

CfD Allocation Round 6 Results – a briefing

03/09/2024

Introduction

The results of the sixth competitive Allocation Round (AR6) for the Contract for Difference (CfD) were released by the Department for Energy Security & Net Zero (DESNZ) today. The role of the Low Carbon Contracts Company (LCCC) is to manage CfDs, in particular, enabling generators to deliver CfD projects in accordance with the milestones set out in the contract, and to manage payments to and from generators once the projects are operational.

Following today's notification from the Electricity Market Reform (EMR) Delivery Body, LCCC will now offer CfDs to the successful applicants, and once they have signed those contracts and passed their Initial Conditions Precedent, the projects will be officially added to the CfD portfolio. This briefing has been produced by LCCC, the CfD Counterparty, to illustrate these results, and their expected impact on the CfD portfolio once contracts with the successful applicants are signed.

New low carbon capacity in the mid-2020s

The total generation capacity of projects successful in the allocation round was 9.65GW. Figure 1 shows the expected CfD capacity from the successful projects based on their Target Commissioning Dates across the delivery years 2026/27 to 2030/31. The budget usage is dependent on assumptions about wholesale prices, while actual money flows under the CfD will depend on actual prices at the time of generation.

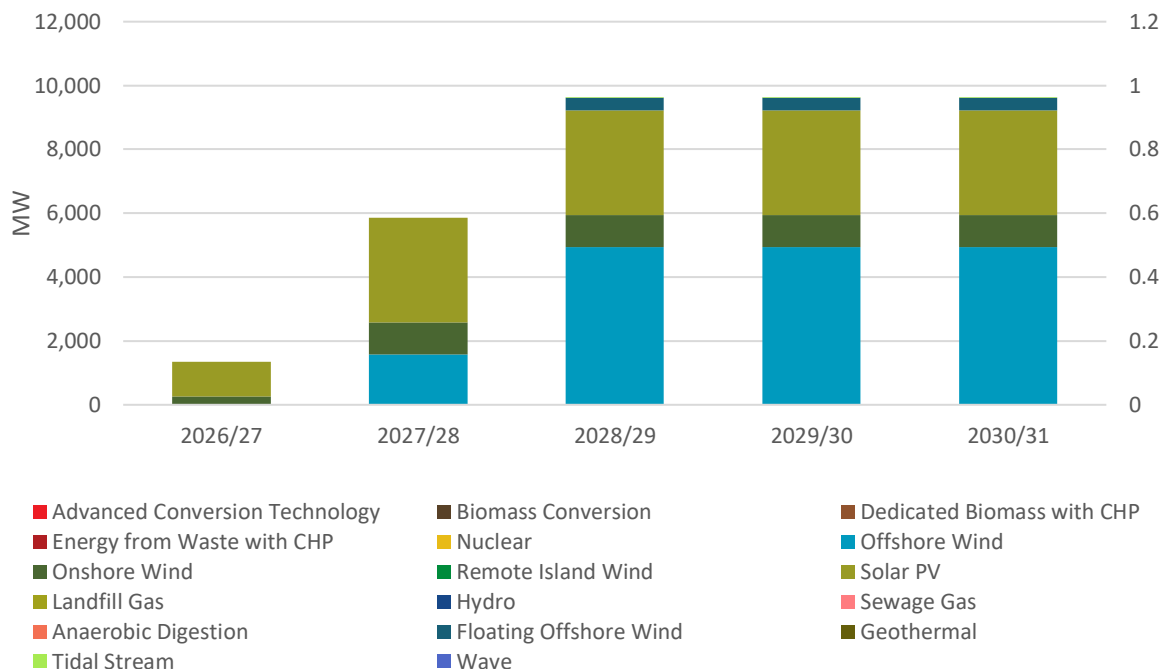


Figure 1: Successful capacity and budget used in CfD Allocation Round 6 (MW and £m [£2012])

Source: LCCC



LOW CARBON CONTRACTS COMPANY

The strike prices achieved in this round are, on average, higher than those seen in AR5. (Similar up to delivery year 2027/28 and higher thereafter). Figure 2 shows the weighted average strike prices of the AR6 projects, along with the Final Investment Decision Enabling for Renewables (FIDER)/AR1/AR2/AR3/AR4/AR5 strike prices.

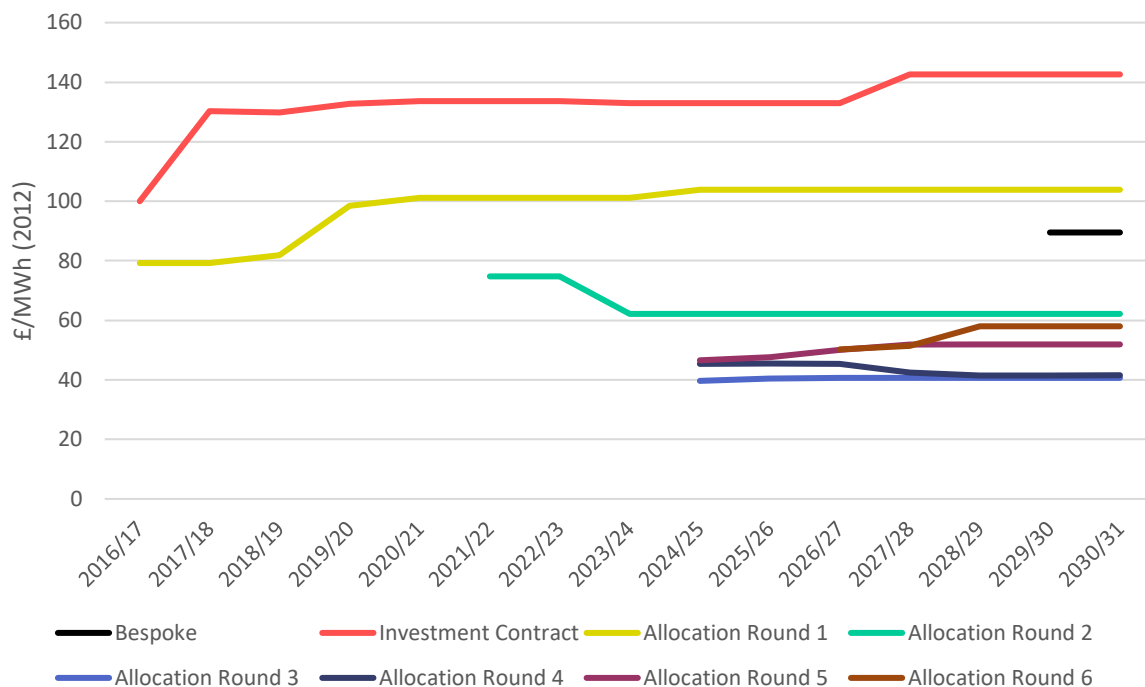


Figure 2: Weighted average strike prices for the CfD portfolio (£2012)

Source: LCCC

Note: The weighted average strike price is calculated as the sum of the product of the CfD capacity and the strike price of each project in a given allocation round, divided by the total CfD capacity of the same projects. The process is repeated for each allocation round.

Solar PV contracts account for over 34% of AR6 capacity, representing 1.7 times more solar capacity than AR5.

The 9.65GW of capacity awarded today will increase overall renewable CfD capacity by 32.8%, assuming all projects go ahead. In terms of the numbers of contracts, 133 new AR6 contracts were awarded. Solar PV has been incredibly successful, with nearly 3.3GW awarded from 93 contracts. AR6 has also procured over 4.9GW of Offshore Wind. Figure 3 shows how the CfD portfolio is expected to start generating up to 2030, separated out by which allocation process it was awarded under: the FIDER non-competitive process, and the six competitive rounds held since 2015, plus the bespoke contract for Hinkley Point C. Figure 4 shows the same data, but split by technology, while Figure 5 shows the split by country.

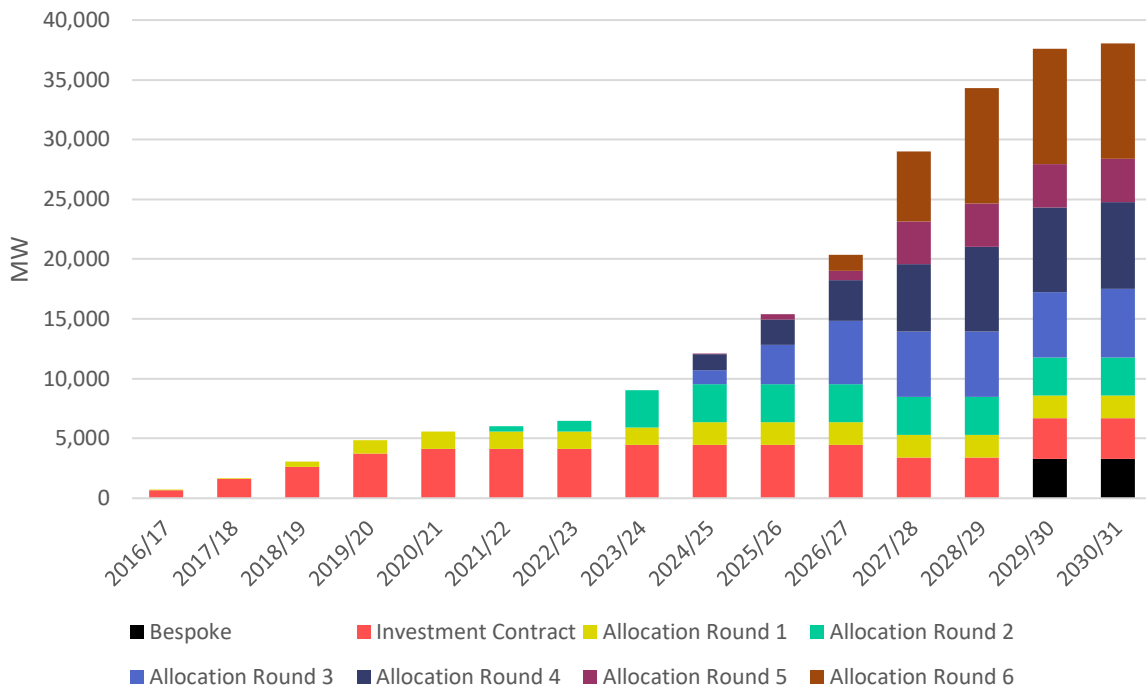


Figure 3: Expected capacity of the CfD portfolio up to 2030 (in MW), by allocation process
Source: LCCC

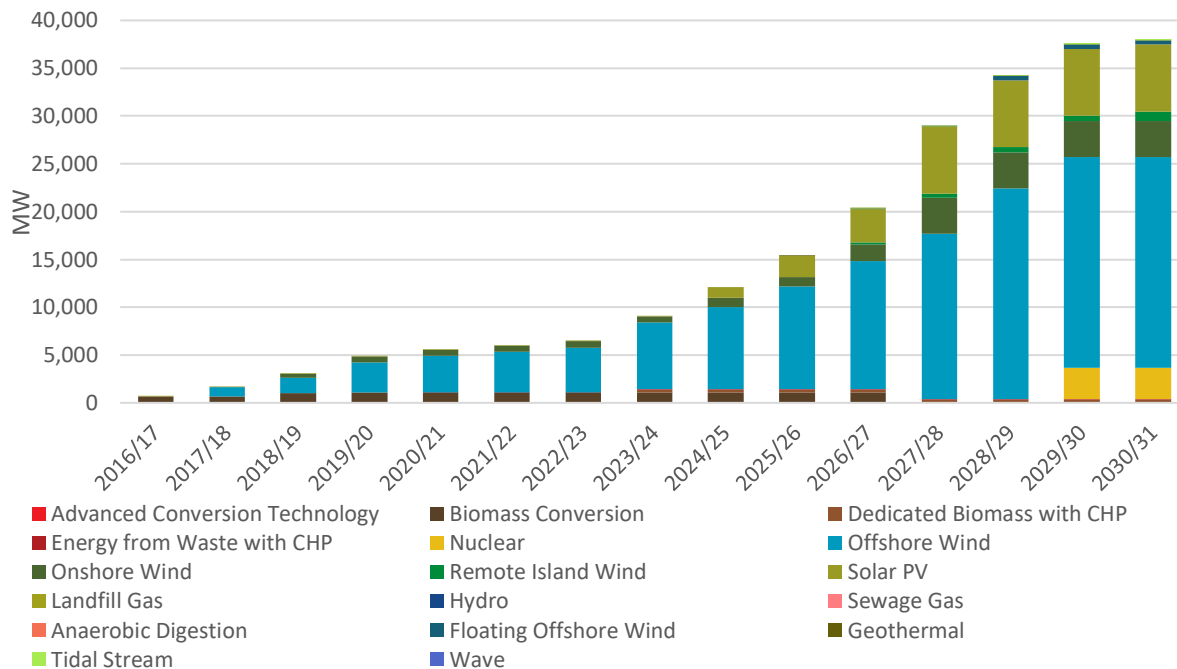


Figure 4: Expected capacity of the CfD portfolio up to 2030 (in MW), by technology
Source: LCCC

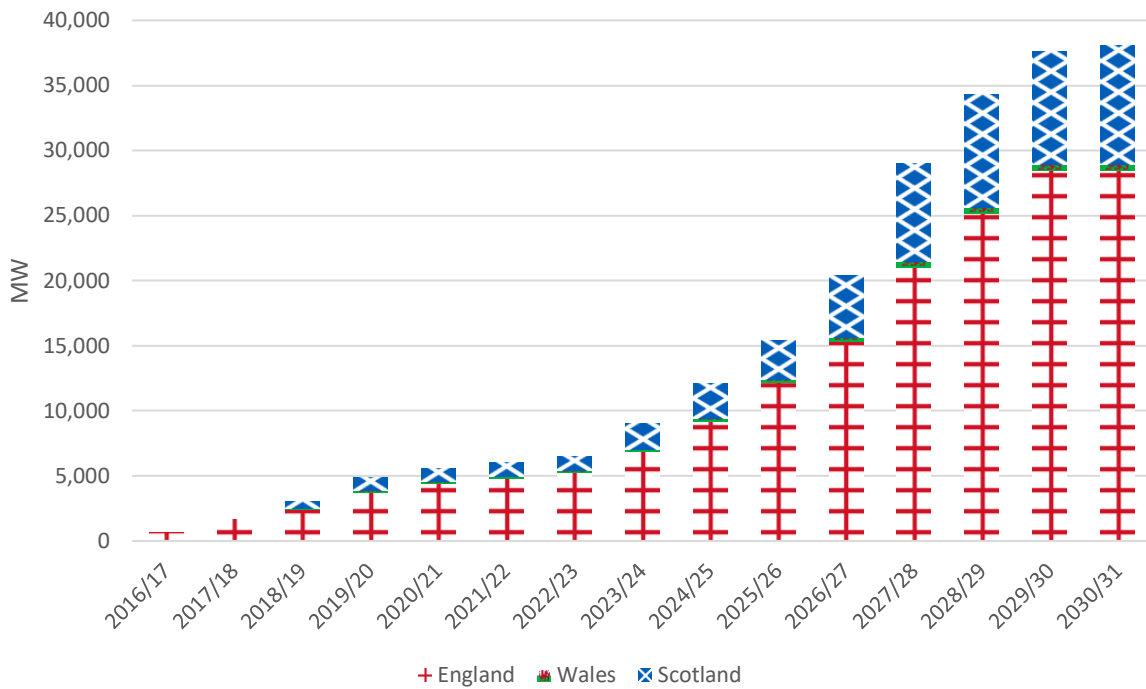


Figure 5: Expected capacity of the CfD portfolio up to 2030 (in MW), by country
Source: LCCC

- DESNZ’s results announcements can be found at [Contracts for Difference \(CfD\) Allocation Round 6: results - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/contracts-for-difference-cfd-allocation-round-6-results)
- All material in this briefing is free to be reproduced, but we ask that any reproduction is credited to LCCC.
- Further queries on the CfD and LCCC’s role in the system can be directed to the email address info@lowcarboncontracts.uk.
- Background materials on the CfD and how it operates can be found at [Contracts for Difference - Low Carbon Contracts](https://www.lowcarboncontracts.uk/contracts-for-difference)
- More data on the CfD portfolio can be found on our live dashboards ([Dashboards - Low Carbon Contracts](https://www.lowcarboncontracts.uk/dashboards)). AR6 projects will be added to these dashboards once they have passed the Initial Conditions Precedent in the CfD contract.