



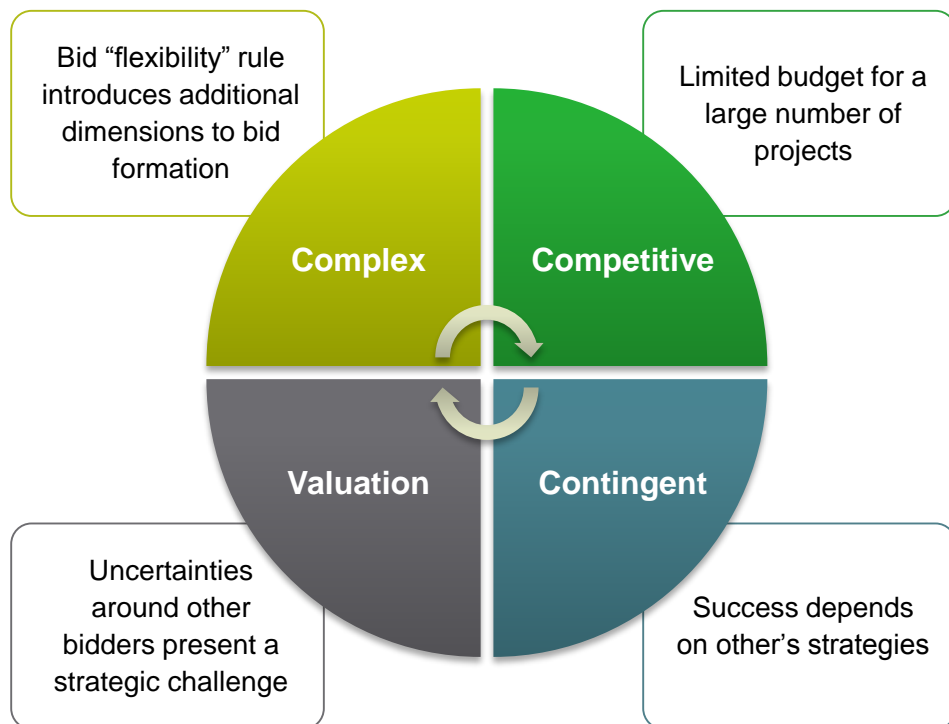
Renewable CfD Auctions: Allocation Round Two

How CRA can support your bid

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CRA can help you develop and validate your CfD bidding strategy



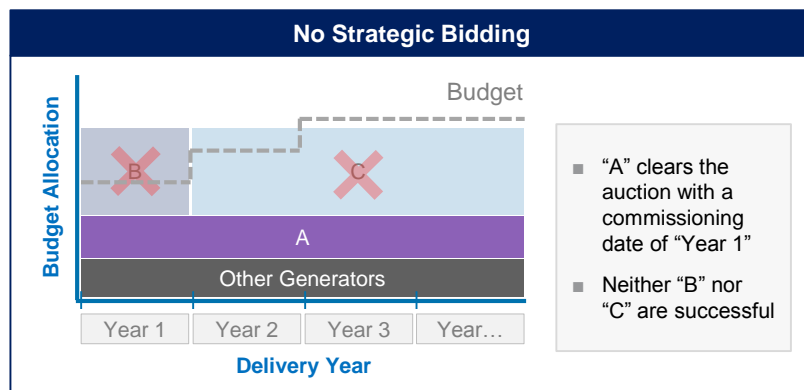
Why bid development and validation are important

- The GB CfD Auction aims to allocate a limited budget across different renewable technologies
- However, participation in the auction presents some significant challenges:
 - It is complex, providing multiple bidding options
 - It is competitive, with many bidders and many different CfD valuations
 - Information on rival bidders is limited
 - Success is contingent on the bidding strategies of rival bidders
- This means that ‘passive’ bidding risks:
 - Failing to secure a contract despite having a price competitive project
 - Securing a contract project but at less than the achievable Strike Price

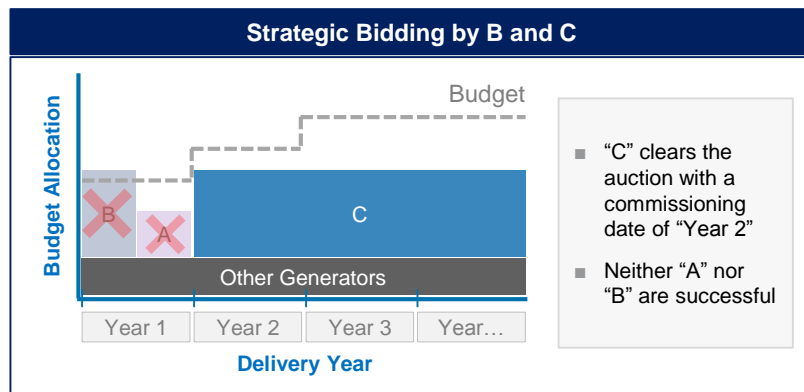
How CRA can help

- CRA has tools and methodologies to help participants:
 - Position bids within a range of acceptable IRRs
 - Develop bidding strategies to improve the probability of success
 - Validate bidding strategies by providing a comprehensive, external review
 - Enhance understanding of the regulations and rules governing the CfD

An aggressive bidding strategy can change the results of a merit-order solution



"B" bids aggressively low and causes "Year 1" to close*

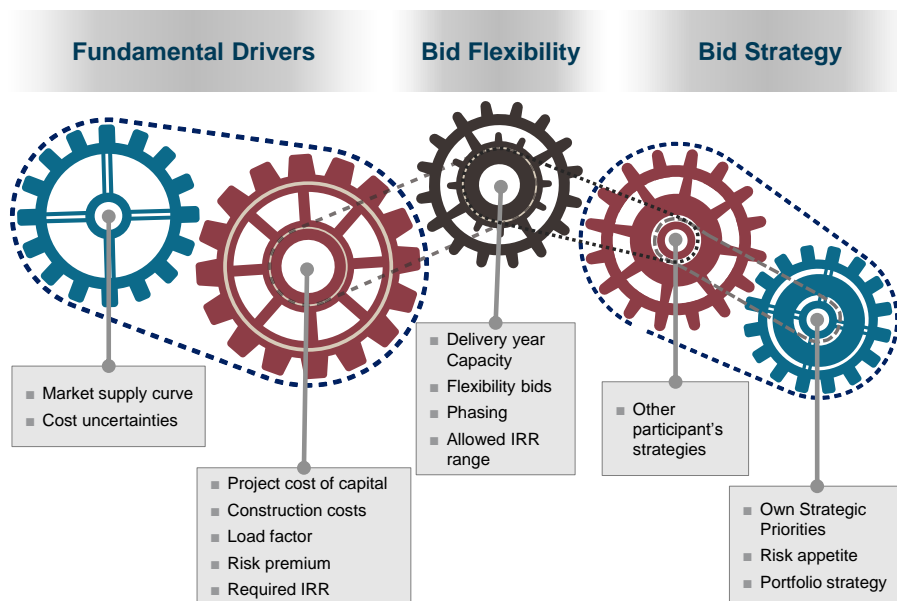


* More details available from CRA

Auction rules allow participants to respond strategically to opportunities

- CRA's analysis shows that the auction design and bidding rules give participants ample room to bid strategically
- Our simulations show that small changes in submitted bids can alter the results of the auction. This flexibility could be used by bidders to increase the chance of success for projects in their portfolio
- In light of the possibility of strategic behaviour by some bidders, all participants need to carefully consider their bidding strategy and ensure they are optimising their "bidding space"
- Even under a tight range of target strike prices, the appropriate use of "flexible bids" can protect against undesired outcomes

CRA has developed a methodology to determine the robustness of individual bidding strategies across a range of potential outcomes



Our methodology follows three steps

- 1 Construct industry supply curve and assess market positioning**
 - Analysis of projects in the pipeline to establish baseline supply curve
 - Scenarios on capital costs, development timeline, and choice between RO and CfD
 - Relative position of client's projects to assess marginality (bidding head room and pivotal points)
- 2 Formulate bidding options and strategy**
 - Analysis of portfolios, strategic priorities, and bidding strategies
 - Development of flexible bids based on "solution space" and allowed IRR range
- 3 Simulate bids and review pay-offs**
 - Dynamic testing of client's bid performance against industry supply curve and bidding strategy scenarios
 - Risk/reward analysis of bid strategy

CRA brings together deep expertise in auctions and competitive renewable markets



How our team can help

- Industry supply curve with capability to run multiple cost, delivery year, and participation scenarios
- Framework to systematically identify and test potential bidding strategies
- Methodology to analyse each strategy based on competitor behaviour and fundamental market uncertainties
- Models to help you test the risk/benefit tradeoffs of key strategies
- Independent evaluation of your internal analysis

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