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CFD Allocation Round 7 and 7A: Contract Allocation Process Guidance

Guidance Document

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1. Purpose

This guidance document provides Applicants with step-by-step instructions on how the Contract Allocation Process is run for the 2025 Contracts for Difference (CfD) Allocation Round.

This guidance document will detail the changes to the Contract Allocation Process for Allocation Round (AR) 7 and 7A, which include but are not limited to the Contract Budget Notice Publication and the sending of anonymised bid information.

2. Scope

This guidance document is intended to be used by organisations:

- (a) considering whether to make an application to participate in the Contracts for Difference scheme.
- (b) that are progressing through the CfD application process.

This guidance serves as a reference tool and is intended for information only. It is imperative for customers to seek independent advice if deemed necessary.

3. Applicable CfD Regulations / Rules

3.1 Applicable Regulations

The following are frequent references to the Applicable Regulations from the Contracts for Difference (Allocation) Regulations 2014 (as amended):

- Part 3 – Contract Budgets applicable to Allocation Rounds
- Part 5 – Contract Allocation Processes
- Part 6 – CfD Notifications.

3.2 Applicable Rules

The relevant provisions from the CfD Allocation Round 7 and 7A Final Contract Allocation Framework are contained within Rules 6 to 26.

3.3 Applicable Statutory Notices

The following notices provide key information about the allocation process and should be consulted in addition to this document.

- Allocation Round 7: [Statutory Notices](#)
- Allocation Round 7: [Contract Allocation Framework](#)

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3.4 Eligible Technologies and Delivery Years

The eligible technologies, Delivery Years and pot structure have been taken from the CfD Allocation Round 7: POT AND PRICE NOTICE, dated 23 July 2025.

Technology	Delivery Years	Round	Pot
Advanced Conversion Technology	2028/29 & 2029/30	AR7A	2
Anaerobic Digestion (>5MW)	2028/29 & 2029/30	AR7A	2
Dedicated Biomass with CHP	2028/29 & 2029/30	AR7A	2
Energy from Waste with CHP	2027/28 & 2028/29	AR7A	1
Floating Offshore Wind	2028/29 & 2029/30	AR7	4
Geothermal	2028/29 & 2029/30	AR7A	2
Hydro (>5MW and 5MW)	2027/28 & 2028/29	AR7A	1
Landfill Gas	2027/28 & 2028/29	AR7A	1
Offshore Wind (inc. Offshore Wind – Scotland)	2028/29, 2029/30 & 2030/31	AR7	3
Onshore Wind (>5MW)	2027/28 & 2028/29	AR7A	1
Remote Island Wind (>5MW)	2027/28 & 2028/29	AR7A	1
Sewage Gas	2027/28 & 2028/29	AR7A	1
Solar PV (>5MW)	2027/28 & 2028/29	AR7A	1
Tidal stream	2028/29 & 2029/30	AR7A	2
Wave	2028/29 & 2029/30	AR7A	2

Figure 1 – Allocation Round 7 and 7A eligible technologies

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4. Contract Allocation Process Overview for AR7 and AR7A

Section four provide a high-level overview of the Contract Allocation Process for relevant Applicants following on from the Application qualification determinations. This process will vary depending on the timeline scenarios for non-offshore wind technologies (AR7A) and offshore wind technologies (AR7).

Applicants are still encouraged to refer to the published timeline and monitor updates from the [CfD Allocation Round Portal](#) for specific details on the direction of both AR7 and AR7A.

Final Valuation	Applications will be assessed using the valuation formula and the outputs will be submitted to DESNZ, along with a notice of intention to hold an auction.
Contract Budget Notice	DESNZ will publish a Contract Budget Notice to industry five Working Days after receiving the final valuation.
Notice of Auction	If an auction is to be held, then a Notice of Auction will be issued to the relevant applicants, inviting the submission of sealed bids.
Sealed Bid Submission	Relevant Applicants will be able to submit bids on the EMR Portal. Bids will then be considered in the Auction.
Anonymised Bid Information	The DESNZ Secretary of State (SoS) can request Fixed-bottom Offshore Wind sealed bid data of breaching bids before the Auction is run.
Auction and Audit	A closed auction will be run in accordance with Rule 10 of the Contract Allocation Framework. An audit will also be conducted to verify results.
DESNZ SOS Review	Following a review the DESNZ SoS will decide on whether to Proceed, Re-run or Cancel the Allocation Round Contract Allocation Process.
Notification	Applicants are notified of being successful or unsuccessful in the auction. Details will be shared with LCCC in order to issue contracts.

Figure 2 – Contract Allocation Process Overview

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5. Valuation

During the Application Valuation process, the Delivery Body assess the collective value of all qualifying applications for each Delivery Year against the Pot Contract Budget and/or the total capacity against any applicable Capacity Cap, and any applicable Maximum or Minimum, to determine if a competitive Contract Allocation Process (auction) is required.

The outputs of the valuation(s) are confidential and consequently not published to industry or shared with Applicants.

5.1 Valuation Timings

Rule 6.6 specifies the timeline for Valuations:

“Pursuant to Regulation 29(5), the Delivery Body must determine the Applications Valuations –

- (a) Within 1 Working Day after the Application Closing Date in respect of all Applications; and*
- (b) where no Review Notices have been given under Regulation 20, within 1 Working Day after the Non-Qualification Review Request Date in respect of Qualifying Applications; or*
- (c) where one or more Review Notices have been given under Regulation 20, within 1 Working Day after the Appeals Deadline Date in respect of Qualifying Applications and Applications subject to a Non-Qualification Review or a Qualification Appeal; and*
- (d) where the Authority have concluded that any appeals are successful under Regulation 46, the Delivery Body must provide the Secretary of State with an updated valuation within 1 Working Day of that determination.”*

5.2 Valuation Formula

5.2.1 The method of calculation for determining the monetary Applications Valuations (including valuation of Applications to which Minima and/or Maxima that are stated in pounds sterling apply) is set out in Schedule 2 of the Contract Allocation Framework (“Valuation Formula”).

5.2.2 **Applications will be valued using 2024 prices in AR7 and AR7A.**

5.2.3 Details of the data inputs used in the Valuation Formula are set out in Contract Allocation Framework, Appendices 1 and 2 of Schedule 2. The components used the Valuation are also used when assessing sealed bids if an auction is required. The Valuation Formula can be seen in Figure 3.

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“Valuation Formula” means:

$$\text{Budget impact}_{s, yr, p} = (\text{Strike Price}_{cy, t} - \text{Reference Price}_{yr}) \times \text{Load Factor}_{t, yr} \times \text{YR1F}_{s, c, p} \times \text{Capacity}_{s, p} \times (\text{Days}_{yr} \times 24) \times (1 - \text{TLM}_{yr}) \times \text{RQM}_t \times \text{CHPQM}_s$$

Figure 3 – Valuation Formula as stated in Schedule 2 of the Contract Allocation Framework.

5.2.4 Please see below for an example of the components which are included in the valuation formula. The terms, values and definitions concerning the valuation formula components can be review in Schedule 2 of the Contract Allocation framework. The values provided are for illustrative purposes only.

Administrative Strike Price, minus the Reference Price	Days and Year 1 Factor (YR1F)	Capacity (MW)	Technology Specific Factors	General Valuation Factors
<ul style="list-style-type: none"> • ASP: Maximum Strike Price (£/MWh) that applies to an Application. £50.00/MWh • Reference Price (intermittent or baseload): Market Electricity Price (£/MWh) in a given time period. £48.50/MWh 	<ul style="list-style-type: none"> • Days is the number of days in a year. 365 days • YR1F is a factor applied to each project or – in the case of phased projects – each phase to account for partial year generation from the TCWSD in the first year of operation of the project/phase. 1 	<ul style="list-style-type: none"> • IIICE – the initial installed capacity estimate MW value provided by applicants at the application stage 20.00 MW 	<ul style="list-style-type: none"> • Assumed load factors, Phases and other multipliers This includes the number of phases (1, 2, 3), Load Factors (60%) Transmission Loss Multipliers (0.90%) and Renewable Qualifying Multipliers (1, 0.49) 	<ul style="list-style-type: none"> • Target Commissioning Window start dates, delivery years, budget years and hours to days. Refer to the round specific Contract Allocation Framework for full details.

Table 1 – Valuation Formula Components

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5.3 Valuation Process

- 5.3.1 The Valuation Formula is deployed to determine the individual and cumulative Contract Budget impact of such relevant Applications.
- 5.3.2 The Delivery Body determines whether the valuation of all the qualified Applications exceeds the overall pot Contract Budget. The total capacity for all qualifying Applications is also used to determine whether the capacity limit for the round has been exceeded (if applicable).
- 5.3.3 If both the Contract Budget and/or Capacity Cap are not exceeded, each qualifying Application shall be offered a CfD Contract at their technology specific Administrative Strike Price. No Auction is required.
- 5.3.4 If the Contract Budget and/or Capacity Cap is exceeded, then the Delivery Body shall run an auction between all qualifying applicants. Qualifying and Pending Applicants will be issued with a Notice of Auction with the request to submit sealed bids for use in an auction.

6. Allocation 'Auction' Process

Please note that this guidance document does not provide technical information concerning the sealed bids process or auction scenarios. Once published this information will be accessible on the NESO CfD webpage - <https://www.neso.energy/what-we-do/energy-markets/electricity-market-reform-emr-delivery-body/contracts-difference-cfd>.

6.1 Contract Budget Notice Publication

- 6.1.1 The Contract Budget Notice specifies the overall budget which is available for each Delivery Year applicable to an Allocation Round.
- 6.1.2 The Contract Budget Notice can include budgets which are reserved for the descriptions of applications specified in the notice ("minima"); maximum budgets which apply to the descriptions of applications specified in the notice ("maxima"); and a division of the overall budget such that a different part ("pot") of the overall budget applies to the description of applications specified in the notice.
- 6.1.3 The **Contract Budget Notice for Allocation Round 7** will be published by DESNZ 5 Working Days after receiving the final valuation from the Delivery Body.
- 6.1.4 The **Contract Budget Notice for Allocation Round 7A** will be published by DESNZ 5 Working Days after receiving the final valuation from the Delivery Body.
- 6.1.5 Publishing the Contract Budget Notice before the sealed bid window will inform developers of the budget available in AR7 and AR7A.

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6.2 Notice of Auction and Sealed Bids

- 6.2.1 Following receipt of the Contract Budget Notice from DESNZ, the Delivery Body determines if there is to be one or more auctions to be held pursuant to Rule 10 of the Contract Allocation Framework. The Delivery Body must then as soon as practicable:
- (a) notify the Secretary of State that an auction is to be held; and
 - (b) issue a notice (“Notice of Auction”) to the relevant Applicants, informing Applicants that an auction will take place.
- 6.2.2 The Notice of Auction will state that an auction is to be held, and that sealed bids are invited from relevant Applicants between the submission windows.
- 6.2.3 Flexible bids for fixed-bottom offshore wind in AR7 will not be available.
- 6.2.4 Flexible bids will remain available to all other technologies including floating offshore wind.
- 6.2.5 Where the Applicant is an Unconsented Fixed-Bottom Offshore Wind CFD Unit, the Applicant must, no later than 5pm on the Working Day before the Submission Closing Date, submit a signed and dated Director’s declaration using the template provided in Schedule 7 to the Delivery Body confirming that no relevant Pending Applicable Planning Consents have been refused. If an Applicant fails to comply with the requirement in this Rule, the Application will be treated as withdrawn.
- 6.2.6 Sealed bids are required to be submitted on the EMR Delivery Body portal and guidance will be available [here](#) once published for the Allocation Round.

6.3 Auction and Audit

- 6.3.1 Following on from the sealed bids Submission Closing Date, the Delivery Body will run a closed auction in line with the Contract Allocation Framework Rules, using the Applicant’s submitted sealed bids.
- 6.3.2 Pursuant to Regulation 54, the Secretary of State can direct the Delivery Body to send Anonymised Bid Information before the Auction is held. For Allocation Round 7, this will apply to Offshore Wind CFD Units only.
- 6.3.3 An auction is run using sealed bids from those Applicants who have been determined to be Qualifying or Pending, whose applications have not been withdrawn via Rule 15 and sealed bids are submitted via the [EMR Delivery Body Portal](#).
- 6.3.4 All application sealed bids compete on a Strike Price basis and only one bid from each Application can be successful.
- 6.3.5 Sealed bids are considered in a bid stack from the lowest to highest Strike Price.

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- 6.3.6 Sealed bids tied on the same Strike Price are handled by tiebreaker rules set out in the Contract Allocation Framework.
- 6.3.7 The auction is pay as clear and Successful Applications will receive a clearing price, set by the highest successful bid across both Delivery Years (subject to a cap at ASP and/or separate maximum clearing price).
- 6.3.8 For each Application that is not a Fixed-Bottom Offshore Wind CfD unit, the Applicant may submit up to four Flexible Bids, which are sealed bids with varying capacities and/or Target Dates, of which no more than two bids may have a Target Commissioning Window Start Date in the same Delivery Year.
- 6.3.9 Interleaving rules are used to ensure best use of the relevant Pot or Overall Contract Budget (as appropriate) Interleaving allows Flexible Bids to be considered where the Applicants first bid was unsuccessful.
- 6.3.10 During the auction, if a bid exceeds (breaches) either the Contract Budget or Capacity Cap and does not exceed a Minimum or Maximum, the interleaving rule comes into effect, other than in Minimum auctions, where flexible bids are only accepted if there are no interleaving bids. Here, the auction system shall look for a Flexible bid from the same Applicant and shall attempt to allocate this bid along with any other bids that are between this and the bid that originally caused the breach. If all the bids can be allocated, interleaving is successful, and the auction continues. If any of the bids in the interleaving loop cannot be allocated, then the auction shall close.
- 6.3.11 Applicants are recommended to review the Contract Allocation Framework with regards to the auction rules.
- 6.3.12 An independent audit will be conducted to confirm that the auction process has been accurately followed as per the rules in the Contract Allocation Framework. The independent audit report will be shared with DESNZ and then published on the [NESO CfD webpage](#) following the close of the Allocation Round.

6.4 DESNZ Secretary of State Review

- 6.4.1 The Secretary of State will review and consider the Independent Audit Report as well as the Delivery Body's recommendations on next steps for the Allocation Round.
- 6.4.2 A decision can be made to proceed to notify relevant applicants of their results, or to re-run the allocation round.

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7. Notification Process

At the end of an Allocation Round, the Delivery Body will give written notice to each Qualifying Applicant setting out whether the Applicant is a Successful Qualifying Applicant or Unsuccessful Qualifying Applicant.

The Delivery Body notifies all qualified applicants of the allocation/auction outcome while the LCCC is notified of successful projects only. DESNZ will publish details of the successful projects.

7.1 Notification

- 7.1.1 Following a Proceed Notice from the Delivery Body, Secretary of State has two working days to accept the recommendations, issue a re-run notice or a halt direction. If the recommendations are accepted the Delivery Body will notify all relevant Applicants of the auction outcome.
- 7.1.2 Applicants are securely notified of the outcome via the EMR Delivery Body Portal. This includes whether the project was successful or unsuccessful.
- 7.1.3 DESNZ will publish details of the successful projects on GOV.UK and confirming the final budget allocation for the Allocation Round.
- 7.1.4 The CfD Counterparty (LCCC) are notified of successful projects only. LCCC will then begin contacting the successful projects for distribution of contracts within 10 working days.

7.2 Accessing the outcome on the EMR Portal

- 7.2.1 Notifications will be provided securely to Applicants via the EMR Delivery Body Portal the notification information includes:
- 7.2.2 Upon logging into the EMR portal the application status will show the status of Successful Qualifying Applicant or Unsuccessful Qualifying.
 - (a) Applicants will receive a letter stating whether the Application was successful or unsuccessful in securing a CfD agreement.
 - (b) Successful applications will also receive an annex letter which contains information provided at the application stage, as well as the outcome of the successful bid. This data includes the awarded Strike Price, Successful Allocation Capacity, TCWSD and TCD.

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7.3 Viewing Allocation Results on the EMR Portal

At the end of an Allocation Round, the Delivery Body will give written notice to each Qualifying Applicant setting out whether the Applicant is a Successful Qualifying Applicant or an Unsuccessful Qualifying Applicant. The process to view the results can be found below.

7.3.1 Log into the EMR Delivery Body Portal

7.3.2 In the EMR Portal, click on My EMR and then click on Applications.

7.3.3 Use the Application ID filter option to search for the relevant CfD Application.

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- 7.3.4 View the status of the application in the status column and click on the Allocation Results Letter button to download the Allocation Results letter.

NESO Electricity Market Reform Delivery Body

Qualification

My EMR

APPLICATIONS REVIEWS

Create New Application

Application ID	Company	Round	Pot	Status	Submitted By	Submitted On	Locked By
CFD-2025-116-1844	NATIONAL ENERGY SYSTEM	AR7 Test	1	Successful Qualifying Applicant	george.epuser	04/07/2025 12:47:18	View Result Letter Allocation Result Letter Annex Letter

- 7.3.5 Applicants that are successful will have the status 'Successful Qualifying Applicant' and will also be able to download an annex letter which contains the application details.

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8. Glossary

ASP: “Administrative Strike Price” has the meaning given in Regulation 2(1).

Anonymised Bid Information: has the meaning of any information Secretary of State has requested pursuant to Regulation 54.

Bid: Bid refers to a Sealed Bid detailed in 12.1, including both individual bids and Flexible Bids. Flexible Bid has the meaning given in Regulation 51(10).

Budget Profile: means the Contract Budget for all Relevant Delivery Years and Valuation Years, as set out in the Contract Budget Notice;

Contract Allocation Framework: means the part of an allocation framework which deals with matters other than Clean Industry Bonus;

Contract Allocation Process: has the meaning given in Regulation 2(1);

Contract Budget: has the meaning given in Regulation 2(1);

Contract Budget Notice: means a notice required by Regulation 11;

Contract Budget Revision Notice: means a notice referred to in Regulation 12(2)(b);

Capacity: “Initial Installed Capacity Estimate” means the Generator’s initial estimate of the Installed Capacity as notified to the Delivery Body in an Application or Flexible Bid.

CfD Agreement: means the agreement entered into between the CfD Counterparty and the Eligible Generator pursuant to an offer made by the CfD Counterparty pursuant to section 14 of the Energy Act 2013;

CfD Notification: has the meaning given in section 12(1) of the Energy Act 2013;

CfD Unit: has the meaning given in Regulation 2(1);

Constrained Allocation: where the Delivery Body determines that Qualified Applications exceed the applicable Contract Budget and/or the Capacity cap. This scenario would trigger the requirement to hold an auction to competitively allocate contracts.

Delivery Year: “Delivery Year” has the meaning given in Regulation 2(1).

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Final strike price: has the meaning give in Regulation 2(1), “final strike price” means the strike price which applies to a successful application after the contract allocation process applicable to that application has been completed.

Initial Installed Capacity Estimate: means the Generator’s initial estimate of the Installed Capacity as notified to the Delivery Body in an Application or Flexible Bid;

Monetary Contract Budget: has the meaning given in paragraph (a) of the definition of Contract Budget in Regulation 2(1);

Monetary Pot: has the meaning given in Regulation 11(2)(c) in relation to a division of the Overall Contract Budget as defined in Regulation 2(1);

Notice of Auction: has the meaning given in Rule 11;

Original Application: means the Application submitted to the Delivery Body prior to the Application Closing Date;

Overall Capacity Cap: has the meaning given in paragraph (b) of the definition of Contract Budget in Regulation 2(1);

Pot: has the meaning as given in Regulation 2(1); The division of the overall budget such that a different part (“pot”) of the overall budget applies to the description of applications specified in the notice.

Rules: “Rules” means the rules set out in the Contract Allocation Framework and a reference to any particular Rule is a reference to these rules.

Strike Price: has the meaning given in Regulation 2(1);

Successful Allocation Capacity: means the capacity stated in an Application or sealed bid which is determined by the Delivery Body to be a Successful Application pursuant to the Rules;

Successful Application: means an Application in respect of which, further to a Contract Allocation Process, a CFD Notification may be made or, in the case of an Application in respect of a Phased Offshore Wind CFD Unit, more than one CFD Notification may be made.

Target Dates: “Target Dates” has the meaning given in Regulation 2(1).

TCD: “Target Commissioning Date” has the meaning given in Regulation 2(1). The earliest date that the Target Commissioning Date can fall is the first day of the first Delivery Year, and (with

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the exception of later phases of Phased Offshore Wind CFD Units) the latest date that the Target Commissioning Date can fall is the last day of the final Delivery Year;

TCW: “Target Commissioning Window” has the meaning given in Regulation 2(1).

TCWSD: “Target Commissioning Window Start Date” has the meaning given in Regulation 2(1).

Following amendments to Regulation 51, The Target Commissioning Window Start Date now determines the initial point of valuation and the Relevant Delivery Year. The earliest date that the Target Commissioning Window Start Date can fall is such that the final day of the Target Commissioning Window falls on the first day of the applicable Delivery Year.

Unconstrained Allocation: all Qualifying Applications fit within both the Contract Budget and Capacity cap. This would result in no auction being held and all Applications being awarded a CFD agreement at the technology specific ASP.

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