DESNZ CONSULTATION · RESPONSE BY MARK D. MOORE

WCfD

Wholesale Contracts for Difference

Joint consultation · DESNZ and Scottish Government

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SCOPE
Seven of 31 questions answered

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In favour, with four design fixes: Capacity Market timing, fixed end dates, separate clearing for each contract length, and a published bid stack.

MM

Wholesale Contracts for Difference: response to the DESNZ and Scottish Government consultation

Response to the consultation of 28 October 2026 · Mark D Moore, independent energy consultant · Non-confidential · Submitted 4 November 2026

SUMMARY

DESNZ and the Scottish Government propose a voluntary Wholesale Contract for Difference for existing low carbon generators: a fixed strike price for the wholesale part of their revenue, allocated in a one-off pay-as-clear auction, with RO support left in place. I support the scheme in principle. Four design points decide whether it delivers value: a Capacity Market transfer notice that currently falls due before the expected auction; a start date rule that does not reward delay, which a fixed end date provides; separate clearing for 5-year and 10-year contracts, which are different products; and publication of the test applied to the bid stack before the round and of the anonymised bid stack after it. I also support a 5 MW threshold, set out a demand-side effect on forward liquidity, and ask for the monetised analysis to be published before the Allocation Framework.

Question 1. In principle, do you consider a WCfD to be an effective mechanism to achieve the scheme objectives? (1 to 2)

Question 4. Would the WCfD reduce forward market liquidity, separate from the effect of increased Variable Renewable Energy deployment more generally? (3 to 6)

Question 9. Should government set a minimum capacity threshold? If so, which? (7 to 8)

Question 14. Do you agree with the proposed timings and approach on awarding a WCfD? (9 to 13)

Question 15. What approach to WCfD contract length is most appropriate? (14 to 15)

Question 16. Which approach to contract commencement is most appropriate? (16 to 19)

Question 31. Analytical annex: views on the impacts considered, further evidence, and material impacts not identified. (20 to 20)

Basis of this response and notes on this copy

SECTION 1: THE CASE FOR A WCFD SCHEME

Question 1. In principle, do you consider a WCfD to be an effective mechanism to achieve the scheme objectives?

Selection: **Yes**

1 The mechanism is well suited to its first objective. The consultation estimates that gas set the marginal price around 90% of the time in the early 2020s, and that it could still do so around half the time by the early 2030s. Up to 33.2 GW of existing RO and merchant capacity (Table 1, no threshold) earns revenue tied to that price. A two-way contract on that capacity converts a consumer exposure into a consumer hedge: payments flow back when the reference price exceeds the strike price, as they would have done in 2022/23, when the average IMRP reached around £190/MWh.

2 An existing asset is a different bidder from a new-build project. Its capital is sunk, so a competitive bid should reflect expected wholesale revenue for the contract term, less whatever value the generator places on certainty. The consumer benefit therefore depends on the size of that certainty discount, which only an auction can reveal. The design choices that matter most are those that let the discount be observed and compared: like-for-like clearing (Question 15), a start date rule that does not reward delay (Question 16), and a transparent account of how the budget is set (Question 14).

SECTION 2: WIDER MARKET IMPACTS

Question 4. Would the WCfD reduce forward market liquidity, separate from the effect of increased Variable Renewable Energy deployment more generally?

Selection: **Yes. (a) Significance: Medium, as a judgement. (b) Added supplier hedging costs: Don't know. (c) Pass-through to consumers: Don't know.**

3 The consultation identifies the supply side of the effect: a generator referenced to the day-ahead IMRP has an incentive to trade at day ahead, and the attraction of a WCfD "may therefore discourage generators from entering into long-term PPAs" (Section 2). This response adds the demand side.

4 Fixed-price corporate power purchase agreements from operating assets are one of the few routes by which a large electricity user can contract for a known price over several years. The operating RO fleet is a natural counterparty for such contracts: it has a known output record and no construction risk. Large new demand, including data centres, battery projects needing revenue floors (which the consultation itself notes) and electrified industrial load, draws on the same pool. If a large share of operating capacity moves onto WCfDs, those buyers lose access to that supply at the point their demand is growing. Their alternative, a contract with a new-build project, carries construction and connection date risk, and connection dates for new projects are currently long and subject to revision.

5 This is not, of itself, a reason to abandon the scheme. It is a reason to keep part of the fleet available to forward buyers. Two design features would do so without weakening the scheme's first objective:

1. **Partial capacity (Question 11).** Permitting a generator to bid only part of an asset's output into the WCfD, with the threshold applied to the bid proportion as the consultation proposes, would allow the remainder to stay available for bilateral contracts.
2. **A start date window (Question 16).** A limited window would allow existing PPAs to run off without forcing early termination, which would otherwise remove forward-contracted volume twice: once when the PPA ends and again when the asset moves to day-ahead referencing.

6 The respondent holds no data on the hedged positions of RO or merchant generators and offers none.

SECTION 3: WCFD SCHEME DESIGN

Question 9. Should government set a minimum capacity threshold? If so, which?

Selection: **Yes, >5 MW**

7 A threshold of >5 MW is preferred to >10 MW, on the consultation's own figures (Tables 2 and 3; difference column is the respondent's derivation):

Measure	>5 MW	>10 MW	Difference
Eligible capacity, RO and merchant (GW)	29.8	26.9	2.9
Sites	1,063	666	397
RO onshore wind (GW / sites)	10.9 / 391	10.0 / 271	0.9 / 120
RO solar PV (GW / sites)	5.1 / 383	3.8 / 202	1.3 / 181

8 Moving the threshold from 5 MW to 10 MW removes 2.9 GW, about 10% of the eligible capacity at >5 MW, across 397 sites averaging about 7 MW each (respondent's derivation). Three points favour retaining them:

1. **The administrative case is weaker than for the standard CfD.** The consultation states that qualification checks would be simpler than for new build, because the assets are operating and most already hold RO accreditation, with Ofgem data available to the delivery body.
2. **Precedent.** A >5 MW threshold follows the standard CfD for hydro, onshore wind and solar PV.
3. **The excluded band is mostly solar and onshore wind.** Of the 2.9 GW lost at >10 MW, 2.2 GW is RO solar PV and onshore wind (respondent's derivation). These are intermittent assets referenced to the IMRP, to

which the scheme design already applies without modification.

Question 14. Do you agree with the proposed timings and approach on awarding a WCfD?

Selection: **Yes, with three qualifications**

9 **Pay-as-clear auction.** Agreed, for the reasons the consultation gives.

10 **Withholding the Administrative Strike Price and budget.** The flexibility sought is understood, but its effect in a pay-as-clear auction should be stated plainly. Once the Secretary of State chooses how much of the anonymised bid stack to buy, the last bid accepted sets the strike price for every successful bidder. The budget decision is, in effect, a price decision for the whole round. Bidders and consumers are entitled to know the basis on which it will be made. Three measures are proposed:

1. Publish, in the Allocation Framework, the test that will be applied to the bid stack: for example, the forward price assumption or value-for-money threshold against which bids will be assessed. The test can be published without publishing a number.
2. Publish, after the round, the budget set for each pot and the ASP, if one was set but withheld.
3. Publish, after contract signature, the anonymised bid stack for each pot. This would allow the size of the certainty discount (Question 1) to be measured, which is the central evidence on whether the scheme has delivered value for consumers. It would also inform any future round and the evaluation described in the analytical annex (Question 31).

11 **Non-delivery disincentives.** The requirement to sign a conditional contract before the clearing price is known is preferred to bid bonds. The consultation notes that bid bonds could deter smaller generators. A signing requirement achieves the same end without a cash cost, and it encourages applicants to bid their minimum acceptable price.

12 **Capacity reduction.** Agreed. The assets exist and their capacity is known.

13 **Timetable.** The consultation states in Section 3.2 that the allocation round is expected to run towards the end of 2027, and in Section 3.3 that contracts would be awarded in 2028, with first payment some months later. The government response should confirm which applies. Generators holding Capacity Agreements need the date to decide on a transfer notice (Question 16).

Question 15. What approach to WCfD contract length is most appropriate?

Selection: **Another approach: a choice of 5 and 10 years, with each term cleared separately**

14 A choice of term should be offered. RO accreditation runs for 20 years and closed to new capacity in 2017, so remaining RO terms across the eligible fleet range from nothing to around ten years. A single term would suit part of the fleet and deter the rest.

15 However, a 5-year bid and a 10-year bid are different products. Expected wholesale prices over 2028 to 2033 and over 2028 to 2038 are not the same, and the value of certainty differs with the term. Ranking both in a single pay-as-clear stack would set one clearing price for two products, so one group of successful bidders would be paid more than the price at which they were willing to contract, and the comparison the consultation relies on for value for money would be lost. Each contract length should therefore be cleared separately, either as a separate pot or as a separate clearing within each pot. The single-bid rule proposed in the consultation (one bid per asset, one term) remains appropriate.

Question 16. Which approach to contract commencement is most appropriate?

Selection: **A contract start date window, with the contract end date fixed**

16 A window is needed, for two reasons drawn from the consultation.

17 **Capacity Market notice.** Regulation 34 of the Electricity Capacity Regulations requires a CfD transfer notice no later than 16 months before the delivery period. The consultation's own example: for the delivery year starting 1 October 2028, notice must be given by 1 June 2027. If the allocation round runs towards the end of 2027, a generator with a Capacity Agreement for that year must give up the agreement before knowing whether it will win a WCfD. Unless the notice period is shortened for the WCfD, as the consultation proposes to consider, rational holders of Capacity Agreements will stay out of the round.

18 **Existing PPAs.** Generators with fixed-price PPAs need time for those contracts to end (Question 4).

19 The consultation's concern is that start flexibility would let generators delay their start to capture high prices before the contract and avoid low prices at its end. That concern is met if the window governs the start date only, and the end date is fixed for every contract of the same length from a common reference start. A generator that starts later receives a shorter contract at the same strike price. Delay then carries a cost, and the incentive the consultation describes is removed at the end of the term, where it matters most. A window of up to twelve months from the common start date is suggested, subject to evidence from generators on PPA and Capacity Agreement end dates.

ADDITIONAL COMMENTS

Question 31. Analytical annex: views on the impacts considered, further evidence, and material impacts not identified.

20 The annex assesses the options qualitatively. It contains no monetised estimate of consumer savings or costs, no gas price scenarios, no assumption on uptake or strike prices, and no quantification of the wider market impacts set out in Section 2 of the consultation. It states that monetised analysis will follow. Three requests follow from that:

1. Publish the monetised analysis before the Allocation Framework, so that respondents and bidders can test the value-for-money case against stated assumptions. At a minimum it should show consumer outcomes under a low, central and high gas price path, for each contract length option.
2. Treat the anonymised bid stack as the main evidence for evaluation. The annex proposes a light-touch process evaluation after the allocation round and a Post Implementation Review by 2030. Neither can measure the scheme's central quantity, the discount generators accept for certainty, without the bid data. Publishing it (Question 14) would make that measurement possible.
3. Add the demand-side liquidity effect to the impacts considered. The annex lists forward liquidity and PPA exits as areas for evidence. It should also consider the effect on large electricity users seeking long-term fixed-price supply from operating assets (Question 4).

BASIS OF THIS RESPONSE

The respondent is an independent energy consultant working on grid connection data, connection queue analysis and support-scheme revenues, and publishes a weekly analysis of the NESO TEC Register. The respondent owns no generating assets and holds no Capacity Agreement or RO accreditation, and may in future advise generators or buyers affected by the scheme. Unless stated otherwise, every figure is taken from the consultation document or its analytical annex; where a figure is the respondent's own derivation from the consultation's tables, it is stated as such. Questions 20 to 23 and 28 are directed at generators and call for evidence from their own assets, which the respondent does not hold.

Notes on this copy. This is the text of the response as submitted to DESNZ by email on 4 November 2026. My email address has been taken out. Questions not answered are omitted.

Consultation: DESNZ and Scottish Government, Wholesale Contracts for Difference, published 28 October 2026, closing 9 December 2026, with analytical annex. gov.uk/government/consultations/wholesale-contracts-for-difference

Respondent: Mark D Moore, independent energy consultant. Nothing in this response is written for, paid for by, or about a client.