

Key features of the CfD

Feature	Description	Emerging proposal
Price setting and allocation		
Administrative price setting	How strike prices will be set for different technologies.	Renewables: similar to RO banding review process. CCS: initially through the CCS Commercialisation Programme competition in conjunction with the FID Enabling process. Nuclear: initially on a project by project basis, through the FID Enabling process.
Competitive price setting	When and how strike prices will be set using a competitive process.	Move to competition as soon as market conditions allow; this could be 2017 for certain renewable technologies.
Eligibility	Which technologies will be eligible for support under the CfD regime.	Minded that new low-carbon technology plants that are not eligible for the small- scale FIT will be eligible for a CfD.
Allocation	How developers can apply for a CfD before the move to a fully competitive process.	Renewables: through allocation rounds run every six months. CCS: initially through the CCS Commercialisation Programme or the FID Enabling process. Nuclear: initially through the FID Enabling process.
Managing financial exposure	Ensuring costs of CfDs remain affordable.	Minded to instruct the System Operator to remain within an agreed budget when issuing CfDs. Considering whether further controls are required for particular technologies.
CfD terms		
Pre-commissioning	The arrangements for monitoring the development of plant after CfD award.	Minded to place obligations on developers to build within agreed timescales, with proportionate penalties to incentivise compliance.
Reference Price	The market price for electricity that is referenced in the CfD for the purpose of calculating CfD payments.	Intermittent: Hourly Day Ahead Auction Price for the GB Zone (as established under North West European Market Coupling). Baseload: Year Ahead, price source to be determined.

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CfD Volume	The definition of the volume of electricity for the purpose of calculating CfD payments, and the resulting metering requirements.	Minded to pay the CfD on the basis of metered output unless the price in the reference market is negative, in which case to pay on a measure of availability.
Allocation of supplier payments	How suppliers' payment obligations / entitlements are calculated.	Minded to base suppliers' payment obligations on market share (as defined by 'supplier cap take').
Settlement	Process and timing for invoicing and administering CfD payments.	Minded to base processes on Balancing and Settlement Code processes. Minded that settlement periods will be monthly or possibly shorter.
CfD Length	The length of the CfD from the payment start date as defined in section C.	Initial view that CfD length for renewables should be 15 years. 10 years (subject to negotiations) for early stage CCS project(s) supported under CCS Commercialisation Programme. Nuclear and long-term CCS-equipped plant to be determined.
Inflation indexation	Arrangements for adjusting the CfD strike price in line with inflation.	Minded to choose CPI as a standardised and established inflation measure that is familiar to international institutional investors.
Fuel Price indexation	Arrangements for adjusting the CfD in order that payments reflect a generator's input fuel costs.	Minded not to link the CfD strike price to fuel costs for biomass. For the first CCS project(s), minded that the CfD should provide indexation needed to hedge against long term fuel price variability.
Credit and Collateral	The requirements on generators and suppliers to provide credit / collateral.	Minded to place a collateral requirement based on an estimate of likely settlement amounts due in a given trading (settlement) period.
Amendment of the reference price and other CfD parameters	The arrangements for amending CfD parameters in response to changes which might impact the validity of the indices used.	Minded to include an 'independent expert' role in the CfD framework to manage any review of CfD parameters and determine any amendments required.

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Change in Law	Arrangements for adjusting the CfD in response to relevant changes (e.g. regulatory) that materially affect the value of the CfD to either party.	Minded in principle that the CfD should contain change in law provisions, the form and scope of which remain to be determined. Further detail will be set out in the autumn.
Dispute Resolution	Procedures for resolving any disputes arising under the CfD.	The Government will seek further legal advice in this area before engaging with stakeholders later in the year.
Legal Framework and Payment Model		
Legal status of the CfD	The arrangements for promoting investor certainty.	The Bill outlines that the CfD will be an instrument created by statute that sets out obligations on suppliers and generators. However, Government is considering industry concerns around whether a conventional contractual model would be preferable.
Route to market and liquidity		
Route to market	Independent generators are often reliant on Power Purchase Agreements to secure project financing.	The Government plans to issue a call for evidence in June 2012 to set out understanding of the issues, the evidence that is needed to move forward, and to outline initial options that may address market concerns.
Liquidity	A liquid electricity market is an important factor underpinning the operation of the CfD.	Government welcomes recent positive developments in the markets, but believes further measures are necessary and will work with industry and OFGEM to ensure liquidity strengthens.