

Appendix 8. Description of the CfD-model

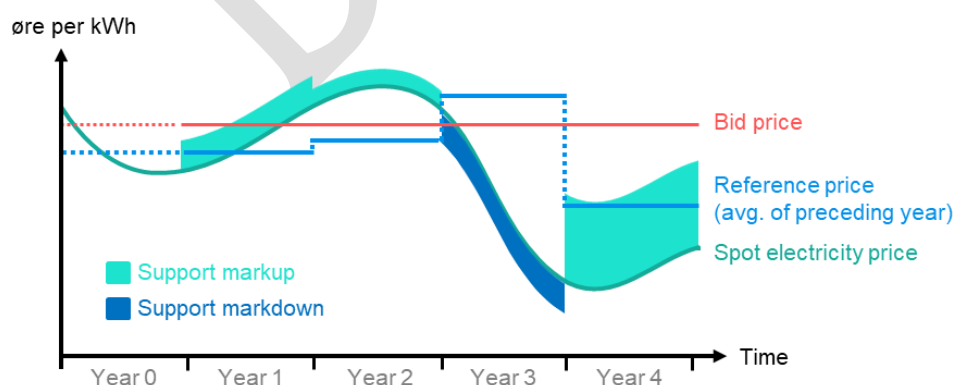
Payments in the CfD-model

The price premium will be calculated using a contract for difference model (hereafter CfD-model). In the CfD-model, the price premium is calculated as the difference between the tenderer's offered bid price and the annual reference price. In effect, the price premium can vary from year to year, but remains fixed within each calendar year, see example in Figure 1. The reference price is the average spot price of electricity in the preceding calendar year in the price area that corresponds to the location of the winning tenderer's installation (DK1 or DK2).

The CfD-model uses a two-way payment structure. The two-way payment structure entails that each winning tenderer receives a price premium from the Danish Energy Agency in any year where the offered bid price exceeds the reference price, while each winning tenderer shall pay a price premium to the Danish Energy Agency in any year where the reference price exceeds the tenderer's offered bid price.

The contract applies to the production of electricity generated by the installation(s) over the entire aid period and comes with no option to opt out, cf., however, clause 5.3 and clause 12.4 in the contract.

Figure 1. Stylized example. Price premium is difference between bid price and reference price. Price premium can vary from year to year, but remains fixed within each year.



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The offered bid price is a fixed øre amount (constant in current prices) and will not be indexed. The offered bid price is stated as an amount in øre per kWh with a maximum of two decimal places.

There is a cap of DKK 5.6 million (2020-prices) per MW (onshore wind equivalent) on the total payments from each winning tenderer to the Danish Energy Agency over the entire aid period. The cap is net of any aid paid out by the Danish Energy Agency to the winning tenderer meaning that aid paid out from the Danish Energy Agency to the winning tenderer is added to the cap.

There is a cap of DKK 2.8 million (2020-prices) per MW (onshore wind equivalent) on the total aid paid out by the Danish Energy Agency to each winning tenderer over the entire aid period. The cap is net of any payments from the winning tenderer to the Danish Energy Agency meaning that payments from the winning tenderer to the Danish Energy Agency is added to the cap.

Regardless of the above, for each winning tenderer and each year where the reference price exceeds the tenderer's offered bid price, the tenderer will not have to pay the price premium to the Danish Energy Agency in hours where the price premium (in absolute terms) is greater than the spot price for electricity.

Regardless of the above, for each winning tenderer, the Danish Energy Agency will not pay a price premium in hours where the spot price for electricity is not positive.

The spot price for electricity is the hourly price that the electricity exchange, NordPool, states in øre per kWh on the spot market for the bidding area (DK1 or DK2) corresponding to the location of the winning tenderer's installation.