
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make further provision about the obligations of electricity suppliers to make payments to fund Contracts for Difference which is set out in the Contracts for Difference (Electricity Supplier Obligations) Regulations 2014 (S.I. 2014/2014) (the “ESO Regulations”).

Part 2 of these Regulations make a number of amendments to the ESO Regulations which are mostly of a technical nature.

Regulation 4 defines a new reserve period. This is the period for which the total reserve amount is calculated and aims to alleviate the risk of the CFD counterparty not having enough funds to meet its required payments to generators by aligning the period with the period that the CFD Counterparty holds reserve payments from electricity suppliers. Regulation 7 ensures that certain factors are taken into account within the new period when determining the total reserve amount for a quarterly obligation period.

Regulations 5 and 6 make amendments to ensure that exemptions for suppliers from a proportion of their CFD costs are capped with the result that the total exemption a supplier can demonstrate over a quarterly period cannot exceed that supplier’s total supply over the same period.

Regulation 8 reduces the period of time that reserve payments are collected from suppliers from 90 days after the issue of a reconciliation notice to 5 working days after the issue of a notice.

Regulation 11 inserts a new regulation 14A. This allows the CFD counterparty to reduce the total reserve amount without notice by recalculating it where it considers that it would collect significantly more from suppliers than needed in order to make all CFD payments to generators in 19 out of 20 scenarios. This needs to be done in advance of the issue of the reconciliation notice which triggers payment of a suppliers’ reserve payment.

Regulation 13 excludes suppliers who have defaulted on a payment and whose collateral is exhausted or is likely to be exhausted within five working days from being required to make mutualisation payments.

Regulation 14 sets the rate for the operational costs levy in the ESO Regulations which is intended to apply for the period between 1st April 2017 and 31st March 2018.

Part 3 of these Regulations amend regulation 9(2) of the Electricity Capacity (Supplier Payment etc.) Regulations 2014 (S.I. 2014/3354) to provide a revised figure for the settlement costs levy. The revised figure does not apply in respect of any financial year commencing before 2017. A financial year for this purpose means a period of one year commencing with 1st April.