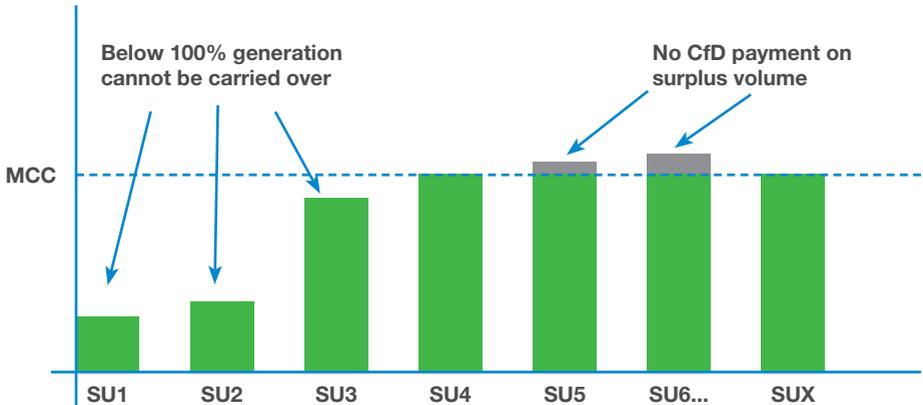
### 5.23 CfD Payments

**Context:** The CfD payments process is designed so that compliant generators receive regular payments under their contracts. This process, starting with payments from suppliers through the CfD Supplier Obligation to the LCCC and ending in LCCC payments to generators, aims to ensure sufficient funds are available to the LCCC to ensure generators payments under most eventualities.

**Overview:** Payments under the CfD commence once a Start Date Notice has been issued by a generator and agreed with LCCC. Payments are typically based on metered output, which is used to determine the Difference Amount for each “Settlement Unit” (“SU”) that difference payments are made against. Settlement Unit definitions vary by technology, being 30 minutes for baseload technologies and 1 hour for intermittent technologies.

Payments are made daily, termed a “billing period”, and statements are issued no later than 7 Business Days after the billing period. CfD payments will only be made up to the generator’s Maximum Contract Capacity (MCC), which is the Installed Capacity Estimate or the Final Installed Capacity before and after the Start Date respectively. Any generation above this point in any Settlement Unit will not be liable for CfD payments and excess generation cannot be carried over into future Settlement Unit periods where there is under generation. Figure 8 below highlights an example of this, where SU is each Settlement Unit.

**Figure 8: CfD payments and Maximum Contract Capacity**



**What you need to know:**

- Generators need to ensure they have the correct settlement processes in place to coordinate payments with the LCCC. This is an OCP criteria that needs to be passed before a Start Date can be agreed.
- LCCC must make CfD payments to generators 28 calendar days following the billing period. For any billing periods for which generators must pay LCCC, generators must pay 10 Business Days following the billing statement.

**Where to get more information:**

[LCCC Payments information](#)

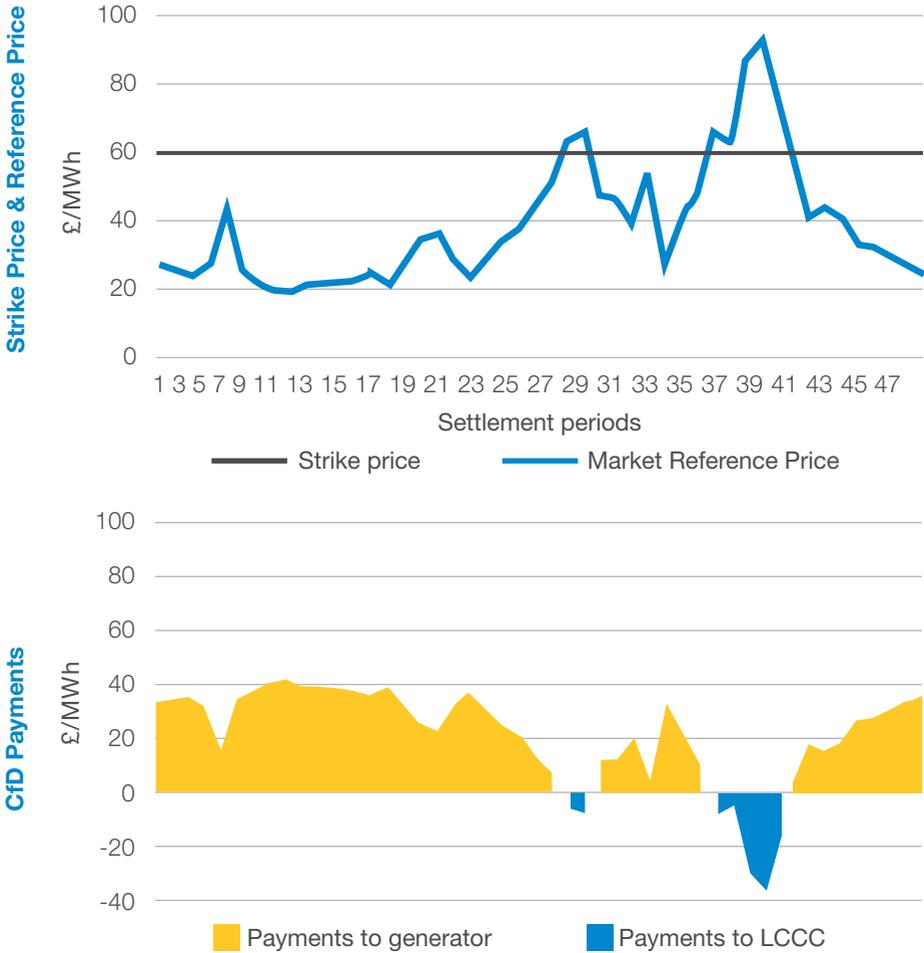
### 5.24 CfD Market Reference Prices

**Context:** The CfD aims to ensure that generators are still engaged and aligned with the GB wholesale electricity market. Market Reference Prices (MRP) are therefore used to determine a market price level above which CfD generators receive a top-up payment to their strike price. Generators pay LCCC when the relevant MRP is higher than the Strike Price, ensuring that consumers are protected when electricity prices are high.

**Overview:** Payments under the CfD contract are made based on the difference between the Strike Price and the Market Reference Price. When the Strike Price is higher than the Market Reference Price, payments are made from LCCC to the generators and when the

Market Reference Price is higher than the Strike Price, generators pay the difference to LCCC. Figure 9 below details an example of this.

**Figure 9: Example CfD payments and Market Reference Prices**



There are two Market Reference Prices in the CfD contract - the Baseload Market Reference price and the Intermittent Market Reference Price.

**The Baseload Market Reference Price (BMRP)** is calculated on a seasonal basis following the end of the season. The summer season runs 1 April to 30 September and Winter season 1 October

to 31 March. Baseload prices are calculated using a traded volume weighted average based on forward season data received from LEBA (the London Energy Brokers' Association) and are published in April and October of each year.

**The Intermittent Market Reference Price (IMRP)** is the GB Day Ahead Hourly Price published by the Intermittent Day Ahead Indices, EPEX Spot and N2EX.

**What you need to know:** Generators will only receive payments on the difference between their Strike Price and Market Reference Price. Therefore, generators must still secure market trading arrangements to capture wholesale market value.

**Where to get more information:**

[LCCC Payments Information](#)

## 5.25 Strike price adjustments

**Context:** The CfD contract provides for certain annual adjustments to be made to generator strike prices. These adjustments are designed to make the CfD contract broadly long-term neutral to changes in balancing system charges, transmission losses charges and inflation, which are outside of the generators' control.

**Overview:** There are three categories of adjustment under the CfD agreement.

- **CPI Indexation:** This is adjusted once per year on the indexation anniversary (1st April). Under the CfD agreement the LCCC must notify the generator of this change no later than 5 Business Days after this date.
- **Balancing System Charges:** The strike price can be adjusted on the basis of these charges, covering Balancing Service Use of System (BSUoS) and Residual Cashflow Reallocation Cashflow (RCRC), to account for any difference between the actual charge paid by the generator and the indexed initial Balancing System Charge set in the contract before actual balancing charges were known.
- **Transmission Losses:** The strike price can be adjusted on the basis of changes to the Transmission Loss Multiplier (TLM). Each year LCCC provides TLM charging reports to generators to give effect to any changes in TLM adjustments. These are corrected ex- poste.

**What you need to know:** How a Strike Price adjustment applies to a generator is set out in the Generator's specific CfD Agreement.

**Where to get more information:**

[CfD Standard T&Cs – Clause 47](#)

[CfD Metering guidance](#)

## 5.26 Fuel Measurement Sampling

**Context:** To align with the low carbon policy aims of the CfD, the LCCC will only pay generators for output produced from sustainable non-fossil fuel sources. Fuel Measurement Sampling (FMS) is used to determine the proportion of output from a generator which is sustainable and therefore eligible for payments under the CfD.

**Overview:** Generators subject to FMS requirements will have to agree with LCCC the FMS procedures which will set out how they will sample and measure the fuels used by their facilities.

FMS helps to determine three key values for each fuel used:

- Quantity
- Gross Calorific Value (GCV)
- Fossil Fuel Contamination

The values here will be provided by generators to LCCC on a monthly basis and will be used to calculate the Renewable Qualifying Multiplier (RQM). This enables LCCC to determine the proportion of eligible output which can receive CfD payments. Ofgem E-Serve advises LCCC on FMS and sustainability related matters.

**What you need to know:** Generators should contact LCCC as soon as reasonably practicable following an awarding of a CfD to agree FMS procedures. Generators should note that documentation and agreement of the FMS Procedures are one of the Operational Conditions Precedent that must be fulfilled prior the confirmation of a project Start Date for applicable generators.

**Where to get more information:**

[Fuel Measurement Sampling Process Guidance](#)

[OCP Precedent Evidence Requirements](#)

## 5.27 Sustainability Criteria

**Context:** To align with the low carbon policy aims of the CfD, the LCCC ensures that fuels used for electricity generation are being sourced sustainably.

**Overview:** Sustainability provisions apply to the following Pot 2 technologies:

- Advanced Conversion Technologies (ACT)
- Anaerobic Digestion (AD)
- Dedicated Biomass with CHP

Each CfD will have sustainability provisions specified in its CfD Agreement and successful generators operating with the applicable technologies must report against sustainability criteria for Greenhouse Gas Emissions (GHG), Land Use Criteria and indirect use of land criteria.

For Allocation Round 3, BEIS have set out revised GHG criteria to lower the GHG threshold at which projects are required to meet sustainability criteria, detailed within the Draft CfD Agreement.

**What you need to know:** Generators should note that compliance and non-compliance with the sustainability provisions will impact the Renewable Qualifying Multiplier (RQM) and ultimately payments made under the CfD for sustainable fuels.

All applicable generators must report monthly and annually to the LCCC to demonstrate compliance with Sustainability Criteria. For Allocation Round 3 the criteria for GHG emissions has been amended to a lower threshold level of 29kg CO<sub>2</sub>e/MWh.

**Where to get more information:**

[Sustainability Criteria Guidance](#)

[CfD Government Response to Consultation on Scheme Amendments for AR3](#)

## 5.28 Renewable Qualifying Multiplier (RQM)

**Context:** RQM is used by the LCCC for generator settlement purposes under the CfD. The multiplier determines the payments made to generators based on the renewable content of their fuels, as determined by Fuel Measurement Sampling. This is guided by the principle that the CfD will only support payments for low-carbon generation.

**Overview:** RQM is calculated for each month of electricity generation and is applied to any “Settlement Units” falling in that calendar month. There are four different ways in which RQM can be determined:

- Deemed, if applicable (i.e. if an FMS Exempted Generator)
- Calculated according to fuel data received following FMS Procedures
- If neither of the above apply, by application of the last-known RQM
- Assumed, if applicable (if none of the above apply, by a deemed value agreed between LCCC and the Generator)

**What you need to know:** Generators are required to provide monthly output data and FMS details to allow RQM calculations. FMS procedures must be agreed before a project Start Date Notice is issued. Therefore, RQM calculations and payments cannot be made before FMS procedures have been agreed.

FMS Procedures may be amended, supplemented, restated or replaced from time to time by agreement between the Generator and LCCC.

**Where to get more information:**

[Fuel Mix Disclosure and Sampling Process Guidance](#)

## 5.29 Combined Heat and Power Qualifying Multiplier (CHPQM)

**Context:** The CHPQM is used in the same way as the RQM to determine payments for applicable CfD generators. It aims to ensure that only generated output from low carbon sources which produce good quality CHP is provided with CfD payments.

**Overview:** In order to receive the maximum rate of support potentially available to them, generators with CHP facilities must demonstrate that they are producing good quality CHP, as defined in a sector-wide quality assurance programme called the Combined Heat and Power Quality Assurance (CHPQA).

For the CfD scheme there are requirements to provide this quality through a CHPQA guidance note certificate (Guidance Note 44).

**What you need to know:** The CHPQM is used for this purpose on an ongoing basis and is recalculated annually as part of the CHPQA recertification process. Generators will need to maintain their CHPQA certification annually once operating and for the duration of any CfD offered in order to continue to receive support.

Interested parties should familiarise themselves with Annex 6 (CHPQM Calculation Methodology) to the Conditions and any other relevant provisions, including those in CHPQA Guidance Note 44.

As part of CfD amendments for Allocation Round 3, the government proposed to increase the minimum efficiency requirements that would be applied to new schemes seeking CHP support under the CfD. The government intends to require all dedicated biomass with CHP and energy from waste with CHP schemes applying for new CfD contracts to have a minimum:

- 70% overall efficiency (net calorific value)
- primary energy saving of 10% (gross calorific value)
- 10% heat efficiency (gross calorific value)

This will be applied to all sizes of plant and the government does not plan to increase efficiencies for heat only. An updated version of Guidance Note 44 of the CHPQA standard (version 7), including updated efficiency requirements, is expected to be consulted on in due course to align with CfD arrangements.

**Where to get more information:**

[CHPQA Guidance Note 44](#)

[Government response to CfD scheme changes](#)

# Appendix

## Contract Templates – Private Wire CfDs

**Context:** The CfD scheme aims to support low-carbon generation and does not exclude generators that are not connected to the public network. Therefore, a variant of the CfD for private wire low carbon generators is in place to support these projects.

**Overview:** This CfD is applicable to license exempt generators trading, either fully or partially, over a private electricity network. A private wire generator is defined as:

- 1.3(a) is exempt from the requirement to hold a licence for the generation of electricity
- 1.3(b) the Facility generates electricity solely or partly for the supply to a private Network; and
- 1.3(c) the Facility Metering Equipment is not, and is not required to be, registered in accordance with the BSC

**What you need to know:** The key drafting difference with a public network CfD is around metering equipment. To be eligible, CfD meters must be separate from any other input and output of electrical loads on the private wire network. Applicants must choose one or the other connection type (Standard vs Private Wire) as different templates are used. There is no right or mechanism to switch after applying for or signing a CfD.

## Contract Templates – Phased Project CfDs

**Context:** To limit the risks around large scale offshore wind projects, phased projects are permitted under the CfD.

**Overview:** Up to 3 phases can be achieved through this agreement to a maximum of 1,500MW. 25% of the overall capacity needs to be commissioned in the first phase and each phase needs to be above 5MW. The strike price agreed in the contract is the same for all phases, but each phase will have a separate CfD agreement.

**What you need to know:** Generators opting for phased project CfDs choose between two templates which are distinct due to metering requirements: the single metering CfD and the apportioned metering CfD.

### For Single Metering CfDs:

- Each phase must have at least one exclusive BM Unit
- It is not possible to have two or more phases sharing a BM Unit
- Each phase has a separate phasing agreement to measure output

### For Apportioned Metering CfDs:

- There are metering and monitoring obligations
- Generators may design their metering system to record the net metered output for the project as a whole (i.e. via one central point or by aggregating multiple metering points)
- SCADA data must be shared to enable apportionment of metered volumes across phases through measuring output

## Contract Templates – Unincorporated Joint Venture CfDs

**Context:** To allow for the structural and financial arrangements of unincorporated joint ventures a separate CfD template agreement is facilitated.

**Overview:** This template differs in having different notice obligations under the contract that need to be served by all joint venture parties. Termination provisions are also altered to require notice to be given in order ascertain whether the non-defaulting joint venture party is able to continue to perform the obligations under the CfD.

**What you need to know:** Projects looking to use this CfD template need to ensure they will be able to meet the amended definitions and have the correct agreements in place across joint venture parties to meet obligation criteria.

## Glossary of CfD terms

Term	Definition
<b>Administered Strike Price (ASP)</b>	Sets the maximum support, on a £/MWh basis, that the government is willing to offer developers for each technology in a given delivery year. ASPs set a cap on clearing prices in an auction as generators cannot receive a strike price value higher than their technology ASP.
<b>Baseload Market Reference Price (BMRP)</b>	Used as a reference point to calculate difference payments for applicable generators. The BMRP is calculated on a seasonal basis using a traded volume weighted average based on forward season data received from LEBA. The BMRP is published in April and October of each year.
<b>BM Unit</b>	Balancing Mechanism (BM) units are used as units of trade within the Balancing Mechanism, which is designed to balance supply and demand for electricity in real time on the national electricity transmission system and operated by the Transmission System Operator. Each BM Unit accounts for a collection of plant and/or apparatus and is considered the smallest grouping that can be independently controlled. As a result, most BM Units contain either a generating unit or a collection of consumption meters. For CfD generators, applicable generators must have exclusive BM units for their CfD output.
<b>Combined Heat and Power Qualifying Multiplier (CHPQM)</b>	Used to determine payments for applicable CfD generators with CHP facilities. Generators must demonstrate that they are producing good quality CHP, as defined in a sector-wide quality assurance programme called the Combined Heat and Power Quality Assurance (CHPQA).
<b>Final Installed Capacity (FIC)</b>	The level of capacity commissioned at the generators Start Date. The FIC is used to set the Maximum Contract Capacity (MCC) under the CfD.
<b>Fuel Measurement Sampling (FMS)</b>	The technique used to determine the proportion of output from a fuelled generator which is eligible for payments under the CfD.

<b>Initial Conditions Precedent (ICP)</b>	The first delivery milestone of the CfD. Within 10 Business Days of signing the contracts, successful generators must provide a legal opinion, Know Your Customer (KYC) form and facility description to LCCC.
<b>Installed Capacity (IC)</b>	Defined in the CfD as “The capacity of the Facility (expressed in MW) were it to be operated at optimal conditions on a continual basis at the maximum capacity possible without causing damage to it (net of any loads operating the facility and all losses that incurred from the units to the metering equipment)”.
<b>Initial Installed Capacity Estimate (IICE)</b>	Generators submit an Initial Installed Capacity Estimate (IICE) at the time of application. The IICE is used as a reference point throughout the CfD. For a successful generator, Installed Capacity can only ever be altered lower than the IICE. The IICE can be adjusted downwards by up to 25% by the Milestone Delivery Date.
<b>Installed Capacity Estimate (ICE)</b>	The level of capacity set from the MDD for the project. Generators must commission a set percentage of this capacity level, the Required Installed Capacity (RIC), to achieve certain contract milestones and avoid contract termination.
<b>Intermittent Market Reference Price (IMRP)</b>	Used as a reference point to calculate difference payments for applicable generators. It is calculated from the GB Day Ahead Hourly Price published by the Intermittent Day Ahead Indices.
<b>Longstop Date (LD)</b>	The date by which the Generator must have Commissioned its Required Installed Capacity (RIC). It creates a cut-off point after which generators can no longer meet project milestones. If projects fail to meet milestones by the Longstop date, it is considered a termination event.
<b>Milestone Delivery Date (MDD)</b>	A milestone in the CfD that requires generators to demonstrate their commitment to delivering the project within 12 months of signing. This can be achieved either by demonstrating significant spend or by evidencing project commitments.
<b>Minor and Necessary (M&amp;N) modifications</b>	Generators can apply for Minor and Necessary Modifications to the CfD Contract during the application stage of an Allocation Round.

<b>Non-Delivery Disincentive (NDD)</b>	A contract features designed to incentivise applicants who have been successful in the allocation process. Successful applicants who fail to sign CfDs are subject to the NDD which excludes the project from future auctions for up to 24 months.
<b>Operational Conditions Precedent (OCP)</b>	A contract milestone to ensure certain criteria are met before a generator can issuing a Start Date and start receiving payments under the CfD. The OCP criteria require evidence of metering, grid connection, generating capacity that is commissioning, settlement arrangements and if applicable Combined Heat and Power Quality Assurance (CHPQA) or Fuel Measurement Sampling (FMS) requirements.
<b>Renewables Qualifying Multiplier (RQM)</b>	RQM determines payments made to generators based on the renewable content of their fuels, as determined by Fuel Measurement Sampling.
<b>Required Installed Capacity (RIC)</b>	A minimum level of capacity a generator needs to commission by the longstop date. The RIC is set at 85% of the Installed Capacity Estimate for offshore wind generators and 95% for all other technologies.
<b>Start Date (SD)</b>	An agreed point at which generators can start to receive payments under the CfD. A Start Date Notice must be issued by the generator to the LCCC in advance and can be no later than 10 Business Days after the OCP Criteria fulfilment notice. Once a CfD is signed generators update the LCCC with their estimated started date on monthly basis.
<b>Strike Price</b>	The clearing value for a project determined through the CfD auction process. The strike price sets the point to which CfD difference payments are made.
<b>Target Commissioning Date (TCD)</b>	The expected date a project will commission its installed capacity.
<b>Target Commissioning Window (TCW)</b>	The window in which commissioning of the project will occur, as set by the generator in the allocation phase. The TCW incentivises delivery of projects within the window as beyond the end of the window the term of the contract reduces by one day for each day that the Start Date is delayed.

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