

202300375388

(1)

From: [Redacted]@gov.scot <[Redacted]@gov.scot> **On Behalf Of**
CabSecNetZET@gov.scot

To: Cabinet Secretary for Wellbeing Economy, Fair Work & Energy
<CabSecWEFWE@gov.scot>; Minister for Energy and the Environment
MinisterEE@gov.scot

Cc: Low R (Ragne) <Ragne.Low@gov.scot>; [Redacted] <[Redacted]@gov.scot>

Subject: FW: Cabinet Secretary for Net Zero, Energy and Transport - Policy considerations for future rounds of the Contracts for Difference Scheme (DESNZ Ref: CC2023/03921)

Hi,

One for your Ministers I think.

Thanks
[Redacted]

[Redacted] | [Redacted] to Cabinet Secretary for Transport, Net Zero and Just Transition - Màiri McAllan MSP | The Scottish Government | Web: www.gov.scot | Mob: [Redacted] | Email: CabsecTNZJT@gov.scot

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From: DESNZ cabinet committees <desnz.cabinetcommittees@beis.gov.uk>

Sent: 20 June 2023 13:14

To: Cabinet Secretary for Net Zero & Just Transition <CabSecNZJT@gov.scot>

Cc: DESNZ cabinet committees <desnz.cabinetcommittees@beis.gov.uk>; Secretary Of State (Grant Shapps) <Secretary.State@energysecurity.gov.uk>; [Redacted] (Renewable Electricity) <[Redacted]@beis.gov.uk>; [Redacted] (SIG-Help to Grow Digital) <[Redacted]@beis.gov.uk>; secretaryofstate@ukgovscotland.gov.uk; SOMinCorr@ukgovscotland.gov.uk

Subject: FW: Cabinet Secretary for Net Zero, Energy and Transport - Policy considerations for future rounds of the Contracts for Difference Scheme (DESNZ Ref: CC2023/03921)

Good afternoon,

Please accept our apology for the late response (attached), from the Secretary of State for Energy Security and Net Zero, to the Cabinet Secretary for Net Zero and Just Transition. This is in response to the former Cabinet Secretary for Net Zero, Energy & Transport's letter of 7 February 2023 (also attached for ease of reference), concerning the Contracts for Difference consultation.

Kind regards,

[Redacted]



Department for
Energy Security
& Net Zero

[Redacted]
[Redacted] | PSPO
Tel: [Redacted] | Mobile: [Redacted]
[Redacted]@beis.gov.uk
Cabinet Committees, Special Advisers' Office,
Abbey 1, 8th Floor, 1 Victoria Street, London
SW1H 0ET
www.gov.uk/desnz

From: [Redacted]@gov.scot <[Redacted]@gov.scot> **On Behalf Of**
CabSecNetZET@gov.scot

Sent: 07 February 2023 10:44

To: Secretary Of State (Grant Shapps) <Secretary.State@beis.gov.uk>

Cc: BEIS Correspondence <BEIScorrespondence@beis.gov.uk>;
[Redacted]@gov.scot; CabSecNetZET@gov.scot

Subject: Letter from Cabinet Secretary for Net Zero, Energy and Transport - Policy considerations for future rounds of the Contracts for Difference Scheme

Good Morning,

Please find attached a letter from the Cabinet Secretary for Net Zero, Energy and Transport – Michael Matheson on the Contracts for Difference consultation.

Thanks

[Redacted]

[Redacted] | [Redacted] to Cabinet Secretary for Net Zero, Energy and Transport – Michael Matheson | The Scottish Government | Web: www.gov.scot | Mob:

[Redacted] | Email: CabSecNetZET@gov.scot

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(1) – Attachment A

Cabinet Secretary for Net Zero, Energy and Transport
Michael Matheson MSP



Scottish Government
Riaghaltas na h-Alba
gov.scot

T: 0300 244 4000
E: scottish.ministers@gov.scot

The Rt Hon Grant Shapps MP
Secretary of State for Business, Energy and Industrial
Strategy
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET
United Kingdom

7 February 2023

Dear Grant

As we set out in our draft Energy Strategy and Just Transition Plan, the Scottish Government is clear that harnessing our low cost renewables resources in conjunction with flexible technologies and grid scale storage is the best pathway to net zero.

The continuation of the Contracts for Difference framework will be key to ensuring deployment ambitions are met and to delivering cost-effective decarbonisation of the electricity system.

We would like to highlight that placing offshore wind in the same 'technology pot' as other renewables for Allocation Round 5 risks creating unnecessary competition between complementary technologies. The continued swift deployment of onshore wind will be key to meeting our 2030 targets and to providing low cost electricity for consumers across GB. We trust that the UK Government will actively manage this risk, and that onshore wind deployment will be supported at a level commensurate with its critical role in the energy transition.

In addition, the administrative strike price of AR5, unless reflected on in light of ongoing economic uncertainty, could be detrimental to the future build out of renewables and maximising the associated supply chain benefits.

In relation to the consultation document from your department in December relating to future CfD rounds we would like to respond with the following points:

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CfD for Private Network Generators and MPI's

Multipurpose interconnection and private wire arrangements offer the chance to ensure a more coordinated and efficient network with less pressure on sensitive marine areas and communities in relation to the onshoring of infrastructure. We recognise, however, concerns relating to the burden on consumers for power that may not ultimately flow to the GB grid.

We would welcome a discussion to understand the potential impact on both consumers and developers of the proposals relating to both private wire generators and multi-purpose interconnections.

Phasing

The introduction of phasing policy was to assist the build-out of projects, in the same lease area, in three phases. The improvements in installation techniques has reduced the need for phasing but as we move into more challenging water depths having this option may still be beneficial to some developers to ensure the project has flexibility during construction. Therefore it would be better for phasing policy to remain until further evidence has been gathered on the impacts of building out in more challenging conditions.

Appeals

It is unclear from the consultation document what the impact would be of running an allocation and appeals process in parallel, and in particular what the consequences of a successful appeal would be on projects that were successful through the allocation process. I would appreciate further clarity on this point.

Repowering

The Scottish Government strongly supports the consideration of repowering projects within the CfD framework. Repowered projects can enable a number of efficiencies – both economic and in terms of carbon – such as utilisation of existing grid connections and other supporting infrastructure such as roads. Repowering older projects also comes with the potential for the same or more power to be produced via fewer, larger turbines.

Supply Chain

The Scottish Government supports the work to date to refine and evolve the developer-led Supply Chain Plan process. This work aligns with much of the work already in train in Scotland via the requirement for ScotWind projects to submit a Supply Chain Development Statement to Crown Estate Scotland as part of the leasing process. My officials will continue to work closely with your officials as we seek to deliver on our common shared goal for developers to make a significant contribution to the growth of the offshore wind supply chain in both Scotland the rest of the UK.

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I would be grateful if my officials could discuss these points with your officials at the earliest opportunity. Certainty and fairness in the CfD scheme will be key to ensuring that investors have the confidence to take forward investment in renewables at the scale we need, and any changes to the scheme could have serious implications for Scotland's renewable ambitions. It is therefore vital that any changes made are fully transparent, assessed for their wider impacts, and have industry support.

I look forward to your reply.



MICHAEL MATHESON

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(1) - Attachment B



Department for Energy Security & Net Zero

Màiri McAllan MSP
Cabinet Secretary for Net Zero and Just Transition
St Andrew's House, Regent Road
Edinburgh
EH1 3DG

Rt Hon Grant Shapps MP
Secretary of State
Department for Energy Security
& Net Zero
1 Victoria Street
London
SW1H 0ET

www.gov.uk

Our ref: CC2023/03921
Your ref:

June 2023

Dear Màiri,

Your predecessor Mr Matheson previously sent a letter regarding the recent consultation on proposals to amend the Contracts for Difference (CfD) scheme.

I was glad to hear of the Scottish Government's support for the continuation of the CfD scheme and the important role it will play in delivering decarbonisation of the electricity system.

Allocation Round 5 (AR5) opened 30 March 2023. It is the first in a new sequence of annual allocation rounds. More frequent CfD rounds will support the delivery of renewable technologies identified in the Net Zero Strategy as key to decarbonising the power sector, such as low-cost offshore wind, locally supported onshore wind, and solar PV. At the same time, greater auction frequency will provide a stable platform for emerging technologies – including tidal stream and floating offshore wind – to demonstrate their scalability and cost-efficiency.

A key success of the CfD scheme has been its ability to balance the dual objectives of supporting deployment and placing downward pressure on costs to electricity consumers using the competitive auction process. The move to annual auctions, while beneficial for the sector, means fewer projects to compete in each pot. We believe reducing the number of pots for this year's auctions has therefore helped us to achieve the right balance across the scheme's objectives, given this move to more frequent auctions.

We appreciate apprehension about the level of Administrative Strike Prices (ASPs) in the current economic climate. Whilst there have been cost pressures for developers, the CfD scheme offers broad protection from inflation to generators through indexing the strike price to the Consumer Price Index (CPI). This compares favourably to other schemes. In addition, the ASPs for the majority of successful AR4 technologies remain at least 30% above their effective AR4 clearing prices, after accounting for the Ofgem decision to remove Balancing Services Use of System



Department for
Energy Security
& Net Zero

Rt Hon Grant Shapps MP
Secretary of State
Department for Energy Security
& Net Zero
1 Victoria Street
London
SW1H 0ET

(BSUoS) charges from generators. The outcome of AR5 will provide useful information on current costs of technologies, which will inform future CfD allocation rounds.

Thank you also for your directorate's response to the consultation on proposed changes to future CfD allocation rounds. My officials are currently analysing responses to the consultation, and we expect to publish a government response shortly.

My officials would be happy to discuss with yours further, and I have asked them to extend an invitation.

I hope you will find this reply helpful.

Your sincerely,

RT HON GRANT SHAPPS MP
Secretary of State for Energy Security & Net Zero

(2)

FW: Contracts for Difference - Stakeholder Bulletin – 160323

From: [Redacted] <[Redacted]@gov.scot>

Sent: Thursday, March 16, 2023 4:54 PM

To: [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>
Cc: [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>
Subject: FW: Contracts for Difference - Stakeholder Bulletin - 160323

Hi all,

I've attached the AR5 CFD budget notice, published today, in case you haven't seen it.

- £205 million (versus £265 million for AR4 - although I don't think the AR4 budget was even fully spent).
- £10 million ring-fenced for tidal

Do any of the sector leads have an insight into what sites might be planning to bid into the CFD, and whether or not the stated administrative strike prices are within the capabilities of the sites? I'm thinking offshore wind, onshore wind, (remote island wind?) solar and tidal.

We're currently looking at the future electricity system in Scotland, so if there is any insight we can glean here around likely capacities to be added to the system by the late 2020s that would be great.

Thanks
[Redacted]

From: BEIS Contracts for Difference <BEISContractsForDifference@beis.gov.uk>
Sent: 16 March 2023 12:44
To: BEIS Contracts for Difference <BEISContractsForDifference@beis.gov.uk>
Subject: Contracts for Difference - Stakeholder Bulletin - 160323

Dear All,

Please find attached the latest Contracts for Difference (CfD) stakeholder bulletin, issued by the Department for Energy Security and Net Zero.

Please let us know if you need this bulletin in any format other than PDF.

Best wishes,
Contracts for Difference team



Department for Energy Security & Net Zero

This stakeholder bulletin is being circulated to people who have opted in to the Contracts for Difference stakeholder contact list. This list is managed by the Department for Business, Energy and Industrial Strategy and is used to inform interested parties of policy developments relevant to the Contracts for Difference scheme for renewable energy projects. To be removed from the circulation list, please reply to BEISContractsForDifference@beis.gov.uk with the subject 'opt out' (or, if the receiving e-mail you use is different to the one you send e-mail from, including that e-mail address in the subject of the e-mail).

(2) – Attachment



Department for
Energy Security
& Net Zero

Contracts for Difference: Stakeholder Bulletin

16th March 2023

Allocation Round 5 Budget Confirmed

The government has today confirmed that a budget of **£205 million** has been set for the fifth allocation round of the Contracts for Difference (CfD) scheme.

Details of the budget are set out in the [Budget Notice](#), alongside several other statutory notices required to launch the fifth allocation round (AR5), has been published by the government on 16th March 2023.

Other documents published today include:

- the [final AR5 Allocation Framework](#), setting out the rules and eligibility requirements for the round.
- a [Government response to the recent consultation on further changes to the CfD contract](#).
- the [final contract documents for AR5](#) following the outcome of the consultation.

The application window for Allocation Round 5 will be open from 30th March to 24th April 2023.

For further information and to access all the publications, visit the [AR5 microsite](#).

General Data Protection Regulation

This stakeholder bulletin is being circulated to people who have opted in to the Contract for Difference stakeholder contact list. We issue these stakeholder bulletins as a convenience to interested parties, however it is not in any way essential to be on this list to participate in major consultations or allocation rounds.

Purpose & scope of this list: This list is managed by the Department for Energy Security and Net Zero (and any successor departments) and will be used to inform interested parties of policy developments relevant to the Contract for Difference scheme for renewable energy projects (and any direct successor schemes). It is not used for any other purposes.

To be removed from the circulation list: Please send a blank e-mail with the subject 'opt out' (if the receiving e-mail you use is different to the one you send the e-mail from, include that e-mail address in the subject of the e-mail) to BEISContractsForDifference@beis.gov.uk.

If you have received this indirectly and want to be added to this list: Send a blank e-mail with the subject line 'opt in' to BEISContractsForDifference@beis.gov.uk. You can withdraw your consent to opt in at any time. We will normally keep your address on this list until you: a) withdraw your consent to opt in, b) the scheme closes without any successor, c) we receive reports your email address is no longer operational, or d) you do not respond to a periodic request from us to reconfirm your desire to opt in.

(3)

From: [Redacted]

Sent: Wednesday, February 8, 2023 7:10 AM

To: 'BEISContractsforDifference@beis.gov.uk'

<BEISContractsforDifference@beis.gov.uk>

Cc: [Redacted] <[Redacted]@gov.scot>

Subject: FW: Letter from Cabinet Secretary for Net Zero, Energy and Transport - Policy considerations for future rounds of the Contracts for Difference Scheme

Good Morning,

Please find attached to this email a letter from Cabinet Secretary for Net Zero, Energy and Transport, Michael Matheson on the recent contracts for difference consultation (sent to BEIS PO yesterday). Sending it to the consultation email address as I know these things can sometimes take a while to flow down from private offices,

Kind regards,

[Redacted]

[Redacted], [Redacted], Onshore Electricity, Strategy and Consents
Directorate for Energy and Climate Change | Scottish Government | 5 Atlantic Quay,
150 Broomielaw, Glasgow G2 8LU

E: [Redacted] m: [Redacted]

The [draft Energy Strategy and Just Transition Plan](#) is open for consultation until 4 April 2023: [tell us your views here](#).



From: [Redacted] <[Redacted]@gov.scot> **On Behalf Of** Cabinet Secretary for Net Zero, Energy and Transport

Sent: 07 February 2023 10:44

To: Secretary.State@beis.gov.uk

Cc: BEIScorrespondence@beis.gov.uk; [Redacted] <[Redacted]@gov.scot>;

Cabinet Secretary for Net Zero, Energy and Transport <CabSecNetZET@gov.scot>

Subject: Letter from Cabinet Secretary for Net Zero, Energy and Transport - Policy considerations for future rounds of the Contracts for Difference Scheme

Good Morning,

Please find attached a letter from the Cabinet Secretary for Net Zero, Energy and Transport – Michael Matheson on the Contracts for Difference consultation.

Thanks

[Redacted]

[Redacted] | [Redacted] to Cabinet Secretary for Net Zero, Energy and Transport – Michael Matheson | The Scottish Government | Web: www.gov.scot | Mob:

[Redacted] | Email: CabSecNetZET@gov.scot

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(4)

From: Kersti Berge <Kersti.Berge@gov.scot>

Sent: Thursday, August 3, 2023 12:48 PM

To: 'Charlton, Helena (Energy Security)' <helena.charlton@energysecurity.gov.uk>

Cc: 'Redwood, Sarah (Energy Security)' <Sarah.Redwood@energysecurity.gov.uk>

Subject: RE: Official Sensitive: CfD AR5 Budget update

Helena, Sara – thanks for the heads up,

K

From: [Redacted] <[Redacted]@gov.scot> **On Behalf Of** Kersti Berge

Sent: Wednesday, August 2, 2023 4:21 PM

To: Catherine Williams <Catherine.Williams@gov.scot>; Catriona Laing <Catriona.Laing@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; Jemima Gordon-duff <Jemima.Gordon-duff@gov.scot>; Jon Rathjen <Jon.Rathjen@gov.scot>; Kersti Berge <Kersti.Berge@gov.scot>; Philip Raines <Philip.Raines@gov.scot>; Ragne Low <Ragne.Low@gov.scot>; [Redacted] <[Redacted]@gov.scot>; Sue Kearns <Sue.Kearns@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>

Cc: [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>; [Redacted] <[Redacted]@gov.scot>

Subject: FW: Official Sensitive: CfD AR5 Budget update

SMT, cover, EAs: for info + comment -- [Redacted]

From: Charlton, Helena (Energy Security) <helena.charlton@energysecurity.gov.uk>
Sent: Wednesday, August 2, 2023 4:11 PM
To: Kersti Berge <Kersti.Berge@gov.scot>
Cc: Redwood, Sarah (Energy Security) <Sarah.Redwood@energysecurity.gov.uk>
Subject: Official Sensitive: CfD AR5 Budget update

Dear Kersti

I'm writing to let you know that we plan to publish the CfD Allocation Round 5 Budget Revision notice tomorrow (03 August). **Please do not share externally, as this information is not yet public.**

The new total budget for AR5 will be £227mn, with an increase of £20 million for 'Pot 1' established technologies and £2 million for 'Pot 2' emerging technologies. Government set the original budget earlier this year, in March, at £205 million. This original budget was based on our assessment of the likely pipeline at the time the budget decision was made.

On receipt of the National Grid Electricity System Operator's formal valuation of all eligible applications, the Secretary of State decided to increase the budget:

- Pot 1: from £170m to £190m
- Pot 2: from £35m to £37m, inclusive of a £10m ringfence for tidal technologies

As AR5 is the first annual auction round, we are delighted with the level of participation across many of the technologies. We do however also recognise the continuing challenges facing industry, and we continue to work with sectors on these.

More information is available at the CfD microsite. However, if you would like to talk through the budget revision, I am very happy to set up a call to facilitate this.

Best Regards



Helena Charlton
Deputy Director Renewable Electricity Delivery
1 Victoria Street, London SW1H 0ET
Helena.charlton@energysecurity.gov.uk
Tel: [Redacted]
PA: [Redacted] | [Redacted]@energysecurity.gov.uk