

REA Members Briefing on CfD Auction Results September 2019

Summary of Results

BEIS and the LCCC have published the provisional results of the Contracts for Difference (CfD) Allocation Round 3 auction. The auction ran earlier in the summer and was only open to 'Pot 2' technologies. [Full results here](#).

A total of 5.8GW of projects have been awarded contracts, the vast majority being offshore wind (5.4GW). There were four 'Remote Island Wind' projects (275MW, these projects eligible to bid for the first time) and two ACT projects (33MW).

Most strikingly, the winning bids came in significantly below the Market Reference Price (the projected wholesale electricity price), at £39.65 in 2023/24 and £41.611 in 2024/25. These are 25-61% below the capped prices and are all in 2012 prices.

Full results below:

Project Name	Developer	Technology Type	Capacity (MW)	Strike Price (£/MWh)	Delivery Year	Homes Powered	Region
Bulwell Energy Limited	Bulwell Energy Limited	Advanced Conversion Technologies	27.50	39.650	2023/24	50,980	England
Small Heath Bio Power Limited	Small Heath Bio Power Limited	Advanced Conversion Technologies	6.10	41.611	2024/25	11,310	England
Costa Head Wind Farm	Costa Head Wind Farm Limited	Remote Island Wind	16.32	39.650	2023/24	15,750	Scotland
Druim Leathann Windfarm Limited	Druim Leathann Windfarm Limited	Remote Island Wind	49.50	41.611	2024/25	47,760	Scotland
Hesta Head Wind Farm	Hesta Head Wind Farm Limited	Remote Island Wind	20.40	39.650	2023/24	19,680	Scotland
Muaitheabhal Wind Farm	Uisenis Power Limited	Remote Island Wind	189.00	39.650	2023/24	182,340	Scotland
Doggerbank Creyke Beck A P1	Doggerbank Offshore Wind Farm Project 1 Projco Limited	Offshore Wind	1200.00	39.650	2023/24 ¹	1,505,330	England
Doggerbank Creyke Beck B P1	Doggerbank Offshore Wind Farm Project 2 Projco Limited	Offshore Wind	1200.00	41.611	2024/25 ¹	1,505,330	England
Doggerbank Teeside A P1	Doggerbank Offshore Wind Farm Project 3 Projco Limited	Offshore Wind	1200.00	41.611	2024/25 ¹	1,505,330	England
Forthwind	Forthwind Limited	Offshore Wind	12.00	39.650	2023/24	15,050	Scotland
Seagreen Phase 1	Seagreen Wind Energy Limited	Offshore Wind	454.00	41.611	2024/25 ¹	569,520	Scotland
Sofia Offshore Wind Farm Phase 1	Sofia Offshore Wind Farm Limited	Offshore Wind	1400.00	39.650	2023/24 ¹	1,756,220	England

(Source: BEIS, 20/09/19 -

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/832924/Contracts for Difference CfD Allocation Round 3 Results.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/832924/Contracts_for_Difference_CfD_Allocation_Round_3_Results.pdf))

		2023/24	2024/25	Total Capacity (MW)
Technology	Advanced Conversion Technologies	£/MWh 39.65	41.611	33.60
		MW 27.50	6.10	
Remote Island Wind	£/MWh	39.65	41.611	275.22
	MW	225.72	49.50	
Offshore Wind	£/MWh	39.65	41.611	5466.00
	MW	2612.00	2854.00	

(Source: BEIS, 20/09/19 -

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Analysis

We have sent out a press statement highlighting the achievement of the industry in reaching such low prices and recognising the support which has enabled this. At the same time we express concern over the lack of diverse technologies awarded contracts (eg biomass CHP, ACT, wave and tidal, geothermal) and the continued lack of a route to market for 'Pot 1' technologies and renewable power generally - essential to meet our Net-Zero target as highlighted by the CCC.

For example, the Government has a 10MW 'minima' for wave and tidal projects in the auction pre-approved by the European Commission but has not applied this since the first CfD auction. Clearly the emphasis on cost at all counts is having consequences.

Judicial Review still outstanding

It is also important to note that the Judicial Review against the exclusion of Pot 1 technologies is still outstanding and it is unclear how any outcomes of this could impact the final outcomes. Developers offered a contract now have until early October to decide whether to accept the CfD or that they cannot make their project work at the final price and must return the contract unsigned - industry will be watching the non-offshore wind projects here especially.

Net Benefits to consumers - An opportunity for renewables?

Furthermore, the auction results in a projected net benefit to consumers (as generators 'pay back' to the Government from their 'Strike Price' up to the Wholesale electricity price on each unit of power), of over £100million by 2024/25 (provided wholesale prices do not significantly increase). We have already raised with BEIS that these funds be recycled into further support for renewables and action to meet net-zero (eg added to the CfD Budget for future auctions and a broader range of technologies).

Support for new renewables can now be evidenced to save consumers money and this is a landmark moment. It also meets the Treasury's red line on new support for renewables prior to 2025 (as outlined in 2017) – new support cannot be provided unless such support can be proven to have a beneficial impact on consumer bills. With this now evidenced (albeit with the wholesale prices only projections) will Treasury and Government recognise this and deliver new policies to meet net zero or do we need to wait until the first projects are delivered?

Frank Gordon
Head of Policy, REA