

Energy UK response to DESNZ consultation: Proposed refinements for Allocation Round 8 and future rounds

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About Energy UK

Energy UK is the trade association for the energy industry with over 100 members - from established FTSE 100 companies right through to new, growing suppliers, generators and service providers across energy, transport, heat and technology.

Our members deliver nearly 80% of the UK's power generation and over 95% of the energy supply for 28m UK homes as well as businesses.

The sector invests £13bn annually and delivers nearly £30bn in gross value - on top of the nearly £100bn in economic activity through its supply chain and interaction with other sectors. The energy industry is key to delivering growth and plans to invest £100bn over the course of this decade in new energy sources.

Executive summary

Energy UK welcomes this consultation and the opportunity to respond.

It is very positive that the Government is proceeding with minimal changes to the auction to prioritise stability and pace over policy change and that industry feedback has been taken onboard.

Energy UK is broadly supportive of most changes proposed in the consultation. Highlights from our feedback include:

- **Surrendered capacity:** Energy UK supports the proposal to limit re-bidding, although questions whether the ban should be permanent.
- **Hybrid metering:** Energy UK agrees with the proposal to introduce a limited form of hybrid metering for AR8 but strongly believes that Government should go further and consider further action to support hybrid metering.
- **“Other Deepwater” foundations:** Energy UK agrees that the adoption of an additional technology category makes sense, but has concerns around how a

third technology will be introduced into the auction and the unintended consequences to the approach set out in the consultation.

- **Scheme efficiency improvements:** Energy UK strongly supports making the process clearer and simpler, avoiding the complications associated with having five different auction timeline scenarios which can considerably delay allocation rounds and create uncertainty for bidding decisions.
- **Preventing delayed CfD start dates:** Energy UK does not agree with this proposal without additional criteria being applied to the interpretation of metering information.
- **Exclusion of Gate 1 connection agreements:** Energy UK agrees with the proposal, as Gate 2 projects are more aligned with the strategic coordination of network design, and we support closer alignment between NESO's connection reform process and the CfD.
- **Visibility of sealed bids:** Energy UK broadly supports retaining bid stack visibility for fixed bottom offshore wind for AR8, but notes important concerns with maintaining this change in the long-term. In terms of extending this to Pot 1, Energy UK argues there is a much weaker rationale and does not think that the potential benefits outweigh the concerns.

In addition to our views on the proposals presented in the consultation, Energy UK considers the following to be essential for AR8:

- **Avoiding significant change:** We are concerned that the introduction of a gain share mechanism would be counterproductive to the positive steps taken to prioritise stability, as this would subject the CfD and AR8 to further change.
- **Avoiding delay:** Energy UK notes the importance of timely delivery for this auction, for the Clean Industry Bonus (CIB), and the need for a fixed timeline. Many projects are already consented, have grid connections with early delivery dates, and can start construction as soon as they secure a CfD. Any delay could force supply chain renegotiations and contract repricing, raising costs. A timely AR8 lets shovel-ready projects move ahead, avoids these extra costs, brings economic benefits sooner, and secures capacity that can still contribute to the 2030 Clean Power target.
- The Government should publish the **final CIB framework** and proceed with legislative changes to shorten timeline ASAP. Energy UK also supports separate round between technologies again for faster delivery, and using pending application process again for offshore wind (if known in advance of round).

To support a successful outcome to the auction, Energy UK believes that the following measures are required for AR8.

- **Market-reflective reference prices:** DESNZ should continue review the updated reference prices for offshore and onshore wind to achieve better use of CfD budget and cost predictions for deployment. The industry view is that reference prices for AR7 are significantly below market projections, and can lead to an overestimation of future consumer costs which inflate the headline budgets required to clear each pot. We support that reference prices for AR8 should be pegged from the outset to a clear, verifiable and standard market baseline, such as the Energy and Emissions Projections or an appropriate commercial curve average. The Government should ensure that reference prices are market-reflective and better align public perceptions with the underlying economics of renewable energy.
- **A fixed Allocation window:** Following the successful amendment to eligibility criteria to allow projects without an approved DCO to apply for a CfD, the link between DCO submission and the CfD Application window is critical. Typically, the timing of the Application window is not confirmed until late in the Allocation Round and has shifted by several months in past years. Therefore, after DCO submission Projects may undertake maturation activities and incur costs in preparation for the following Allocation Round without the certainty of eligibility. Having a fixed Allocation window in each year for future rounds would remove this uncertainty and allow better and more efficient planning of DCO applications, use of developers' resources and reduce early abortive expenditure.

Finally, the Government should consider how the CfD can best support a wide range of technologies that will be needed for a clean power system, including those that can provide additional system benefits to complement renewables. As such, a review of the pot allocation for small scale hydro should be undertaken, as it has historically failed to compete with other technologies in Pot 1 but could be economically viable in Pot 2. The Government should also consider the possibility of the CfD scheme to support investment in small scale nuclear generation once these designs are proven.

If you would like to discuss this response in further detail with Energy UK and its members, we would welcome further engagement.

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1. Policy on surrendered CfD capacity

1. Do you agree with the proposal to exclude generators from applying into AR8 and subsequent allocation rounds with surrendered capacity? If not, please explain why with evidence to support your position.

For AR8, Energy UK supports the intent of the proposal to limit re-bidding and ensure new projects are successful, noting its positive impact on boosting competition around new renewable projects and helping to deliver new build renewable electricity generation at a low cost for consumers.

However, Energy UK questions whether the ban should be permanent, given that viable excluded capacity could be useful in the future, or whether projects should be subject to a temporary ban via a mechanism such as the non-delivery disincentive.

A potential solution to this would be to extend the current Non-Delivery Disincentive, or provide a similar clause, to surrendered capacity. This could strike the right balance of disincentivising commercial gaming behaviour but allow the possibility for future development in later CfD rounds, should contractual, technological or commercial opportunities emerge.

With a two-auction band, surrendered capacity from AR7 or AR8 may therefore enter future rounds in AR10 or AR11, if new opportunities become available. This would seem a long enough period for any gaming foresight to fall away (i.e. projects are only likely to re-enter surrendered capacity for gaming if they can see the terms of the next 1-2 auctions) but also enough time for new technological or commercial opportunities to emerge.

Crucially, a project must not be restricted in bidding part of its capacity in one Allocation Round and then bidding a separate part (i.e. in the same lease area, but not overlapping with other existing CfD unit areas) in a future Allocation Round. There are legitimate reasons why this may occur including:

- Partial grid connection offers: Which are now being provided by NESO under connections reform and can see a “full” offshore wind project offered partial connection capacity in one year before full capacity is offered in later years. If capacity differences fall in later delivery years, it may mean only part of a project is eligible for an AR and warrant splitting a projects’ entry over different rounds
- Supply chain, procurement and construction: Supply chain availability, procurement processes and optimum construction timings may see

projects look to deliver partial capacity, or sequence some of their construction with other projects in a company's portfolio

- Lease area considerations: Lease areas are often much larger than potential project and CfD unit areas. There is potential (and recent precedent with Equinor and SSE's Dogger Bank D site increase) for lease areas to support greater capacity.^[1]

Therefore, it is critical that any permanent exclusions for surrendered capacity do not include these scenarios where projects may want to split capacity between different Allocation Rounds for legitimate project reasons and are not surrendering CfD capacity.

**2. Do you agree with the assessment of impacts outlined in our proposal?
Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications**

Energy UK agrees limiting re-bidding has positive impact on the CfD, since:

- Re-bidding projects limit budgets available for new projects: This reduces the overall procurement of new projects and limits overall deployment. This can be seen in AR6 where just 3.5GW of new build capacity was acquired. Without the re-bidding of permitted reduction projects, it is clear from budgets that a further 1.5GW+ of new build projects could have been procured.
- There is a lack of evidence that projects require this CfD uplift: It is not clear that projects re-bidding capacity require further uplift, especially as the timing of a permitted reduction will be around the time of FID, or in the case of the FIC reduction will be much closer to operations. This suggests that re-bidding would be for commercial upside, if FID or construction is already being undertaken
- Higher risks of gaming and irrational or rogue bidding: The ability to re-bid capacity and the flexibility this provides may create incentives for project to bid a price into the original auction that is not sustainable or deliverable, with the intent to see uplift in a later round. This issue has been further exacerbated by the changes to eligibility for unconsented projects.

However, DESNZ should also consider the potential issues of a permanent ban, such as:

- The loss of capacity, often in optimal locations and competitive prices, that could still be developed in future if new contractual, technological or

commercial changes become available (for instance changes to lease terms with The Crown Estate or new foundation or construction technologies).

- The potential competition such surrendered capacity sites could bring to future rounds post AR8 which could see a smaller pool of offshore wind projects for DESNZ to auction

2. Hybrid metering for single technology/multiple commercial arrangements

3. Do you agree with the proposal to allow hybrid metering in the CfD for single technology/multiple commercial arrangements? Please provide any further detail to support your answer.

Energy UK agrees with the benefits and the proposal to introduce a limited form of hybrid metering for AR8, focused on CfD and merchant assets of the same technology. It is positive that DESNZ has taken onboard industry and stakeholder feedback.

The ability for cost savings, through not having to deploy separate electrical circuits for BMUs will help projects reduce costs. The current approach to separate circuits for BMUs is costly and unnecessary.

While this is a welcome start, Energy UK strongly believes that Government should consider further action to support hybrid metering, given the increasing number of collocated technologies and the significant benefits expanded hybrid metering would provide.

With grid access being scarce, and load factors in the AR7 Allocation Framework being 43.6%, there is valuable unused grid capacity going to waste that could benefit consumers and reduce system costs.

Whilst we recognise and understand the challenges highlighted in the NESO's report into Hybrid Balancing Mechanism Units, we do not view these as insurmountable.

With the progress made on enabling Virtual BMUs to participate in the Balancing Mechanism, that are made up of aggregated units of different technologies/demand, we are of the view that if the challenges are visibility, forecasting and data provision are solvable in that instance then they should be solvable for type 2 and 3 BMUs.

Energy UK calls on the Government to look beyond this proposal and initiate a further programme and review with Ofgem, NESO, and LCCC about what more can be done on hybrid metering to support system flexibility and deliver consumer benefits.

4. We propose that multiple CfD facilities from the same allocation round cannot share a BMU, with exemptions for tidal projects and phased offshore wind projects. Do you agree with this proposal? Are there any other exemptions that we should consider? Please provide any further detail to support your answer.

Energy UK disagrees with the rules to also restrict sites with multiple CfD from the same allocation round from using hybrid metering arrangements.

It is unclear how projects would exploit the approach to game the CfD. Projects often have very legitimate reasons to split their capacity into small CfD units and CfD facilities.

For renewable generation projects, including onshore wind and solar which are increasing in scale and size, grid system operators are increasingly splitting their connection offers into at least two blocks of capacity, with a year or so between. The split gives grid operators more time and flexibility to upgrade the grid system to accommodate the new capacity. Provided there are sufficient delivery years, a developer may opt to bid the entire project into a single auction CfD across two delivery years.

Energy UK's view is that it is unfair to exclude onshore wind and solar sites, that face similar issues to phased offshore wind. When it is connection agreements that ultimately force developers to split capacity across multiple delivery years within a single delivery year, it is unclear why the Government has introduced this limitation as it will mean metering flexibility cannot be used in these cases.

Refusal to allow this benefit to such projects could force them to look at sub-optimal alternative strategies that are likely to be higher cost to the developer and ultimately consumers.

When applying hybrid metering to offshore wind projects with multiple commercial arrangements, it is important to recognise that BM pricing will need to be based on a weighted average across the site. Individual turbines cannot be controlled or dispatched separately according to their commercial route. As a result, the merchant

portion of a site may face a different BM price from the CfD portion, and the appropriate approach is to apply a weighted average BM price across the full site.

5. Do you agree with the use cases and the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including cost savings, capacity estimates or wider risk implications.

Energy UK broadly agrees, particularly on cost savings and deployment benefits.

There are wider efficiency benefits of sharing infrastructure, and given the significant delays in grid operators delivering new connections, Energy UK believes there should be a prioritisation of utilising existing connections wherever possible to deliver capacity cheaper and faster than what can be delivered by grid through new build projects.

There may be some administrative costs for LCCC with the enhanced monitoring and needs for SCADA data. However, we think these costs will be small compared to the benefits of reduced metering and circuit costs with a shared BMU. Processes for measuring and sharing such SCADA data are well established and LCCC should look to build on what exists in industry to ensure they find an efficient low-cost solution, for example through buying in a ready-made service rather than building a system from scratch.

6. Are there any other use cases, benefits or risks arising from this proposal that we have not identified? Please provide any additional information or evidence to support your answer.

The Government should consider the future integration of flexible assets, such as storage and green hydrogen.

The Government should consider further action to support hybrid metering, given the increasing number of collocated technologies and the significant benefits expanded hybrid metering would provide.

Specifically, we would like to see both type 2 and type 3 Hybrid BMUs being enabled. We feel the visibility, forecasting and data provision are solvable and could enable more innovative business models that make sure of excess grid capacity and speed up connections of both storage, generation and demand the system needs.

Energy UK recommends that the Government build on this AR8 proposal and initiate a further programme and review with Ofgem, NESO, and LCCC to examine what more can be done on hybrid metering to support system flexibility and deliver consumer benefits.

3. Floating offshore wind – proposed contract changes

7. Do you agree that for new FLOW projects from AR8 onwards the Longstop Period should be extended to 24 months and the RIC reduced to 85%? If not, please tell us why.

Yes, Energy agrees with this proposal.

Energy UK agrees that the assumptions which underpinned the current Longstop Period and RIC for FLOW are no longer appropriate. The increase in size and complexity of FLOW projects has been notable, subject to factors highlighted in the consultation such as limited port capacity, increased sensitivity to adverse weather, and supply chain constraints, justifies applying the same level of contractual flexibility as fixed-bottom offshore wind.

FLOW is at a critical stage of its development where industry is moving from demonstration towards commercialisation. As projects in the UK scale up in their commercialisation process, flexibility in delivery will be crucial to support this scale up and the potential cost reductions that will follow this.

Energy UK welcomes lowering the construction risk of FLOW to help deliver projects at a lower cost to consumers.

8. Do you agree with the proposed drafting amendments to the CfD contract to implement these changes? If not, please tell us why.

Energy UK agrees with the amendments.

9. Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.

FLOW projects in deeper water require early financial commitments to secure equipment, vessels and construction capacity, increasing DEVEX exposure and the cost of capital ahead of CfD award and FID. For onshore wind, the current Delivery

Year structure creates a misalignment between CfD timelines and grid liability trigger points. That requires developers to commit to substantial grid costs before revenue certainty is secured. The Government should explore the introduction of an additional Delivery Year, which would help reduce risk, improve project bankability and better align investment decisions with CfD support.

Over the past two CfD Allocation Rounds, the only projects able to utilise the first year of the Delivery Years were either Permitted reduction projects (AR6) or projects already substantially under construction (AR7) with 75% (9.9 GW) of the successful 13.2GW across both rounds targeting the later Delivery years. In all practical purposes the initial delivery year is not feasible for delivery owing to the time taken to discharge consent conditions and deliver through the supply chain, especially for more complex and larger capacity projects. Maintaining the three-year period but shifting out by one year for projects in the planning phase would allow greater participation and spread delivery in a more even manner. An added benefit would be to enable more ambitious CIB proposals as it would allow more time for inward investment in UK facilities to be used by the projects triggering the demand itself.

4. Offshore wind with innovative ‘Other Deepwater’ foundations - proposals for a new technology category

10. Would you support the adoption of an additional ‘Other Deepwater’ offshore wind technology categorisation, as defined above? Why or why not? Include any early concerns or potential risks you may foresee. We are particularly interested in any potential gaming risks or unintended consequences you have identified. What evidence can you provide to support your arguments?

Energy UK agrees there is a need for the adoption of an additional technology category, since ODOW does not fit neatly within the existing categories, as it is neither fixed nor floating. We support the principle of broadening the range of low carbon technologies entering the competitive process.

It is important to incentivise T&D projects which are needed to ensure that the technology is ready and sufficiently de-risked by the early 2030s for the UK to continue developing offshore wind in deeper waters. We consider that the testing of ‘Other Deepwater’ technology designs is important to de-risk and ensure that we are using the most competitive technology for any given site conditions.

Given that all future leasing by The Crown Estate will be in deeper waters, greater than 40-50m water depth, it is essential for the success of the UK offshore wind

industry that technology is developed which can be deployed in these more challenging water depths, i.e. areas which are typically too deep for bottom fixed but difficult for floating given today's technology, and especially with difficult ground conditions and large tidal range.

However, while Energy UK agrees with the ambition of the proposal, there are concerns about how a third category will be factored into the auction.

- The creation of an additional budget could impact competition and liquidity. The scale of the budget for Other Deepwater would need to be sized to match the actual pace of development of this category. An additional budget for an unproven technology could detract support from other, more proven technologies.
- Moreover, further complications to the CIB should be avoided, and Energy UK would suggest closely aligning the ODOW CIB with existing FLOW parameters, to help provide greater competition and cost reduction incentives for the FLOW sector, but caution should be taken to avoid undermining the development of FLOW projects.
- However, some members have suggested that a separate pot and budget for ODOW would be appropriate, to avoid any auction distortion or potential impact on FLOW projects, which are still an evolving technology.
- Definitions for ODOW should be kept flexible and under review to allow for further innovations and technological developments to be integrated into eligibility definitions and continue to incentivise research and development in this area.

Similarly, there are potentially unintended consequences to how the categorisation is presented in the consultation, which should be carefully considered before a decision for AR8 is made.

- The current approach does not allow the full range of new and innovative designs to be supported, limiting the ability for some (potentially more credible and cost effective) designs to be demonstrated.
- The current approach is still subject to misinterpretation, leading to challenges associated with verifying eligibility and / or eligible technologies not submitting bids.
- The current approach has the potential to encourage design decisions driven purely by the desire to comply with the dimensional criteria set out, rather than being cost optimal. For example, the design of at least one design is close to the L/D ratio proposed.

- Due to the ambiguity in definition, the current approach has the potential to be gamed, leading to CfDs being awarded to technologies which do not represent genuinely new or innovative foundation designs. Examples depend on how the term “monopile” is interpreted.
- The current approach does not specifically state its intent as being to support (only) demonstration scale projects. Examples include the risk of larger projects seeking to secure a CfD in this technology area without a credible plan to realise the projects and / or project developers may misinterpret this policy signal as meaning that these technologies can be deployed at commercial scale.
- The current approach may draw investment away from existing floating offshore wind (FOW) development activities, if the two technologies are required to compete directly in the short term. Examples dependant on Pot structure, use of minima, pot budgets etc.

Energy UK urges DESNZ to work together with industry and stakeholders to develop a more appropriate approach.

11. Can you identify any considerations related to the Clean Industry Bonus? We are particularly interested in any potential unintended consequences you have identified.

Deepwater offshore wind is capital-intensive and heavily reliant on international finance. By making workforce commitments mandatory through the CIB, it could discourage investment in deepwater projects compared to fixed-bottom projects.

Deepwater projects are more likely to involve complex joint ventures, staged investment and phased development. Applying CIB workforce commitments at the project-company level can be challenging for deepwater developments.

Often deepwater projects require later-stage decisions for the supply chain. This could lead to limitations for financing optionality and the exclusion of international suppliers, due to mandatory CIB commitments and narrow eligibility criteria.

Additionally, deepwater projects have longer development lead times than fixed-bottom wind. Taking under consideration the compressed AR8 timeline, there is increased possibility for delays or destabilising deepwater investment decisions.

Another option suggested by some members would be to implement a separate CIBs budget solely for FLOW and ODOV projects to ensure both technologies are

competing like for like for supply chain investment support, without undermining the ability of fixed bottom projects to secure CIBs funding.

12. Do you agree with the proposed contract and policy amendments to enable the new ODOW technology to participate in the CfD scheme? Please let us know if you disagree with any of the proposed changes or policies and why.

Energy UK noted a range of views on the suitability of the current proposals.

Some of the definitions for ODOW are reasonable and align the contractual provisions with that of fixed foundation offshore wind and FLOW. This provides balance and fairness for each technology.

However, it is unclear why ODOW and FLOW continue to have ineligibility for unconsented projects whilst fixed foundation projects continue to have this optionality.

There are also additional risks in the additional proposals, such as:

- The overarching approach is not clear from the information provided in the consultation. For example, the scale of project to be supported and pot structure are not clear.
- The definitions do not cover all relevant technologies.
- The definitions are open to interpretation.
- The definitions may drive design adaptations for no other reason than to fulfil criteria.
- The current approach is open to be gamed.
- The current approach may risk displacing FOW development investment.

Members noted a more appropriate approach should include:

- A clear set of short-, medium- and long-term policy objectives would be established and used to validate the appropriateness of the proposed approach.
- The approach would have the potential to support any genuinely new and / or innovative foundation technology suitable for the cost-effective deployment of offshore wind in waters between 50-75m.
- The approach would explicitly be aimed (only) at small number of representative demonstration scale projects in the short term (note such

demonstrator projects might be located in waters shallower than 50m, but deeper than say 40m);

- The approach would define the state of the art and hence what new and / or innovative designs would be benchmarked against, alongside a set of functional requirements to ensure alignment with the deployment of established offshore wind WTG technology, existing offshore wind project design envelopes etc.
- The approach would utilise an independent party to complete an assessment of the technology to determine eligibility (in advance of a CfD allocation round), and Secretary of State to approve this to allow CfD award. It would also require the project (if successful) to retain the technology design envelope in order to enter into the CfD contract at commercial operation date. This would provide sufficient scope to support the range of relevant technologies whilst ensuring CfDs awarded in this category are aligned with policy objectives and offer value for money to the consumer.
- The approach would acknowledge that the number of projects eligible in this category is likely to be very low, and hence true “competition” is unlikely. As such a negotiated CfD approach should be considered to ensure the most appropriate and credible projects can progress in a timely fashion.

13. Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.

Energy UK supports further exploration for the integration of new technologies.

The impact assessment should be further developed to make reference to how the proposed approach delivers the desired policy outcomes (which should include reference to value for money, deployment timelines and wider risk implications).

5. Changes to improve scheme efficiency – proposed legislative amendments

14. Do you agree that the Government should amend the Allocation Regulations to require NESO to correct administrative errors promptly when they come to light? If not, please tell us why.

Yes, Energy UK agrees.

The Government should amend the Allocation Regulations to require NESO to correct administrative errors promptly. This change is essential to ensure that the CfD allocation process operates fairly, proportionately, and in line with the scheme's policy intent.

The current framework is highly prescriptive, and even minor administrative imperfections can lead to the rejection of otherwise eligible applications. These outcomes are disproportionate and undermine the efficiency of the scheme. Allowing NESO to correct nonmaterial errors when they are identified would prevent unnecessary exclusion of projects, reduce administrative burden, and ensure that the assessment process focuses on genuine eligibility rather than procedural technicalities.

Requiring NESO to correct errors promptly would also support a more pragmatic regulatory environment, reduce delays to project buildout, and ensure that the CfD scheme rewards substantive compliance rather than perfect documentation. This refinement strengthens, rather than weakens, the integrity of the scheme by ensuring that decisions reflect the real-world complexity of project development.

In general, Energy UK strongly supports making the process clearer and simpler, avoiding the complications associated with having five different auction timeline scenarios which can considerably delay allocation rounds and create uncertainty for bidding decisions.

Fixed and certain timelines are critical for project planning and certainty. The current CfD process, which sees 5 scenarios for auction timelines based on the potential outcomes of the qualification process, is complex and creates uncertainty for bidding decisions

Energy UK strongly supports committing to a fixed timeline, and notes the detrimental impact of extensions of Tier 2 appeals for offshore wind in AR7.

Energy UK also recommends that NESO should not have the power to disqualify participants following the initial decision, since this creates detrimental additional risk. Members urge NESO to make the initial correct decision to minimise uncertainty.

DESNZ and NESO should focus on making the CfD qualification process as efficient and fast as possible.

Additionally, Energy UK support DESNZ's previous efforts to shorten the CIBs timelines so that the main CfD auction can open sooner. Along with other policy decisions, CIBs contributed to significant delays to AR7 of circa 5 months compared to original expectations after AR6

Providing updated qualification and auction guidance earlier to applicants will help reduce errors and misinterpretation.

15. Would you support a general pause to the allocation process to allow affected applicants more time to consider appealing and NESO to determine a Tier 1 appeal, or should the pause be limited to affected projects only? Please give reasons for your answer.

The majority of our members would not support a general pause of the allocation process and instead prefers an option where the process is only paused for the affected project.

A general pause would unnecessarily delay the entire allocation round, affecting projects that are not involved in any dispute and potentially slowing deployment timelines.

However, Energy UK notes the risk that delays from NESO or Ofgem in dealing with appeals could have severe negative impacts and should be addressed.

Some members also pointed out how drawn-out project-specific pauses could lead to unintended consequences, compared to a short general pause. For instance, if a project is halted at the Tier 1 stage and there is no Tier 2 appeals from any applicant, the remaining applicants would proceed directly to the sealed bid window, leaving the status of the affected applicant uncertain.

NESO should be required to determine a new Tier 1 appeal quickly to allow the affected applicant to rejoin the process at Tier 2 should they wish to appeal to Ofgem. This should be done swiftly, to avoid a situation where a project notified of an administrative error has less time to prepare a Tier 2 appeal to Ofgem should NESO uphold a decision to disqualify the applicant at Tier 1.

16. What is your view on removing the ability of an affected applicant to appeal at Tier 1 in favour of allowing them to submit a Tier 2 appeal directly to Ofgem? Please give reasons for your answer.

Energy UK believes a guiding principle should be that the right of the applicant to appeal and access to appeal should not be constrained. Options like allowing applicants to appeal directly to Ofgem appear consistent with the principle of retaining the right to appeal while not adding timeline uncertainty to the allocation process.

However, Energy UK also notes Tier 1 disputes process is often a simple and effective way to correct relatively minor errors or interpretation issues.

It provides a proportionate, efficient mechanism for resolving straightforward issues without escalating every matter to Ofgem (particularly given the delay to the Tier 2 results for Pot 1 during AR7).

Removing Tier 1 could increase regulatory burden, slow down resolution, and risk creating unnecessary bottlenecks. A well-functioning Tier 1 process allows NESO to correct nonmaterial errors and consider clarifying evidence supports faster, more pragmatic decision making.

On balance, Energy UK disagrees with this proposal.

17. Do you agree that the administrative arrangements around the process to correct Delivery Body errors can be set out in the Contract Allocation Framework to allow for flexible implementation? If not, please tell us why.

Energy UK agrees changes to the administrative arrangements could be set out in the Contract Allocation Framework.

This would allow for the most flexible implementation and an easier process for change in future.

18. Do you agree that Government should amend regulation 20(2)(c) of the Allocation Regulations to allow NESO to consider new documentary evidence to correct non-material errors or omissions at the Tier 1 appeal stage? If not, please tell us why.

Energy UK strongly agrees NESO should be allowed to consider new documentary evidence to correct non-material errors or omissions at the Tier 1 appeal stage.

Allowing NESO to consider new documentary evidence—where it simply clarifies facts that were already true at the application deadline—ensures that eligible projects are not excluded due to technicalities. This change would reduce administrative inefficiency, support proportionate decision making, and align the scheme with the Government’s wider aims of accelerating clean energy deployment.

Care should be taken so this doesn’t impact auction timelines, which should be streamlined.

19. Do you agree that the key elements of the legislative changes should be as outlined above? If not, please tell us why. Should the Government consider any additional or alternative changes to achieve the policy objective?

Energy UK agrees the key elements outlined are appropriate and necessary. They collectively ensure that NESO is empowered to correct nonmaterial errors, apply reasonable judgement, and accept clarifying evidence where appropriate. These changes will materially improve scheme efficiency and fairness.

20. Do you agree that the administrative arrangements around the submission and consideration of the new evidence, and guidance on what would constitute acceptable new documentary evidence, can be set out in the Contract Allocation Framework to allow for flexible implementation? If not, please tell us why.

Whilst specific wording and rules should be in the Allocation Framework, standalone guidance should be provided to provided separately to further help applicants.

Such guidance will ensure applicants have all information available to them and this clarity may also limit the number of tier 2 appeals taken forwards (if it is clear in the guidance that an applicant is likely to be unsuccessful at Tier 2 appeal based on their application information provided).

21. Please flag any unintended consequence of this change that the Government may need to consider.

Energy UK notes some concerns.

The proposed revision lacks clarity on its objectives and specific changes. If it aims to include pending applications in the initial bid stack, this raises several procedural challenges. An auction will still need to be re-run if a pending project fails its appeal,

causing potential delays and disruptions. The Secretary of State would also have to repeat the bid stack optimisation process whenever appeal outcomes change the qualified projects. To keep the process fair, only confirmed competitors should be considered in the final bid stack, not unresolved applicants.

There is no clear guidance on how these revisions, appeals, and optimisations would be managed and sequenced into the final allocation award process without adding uncertainty or delay. We urge the Government to clearly define the proposal's purpose, design, and operational steps.

6. Removal of default bids

22. What reasons are there for not submitting a sealed bid within the sealed bid window?

Energy UK is aware of some potential reasons.

Project CAPEX or final layout may not be sufficiently developed at the time of the sealed bid window (e.g. ongoing aviation constraints or turbine configuration issues), making it difficult to submit a firm bid price.

Developers may prefer to rely on a default bid at the Administrative Strike Price, due to costs that remain uncertain after eligibility requirements are met, particularly where there is limited downside if the project ultimately does not proceed.

In some cases, developers prefer to preserve optionality while awaiting further clarity, submitting a bid later only if conditions are sufficiently certain to support build-out.

23. Do you support the proposal to remove default bids and treat applications for which a bid is not submitted in the sealed bid window as if they have been withdrawn? Please provide any further comments to support your answer.

Yes. Energy UK agrees with the proposal which will help strengthen compliance and enforcement of the CfD scheme as it is intended to operate, protecting consumers in the process.

This reduces the risks of projects receiving a CfD when they may not intend to do so, or did not withdraw their project appropriately. It may also encourage more projects

to apply, as it entails less potential consequences and governance approvals if there are no potential bid submission implications.

7. Preventing delayed CfD start dates - enhanced requirements for distribution-connected CfD generators

24. Do you agree with the proposal to introduce contractual measures to enable LCCC to obtain near real-time metering information for distribution-connected generators? If not, please explain why.

Energy UK's understanding of the intent of proposal is that it is related to alignment across transmission-connected and distribution-connected generators, although there is some ambiguity and uncertainty about its potential impact. As currently presented, Energy UK does not agree with this proposal without additional criteria being applied to the interpretation of metering information. Metering information alone cannot determine whether a site is commercially operational, as there are instances where a site could be running a test.

We believe the longstop date may be sufficient to address gaming concerns, in which case the proposal is a disproportionate solution for these smaller scale projects.

25. Do you agree that Default Interest should apply under Conditions 10.4(C) and 18.6(C) where Generators fail to provide metering information or access as required? If not, please explain why.

26. Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.

8. Proposed exclusion of applications with Gate 1 connection agreements

27. Do you agree with the Government's proposal to exclude applicants with Gate 1 connection agreements from being eligible to apply for a CfD? Please explain why or why not, and where appropriate, supporting evidence.

Yes, Energy UK agrees with the Government's proposal to exclude applicants with Gate 1 connection agreements from being eligible to apply for a CfD for AR8, since Gate 1 applicants present a higher risk of not completing their projects than Gate 2.

Gate 2 projects are more aligned with the strategic coordination of network design, and Energy UK supports closer alignment between NESO's connection reform process and the CfD.

The Government should look to avoid a repeat of the situation in AR7 where bidders entered the auction before the grid connection reform process. At present, the Gate 2 connection date offers are due to be announced in Q2 or Q3 2026. More clarity is needed so that bidders have knowledge of their connection dates going into AR8.

In particular, under current connections reform, there is a risk that some projects will not have a Gate 2 offer formally signed before the AR8 application window opens, although they have received a notification from NESO that the project will be receiving an offer. The government should confirm that a notification from NESO that a Gate 2 offer is going to be made is sufficient evidence for qualification for AR8.

Projects with Gate 1 connection agreements and existing CfD contracts need to receive clear protections.

28. The Government also invites views on any issues/concerns regarding NESO's connection reform process and its interaction with the CfD. Where a concern has been raised, please propose potential mitigations focusing on the provisions within the CfD in the first instance.

We note that the connection reform process is not aligned with the current CfD timeline.

There is a significant risk for many projects from the interaction between grid liabilities increasing and the current CfD timeline. Typically, a project's grid liabilities increase 3 years ahead of any given connection date on 1 April of that year, which is known as the trigger date. These increases can be in the £millions and do not reduce once the date has passed.

To manage this risk, projects typically aim to secure a Route to Market (RtM) ahead (i.e. CfD results notification) of grid liability increases, providing a window to delay the connection date (through a ModApp) prior to any increase if it is unsuccessful. The recent grid reform has increased the time required to make a grid connection modification, with anticipated AR8 timelines not providing sufficient time for this to occur.

If future auctions follow the same schedule as the latest one for AR7, the eligibility window for AR8 will likely open in July 2026, which is after grid liabilities go up (in April). This risk is exacerbated if the available delivery years for Pot 1 technologies remains at two, as projects that otherwise would have participated will be pushed back into AR9, which increases their exposure to grid liabilities as they would be closer to the 'trigger date' for these costs increasing (3 years prior to connection date).

An additional delivery year in AR8 for Pot 1 technologies would address this issue.

More generally, the option of an additional third Delivery Year for AR8 for other technologies (in addition to fixed foundation offshore wind) was not included in the consultation for refinements to AR8. This option is of particular interest for developers of solar, onshore wind and floating offshore wind projects.

Many of these projects are facing challenges in matching the timing requirements of the two delivery years currently available in the CfD auctions. Reasons include insufficient delivery year options, longer supply chain delivery times, increased construction durations and phased grid connections and charges (as noted above).

These timing and eligibility challenges are becoming more common, particularly due to the increasing size of onshore wind, solar and floating offshore wind projects. To match the progress of the sector, it is important that the design of the CfD auction is reviewed and updated to address these challenges, to maximise competition and project delivery.

**29. Do you agree with the assessment of impacts outlined in our proposal?
Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications**

Energy UK agrees, since it is clear that for the connection reform process to work and support Gate 2 projects, consistent policy must be applied across support schemes such as the CfD and Capacity Market to ensure this.

Gate 1 projects lack sufficient development maturity and cost certainty, creating a risk of speculative bidding. Gate 2 projects have the consents, alignment, and delivery readiness to bid credibly.

9. Visibility of Sealed Bids and Sealed Bid changes for technology types with Sealed Bid visibility

30. Do you agree with the Government in a) retaining bid stack visibility for fixed bottom offshore wind for AR8 and b) expanding bid stack visibility beyond fixed bottom offshore wind to other technologies from AR8? If yes or no, please explain why with particular reference to merits and concerns.

Energy UK broadly supports retaining bid stack visibility for fixed bottom offshore wind for AR8, especially if there are no means to implement these alternative measures in time for AR8

While we note the positive outcome of AR7 for offshore wind projects due to sealed bid visibility, the approach taken in AR7 is not without potential risks to the CfD scheme, including increased politicisation, valuation concerns and uncertainty for the supply chain.

If the Government wishes to continue to use this approach going forwards, we would urge DESNZ to ensure that the scope of the powers is aligned to the original AR7 objective of ensuring efficient auction clearing and utilisation of budgets.

More broadly, thinking about a long-term solution to the issue of leftover budgets, Energy UK is supportive of introducing auction schedules with capacity targets to improve visibility and provide greater certainty for investors and the supply chain. Energy UK maintains that the Government should put forward a multi-year allocation schedule, with long-term capacity targets to be periodically revised.

The policy objective from AR7, to ensure efficient use of budget and deployment in auctions, potentially applies better to FLOW and ODOW technologies than it does fixed foundation offshore wind. This is because of the relatively small pipeline of projects, potential large differences in costs of different design concepts and high budget use (owing to relatively high prices and 100MW+ capacity levels). Due to this, it could be an option to extend the approach to these technologies and it feels even more appropriate to apply this approach here when compared to the relatively liquid and competitive fixed foundation offshore wind pipeline.

In terms of extending this to Pot 1, Energy UK notes that the main benefit of this approach could be an expanded budget which would allow for the delivery of more projects.

However, we have considerable concerns, as budget underspend is significantly less of an issue for this category.

Pot 1, especially onshore wind and solar PV technologies, has seen very high or even full budget utilisation across AR4-AR6. There is no evidence that intervention is required to make budget use more efficient.

It would also create a very large administrative burden and potentially lead to valuation issues around bid submissions.

On balance, Energy UK does not think that the potential benefits outweigh these concerns.

31. For any technology type for which the Government has visibility of sealed bids, do you agree with our proposal to limit applicants to submitting only one sealed bid?

Energy UK believes it is useful to have flexibility in bids for larger projects and emerging technologies as each marginal project will have a greater impact on the budget used. For emerging technologies, such as floating wind, where cost reduction has not been fully realised, the ability to submit multiple bids is useful to aid price discovery.

However, there is also value in allowing the Secretary of State to set budget following sight of anonymised bids. We therefore recommend that the SoS limits this to just two sealed bids to facilitate a degree of flexibility while limiting the number of bids to aid the SoS's ability to set the budget.

32. For any technology type for which the Government has visibility of sealed bids, do you agree we should retain the anonymity of those bids? If yes or no, please explain why with particular reference to merits and concerns.

Energy UK believes it is critical for bids to remain anonymised. The more information that is made available, the higher the risk that the auction process is no longer viewed as mechanistic and neutral, with no opportunity for judgement to be applied in selecting successful project. This could undermine confidence in the CfD auction process.

A move away from anonymised sealed bids would create a number of risks including:

- A high degree of government oversight of the bid stack:
- Risks of irrational bidding:

- Risks of sharing highly confidential and sensitive bidding information:
- Confidence in decision making and risks of political and market interference:

33. Do you agree with the assessment of impacts outlined in our proposal? Please provide any evidence to support your answer, including value for money, deployment timelines or wider risk implications.

As a principle, government should not intervene in the CfD auction process unless there is a clear need or rationale.

10. Minor and Technical changes to the CfD contract terms

34. Do you agree with our proposal to change the Base Year CPI to ensure that the price base used to calculate the annual strike price adjustment is the full-year 2024 CPI? If not, please tell us why.

Yes, Energy UK agrees.

35. Do you agree with the proposed amendments to the definition of 'Inside Information' and Condition 72.3? If not, please tell us why.

Yes, Energy UK agrees.

^[1] [Dogger Bank Wind Farm \(2025\), SSE and Equinor finalise seabed lease to progress Dogger Bank D](#)