CFD Supplier Workshop

Ruth Herbert
Low Carbon Contracts Company

25 November 2014
# AGENDA – CFD SUPPLIER WORKSHOP

25 November

<table>
<thead>
<tr>
<th>Timing</th>
<th>Session</th>
<th>Delivery partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>09.30</td>
<td>Welcome and Introduction</td>
<td>Low Carbon Contracts Company</td>
</tr>
<tr>
<td>09.40</td>
<td>Update on SOFM and Transparency Tool</td>
<td>LCCC and LCP</td>
</tr>
<tr>
<td>11.05</td>
<td>Tea, Coffee Served</td>
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</tr>
<tr>
<td>11.20</td>
<td>EMR Settlement Services: Suppliers Update</td>
<td>EMR Settlement Ltd</td>
</tr>
<tr>
<td>1.00</td>
<td>Lunch</td>
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<tr>
<td>1.45</td>
<td>Reserve Payments and Credit Cover</td>
<td>EMR Settlement Ltd</td>
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<tr>
<td>3.30</td>
<td>Break</td>
<td></td>
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<tr>
<td>3.45</td>
<td>Interfaces</td>
<td>EMR Settlement Ltd</td>
</tr>
<tr>
<td>4.15-25</td>
<td>Plenary</td>
<td>LCCC</td>
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<tr>
<td>4.25-5.00</td>
<td>NETWORKING</td>
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Please take a moment to fill in our survey – thank you!
The Role of the Low Carbon Contracts Company

The Government’s Electricity Market Reform programme is aimed at attracting up to £110bn investment needed to transform the sector.

- Delivery Partner Cooperation and
- Industry Readiness

Working in partnership with DECC and industry to oversee the delivery of the end-to-end CFD scheme, facilitating:

Low Carbon Contracts Company is the independent counterparty to the private law contracts known as “CFDs”
Our Obligations under CFDs

- Forecasting CFD payments, and setting Supplier Obligation interim rate and reserve
- Signing and managing the life-cycle of a CFD and investment contracts
- Managing settlement process including collecting payments from Suppliers passing on to Generators and vice-versa when required
- We have been established as an independent counterparty to increase investor confidence in CFDs
What drives our company?

- Our Framework Document sets our roles and responsibilities, how we are governed, and in particular our guiding principle:

  "maintain investor confidence in the CFD regime and minimise costs to consumers"
Key messages

We are here to provide…

• Operational **independence** key to maintaining investor confidence in the CFD scheme

• **Transparent** forecasting of supplier obligation and operational costs

• **Proactive** contract management approach focussed on generation outcomes

• **Partnership** working on implementation
LCC and ESC Governance

“We are a private company, led by an independent board. Our highly skilled team brings expertise from the energy, finance, and I.T. sectors.” Martin Read, Chairman

Company Board

Dr Martin Read
Chairman

Jim Keohane
Senior Independent Director (SID)

Anthony Odgers
Shareholder Representative Director

Jonathan Mills
Shareholder Representative Director

Neil McDermott
Chief Executive Officer

Helen Turner
Chief Finance Officer

Supplier Implementation Event – 25 November 2014
CFD Implementation Plan update

Ruth Herbert
Low Carbon Contracts Company
## EMR Contracts for Difference GB Implementation Plan for 2014 Allocation

**Version 3.0**

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
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<tr>
<td>Nov</td>
<td>Dec</td>
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### DECC
- **Eligibility Results Day**
- **Review Assessment**
- **Notify SoS of Budget Impacts**
- **Invite sealed bids**
- **Settlement Systems ready**
- **Operational Cost Levy Invoice**
- **On-going CFD Supplier Obligation & 2015/16 LCCC operational cost charges**

### Delivery Body
- **1st Post Build Report on Supply Chain Plans**
- **Settlement Services Provider**

### Applicants
- **Raise eligibility dispute (Tier 1)**
- **Submit sealed bid**
- **10 days for contracts to be signed & returned to CFD Counterparty**

### Suppliers
- **Decide which Settlement System Interface to use and review Working Practices & Guidance from Settlement Services Provider**
- **Submit contact details to EMRSE for Share of Reserve Fund notification**

### CFD Counterparty
- **Contracts produced & distributed**
- **Publication of supplier obligation interim rate and total reserve amount 15/16**
- **Settlement System testing phases**

### Settlement Services Provider
- **Initial SECC Touch Point checks and Initial Data Loading**
- **Release 2 - Build**
- **Release 2 - Testing**
- **Settlement System ready to process Green Imports & Electricity Intensive Industries exemptions**

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**Supplier Implementation Event – 25 November 2014**
**Scenario 1:**

**All Reviews Successful**

<table>
<thead>
<tr>
<th>Step</th>
<th>Date</th>
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<tbody>
<tr>
<td>Review Assessment</td>
<td>21(^{st}) November – 5(^{th}) December</td>
</tr>
<tr>
<td>Appeal Request Window</td>
<td>N/A</td>
</tr>
<tr>
<td>Appeals Assessment</td>
<td>N/A</td>
</tr>
<tr>
<td>Notify SoS of Budget Impacts</td>
<td>8(^{th}) December</td>
</tr>
<tr>
<td>Auction Notice</td>
<td>16(^{th}) December</td>
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<tr>
<td>Sealed Bids</td>
<td>17(^{th})-23(^{rd}) December</td>
</tr>
<tr>
<td>Allocation Notice to SoS</td>
<td>16(^{th}) January</td>
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<tr>
<td>CFD Notifications</td>
<td>20(^{th}) January</td>
</tr>
<tr>
<td>LCCC sends contracts to those allocated</td>
<td>21(^{st}) January – 2(^{nd}) February</td>
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Scenario 2:
One or more Reviews unsuccessful, but no Appeals

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<thead>
<tr>
<th>Step</th>
<th>Date</th>
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<tbody>
<tr>
<td>Review Assessment</td>
<td>21st November – 5th December</td>
</tr>
<tr>
<td>Appeal Request Window</td>
<td>8th – 12th December</td>
</tr>
<tr>
<td>Appeals Assessment</td>
<td>N/A</td>
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<tr>
<td>Notify SoS of Budget Impacts</td>
<td>15th December</td>
</tr>
<tr>
<td>Auction Notice</td>
<td>23rd December</td>
</tr>
<tr>
<td>Sealed Bids</td>
<td>5th – 9th January</td>
</tr>
<tr>
<td>Allocation Notice to SoS</td>
<td>27th January</td>
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<tr>
<td>CFD Notifications</td>
<td>29th January</td>
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<tr>
<td>LCCC sends contracts to those allocated</td>
<td>30th January – 12th February</td>
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Scenario 3:

Appeals to Ofgem

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<tr>
<td>Appeal Request Window</td>
<td>8\textsuperscript{th} – 12\textsuperscript{th} December</td>
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<tr>
<td>Appeals Assessment</td>
<td>By 6\textsuperscript{th} February (assumed)</td>
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<tr>
<td>Notify SoS of Budget Impacts</td>
<td>9\textsuperscript{th} February</td>
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<tr>
<td>Auction Notice</td>
<td>17\textsuperscript{th} February</td>
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<tr>
<td>Sealed Bids</td>
<td>18\textsuperscript{th}-24\textsuperscript{th} February</td>
</tr>
<tr>
<td>Allocation Notice to SoS</td>
<td>12\textsuperscript{th} March</td>
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<tr>
<td>CFD Notifications</td>
<td>18\textsuperscript{th} March</td>
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<tr>
<td>LCCC sends contracts to those allocated</td>
<td>19\textsuperscript{th} March – 1\textsuperscript{st} April</td>
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Online support for CFDs

- Tailored information for suppliers and generators
- Q&A from previous events

Site under development – your feedback welcome

→ Feedback via online survey and cfdpreparations@lowcarboncontracts.uk
Information for Suppliers

Suppliers

CFD payments to generators will be recovered from all electricity suppliers through a Supplier Obligation levy.

The Supplier Obligation must be paid by all licensed electricity suppliers in Great Britain from 1 April 2015. Each supplier’s liability will be calculated on the basis of their daily market share of daily CFD payments.

The Low Carbon Contracts Company is required to forecast the Supplier Obligation levy. It is consequently developing a fit-for-purpose model that can forecast the CFD liabilities, the Supplier Obligation levy, related reserve fund and cash flow, and provide a large degree of transparency for stakeholders by giving them access to the assumptions, inputs and outputs from the model.

Industry expert groups have been established to guide and challenge the development and calibration of Power Price Forecasting Model, the Cashflow Forecasting System, and the transparency tool. They will advise the chosen solution provider on the model set-up and input sources. They will also be able to draw on their experience to advise on validation techniques against market benchmarking, for example.

Support Materials

CFD Implementation Plan

Slides and Q&A from Implementation Co-ordination events

Links

iServer
National Grid

Events

July 02
Supplier Journey through CFD new (All day)

July 08
EMR Settlement: CFD Interfaces Workshop (All day)

September 09
CFD Implementation Coordination Update and Review Session new 9:30am to 5:00pm
Contracts for Differences Supply Obligation: Update for Suppliers

Andrew Miller, Wafa Jafri and Tom Porter 25 November 2014
1. Introductions
2. Recap on Supplier Obligation Policy
3. Recap on Supplier Obligation Forecasting Model
4. Setting the First Interim Rate and Reserve Fund
5. Next Steps
6. Transparency Tool
Introductions

Wafa Jafri  
DECC Commercial: SOFM Project Manager

Tom Porter  
Partner, Lane Clark Peacock  
Partner; previously supplied DECC with its DDM which considers optimal plant expansion under a number of policy scenarios

Andrew Miller, LCCC Supplier Levy Lead and Head of Forecasting  
Previously forecasting/risk roles in large B2B suppliers
Agenda

1. Introductions

2. Recap on Supplier Obligation Policy

3. Recap on Supplier Obligation Forecasting Model

4. Setting the First Interim Rate and Reserve Fund

5. Next Steps

6. Transparency Tool
SO policy: Overview

- The supplier obligation must be paid by all licensed electricity suppliers in Great Britain from 1 April 2015:
- Suppliers will make pre-payments against the underlying obligation. These will consist of unit cost fixed rate, charged as a £/MWh rate on a **daily basis**, and lump sum ‘reserve’ payments at the start of each levy period for each quarter.

\[
SO\ Levy(\text{£/MWh}) = \frac{Total\ Payments\ to\ Generators(\text{£})}{Total\ Eligible\ Demand(\text{MWh})}
\]

- The total reserve amount will be sized to give the Counterparty 95% confidence that it can make all payments in that levy period.
- LCCC has chosen to use a forecasting model to set the interim rate and size of reserve payments.
SO Policy: impact on LCCC cash-flow

- The SO Levy (£/MWh) is set 3 months in advance.
- The highlighted variables of the calculation can change considerably from the time of forecast to when realised.

\[
SO \text{Levy} (\text{£}/\text{MWh}) = \frac{\text{StrikePrice} (\text{£}/\text{MWh}) - \text{MarketReferencePrice} (\text{£}/\text{MWh})}{\text{Total Eligible Demand} (\text{MWh})} \times \text{Generation} (\text{MWh})
\]

- The potential difference between forecast and out-turn means that LCCC needs a reserve fund to manage the cash flow risk.
Agenda

1. Introductions
2. Recap on Supplier Obligation Policy
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SOFM: Model Overview

**Power Market Forecasting Model (PMFM)**

Uses a Dispatch Model to calculate hourly power prices for given probabilistic demand/generation/gas market price scenarios. Typically 100-1000 scenario runs

**Cash Flow Forecasting System (CFFS)**

Uses CfD information to calculate future cash flow in each scenario. Average and P95 (19 in 20) views used for levy recommendations

**Transparency Tool**

Gives suppliers and others visibility of the main inputs and outputs
SOFM: Development process

- We have two Expert Groups to help us design the SOFM and the accompanying Transparency Tool:
  - Expert Group 1: SOFM Modelling EG
    - Commenced 17th of July 2014.
    - Includes representation from Large Suppliers, Small Suppliers and Consultants.
  - Expert Group 2: Transparency Tool EG
    - Commenced 30th September 2014.
    - Includes representation from Large Suppliers, Small Suppliers, CAB, Generators and Consultants.
- These groups were advertised via trade associations (EUK, RUK etc.) and at our stakeholder events.
Agenda

1. Introductions
2. Recap on Supplier Obligation Policy
3. Recap on Supplier Obligation Forecasting Model
4. Setting the First Interim Rate and Reserve Fund
5. Next Steps
6. Transparency Tool
First Quarter: Challenges

Using Round 1 allocation outcome is not possible:
- Round 1 allocation will be notified to LCC on or after 6 January 2015.
- In the case of eligibility appeals the Round 1 allocation will not be made until 5 March 2015.
- We cannot reveal information about successful projects until they are signed and have agreed what information we can publish in the CFD register (20+ days after allocation)

Simulating Round 1 allocation outcome:
- We cannot be seen to be taking a view or speculating on the outcome of Round 1 as this could undermine the integrity of the auction, due to participants assuming we have proprietary information ➔ any forecast published must only use publicly available information
- To increase acceptance of the forecast need to publish as many assumptions as possible and demonstrate how changing the assumptions would affect the forecast ➔ we intend to do this by providing a “transparency tool” allowing suppliers to analyse the forecast and make their own predictions about its accuracy
The approach

1. Use our Forecasting Model to set the first quarter Interim Rate and Reserve Fund using a set of assumptions based on publically available information regarding the parameters for the Round 1 allocation.

2. Publish a Transparency Tool alongside this to enable stakeholders to understand the model through varying the assumptions.

This approach provides:
✓ Good fit with regulations
✓ Low risk to cash management
✓ High transparency
✓ Low risk for Suppliers of unanticipated costs

The consensus from suppliers has been that it is better to set the Interim Rate and Reserve Fund cautiously using SOFM rather than them experiencing unexpected increases in costs during the 1st Levy Quarter (April - June 2015)
First Quarter Assumptions (proposed)

- Budget for Pot1 (less established technologies) £50m is fully allocated for 2015/16.
- Mix of technologies mirrors the target distribution in the EMR Delivery Plan using information from the *Final Allocation Framework* document using the same process as instructed to National Grid by:
  - Administrative (Maximum) Strike Prices
  - Technology Specific Load Factors
  - Power Prices
- The capacity mix assumptions have been verified against the DECC Renewable Energy Planning Database to ensure that our assumptions are technologically possible given the pipeline and market information.
- We have assumed that there is phased commissioning of capacities
  - ¼ of the allocated capacity starts generating on the 1st of April 2015, with an additional ¼ on the first date of each subsequent Quarter in the Levy Year.

Agenda

1. Introductions
2. Recap on Supplier Obligation Policy
3. Recap on Supplier Obligation Forecasting Model
4. Setting the First Interim Rate and Reserve Fund
5. Next Steps
6. Transparency Tool
Next Steps

a) Transparency Tool
b) External QA
c) Longer Term Projections
d) Implementation of Policy Changes
Next Steps

a) Transparency Tool:

Initial release to the Expert Group 2 on the 27th of November 2014 for testing. This is a interim tool for the 1st Levy Period with further work and the final version released Q1 2015.

b) External QA:

- Back-testing of Dispatch model by an external party is now complete
- External QA of the model to be completed by the 5 December
Next Steps (II)

c) Longer-Term Projections
   • Feedback from stakeholders and expert group: need for a longer term view of costs
   • LCCC intends to provide longer term indications between one and five years out (non legally binding and timing subject to internal resourcing)
   • Looking to provide indications of reserve fund amounts over one year horizon

d) Implementation of Policy Changes:
   • Energy Intensive Industry exemptions
   • Green import exemption certificates
Agenda

1. Introductions
2. Recap on Supplier Obligation Policy
3. Recap on Supplier Obligation Forecasting Model
4. Setting the First Interim Rate and Reserve Fund
5. Next Steps
6. Transparency Tool
Development & testing

1) Monitored and administered by the Communications team

2) All input data or sources published except where confidentiality prohibits

3) Output data summary at a useful summary level

4) Proposing to provide projections beyond levy period:
   - One year out with Reserve Fund calculation
   - Five years out based on scenarios around future allocations
   - Release to Expert Group for testing week commencing 24 November 2014
   - Will be released publically at time of levy setting

Demonstration site http://sofmtenderdemo.lcp.uk.com/landingpage.aspx

Note that figures are illustrative, and the final public version will be LCCC branded
Supplier Implementation Event

25 November 2014
What we’ll cover?

- Settlement Services Provider
  - News and Update
- CFD and CM Supplier Payments
- Reserve Payments
  - How the reserve payments are calculated, including reserve reconciliation?
- CFD Collateral
  - Step through the collateral reporting
- Interfaces
  - Update on interfaces
The ‘Build’ is scheduled to complete in November 2014
The ‘System Testing’ is scheduled to complete in March 2015
On track for settlement system go-live as 1 April 2015
Provision of Supplier Company Details for EMR

- A letter will be issued seeking the provision of your company details for the purposes of Electricity Market Reform (EMR)
  - A company registration form will be provided
  - Must be signed by the company secretary or a company director
  - Return to us EMR Settlement Ltd, 4th Floor, 350 Euston Road, London NW1 3AW

- Receive completed company registration forms no later than Friday 12 December 2014

- These details will be used to issue all notices, invoices, and credit notes required by CFD and CM Regulations
Active Power Purchasing List

Are you a half hourly supplier with Active Export?

- The ‘list’ will be used to register supplier Additional BM Units for CFD Generators
- We are only contacting those suppliers who recorded Active Export greater than zero in at least one GSP Group
- This is to review the ‘list’ and confirm any required changes
DECC publish consultation on BSC changes for EII

- **DECC** has published a consultation on proposed changes to the Balancing and Settlement Code (BSC) to support EII policy
  - Consulting on two options (A & B) and consequently two sets of BSC changes
  - Consultation closes: **21 December 2014**

- **ELEXON** are seeking comments by **Monday 5 January 2015**
  - On the BSC changes against the two options (A & B)
  - The BSC changes will be directed by the Secretary of State and are not part of the normal BSC change processes

- The changes will place new obligations on **Suppliers** and **Half Hourly Data Aggregators** (HHDAs)

- Full details have been communicated within **EMR Circular 22**
Option A

- BM Units to capture EII metered volumes for CFD settlement.
- Metering systems registered in SVA, require suppliers to register Additional BM Units
- Allocate the EII Assets to the Additional BM Units
- Assign the last three numbers of the BM Unit ID as was originally done for Additional BM Units i.e. start at 001 for each Supplier’s EII Additional BM Unit

Option B

- Suppliers provide the EII metered volumes to CFD Settlement via its HHDA.
- ELEXON has identified the Data Transfer Catalogue (DTC) changes it believes will be needed to implement the BSC changes
## What BSC data are we using?

<table>
<thead>
<tr>
<th>Policy</th>
<th>Net or Gross</th>
<th>Losses Applied</th>
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<tr>
<td>CM</td>
<td>Net</td>
<td>Distribution</td>
</tr>
<tr>
<td>CFD</td>
<td>Gross</td>
<td>Distribution and Transmission</td>
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</table>
Which BM Unit data is used in CFD settlement?

- CFD charges are based on electricity supplied to premises in Great Britain (with no provision for netting off embedded generation). Therefore BSC Systems were amended (in the June 2014 release) to report ‘gross demand’ to EMR SSP.

- More straightforward for Supplier BM Units, because ‘Active Import’ is separated from ‘Active Export’ in SVA (with separate MPANs and Consumption Component Classes).

- We also need to charge for demand sites registered in Central Volume Allocation (CVA). On 16 October we consulted on how to do this (with draft list of chargeable BM Units):
  
  http://emrsettlement.co.uk/deadline-responses-consultation-6-november-2014/

- For both Supplier and CVA BM Units, the relevant Transmission Loss Multiplier ($TLM_{ij}$) is applied to gross demand in BSC systems.
CM Supplier Obligation is split across two separate Regulations, with slightly different definitions of ‘net demand’:

- **The Electricity Capacity Regulations 2014** covers Settlement Costs for first levy period

- **The Electricity Capacity (Supplier Payment etc.) Regulations 2014** are still draft, and cover subsequent payments

For Supplier BM Units, we believe we should charge on total net BM Unit Metered Volume

Similarly to CFD, our 16 October consultation discussed how to include CVA-registered sites (and included a draft list of chargeable BM Units)
Consultation responses

- Four Suppliers responded to our consultation – thank you!
- Key issues raised:
  - Differing views on how to treat generation registered by Suppliers where same legal entity holds Generation Licence
  - Appropriateness of using Generation Capacity to identify chargeable BM Units for CM purposes
  - Question on why TLM applied to CFD but not CM
  - Treatment of exempt Interconnectors (Isle of Man)
Way forward

- The issue is more urgent for CFD (because of the requirement to issue reserve fund invoices by 31 December)
- Within the next week we will publish an updated list of BM Units chargeable for CFD (largely unchanged)
- For those legal entities with both Supply and Generation licences, the list is likely to still be indicative (subject to full review of comments received)
- For CM, the updated list will follow later, together with ELEXON’s response to the consultation document
Supplier Settlement
EMR Payments
What we will cover?

What are the payment types?

| Supplier Operational Levy | Settlement Cost Levy Capacity Market | Supplier Obligation Interim Rate |

What are the supplier payment timelines?

| Invoice | Payment Due |

What is reconciled?

How does reconciliation work?
### Payment Types

<table>
<thead>
<tr>
<th>Payment Types</th>
<th>Description</th>
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<tbody>
<tr>
<td>CFD Payments</td>
<td>Supplier Operational Levy</td>
</tr>
<tr>
<td></td>
<td>Supplier Obligation Interim Levy Rate</td>
</tr>
<tr>
<td></td>
<td>Reserve Payment and Reconciliation</td>
</tr>
<tr>
<td>CM Payments</td>
<td>Settlement Costs Levy</td>
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</tbody>
</table>
When do payments start?

- **April 15**: Supplier Operational Levy
- **May 15**: Supplier Obligation Interim Rate Levy
- **June 15**: Reserve Fund & Reconciliation
- **July 15**: Settlement Costs Levy
## CFD: Supplier Operational Levy

<table>
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<tr>
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<td>Settlement Costs Levy</td>
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# CFD: Supplier Operational Levy

<table>
<thead>
<tr>
<th>CFD Payment Type</th>
<th>Year (FY or DY)</th>
<th>Obligation Period</th>
<th>What Data Run?</th>
<th>Date of First Invoice or Credit note</th>
<th>Payment Due Date</th>
<th>Frequency</th>
<th>Are these payment reconciled?</th>
</tr>
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<tbody>
<tr>
<td>Interim 14/15</td>
<td>Financial year</td>
<td>1 Jan 15 – 31 Mar 15</td>
<td>SF</td>
<td>28 Apr 15</td>
<td>6 May 15</td>
<td>One off</td>
<td>No</td>
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| Supplier Operational Levy | Enduring 15/16 | Financial Year              | SF             | 29 Apr 15                            | 7 May 15          | Daily     | No                            |
Supplier Operational Levy for 2014/15 is a lump sum payment
- Calculated and invoiced on SF data
- No reconciliation of operational levy
The Supplier Operational Levy Rate for 1 January 15 – 31 March 15

Operational Levy Rate is £0.079 MWh
Supplier Operational Levy for 2015/16 are daily payments

- Calculated and invoiced on SF data
- No reconciliation of operational levy
The Supplier Operational Levy Rate for **1 April 2015–31 March 2016** is being consulted upon with industry.

Subject to parliamentary process, the intention is that the amended Regulations will come into effect from 1 April 2015.

The proposed Operational Levy Rate for 15/16 is **£0.0394 MWh**.

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<thead>
<tr>
<th>Supplier’s Operational Levy Payment</th>
<th>Supplier’s Gross Demand</th>
<th>Operational Levy Rate £0.0394 MWh</th>
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### CFD: Supplier Operational Levy - Calculation

- **Supplier Implementation Event** – 25 November 2014
- **Supplier’s Operational Levy Payment**
- **Supplier’s Gross Demand**
- **Operational Levy Rate £0.0394 MWh**
CFD: Supplier Operational Levy - Repayment of excess

- Financial Year **1 April 2015–31 March 2016**

  - As soon after the conclusion of an operational cost period
  - Where the LCCC determines the amounts are greater than those costs it must pay the difference to electricity suppliers as soon as reasonably practicable after making that determination
Supplier Operational Levy is calculated as soon as SF data for the first billing period is available

- No reconciliation of operational levy
# CM: Settlement Costs Levy

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<thead>
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<tr>
<td><strong>CM Payments</strong></td>
<td>Settlement Costs Levy</td>
</tr>
</tbody>
</table>
## CM: Settlement Costs Levy

<table>
<thead>
<tr>
<th>CM Payments</th>
<th>Year (FY or DY?)</th>
<th>Obligation Period</th>
<th>What Data Run?</th>
<th>Date of First Invoice/Credit note</th>
<th>Payment Due Date</th>
<th>Frequency</th>
<th>Are these payment reconciled?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Settlement Costs Levy</strong></td>
<td>First levy period 14/15</td>
<td>Financial Year</td>
<td>SF</td>
<td>28 Apr 15</td>
<td>3 working days after invoice</td>
<td>One off</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Enduring 15/16</td>
<td>Financial Year</td>
<td>SF</td>
<td>1 Apr 15</td>
<td>3 Working days after invoice</td>
<td>Monthly</td>
<td>Payments are revised once</td>
</tr>
<tr>
<td></td>
<td>Refund</td>
<td>Financial Year</td>
<td>N/A</td>
<td>After 31 Mar 16</td>
<td>3 working Days after Credit note</td>
<td>Annually</td>
<td>No</td>
</tr>
</tbody>
</table>
Billings Period is calculated using for all half hours in the relevant period (1 August 2014 – 31 March 2015)

Settlement Costs Levy for 2014/15 is a lump sum payment
The operational cost budget for 2014/15 is £1.374m and this period covers from 1 August 2014 to 31 March 2015.

Billing Period is calculated using for all half hours in the relevant period 1 August 2014 – 31 March 2015.
The data period is used to calculate market share and this is periods of high demand.

- Invoices issued on the first working day of each month.
- Payment due date three working days later.
Net demand for periods of high demand in the previous financial year

Period of high demand
- 4 to 7pm during workings days
- 1 November to last day of February

The total operating costs proposed to be recovered through the levy for 2015/16 is £3.891m
CM: Settlement Costs Levy - Revision

- Timeline for revised calculation - Financial year 2015/2016

<table>
<thead>
<tr>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

First invoice issued 1 Apr 15
Invoices issued 1 WD each month 1 Apr 15 to 31 Mar 16
Last invoice issued 1 Mar 16

Initial data period 1 Nov 14 to 28 Feb 15
Suppliers notified of monthly amounts 25 March 15
Revised data period 1 Nov 15 to 29 Feb 16
Revised amounts issued as invoices or Credit notes 24 Mar 16
Payment due and payment date 30 Mar 16

The data periods are used to calculate market share
Settlement Costs Levy undergoes a process similar to reconciliation.

- Total costs are calculated with respect to the financial year.
- Net demand for periods of high demand in the financial year.
- The revised amount for each month is compared to the initial amount and suppliers are either invoiced or credited the difference.
How does market entry and exit work?

- **First invoice issued:** 1 Apr 15
- **Invoices issued 1 WD each month:** 1 Apr 15 to 31 Mar 16
- **Last invoice issued:** 1 Mar 16

**Initial data period:**
1 Nov 14 to 28 Feb 15

**Suppliers notified of monthly amounts:**
[25 March 15]

**Revised data period:**
1 Nov 15 to 29 Feb 16

**Revised amounts issued as invoices or Credit notes:**
[24 Mar 16]

The data periods are used to calculate market share.
# CFD: Supplier Obligation Interim Levy Rate

<table>
<thead>
<tr>
<th>Payment Types</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFD Payments</td>
<td>Supplier Operational Levy</td>
</tr>
<tr>
<td></td>
<td>Supplier Obligation Interim Levy Rate</td>
</tr>
<tr>
<td></td>
<td>Reserve Payment and Reconciliation</td>
</tr>
<tr>
<td>CM Payments</td>
<td>Settlement Costs Levy</td>
</tr>
</tbody>
</table>

**CFD Payments**
- Supplier Operational Levy
- Supplier Obligation Interim Levy Rate
- Reserve Payment and Reconciliation

**CM Payments**
- Settlement Costs Levy
## CFD: Supplier Obligation Interim Rate Levy

<table>
<thead>
<tr>
<th>CFD Payment</th>
<th>Year (FY or DY)</th>
<th>Obligation Period</th>
<th>What Data Run?</th>
<th>Date of First Invoice or Credit note</th>
<th>Payment Due Date</th>
<th>Frequency</th>
<th>Are these payment reconciled?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier Obligation Interim Rate Levy</td>
<td>Enduring 15/16</td>
<td>Financial Year</td>
<td>Apr – Jun, Jul – Sep, Oct – Dec, Jan – Mar</td>
<td>All (II-DF)</td>
<td>14 Apr 15</td>
<td>21 Apr 15</td>
<td>Daily</td>
</tr>
</tbody>
</table>
LCCC determine the **Interim Levy Rate** and the **Total Reserve Amount**
**Interim Levy Rate** – £/MWh rate will be in the form of a unit cost fixed rate where the Counterparty forecasts the expected CFD Generator payments and demand over the levy period

**Adjusted Interim Levy Rate** – LCCC has the discretion to perform an in-period adjustment to the interim levy rate
Final reconciliation data for the Settlement Day 1 April 2015 will be available on approximately the 27 May 2016.

Adjustments based on reconciliation runs which take place outside the obligation period will be taken into account in the next quarterly reconciliation immediately following the availability of that data.
CFD: Supplier Obligation Interim Levy Rate

- **Market Entry**

  
  
  *Calculation Period*

  ~7 WD

  5 WD

- **Payment terms for obligation / operational levy are the same, the data used is different.**
CFD: Interim Rate Levy – Adjusted Interim Levy Rate

Interim Levy Rate set for Q2

Adjusted levy rate has effect [13 Aug 20]

LCCC publishes notice of Adjusted Interim Levy Rate [15 Jul 20]
LUNCH
Reserve payment
## CFD: Reserve Payment and Reconciliation

<table>
<thead>
<tr>
<th>Payment Types</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CFD Payments</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Supplier Operational Levy</td>
</tr>
<tr>
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<td>Supplier Obligation Interim Levy Rate</td>
</tr>
<tr>
<td><strong>Reserve Payment and Reconciliation</strong></td>
<td></td>
</tr>
<tr>
<td><strong>CM Payments</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Settlement Costs Levy</td>
</tr>
</tbody>
</table>
## CFD: Reserve Payment and Reconciliation

<table>
<thead>
<tr>
<th>CFD Payment Type</th>
<th>Year (FY or DY)</th>
<th>Obligation Period</th>
<th>What Data Run?</th>
<th>Date of First Invoice or Credit note</th>
<th>Payment Due Date</th>
<th>Frequency</th>
<th>Are these payment reconciled?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reserve Payment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First and Second</td>
<td>Financial Year</td>
<td>Apr 15 – Jun 15</td>
<td>SF R1</td>
<td>Before 1 Jan 15</td>
<td>13 Apr 15</td>
<td>Quarterly</td>
<td>Yes</td>
</tr>
<tr>
<td>Obligation Periods</td>
<td>Jul 15 – Sep 15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Reserve Payment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsequent Obligation</td>
<td>Financial Year</td>
<td>Oct 15- Dec 15</td>
<td>SF R1</td>
<td>Before 1 Jul 2015</td>
<td>7 Oct 15</td>
<td>Quarterly</td>
<td>Yes</td>
</tr>
<tr>
<td>Periods</td>
<td>Jan 16 – Mar 16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Etc</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### CFD: Reserve Payment Key Dates

<table>
<thead>
<tr>
<th>Quarterly Obligation Period</th>
<th>Notice of Reserve Payment</th>
<th>Invoice of Reserve Payment</th>
<th>Reserve Payment Due</th>
<th>Notice/Invoice of Reconciliation Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – Apr to Jun 2015</td>
<td>Before 1 Jan 2015</td>
<td>Same as Notice</td>
<td>13 Apr 2015</td>
<td>9 Jul 2015</td>
</tr>
<tr>
<td>2 – Jul to Sept 2015</td>
<td>Before 1 Apr 2015</td>
<td>Same as Notice</td>
<td>9 Jul 2015</td>
<td>9 Oct 2015</td>
</tr>
</tbody>
</table>
‘Reference period’ is the 30 calendar days for which there is metered data prior to the date on which the Total Reserve Amount is determined by the LCCC.

For any given 30 calendar day period this would mean using metered data from SF and R1.

Notice is required to be sent before 1 January 15.

Payment is due the 7th working day of the first obligation period.
Total reserve amount is provided by the LCCC three months prior to the start of the obligation period.
Total Reserve Amount (TRA) set and invoiced for Q1

Q0
Jan 2015

Q1
April 2015

Q1 Reserve Payment [13 Apr 15]

Q1
July 2015

Reconciliation Invoice for Q1 [9 Jul 2015]

Q2
Oct 2015

Reconciliation Payment for Q1 [7 Oct 2015]

Q3
Jan 2016

Reconciliation Payment for Q1 [7 Jan 2016]

Q4
April 2016

Q5
July 2016

Reconciliation Invoice for Q2 includes data changes for Q1 [9 Oct 2015]

90 Days

90 Days
Period Contribution is the sum of the Quarterly and Daily Contributions.

To calculate CFD Daily Contribution for each supplier we will multiply Net Generator Payments, or payments made to generators less payments received from generators, by their daily market share.

To calculate CFD Quarterly Contribution for each supplier we multiply lump sum amounts (such as curtailment compensation, generation tax compensation, change in law compensation and termination fees) by their quarterly market share.
4 Steps for Reserve Payment Reconciliation: Q1

Steps 1 and 2 compare what the supplier paid to what they should have paid.

Steps 3 and 4 adjust the reserve payment due.

This example assumes a market of two suppliers each with 50% market share.
4 Steps for Reserve Payment Reconciliation: Q1

1. CFD Quarterly Contribution (£10)
2. CFD Period Contribution (£110)
3. Q1 Reserve Payment (£40 already paid by supplier)
4. Q3 Reserve Payment (£80 to be paid by supplier)

Total Reserve Amount £80

Total Reserve Amount £160

Q1 CFD Daily Contributions (£100)
Q1 Interim Rate Payments (£100)
Q1 Interim Levy Shortfall/Excess (£10 to be paid by supplier)
Q1 Q1 Reconciliation Payment (£30 owed to supplier)
Q1 Reserve Payment Net Position (£50 to be paid by supplier)

Supplier Implementation Event – 25 November 2014
CFD: Reserve Payment – Reconciliation for Q2

- **Total Reserve Amount (TRA) set and invoiced for Q2**
  - **Q0**
  - **Q1**
  - **Q2**
  - **Q3**
  - **Q4**
  - **Q5**

- **Reconciliation Invoice for Q2** [9 Oct 2015]

- **Reconciliation Invoice for Q3 includes data changes for Q2** [11 Jan 16]

- **Q2 Reserve Payment** [9 Jul 15]

- **Reconciliation Payment for Q2** [7 Jan 16]

- **Reconciliation Payment for Q3** [9 Apr 16]

- **90 Days**
6 Steps for Reserve Payment Reconciliation: Q2

1. Steps 1 and 2 compare what the supplier paid to what they should have paid.

2. These steps are the same as those carried out in Q1.

3. These steps are on the next slide.

4. This example assumes a market of two suppliers each with 50% market share.

5. Supplier Implementation Event – 25 November 2014

Q2 CFD Quarterly Contribution (£10) + Q2 CFD Daily Contributions (£150) = Q2 CFD Period Contribution (£160)

Q2 CFD Period Contribution (£160) - Q2 Interim Rate Payments (£170) = Q2 Interim Levy Shortfall/Excess (£10 owed to supplier)

Q2 Q2 Reserve Payment (£60 already paid by supplier) + Q2 Interim Levy Shortfall/Excess (£10 owed to supplier) = Q2 Q2 Reconciliation Payment (£70 owed to supplier)
6 Step Process to Reserve Payment Reconciliation: Q2

Steps 4 and 5 take into account new metered data from Q1

Total Reserve Amount £300

This example assumes a market of two suppliers each with 50% market share
CFD: Reserve Payment – Additional TRA

- LCCC publishes notice of Additional Total Reserve Amount [15 Jan 16]
- Payment Due [14 Feb 16]
- 30 Days
- Oct 2015
  - Invoice Reserve Payment Q4 [9 Oct 15]
  - BSC Data Adjusted Reference period
- Jan 2016
  - Reserve Payment Due Q4 [7 Jan 16]
- Apr 2016
- Jul 2016
  - Q3
  - Q4
  - Q5
CFD: Reserve Payment - Calculation

- Adjusted Total Reserve Amount

\[
\text{Supplier's Additional Reserve Fund Payment} = \frac{\text{Additional Reserve Fund Amount} \times \text{Supplier's Gross Demand}}{\text{Total Demand}}
\]

- **Adjusted reference period** is the 30 calendar days for which there is metered data prior to the date on which the Adjusted Total Reserve Amount is determined by the LCCC.
Suppliers are liable to pay all reserve payments that relate to the reference periods during which they supplied electricity.

In this example, the supplier is liable for all payments relating to Q5 as they entered during the reference period for Q5.

- **New Supplier 1st Reserve Payment Due Q5 [11 Apr 16]**
- **New Supplier 1st Reserve Payment Invoice Q5 [9 Jan 16]**
- **TRA Q5 notified by LCCC**
- **BSC Data**
- **Q5 Reference period**
- **New supplier enters the market [20 Nov 2015]**
- **Q2**
- **Q3**
- **Q4**
- **Q5**
- **July 2015**
- **Oct 2015**
- **Jan 2016**
- **April 2016**
Suppliers are liable to pay all reserve payments that relate to the reference periods during which they supplied electricity regardless of whether or not they have exited the market.
CFD Collateral
## What will we cover?

- What is collateral used for?
- What types of collateral can be used and how?
- How do we calculate the minimum collateral required?
  - When is my first daily collateral report received?
- What happens if there is a collateral default?
- How do the collateral arrangements work for new and exiting Suppliers?
- Returning collateral
What is collateral used for?

- Lodged collateral will be called to cover late payments of:
  - Supplier Operational Levy
  - Supplier Obligation Levy
  - Reserve payment
  - Mutualisation
  - Accrued interest
### What can I lodge as collateral and how?

<table>
<thead>
<tr>
<th>Step</th>
<th>Question</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>What types of collateral can be used?</td>
<td>Cash, Letter of Credit (LoC)</td>
</tr>
<tr>
<td>2</td>
<td>How do I lodge collateral?</td>
<td>Transfer cash to a specified LCCC bank account. Submit a letter of credit (LoC) to SSP and made out to LCCC</td>
</tr>
</tbody>
</table>
Letters of Credit (LoC) must meet certain terms and conditions to be considered appropriate or valid, including:

- Issued by a person with required short term debt rating – see 20(4)
- Provided on terms which the CFD counterparty considers are appropriate

The LCCC must, before 1 December 2014, publish a document setting out the terms of letters of credit which it is likely to regard as appropriate for the purposes of paragraph (1)(b), and must keep any such document under review and publish any revision from time to time.
CFD: How do we calculate the minimum collateral?

21 days of metered volume will contain mixture of II and SF data

- Sum the most recent Gross Demand for each day in the 21 day period and multiply by the interim levy rate
- Find most recent Settlement Day for which we have metered volumes
- Every WD calculate minimum credit required
First Daily Credit Notice issued on 1 April 2015 and is the required amount of collateral to be lodged for that day.

- Daily Credit Notice issued each WD from 1 April 2015
- Ideally, collateral lodged on or before 31 March 2015
- An indication of collateral is issued 30 days before the first Supplier Obligation Period
You will be sent a credit report every WD that will include:

1) Amount of credit lodged (LoC + Cash)
2) Details of LoC (validity, expiry)
3) Minimum credit cover
4) Surplus or deficit of credit lodged
CFD: How does my minimum credit requirement work?

- Any called credit no longer counts towards ‘lodged credit’
CFD: Insufficient Collateral Notice

Insufficient Collateral Notice

1) Unique ID
2) EMR Party ID
3) Amount of Credit Lodged
4) Minimum Credit Cover
5) Surplus / Deficit
6) New Deficit Amount
7) End of Cure Period
8) Previously Notified Outstanding Amounts:
   - Deficit ID
   - Date deficit arose
   - End of original cure period
   - Credit Default ID
   - Credit Default Notice Sent?
   - Original Deficit Amount
   - Amount Due Now

This section of the notice represents the current collateral position

This section of the notice represents the historic collateral deficiency of the supplier, if uncorrected.
Daily Credit Notices do not supersede previous ones i.e. a deficit amount remains outstanding until paid

No interest on default collateral amounts
Collateral Default Notice

1) EMR Party ID
2) Default Reference Number
3) Date
4) Original Deficit Due Date
5) Original Deficit Amount
6) Original Minimum Credit Required
7) Amount of credit lodged as at date of this notice
8) Deficit Amount Now Due
9) Cash Deficit Amount Due Date
10) Bank A/C for cash payment
# CFD: Collateral - Worked example

<table>
<thead>
<tr>
<th>WD</th>
<th>Min Credit Amount Calculated on that day</th>
<th>Posted Credit on that day</th>
<th>Surplus/Deficit on that day</th>
<th>End of cure period</th>
<th>Cash Payment due on</th>
<th>Credit Position Rectified On</th>
<th>New Deficit Amount</th>
<th>Running total</th>
<th>Days Contributing to Deficit Clearance</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>120</td>
<td>100</td>
<td>-20</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>+20</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>1</td>
<td>118</td>
<td>100</td>
<td>-18</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>-</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>125</td>
<td>100</td>
<td>-25</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>+5</td>
<td>25</td>
<td>3, 6</td>
</tr>
<tr>
<td>3</td>
<td>100</td>
<td>120</td>
<td>+20</td>
<td>N/A</td>
<td>N/A</td>
<td>-</td>
<td>-20</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>115</td>
<td>110</td>
<td>-5</td>
<td>6</td>
<td>8</td>
<td>6</td>
<td>-</td>
<td>5</td>
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</tr>
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<td>-</td>
<td>-</td>
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<tr>
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<td>8, 9</td>
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<tr>
<td>8</td>
<td>110</td>
<td>115</td>
<td>+5</td>
<td>N/A</td>
<td>N/A</td>
<td>-</td>
<td>-5</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>9</td>
<td>105</td>
<td>120</td>
<td>+15</td>
<td>N/A</td>
<td>N/A</td>
<td>-</td>
<td>-5</td>
<td>0</td>
<td>-</td>
</tr>
</tbody>
</table>
For a new supplier the metered volumes initially will be based on II.

As more metered volumes are received following the issue of the first daily credit report, this will increase to 21 days of metered volumes including both II and SF data.

Resulting in the Collateral gradually increasing over this period.
CFD: Collateral - Market Exit

- Credit is held until a Supplier no longer has any metered volumes reported in the most recent 21 days.
- Accordingly upon exit, a Supplier’s minimum credit amount would gradually decrease.
- Where a Supplier’s minimum credit amount falls below what is actually lodged, the Supplier may make a request to have that credit returned.
CFD: Returning Collateral

- Can only return collateral surpluses
- Return amount within 1 WD of request
- Amount returned based on surplus available on day of return

£10K cash lodged

Supplier requests return of £2K lodged credit
SSP determines minimum credit requirement = £8K

Minimum credit requirement = £9K.
£1K returned to Supplier

Supplier Implementation Event – 25 November 2014
BREAK

25 November 2014
Interfaces

John Lucas
EMR Interfaces – When will examples be available?

<table>
<thead>
<tr>
<th>Information</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notices</td>
<td>• Email PDF encrypted file</td>
</tr>
<tr>
<td>Invoices</td>
<td>• Email PDF encrypted file</td>
</tr>
<tr>
<td>Credit Cover Report</td>
<td>• Data Transfer Network (DTN)</td>
</tr>
<tr>
<td></td>
<td>• Email Attachment</td>
</tr>
<tr>
<td></td>
<td>• Portal Downloadable file</td>
</tr>
<tr>
<td>Backing Data</td>
<td>• Data Transfer Network (DTN)</td>
</tr>
<tr>
<td></td>
<td>• Email Attachment</td>
</tr>
<tr>
<td></td>
<td>• Portal Downloadable file</td>
</tr>
</tbody>
</table>

- We’ll present visual examples, with supporting information
  - When? January 2015
  - How? We’ll plan to hold a workshop
Formats for Invoice Backing Data

- Three reporting channels for invoice backing data (and daily CFD credit cover report).

- Data Transfer Service (DTS):
  - Data files will comply with Data Transfer Catalogue (and DTC Change Proposal 3448)
  - Pipe-separated records (not easily human-readable)
  - One file per invoice

- Portal:
  - CSV format (loadable as table of data in Excel)
  - Normally one file per invoice, but in some cases different payment types on different files

- Email attachment:
  - Excel-XML format (loadable as table of data in Excel)
  - Normally one file per invoice, but in some cases different payment types on different files
- **February 2015** is scheduled for UAT testing
- **Early March 2015** is scheduled for Data Transfer Network (DTN) testing
- We’ll confirm specific dates once available
Summary
What’s coming up?

December 2014

• Publish a list of BM Units chargeable for CFD
• Publish a Reserve Payment Guidance
• Publish CFD Collateral Guidance
• Publish BM Unit Guidance to include Supplier Additional BM Unit and Active Power Purchasing List
• Publish schedule for Working Practices and Guidance
• **Request** - Provide completed company registration form
• Issue Reserve Payment Notices to suppliers - Apr-Jun 2015
• **Responses** - DECC publish consultation on BSC changes for EII

January 2015

• Responses – ELEXON are seeking comments on the DECC publish consultation on BSC changes for EII
• Workshop to illustrate examples, Notices, Invoices and Backing Data
What’s coming up?

February 2015

• Settlement System – User Testing
• MRA Change Proposal - Implementation
• Issue indication of CFD Collateral requirements to Suppliers

March 2015

• Settlement System – User Testing
• Publish details about the Portal and Helpdesk
• Publish the EMR Settlement Calendar
• Issue Reserve Payment Notices to Suppliers – Jul-Sep 15
• Suppliers notified of monthly amounts for the Settlement Costs Levy

April 2015

• EMR Payments commence
EMR Settlement Website

- EMR Settlement Website
  - http://emrsettlement.co.uk/
  - Keep updated via the following methods, News, EMR Circular, Calendar and the ELEXON Newscast

- All queries - Settlement Service Provider
  - contact@emrsettlement.co.uk

- Hannah Pargeter – EMR Customer Support
  - 020 7380 4025
  - hannah.pargeter@elexon.co.uk
Online support for CFDs

• Tailored information for suppliers and generators
• Q&A from previous events

Site under development – your feedback welcome

→ Feedback via online survey and cfdpreparations@lowcarboncontracts.uk
Information for Suppliers

Suppliers

CFD payments to generators will be recovered from all electricity suppliers through a Supplier Obligation levy.

The Supplier Obligation must be paid by all licensed electricity suppliers in Great Britain from 1 April 2015. Each supplier’s liability will be calculated on the basis of their daily market share of daily CFD payments.

The Low Carbon Contracts Company is required to forecast the Supplier Obligation levy. It is consequently developing a fit-for-purpose model that can forecast the CFD liabilities, the Supplier Obligation levy, related reserve fund and cash flow, and provide a large degree of transparency for stakeholders by giving them access to the assumptions, inputs and outputs from the model.

Industry expert groups have been established to guide and challenge the development and calibration of Power Price Forecasting Model, the Cashflow Forecasting System, and the transparency tool. They will advise the chosen solution provider on the model set-up and input sources. They will also be able to draw on their experience to advise on validation techniques against market benchmarking, for example.

Support Materials

CFD Implementation Plan

Slides and Q&A from Implementation Co-ordination events

Links

iServer
National Grid

Events

Supplier Journey through CFD new (All day)

CFD Implementation Coordination Update and Review Session new 9:30am to 9:00pm