REA Response to BEIS Consultation on CfD Policy (Including Pot 1 Auctions), May 2020

Introduction & Context

The REA is the largest trade organisation for the UK renewable energy and clean technology sectors, representing around 550 organisations involved in the market in some way, from technology developers, manufacturers and installers to consultancies and academic institutions.

Concerning this consultation, the REA includes members involved in the deployment of solar, anaerobic digestion, advanced conversion technologies, energy storage, Biomass with CHP and Biomass conversion technologies. While most of these technologies have been included within the CfD since the start, the design and funding decisions of the scheme mean that none have seen significant deployment in previous allocation rounds. As such, the REA welcomes proposals to fund both pot 1 of the CfD and create a separate pot for offshore wind projects, providing a more accessible auction for other less established pot 2 technologies.

However, the REA opposes the decision to exclude biomass conversion projects from the CfD without making clear the governments longer-term ambitions for biomass and biomass carbon capture and storage (BECCS). The now lapsed Pot 3 of the CfD was never used and the technology has never been allowed to benefit from the auction mechanism. The announcement to exclude biomass conversion, without stipulating a broader strategy for the role Biomass must now play in enabling the UK to meet our net-zero targets is a mistake. A further strategy for how the Government proposes to utilise biomass and deliver BECCS is urgently required.

In responding to this consultation, we also encourage the government to use this opportunity to take decisive action to address barriers facing renewable energy deployment as well as realising the potential growth that could be realised for the UK economy. This, in turn, will create regional growth and contribute to the UK meeting its Net Zero emissions target by 2050. REA data has predicted that by 2030, there could be up to 252,668 renewables jobs in the country with 46,647 of these being concentrated in the North[1].

A successful CfD scheme can help do this alongside other policy support mechanisms.

REA REView, 2020

Responses to Consultation Questions

Community support

1. How can the government better ensure that the local impacts and benefits of renewable energy developments are taken into account across the whole of GB?

Renewables already support a regionally diverse economy by the nature of delivering projects distributed around the country and located where the best resources can be found. Renewables projects also deliver community support funds, many of which are coming into their own as they re-purpose towards Covid-19 responses.

Further evidence should be taken from successful community energy projects, where technologies like onshore wind and solar farms, amongst other technologies, have been designed to deliver benefits both to the community and to the developer. Such models can be encouraged within the CfD. This will also help in community engagement activities and reduce levels of opposition to local projects, which can cause delays in meeting milestone delivery dates.

Bioenergy applications provide strong examples of how projects can be embedded within local supply chains and address other local community needs beyond renewable power production. This includes:

- AD sites can utilise locally arising agricultural, food and garden waste, producing power, heat and digestate fertiliser for spreading.
- Advanced Conversion Technologies (ACT's) provide a modular waste management solution for local waste streams, with potential further development for the delivery of other energy products such as renewable transport fuels or chemicals.
- Biomass projects create demand for localised residual forestry products, bringing more forests into management, or provide a management solution for waste wood.
- Biomass, deep geothermal and energy from waste sites produce baseload generation providing further balancing services to the grid and enabling a decentralised grid across the country.
- The use of CHP allows biomass, EfW and deep geothermal sites to power localised heat networks along with generating power.
- Finally, bioenergy projects also provide a pathway to Bioenergy with Carbon Capture and Storage, delivering negative emission and regional activities focused on the use and storage of captured carbon. Negative emissions are seen as critical if the UK is to achieve its net-zero ambitions.

The CfD currently only rewards projects for their power production, not the additional environmental services or grid benefits provided to communities and the rest of GB. The future design of the CfD should consider how to recognise and reward such benefits along with the power that is produced.

More can also be done to utilise improved supply chain plans which, where appropriate, encourage the use of components and feedstocks manufactured in the UK. This will partly emerge naturally with clearer and more long-term policy, a consistent route to market and

general global growth. However, energy policy should consider how it aligns with support for the UK manufacturing sectors, as well as patient capital investors, to maximise the impact that the growth of renewables will have on establishing the growth of the net-zero economy.

2. What exemplifies 'best practice' when it comes to engaging with and supporting local communities on renewable energy developments? Examples of specific projects and/or developers would be welcomed.

Numerous examples of best practice exist from the sector but, as mentioned, local Community benefit funds exist up and down the country and has provided funding for good causes for years.

There have also been numerous innovative versions of such schemes as well as examples of renewable projects selling shares to the local community, offering discounted electricity for local people, and offering to supply local people with power from the actual site at a special rate. The Westmill Wind Farm and Solar Farm offer examples of innovation whereby Community finds are being used to explore new energy storage and EV charging related opportunities for the community.

3. How should the government update the existing community benefits and engagement guidance for onshore wind to reflect developments in best practice for engagement between developers and local communities?

The REA has no comment on this section.

4. Should the Government consider creating a register of renewable energy developments in England that list available projects and associated community benefits?

Yes – although this should avoid any duplication with existing databases and have a clear purpose.

We would recommend it could be combined with a database on all renewable power projects, which is now urgently required given there is no central record associated with the Smart Export Guarantee (SEG) scheme.

Pot structure

5. The government welcomes views on whether, compared to maintaining the existing two pot structure, the proposed option of introducing a new Pot 3 for offshore wind is an effective means of ensuring value for money and achieving our decarbonisation and other objectives in the long term. We welcome the submission of supplementary evidence to support views on this.

We welcome this proposal as many other viable and attractive Pot 2 projects have been disadvantaged within previous allocation rounds due to the dominance of large-scale Offshore wind projects within the auction.

Offshore wind is a substantial success story for the government within the CfD. The strike price has significantly fallen, while investor and developer confidence has substantially increased as more projects have been deployed. The CfD succeeded in deploying a critical number of successful offshore wind projects, delivered over several years. This has helped develop supply chains, grow skills, realise efficiencies, and ultimately push costs down. In doing so, offshore wind technology has successfully become a more established sector than other technologies competing in pot 2 as 'less established' technologies. At the same time, it is right that the success seen in the offshore wind sector continues to be supported and we believe the sector to be of a size that a separate pot for the technology is necessary to continue to be able to keep the pressure on costs and realise its full potential for the UK.

6. The government welcomes views on whether the proposed options are an effective means of bringing forward a greater diversity of low carbon electricity generation.

Yes – The proposal to separate offshore wind should create greater diversity in power generation which is essential to reaching net zero.

In creating a further offshore wind pot, the focus for remaining pot 2 'less established' technologies should be on replicating the offshore wind success story. For example, there is potential for Advanced Conversion Technologies to deliver similar levels of cost reduction if allowed to deploy at the same critical mass. Increased deployment creates a virtuous circle by establishing supply chains, realising efficiencies, and delivering cost reductions, all of which also builds investor confidence.

Overall, ACT deployment through the CfD, which has been a Government objective since the RO, creates the critical pathway that advances the ACT sector. It is upon this platform that projects utilising the RTFO can now also build. Thereby contributing to the development of other decarbonisation goals such as the delivery of renewable transport fuels, green heat, green chemicals, and chemical recycling applications.

The Government will, however, need to be aware that due to the design of pot 2 in the last two CfD allocation rounds, developers of other technologies within the pot have lost confidence in the mechanisms as a viable route to market. The significant upfront costs of putting a CfD application together, to compete in a highly competitive auction which favoured offshore wind, has meant the risks involved have put developers and financiers off considering utilising the CfD. The creation of a new pot for offshore wind is a significant step forward in correcting this position. However, more will now need to be done in making clear the governments long term ambition for other less established technologies and ensuring pot 2 remains well financed within the budget, to ensure renewed interest for the best possible projects to enter the next allocation round.

Considering the ambition to encourage a diverse range of low carbon generation projects, further consideration should also be given to the interaction between the CfD and other Government support mechanisms, including the RHI and RTFO. The objectives of these mechanisms can, at times, get in the way of each other, while the lack of consistency concerning issues such as sustainability standards, complicates the market. Where there are technologies that can be used to produced solutions to help decarbonise power, heat and transport, these mechanisms should be able to work together, while avoiding overcompensating projects.

7. The government welcomes views on whether there are alternative approaches to be considered in light of net-zero.

Outside of the CfD mechanism, numerous policy changes would support net-zero we believe, which we would be happy to discuss in further detail but which should place a strong emphasis on encouraging renewable heat from all sources, and renewable transport, alongside widespread energy efficiency.

Within the CfD itself, the Government should consider how wider benefits could be rewarded. A proportion of the CfD support could, for example, be ring-fenced for projects that are focused on power with secondary material extractions, such as heat or renewable transport fuels.

Similarly, the CfD could, once the sector is a little more established, be used to help deliver bioenergy with carbon capture and storage by rewarding negative emissions along with the renewable power produced. This could be in the form in an additional uplift in strike price to recognise the additional benefit. Such projects would likely require a separate BECCS pot within the allocation round, open to any bioenergy project being developed with CCS attached. Such a Pot would be particularly beneficial in helping deliver the CCC's strategic pathway towards BECCS, identified as essential if the UK is to meet its net-zero ambitions.

Aside from this, we also encourage the government to think further about the application of an effective, economy-wide, carbon price which makes the use of fossil fuels less competitive. This is a wider debate, which we recognise is also tied up with the UK's future relationship with the EU ETS. However, we draw BEIS's attention to recent developments in Germany where the government has recently agreed to plans to extend the carbon price to affect heating and transport fuels from next year[2]. This development should be followed closely, and lessons learned.

Floating offshore wind

8. The government welcomes views on whether the proposed approach is an effective means of supporting floating offshore wind.

9. The government welcomes views on whether the proposed definition is a suitable definition of floating offshore wind projects, which should be distinguished from fixed bottom offshore wind, and what evidence prospective generators should be asked to supply to demonstrate that they have the required characteristics.

10. The government welcomes views and evidence on any potential wider benefits or disadvantages that floating offshore wind may bring to the UK, in particular in respect of wider system impacts.

11. The government welcomes views on the need to deploy floating offshore wind at scale through the 2030s to meet net-zero, and what trajectories for deployment and cost reduction are realistic and feasible, both globally and in the UK.

12. What further amendments to the CfD allocation process could be necessary to facilitate floating offshore wind technologies?

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[2] https://www.bloomberg.com/news/articles/2020-05-20/merkel-cabinet-seals-plan-to-widen-co2-price-to-heating-roads?utm_content=business&utm_source=twitter&utm_medium=social&cmpid=socialflow-twitter-business&utm_campaign=socialflow-organic

13. Are there additional measures to support for pre-commercial deployment and cost reduction which would be more effective than the CfD, or which could enhance the effectiveness of the measures under the CfD?

The REA has no comments on this section.

Extending delivery years

14. Should the government amend the Contracts for Difference (Allocation) Regulations 2014 to extend the delivery years specified in those regulations to the 31st March 2030?

Yes as this will pave the way for future auction rounds that are essential to meeting net zero.

We also recommend that BEIS consider publishing a schedule for the next three to five allocation rounds. Renewable developers have previously suffered from long periods without any indication of when the next auction would take place. Current commitments to hold them biannually are welcome, however, greater confidence would be achieved if the specific dates and budgets of the next few auctions were published and committed too. This would provide clear events around which developers and financiers can plan pipelines for future projects.

Supply chain plans

15. The government welcomes views on whether the Supply Chain Plan process for all technologies should be more closely aligned with the Industrial Strategy, for example with criteria headings to reflect a focus on competition, innovation, people and skills, infrastructure, and regional growth, and within this what other measures the government could adopt and consider to support its objectives, for example, in offshore wind, the Offshore Wind Sector Deal.

The REA recommends a Sector Deal for renewables beyond Offshore wind. We call for a Renewable Power Sector Deal that could encompass the wide range of other technologies not yet covered by a Sector Deal but with the opportunity to deliver considerable opportunities for the UK.

Discussions had started on such a deal but stalled due to a lack of clear Government interest in such a sector deal. Given the focus on net-zero targets, these discussions could be revisited if Government appetite was forthcoming.

16. The government welcomes views on strengthening the powers to fail SCPs on the the basis that the Applicant has not demonstrated compliance with a past SCP.

17. The government welcomes views on whether requiring an updated SCP at a later stage after a CfD is awarded, for example at FID or after MDD, when major contracts would have been awarded would deliver more focused and deliverable commitments.

The REA recognise the benefits of both of these proposals for delivering long-lasting economic benefits locally and recognises that a focus on enforcement may now be needed. The aim should be to create and sustain genuine local and regional supply chains delivering jobs and growth in this once in a generation societal shift.

18. The government welcomes views on the current compliance process for SCPs for failure to implement an approved SCP. Is it sufficient and if not, what other potential compliance options could be considered, for example by linking non-compliance to CfD payments?
19. The government welcomes views on any impact of reducing the threshold limit for the submission of a Supply Chain Plan to capture offshore wind extension projects (which were not envisaged when the policy was first drafted) and to reflect that projects below 300MW will also have a material impact on supply chains and if so, what the limit should be.

We recognise the economic and societal benefits in general of making such a change. This is a once in a generation opportunity to create supply chains and manufacturing in the UK and should be grasped wherever possible, but caution against lowering the threshold to too low a level before the upcoming Allocation Round if it means jeopardising project viability at this relatively advanced stage in project initiation.

20. The government is committed to achieving net-zero by 2050 and how it could encourage the growth of sustainable, efficient supply chains through consideration of the carbon footprint of supply chains. We welcome views on how the industry takes account of the carbon footprint of their supply chains. What methodologies are being used or could be developed to take greater account of the carbon intensity of supply chains when considering Supply Chain Plans.

Current government support mechanisms already require significant levels of accounting for carbon emissions from supply chains and feedstock production and usage. As BEIS are aware this is especially true for bioenergy technologies. Lessons learned from the Renewables Obligation Fuel Measurement and Sampling and Sustainability regulations for fuelled plants should, therefore, be considered.

Below we provide a current overview of the sustainability framework currently in place for bioenergy feedstocks. We are also very aware of the CCC's call for the continued evolution of bioenergy governance regimes and are in the process of developing an industry taskforce to consider future challenges around how sustainability criteria can be further improved. We would particularly welcome BEIS involvement in this REA workstream and are happy to discuss if further with them.

We also encourage BEIS to consider the recommendations provided in chapter 3 of the REA's Bioenergy Strategy, published last year. Table 1 (page 30) provides a summary of both the current regulatory framework for sustainability and the recommendations for how it can be further improved. The report can be read here: https://www.bioenergy-strategy.com/publications

Overall, however, we stress that carbon analysis of the supply chain should be applied equally across all technologies within the CfD. For example, current sustainability standards and energy efficiency threshold applied to Biomass are overly prescriptive and not equally applied to other competing technologies.

Current UK Bioenergy Sustainability Framework

All government support schemes for bioenergy in the UK stipulate stringent sustainability criteria which scheme participants must meet to receive support. These schemes cover an array of bioenergy technologies across the sectors of heat, power and transport.

The majority of Biomass Power sites are either supported through the Renewable Obligation (RO) or the Contracts for Difference (CfD). Projects supported under these schemes must report on a range of metrics, such as the land-use change associated with the production of bioenergy feedstocks and their overall life cycle GHG emissions. The sustainability reporting requirements for these schemes can be read here and here.

In addition to these measures, further sustainability requirements apply in the UK for virgin biomass feedstocks used for the production of electricity or heat under The Timber Standard. This sets out criteria which must be met across a range of social, economic and environmental metrics, reflecting proper forestry practice and are based on internationally agreed principles. Sites show their compliance to this through an appropriate certification scheme like the Sustainable Biomass Program, an overview of which is available here.

Both the UK's bioenergy sustainability policy, as well as the RED regulations to which we are bound, have developed and enforced stringent rules around lifecycle assessments (LCAs). For the UK, an analysis of LCAs shows the extent of GHG savings associated with bioenergy. Power generation under the RO – emissions equivalent to 28g CO_2/MJ, which provides an **86%** reduction compared to the EU fossil average (RED II stipulates at least an 80% reduction). Furthermore, the RO and CfD have descending trajectories in terms of the maximum carbon intensity of bioenergy projects. For example, the RO limit is set at 66.7 gCO_2e/MJ for electricity produced before 2020, 55.6 gCO_2e/MJ between 2020-2025 and 50gCO_2e/MJ for electricity generated thereafter. Future, as well as present-day sustainability, is therefore built into the UK's supportive bioenergy policies.

Coal-to-biomass conversions

21. Views are welcomed on the proposal to exclude new biomass conversions from future CfD allocation rounds, on the likely impact of this approach, and any alternative approaches

The REA oppose the decision to exclude biomass conversion projects from the CfD without making clear the governments longer-term ambitions for biomass power deployment. The now lapsed Pot 3 of the CfD was never used and the technology was never allowed to benefit from an allocation round. This has been an error and the UK could have seen the faster deployment of biomass technologies, and greater levels of decarbonisation, if the technology had been appropriately supported. Despite this, the fact that Biomass was included in the CfD still provided reassurance to the sector of Government's longer-term objectives to continue to see biomass power projects deployed.

All modelled scenarios, whether from the Committee on Climate Change, The IPCC or The International Energy Agency, identify biomass as having an essential role to play in meeting future decarbonisation targets both regarding power and heat. Biomass conversion plants and dedicated biomass power plants have been proven to be a sustainable option for the UK, with average carbon emissions from such plants regularly over 70% below that of the

fossil fuel average (according to the RO sustainability data collected year on year), and legal requirements for sustainable feedstocks.[3]

Biomass also sits at the heart of plans for Bioenergy with Carbon Capture and Storage (BECCS), a technology noted by the Committee on Climate Change as critical to getting to net zero emissions by 2050. Negative emissions technologies like BECCS will be needed to address the projected 90 – 130 MtCO2/yr 'residual' emissions in 2050 from difficult to decarbonise sectors such as agriculture, aviation, and industry.[4] As BEIS are aware, it is the larger biomass conversion projects that have the economic scale to make BECCS initially commercially viable to establish the UK as a global leader in the technology.

Biomass also provides significant benefits to the creation of the low carbon economy. The REA REview 2020 identified over 7000 jobs within the dedicated biomass power or biomass CHP sectors in 2018. [5]

The CCC has also called for a rapid increase in the amount of domestic bioenergy feedstocks production, suggesting the UK could sustainably support over 23,000 hectares per year of bioenergy crops and 30,000 hectares of trees being planted. [6] This level of agriculture and agroforestry will bring significant growth in regional rural jobs. However, an established and consistent biomass sector is required to create demand for such feedstocks if this economic growth is to be realised.

While Biomass Conversion projects primarily utilise imported feedstock, the Energy Technology Institute demonstrated how the market-pull from bioenergy conversion plants creates the skills, supply chains and overall market conditions for developers and financiers to have the confidence in domestic feedstock production.[7] Suppliers and growers will not invest unless there is a reliable market, with long term upfront supply contracts. Support for conversion projects is, therefore, all part of the pathway for delivering a vibrant and varied biomass power and energy crop market in the UK.

The REA's Bioenergy Strategy identifies the potential for biomass power to provide up to 30 TWh of renewable power by 2030, with a further 22 TWh provided from BECCS plants. However, such a contribution will only be achieved with long term and consistent energy policy, showing continued support for both existing biomass plants and future plants that develop the pathway to the deployment of BECCS.[8] The latest omission of Biomass Conversion plants from the CfD has set a worrying president. It creates a gap within the

[3] The Renewables Obligation Order 2015 in England and Wales, The Renewables Obligation (Scotland) Amendment Order, the Renewables Obligation (Amendment) Order (Northern Ireland) 2016 and the Renewable Heat Incentive Scheme and Domestic Renewable Heat Incentive Scheme (Amendment) Regulations 2015 as amended

[4] REA (2019) *Going Negative: Policy Proposals for UK Bioenergy With Carbon Capture and Storage (BECCS)* *https://www.r-e-a.net/resources/going-negative-policy-proposals-for-uk-bioenergy-with-carbon-capture-and-storage-beccs/*

[5] REA (2020) REview 2020 https://www.r-e-a.net/resources/review-2020/

[6] CCC (2020) *Land use: Policies for a Net Zero UK* https://www.theccc.org.uk/publication/land-use-policies-for-a-net-zero-uk/

[7] ETI (2015) *Enabling Uk Biomass* https://www.eti.co.uk/insights/bioenergy-enabling-uk-biomass

[8] REA (2019) *Bioenergy Strategy Phase 3: Delivering the UK's Bioenergy Potential* *https://www.bioenergy-strategy.com/publications*

Government's flagship renewable power support policy, raising unintended market concerns around the future ambition for biomass projects within the UK. We encourage Government to quickly address this gap by clearly stating future ambitions for biomass projects and stating how they plan to realise both its decarbonisation and bioeconomy potential. In the meantime, we ask that BEIS retain biomass conversion projects within the CfD to provide continued confidence and direction for the market.

Decommissioning plans

22. The government welcomes views on how best to link the OREI decommissioning a regime with the CfD scheme to ensure that offshore renewable projects that are party to a CfD fully comply with their obligations under the Energy Act 2004.

Administrative strike prices

23. The government welcomes views on how we might change our approach to administrative strike prices to ensure value for money in future.

The REA has no comments on this section.

Non-delivery disincentive

24. The government welcomes views on extending the exclusion period for sites excluded under the Non-Delivery Disincentive, including on whether 36 months is a suitable period, or a longer period is needed.

The exclusion period was initially put in place for the set period to cover what was deemed to be the period between auction dates, so has become arbitrary at this point. An extension would allow for more of a deterrent and may be preferable to a bid bond requirement.

25. The government welcomes views on whether different forms of disincentive are needed for technologies at different levels of development and on what basis such differentiation might work most effectively.

We agree that different forms of disincentive are required. A 1GW offshore wind project will have different resources to combat any penalties with, compared to a 5MW AD plant or a Small ACT plant that is just coming out of its R&D phase.

26. The government welcomes views on the advantages and disadvantages of introducing a new requirement for a bid bond where applicants provide a deposit, either by cash payment, bank guarantee or letter of credit.

The REA has in the past opposed imposition of bid bonds for the CfD mechanism due to the already heavy front-loading of project costs and risks and existing NDD. Such costs make the CfD both unattractive and too great a risk for smaller or less established technologies. However, we accept that there may now be a case for a bid bond for certain large-scale projects, such as offshore wind for example. This, however, needs to be considered carefully with industry to avoid any unintended consequences.

27. The government welcomes views on whether a bid bond would be practical for smaller projects. If difficulties are foreseen, what are they, what mitigation might apply and in respect of what size of the project?

We believe a bid bond should be avoided for less established technologies, as it creates yet further upfront costs to the CfD that make the mechanism unattractive and risky to investors. If a bid bond requirement is introduced it should be restricted to large scale projects only.

28. The government welcomes views on what a suitable level for a bid bond would be: would £10,000 per MW be effective and practical?
29. The government welcomes views on alternative approaches to the Non-Delivery Disincentive and how they might work in practice.

Technical changes to future rounds

The government welcomes views on:
30. Whether you agree the government should introduce the flexibility to apply any capacity cap, maxima and minima as either a soft or hard constraint, set on a round by round basis?
31. The type of soft constraint (including those proposed) that could be deployed in future allocation rounds;
32. And any further evidence on the benefits and disadvantages of a soft capacity cap constraint.

We support the proposals for either soft or hard constraints as experienced in the last auction showed the benefits that could have accrued from such an approach in terms of procuring extra capacity at no or little extra costs. A flexible approach would be welcomed.

Maxima's, especially in the form of MW capacity cap, should, however, be avoided for individual technologies within the auction. Lessons must be learned from the 2017 allocation round where an MW maxima was placed on fuelled technologies. Modelled analysis from the REA indicated that if BEIS had opted for a financial cap (rather than MW cap) 300 MW of ACT could have won CfDs at an auction clearing price of £70/MWh. The short-term budget would have been slightly higher than the actual outcome, but the long-term budget would have been reduced by £5m per annum or more. This potentially could have equated to 10-11 additional 25MW ACT plants clearing the auction at a lower strike price than achieved in 2017. This would have been both good for the industry while providing a better deal for consumers. These lessons should not be forgotten in future allocation rounds.

Storage
33. What storage solutions could generators wish to co-locate with CfD projects over the lifetime of the CfD contract?

Energy storage solutions are now numerous and widespread, future CfD projects will almost certainly wish to co-locate energy storage at most variable output sites and while electrochemical batteries (Lithium Ion in principal) are currently the frontrunner, the regulations should be future-proofed to accommodate any such technology where possible. These could include other electrochemical battery types, the power to gas, flow batteries,

thermal and gravitational energy storage and LAES, CAES and technologies not yet fully developed.

Hydrogen production for storage purposes may also become more widespread in the future as sites store excess electricity and shift vector to produce energy for transport and heat, and this should be supported.

34. What, if any, barriers are there to co-location of electricity storage with CfD projects?
35. What, if anything, could be changed in the CfD scheme to facilitate the co-location of storage with CfD projects?

The changes made a few years ago have eased the situation in terms of co-locating energy storage at CfD sites, but the CfD mechanism could be used as a way to incentivise energy storage of all sizes and durations (including the long duration projects required in the coming years).

Numerous reports by the REA and others (for example the Tipping Points reports with BNEF and Eaton)[9] show the considerable need for more energy storage and system flexibility – particularly longer duration and inter-seasonal – as we move to a largely renewable power system.

Such system flexibility is in real need of the kind of long-term, stable support framework the CfD mechanism provides, and so, in common with the SEG mechanism, allowing metered exports from larger energy storage sites to receive CfDs would be a bold and welcome move (providing this did not reduce the available budget for renewable power schemes). Currently, the UK has developed very little new storage capacity in the past few years, as the market support has not been enough to support new projects, therefore this could act as a springboard for more capacity.

Negative pricing
36. Do you have any views on the proposal to extend the negative pricing rule? Please include in your response any specific evidence about the incidence and impact of negative pricing.

Recent times have shown that negative prices could become more common and so extending this provision is a logical proposal.

Phasing
37. The government welcomes views on the preferred approach to maintaining the cap on phased projects at 1500MW.
38. The government welcomes views on whether there are any barriers to developing a phased offshore wind project on a part-merchant basis.

[9] BNEF, Eaton, REA (2017) *Beyond the Tipping Point*, https://www.eaton.com/gb/en-gb/company/news-insights/re-study/beyond-the-tipping-point-study-2017.html

The REA has no comments on this section.

Milestone delivery date

39. The government welcomes views on the benefits, such as successful delivery of projects or reduced costs for consumers, that would result from extending the Milestone Delivery Date for (i) the project commitments route only, or also (ii) the 10% spend route.

40. The government welcomes views on whether an extension should apply to all projects or only to particular technologies or sizes of projects.

41. The government welcomes views on the length of an effective extension and the implications. Would an extension to a 15-month deadline be effective and if not, why?

We welcome these proposed changes as some technologies, particularly ACT and Deep Geothermal, have complex and non-uniform commissioning routines and do not lend themselves to exact deadlines and timeframes. Also, ACT projects are often brought online incrementally and with some fluctuating increases and decreases in output. All of which means that completing the MDD for such projects is challenging and more flexibility is indeed very welcome.

Miscellaneous Allocation Regulation Changes

42. Do you agree with the government's proposal to remove all references to "end date of the allocation round"?

43. Do you agree with the government's proposal to add more detail on when key dates can be varied using a round variation notice?

44. Do you agree with the government's proposal to remove the requirement to publish certain dates in the allocation framework?

45. Do you agree with the government's proposal to provide an extra scenario under which the allocation process must commence?

46. Do you agree with the government's proposal to make explicit the ability to amend the overall budget before the commencement of an allocation round?

47. We would welcome views on adding additional powers to allow revision of a capacity cap before an allocation round commences.

48. We would welcome views on adding additional powers to pause an allocation round between the commencement of the round and the issuance of CfD notifications.

The need for BEIS and the EMR DB to have flexibility in running future allocation rounds needs to be balanced against the need for the industry to have some certainties and clear expectations from the allocation rounds, therefore repeated revisions of capacity caps, pausing rounds and removal of clarity on some dates may be negative from an investor and developers' perspective.

Providing more detail on round variation notices could help alleviate this situation.