



# Contracts for Difference (CfD) – Minor & Necessary Process

**Why are we here?**

**Our mission is...**

**“...to shape and implement schemes which enable low-carbon investment at least cost to the consumer”**

**Our vision is...**

**“...to accelerate the delivery of net zero”**

**Our Guiding Principles are to:**

- maintain investor confidence in the CfD scheme
- minimise costs to consumers

# Overview of LCCC

## The roles we play...

### Today – our current schemes:

- Independent Counterparty to the low carbon electricity Contracts for Difference (CfD) scheme
- Settlement Body for the Capacity Market scheme
- CfD counterparty (Hinkley Point C)
- Counterparty to first Hydrogen Production contracts

### Tomorrow – we are working with industry to develop and implement new low carbon schemes:

- Industrial Carbon Capture Usage and Storage (CCUS)
- Energy-from-Waste CCUS
- Dispatchable Power Agreement (power CCUS)
- Settlement body for Nuclear Regulated Asset Base (Sizewell C)

## Key characteristics of the CfD

- Long term CPI indexed revenue stability
- LCCC has levy raising powers reducing counterparty risk
- Supported by legal provisions and protections (i.e. force majeure, change in law)
- Quoted as “the gold standard” by the investor community
- Supporting new technology – last year’s AR5 welcomed geothermal and tidal stream energy generation into the UK’s portfolio





# Minor & Necessary Process

What considerations need to be made before submitting a Minor & Necessary Application?



## Key Minor & Necessary Modification Dates

- M&N application window **opens on 13<sup>th</sup> March 2024**
- M&N application window **closes on 20<sup>th</sup> March 2024**
- Latest date for M&N determinations to be made by **12<sup>th</sup> April 2024**

Determination before application closing date ensures applicants can submit, amend or withdraw their applications based on this determination

# What is a Minor & Necessary Modification?

- Minor & Necessary is explained in **Regulations 7** and **8** of The Contracts for Difference (Standard Terms) Regulations 2014
- Regulation 7 stipulates what CANNOT be a minor modification which includes:
  - Decreasing generator liabilities or increasing generator commercial benefit
  - Changing generator payment timelines
  - Changing key deadlines in the CfD for submitting documents
  - Changing methodology for calculating sums payable under the CfD
  - Would cause LCCC to incur costs above amount specified by SoS (£20K for AR6)
  - Would impact existing contracts LCCC has with third parties (e.g. EMRS)
- Regulation 8 stipulates that a modification:
  - may be necessary where an applicant acting reasonably could not accept the offer of a CfD without the modification
  - but cannot be necessary where applicant could not accept due to its ownership or control.

The modification must be both  
**minor AND necessary**



# Examples of M&N Applications

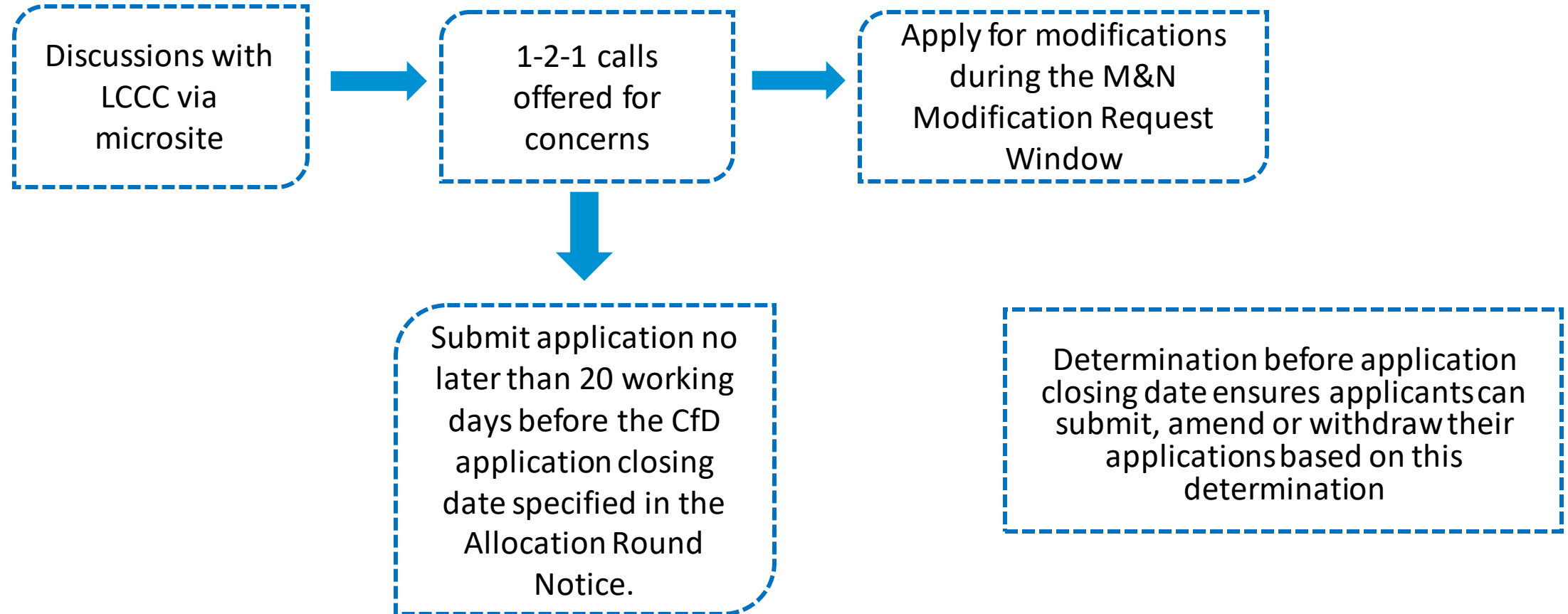
## Accepted Modifications

- Minor amendments needed to signature blocks to allow non-corporate entity to sign the CfD
- Minor drafting amendments to allow entity with no directors to issue equivalent of director certificates.

## Rejected modifications

- Request to amend Force Majeure definition to include specific events relating to remote island projects
- Changes to specific definitions to reflect project-specific issues
- Modification to eligibility criteria for Private Wire Generator.

# Minor and Necessary Modifications Process





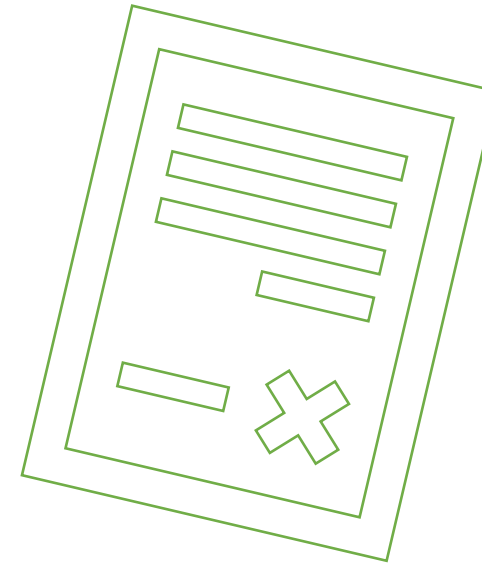
# Minor and Necessary Modifications

## Required Information includes:



### **Draft Contracts:**

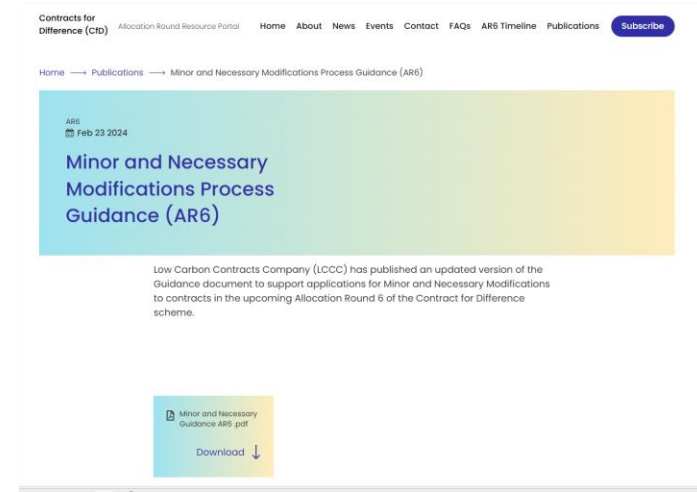
Draft CfD terms & conditions available on the DESNZ website.



# Making an M&N Application

## The following information will be required:

- ✓ Project and Applicant details
- ✓ Description of modification and affected STC clause(s)
- ✓ Proposed new drafting with tracked changes
- ✓ Explanation of why the modification is deemed "minor" (with Regulation reference)
- ✓ Explanation of why the modification is deemed "necessary" (with Regulation reference)



- Proforma available [here](#)
- One form per unconnected modification
- Separate form for multiple modifications