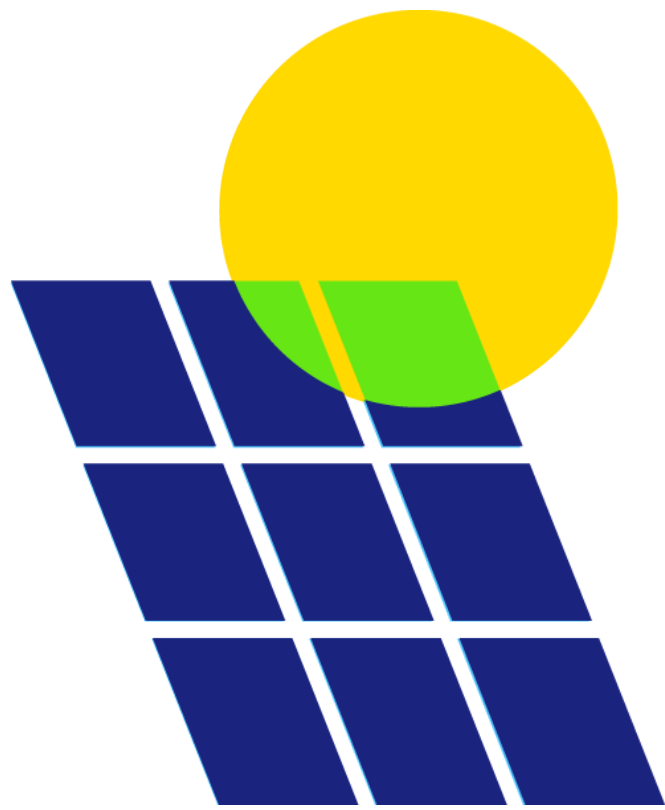


# **Contracts for Difference for Low Carbon Electricity Generation**

**Consultation on changes to  
Supply Chain Plans and the CfD  
contract**



## About us

Since 1978, Solar Energy UK has worked to promote the benefits of solar energy and to make its adoption easy and profitable for domestic and commercial users. A not-for-profit association, we are funded entirely by our membership, which includes installers, manufacturers, distributors, large scale developers, investors, and law firms.

Our mission is to empower the UK solar transformation. We are catalysing our members to pave the way for 40GW of solar energy capacity by 2030. We represent solar heat, solar power and energy storage, with a proven track record of securing breakthroughs for all three.

## Respondent details

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Would you like this response to remain confidential? No

## Introduction

Solar Energy UK welcomes the opportunity to respond to this consultation. Solar Energy UK is committed to supporting sustainable practices and products across the whole of the solar and storage value chain. It is important to note that multiple economic analyses have shown that the average UK content for solar investments is well over 60%, and this is projected to increase to as much as 80% by 2030.

We understand the proposals in this consultation would apply to any eligible technology; however, it has largely been offshore wind projects which have been subject to Supply Chain Plan (SCP) requirements to date. While almost all solar projects in the UK have been below the 300MW threshold for submitting a SCP, it is possible that in future a small number of solar projects applying to the Contracts for Difference (CfD) scheme may exceed this threshold.

Hence, Solar Energy UK is keen to ensure the SCP process and the proposed changes work for solar as well as other technologies. Our response focuses on consultation question 5, as our members have expressed significant concerns about the introduction of a new Operational Condition Precedent (OCP) applied to the SCP process. Solar Energy UK is keen to work with government to ensure that the process

for any further requirements and review of SCPs is clear and proportionate, to enable the successful participation of large-scale solar projects in the CfD scheme.

### **Responses to Questions**

1. The government welcomes views on whether the Supply Chain Plan guidance document is clear in setting out what is required of applicants to support the drafting and submission of their Supply Chain Plan, Updated Supply Chain Plan and Supply Chain Implementation Report. Please provide information on what could improve the clarity of the guidance if applicable.

No comment.

2. The government welcomes views on whether the proposed timing for submission of the Updated Supply Chain Plan is appropriate.

The requirement to submit an Updated SCP for review within one month of the Milestone Delivery Date (MDD) of a CfD contract seems a reasonable approach. Solar Energy UK members would welcome additional clarity on what if any flexibility around this timescale exists, including whether external or force majeure considerations will be factored into any leeway provided with regards to this timeline.

3. The government welcomes views on whether the proposed timing for submission of the Supply Chain Implementation Report, whereby the timing is agreed by both parties through the monitoring process, is appropriate and ensures a balance between robustness of delivery and project certainty.

No comment.

4. The government welcomes views on introducing new powers in legislation for the Secretary of State to assess and pass or fail a Supply Chain Implementation Report.

No comment.

5. The government welcomes views on introducing a new Operational Condition Precedent with the potential consequence of CfD contract termination if a Supply Chain Implementation Report certificate is not provided to the LCCC before the Longstop Date. Please include views on possible impacts, including on financing arrangements, and evidence where applicable.

### Proposed alternative approach for solar projects

Solar Energy UK anticipates that a small number of solar projects with a generation capacity greater than 300MW may bid into the CfD scheme, and as such they will be

subject to the CfD requirements for a SCP and the associated CfD terms and conditions. The proposal to introduce a new OCP for projects over 300MW raises major concerns for solar developers. In our view it is simply not appropriate to introduce a new OCP for solar projects with the potential consequence of CfD contract termination.

As a starting point, Solar Energy UK members have been clear that the criteria for approval or rejection of the Supply Chain Implementation Report (SCIR) by the Secretary of State should be further clarified in the SCP guidance for the CfD scheme. BEIS should specify how 'deviation' from the SCP will be assessed so developers and investors have greater certainty of what projects are expected to deliver and to reduce the potential for schemes to retroactively have CfD contracts revoked as the result of unclear expectations. The review process set out in Annex E of the SCP Guidance leaves substantial room for interpretation and we would recommend that a similarly clear scoring process be set out for review of the SCIR as is outlined in Section 3 of the guidance for SCPs.

Solar Energy UK members are principally concerned that SCP requirements have historically been tailored for offshore wind projects, while solar projects are underpinned by different economics and market dynamics such as load factor. These distinctions need to be taken into consideration when determining supply chain expectations for solar projects.

If a proportionate approach to supply chain requirements is not adopted for solar projects, then it is possible that the CfD for solar projects will be effectively capped at 299MW, due to the uncertainty and additional risk this would create for project developers and funders for sites at 300MW and above. As an industry, we are also concerned this could mean that opportunities to realise further cost efficiencies from larger-scale solar projects would be lost, as well as the opportunity to develop additional domestic supply chain capacity and commitments through Supply Chain Plans.

As stated above, Solar Energy UK believes it is not appropriate to introduce a new OCP for solar projects with the potential consequence of CfD contract termination. Instead, Solar Energy UK recommends that a more proportional and reasonable approach for solar projects above this threshold could be to introduce an enhanced solar developer contribution to support supply chain initiatives in the UK. This is similar to the requirement proposed for offshore wind farms, however the details of such a requirement would need to be tailored and practicable for solar projects and take account of the key differences between supply chains and market dynamics for solar and other generation technologies.

Introducing such a requirement would of course be with the intention to support the UK supply chain for solar projects, but with technology specific detailed arrangements

that are proportionate to the relatively small scale and small number of solar projects that would ever be subject to this requirement.

As we anticipate there will only be a small number of qualifying solar projects over the 300MW threshold, it is not practical to establish the equivalent of the Offshore Wind Growth Partnership, for example. However, it may be feasible to establish a dedicated and independent mechanism by which solar developers can direct funding to appropriate initiatives to promote the UK supply chain. This would deliver increased domestic job growth potential across the entire solar value chain and could be further directed to provide funding support for photovoltaic R&D in the UK, which would deliver added value to UK economy and increase domestic intellectual capital.

Solar Energy UK recommends that the Government establishes a joint workstream with solar developers to develop a mutually acceptable process for solar CfD projects to provide funding for UK supply chain development. Any such workstream should also consider the specific economics underpinning large-scale solar projects in the UK, particularly differences in load factor compared to other generation technologies. Further, Solar Energy UK would recommend any benchmarking with supply chain requirements for other generation technologies be carried out based on MWh output, rather than installed capacity.

6. The government welcomes views on the proposed drafting change to introduce a new Operational Condition Precedent in the CfD contract and whether the existing provisions to provide extensions to the MDD, Target Commissioning Window and Longstop Date are sufficient to cover events or circumstances that may lead to a delay in obtaining a Supply Chain Implementation Report certificate.

No comment.

7. The government welcomes views on whether it is more appropriate for BEIS or the LCCC (given the private law nature of the CfD) to undertake the monitoring and assessment of the implementation of Supply Chain Plans.

No comment.

8. The government welcomes views on the extent to which the proposed revised Supply Chain Plan process will support the government's objectives to encourage the growth of sustainable, efficient supply chains and support regional growth, skills, and productivity.

No comment.