



CfD Independent Auditor

Report on CfD Allocation Round 7 (Offshore Wind)

12th January 2026

Contents

1	Assurance Report	1
2	Background and Context	2
	Appendix A – In-scope CfD Allocation Framework Sections	4
	Appendix B – Outline of Work Performed	7

1 Assurance Report

ISAE 3000 (Revised) Independent Reasonable Assurance Report on Compliance of National Energy System Operator Limited (NESO) (as Delivery Body for the Contracts for Difference (CfD) Scheme) with selected requirements of the CfD Allocation Framework for CfD Allocation Round 7

To: The Board of Directors of NESO

1.1 Scope

We have performed assurance work over the extent to which the Delivery Body for the CfD Scheme (DB) has complied with the requirements of the CfD Allocation Framework insofar as they relate to the calculations made by the DB in the allocation process. In particular we have considered the sections of the CfD Allocation Framework listed in Appendix A. The detailed CfD Allocation Framework is available here:

[Contracts for Difference \(CfD\) Allocation Round 7: Allocation Framework](#)

The design of the CfD Allocation Framework and determination of the parameters for use in the Allocation calculations – including the content of all applicable Pot Notices, Price Notices and Budget Notices (including any and all revisions) – is the responsibility of the Department for Energy Security and Net Zero (DESNZ). Our work does not include any assurance in respect of the parameters determined and provided by DESNZ.

We issued a limited assurance report on 24 November 2025 on the Anonymised Bid Information for Fixed-Bottom Offshore Wind CfD Units provided by NESO to the Secretary of State, in accordance with Section 13 of the CfD Allocation Framework. This current report does not cover the Anonymised Bid Information or any decisions consequent thereon.

In the context of this Report the calculations of the DB in performing CfD Allocation Round 7 are the **Subject Matter**, the above sections of the CfD Allocation Framework form the **Criteria** against which the Subject Matter has been evaluated and NESO (as Delivery Body for the CfD Scheme as part of the Electricity Market Reform Programme) is the **Responsible Party**.

1.2 Respective Responsibilities

The DB as the Responsible Party is responsible for executing the CfD Allocation Round in accordance with the requirements of the CfD Allocation Framework, including designing and executing such processes and controls required to reduce the likelihood that errors or irregularities will occur and remain undetected and notifying Ofgem and the Secretary of State of any irregular conduct by applicants (including indications of anti-competitive practices or attempted anti-competitive practices) or other conduct which is likely to have distorted the outcome of the auction process.

Our responsibility, as agreed with the DB, is to assess the calculations performed by the DB in executing the CfD Allocation Round against the requirements of the

CfD Allocation Framework and to independently express a conclusion as to whether the calculations comply with the requirements of the CfD Allocation Framework. Other than as defined in our assurance procedures, we did not audit or otherwise test or verify the information given to us in the course of our work.

1.3 Work Performed

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". That standard requires that we plan and perform our work to obtain appropriate evidence about the subject matter of the engagement sufficient to support an opinion providing reasonable assurance.

An outline of the work we performed is included in Appendix B.

1.4 Inherent limitations

We obtained reasonable assurance over the calculations performed by the DB in executing the CfD Allocation Round against the requirements of the CfD Allocation Framework. Inherent limitations exist in all assurance engagements.

Any internal control structure, no matter how effective, cannot eliminate the possibility that fraud, errors or irregularities may occur and remain undetected. The procedures we performed were not designed to and are not likely to reveal fraud.

Except to the extent expressly stated, we did not subject the information contained in our Report, given to us by the DB (including sealed bids) or included in the input parameters provided by DESNZ to checking or verification procedures.

1.5 Basis of Opinion

We believe that our work performed and evidence obtained provides a reasonable basis for our opinion. Our assurance report has been produced under our call-off contract with the Responsible Party dated 26/06/2025.

1.6 Opinion

Based on our procedures described in this report, and evidence we have obtained, in our opinion the calculations performed by NESO, in its role as the Delivery Body for the CfD Scheme, have, in all material respects, complied with the relevant sections of the CfD Allocation Framework as referenced in Section 1.1 above in respect of CfD Allocation Round 7.

1.7 Independence

In conducting our engagement, we complied with the independence requirements of the Financial Reporting Council (FRC) Ethical Standard and the ICAEW Code of Ethics. The ICAEW Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

1.8 Quality Management

In conducting our engagement, we applied the International Standard on Quality Management (UK) 1, issued by the FRC. Accordingly, we maintained a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

1.9 Use of Report

Our Report has been prepared for the exclusive use of NESO in accordance with ISAE 3000 (Revised) and the scope agreed within our call-off contract dated 26/06/2025. Our work has been undertaken solely for the purpose of assessing the DB's compliance with the relevant sections of the CfD Allocation Framework outlined in Section 1.1 above.

Our work was not planned or conducted with any other objective in mind and so cannot be relied upon for any other purposes. Save that a copy of our report may be provided to the Secretary of State for Energy Security and Net Zero and may be published on the DESNZ or NESO website in order to meet the requirement to make our report publicly available within the CfD Allocation Regulations (which does not and will not affect or extend for any purpose or on any basis our responsibilities) our Report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than NESO for this report or for the conclusions we have formed.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is fluid and cursive, with "Deloitte" on the first line and "LLP" on the second line.

Deloitte LLP
Edinburgh, United Kingdom
12 January 2026

2 Background and Context

2.1 Background

The Energy Market Reform (EMR) Programme is intended, *inter alia*, to promote investment in low-carbon electricity generation through a number of mechanisms including Contracts for Difference (CfD) to provide long-term price stabilisation to low carbon plant. EMR has been implemented through the Energy Act 2013 and supporting secondary legislation in particular the Contracts for Difference (Allocation) Regulations 2014 and subsequent amendments.

A CfD is a private law contract between a low-carbon electricity generator and the Low Carbon Contract Company (LCCC), a Government-owned limited liability company. The CfD pays the generator the difference between the 'strike price' – a price for electricity reflecting the cost of investing in a particular low carbon technology – and the 'reference price' – a measure of the average market price for electricity in the GB market. Where the reference price is greater than the strike price, the generator is required to pay the excess to LCCC. It gives greater certainty and stability of revenues to generators by reducing their exposure to volatile wholesale prices, whilst protecting consumers from paying for support when electricity prices are high. CfDs seek to provide efficient long term support for all forms of low-carbon generation.

In its role as the Delivery Body for the CfD Scheme as part of Electricity Market Reform, NESO is required to administer a series of allocations of CfD for low-carbon electricity generation, potentially including running one or more auctions if applications for CfDs exceed the budget for the allocation round as set by DESNZ. The process for performing the Allocation Round, including any necessary auctions, is set out in an Allocation Framework as required by the CfD (Allocation) Regulations.

2.2 Requirement for Independent Audit

Regulation 36 of the CfD (Allocation) Regulations requires the DB to obtain an audit of the calculations made by the DB in the allocation process. Under this regulation the Independent Auditor is required to produce a report to the DB which:

- i. sets out whether or not the auditor considers that calculations have been made correctly and accurately; and
- ii. where applicable, identifies any calculations which the auditor considers were not correctly or accurately made and identifies the consequences of those calculations.

Following receipt of the report the DB is required to provide the report to the Secretary of State along with the DB's intention to either proceed or re-run the allocation process and in addition make the report publicly available.

Deloitte has been engaged by NESO to perform an independent audit by providing a reasonable assurance opinion under the International Standard on Assurance Engagements (ISAE) 3000 (Revised) in respect of the calculations performed by NESO, in its role as Delivery Body for the CfD Scheme, in relation to the CfD Allocation Round 7 in order to meet the requirements for an audit of the

calculations made by it in the allocation process ("a process audit") as set out in the CfD Allocation Regulations Section 36.

Our independent opinion has been prepared under ISAE 3000 (Revised), which provides the structure and internationally recognised framework for undertaking the engagement, leading to a formal assurance opinion which is provided in Section 1 of this report.

Appendix A – In-scope CfD Allocation Framework Sections

The following sections of the CfD Allocation Framework were considered in performing the assurance work:

- 6 Valuation of Applications
- 10 Contract Allocation Process
- 11 Notice of Auction
- 12 Submission of Sealed Bids
- 15 Withdrawal of Applications and sealed bids
- 16 Soft Constraints
- 17 Order of Auctions
- 18 Minimum Auctions
- 19 Auction in relation to Pots or the Overall Budget
- 20 Maxima only auction
- 21 Tiebreaker Rules

Appendix B – Outline of Work Performed

Table 1: Outline of Work Performed by in-scope Allocation Framework Section

Allocation Framework Section	Testing Approach
Valuation of Applications	<p>Test, on a sample basis, the key controls in place in respect of:</p> <ul style="list-style-type: none"> • Testing and approval of software utilised. • Access to the portal used to capture and store applicant data. • Validation of data submitted by applicants.
Valuation of Applications & Allocation Process	<ul style="list-style-type: none"> • Obtain a list of qualifying applications from the DB. • Obtain the inputs to the valuation formulae from the Allocation Framework applicable to the Allocation Round. • Obtain the Allocation Round budget, including any revision, as determined by DESNZ and communicated to the DB. • Reapply the valuation formula and confirm that the DB has correctly identified each pot as constrained or unconstrained.
Allocation Process	<p>In the event one or more pots is unconstrained confirm that all Applications for the pot(s) are reported as successful and that the appropriate strike price is associated with each application as required under the applicable Allocation Framework.</p>
Notice of Auction	<p>Confirm a notice for auction was issued per the required timetable.</p>
Submission of Sealed Bids & Withdrawal of Applications and sealed bids	<p>In the event one or more auctions is required, test, on a sample basis:</p> <ul style="list-style-type: none"> • The controls in place in respect of testing and approval of software utilised. • The controls in place in respect of access to the portal used to capture and store applicant data. • Sealed bid data submitted by applicants is the same in the extract produced by NESO and the CfD Platform.

Allocation Framework Section	Testing Approach
Soft Constraints, Order of Auctions, Minimum Auctions, Auction in relation to Pots or the Overall Budget, Maxima only auction	<p>In the event one or more auctions is required:</p> <ul style="list-style-type: none"> • Obtain details of sealed bids from the DB, including any flexible bids. • Independently reapply the auction rules, as detailed within the Allocation Framework, and compare the results to the results calculated by the DB. If differences are identified review with the DB and obtain explanations for these differences. • Following completion of any necessary auctions, including any tie-break situations, agree the list of successful qualified applications to the results of the independent recalculation, including capacity, strike price and target delivery year per application.
Tiebreaker Rules	<p>In the event a tie-break occurs within the Auction calculation and there is a requirement to apply a random selection to determine successful qualified applications:</p> <ul style="list-style-type: none"> • Confirm that the population of applications considered was limited to those that should have been considered according to the Allocation Framework; • Confirm the successful qualified application or combination of applications had the lowest randomly assigned number to six decimal places.

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