
STATUTORY INSTRUMENTS

2014 No. 2014

**The Contracts for Difference (Electricity
Supplier Obligations) Regulations 2014**

PART 3

Operational costs

CHAPTER 8

The operational costs levy

The operational costs levy

23.—(1) An electricity supplier must make a payment (“an operational cost payment”) to the CFD counterparty for each day that supplier makes an electricity supply during an operational cost period.

(2) The amount of an operational cost payment to be paid by a supplier in respect of a day is equal to the amount of electricity supplied by that supplier on that day multiplied by the operational levy rate.

(3) The CFD counterparty must, as soon as reasonably practicable after the BSCCo has carried out an Initial Volume Allocation Run in respect of a day in an operational cost period, issue a notice to each electricity supplier who supplied electricity on that day stating the operational cost payment which the supplier to whom the notice is issued must pay in respect of that day.

(4) An electricity supplier must make an operational cost payment in respect of a day by the operational cost payment date in relation to that payment.

(5) The operational cost payment date in relation to an operational cost payment is—

- (a) in relation to an operational cost payment due in respect of any day in the first operational cost period, the 5th working day after the CFD counterparty has issued a notice under paragraph (3) to the supplier who must make that payment in respect of every operational cost payment due from that supplier in respect of that period;
- (b) in relation to an operational cost payment due in respect of a day in any other operational cost period, the 5th working day after the day on which the CFD counterparty has issued a notice under paragraph (3) to the supplier who must make that payment.

(6) Where an electricity supplier fails to make an operational cost payment by the operational cost payment date in relation to that payment, that supplier must pay the CFD counterparty simple interest on any unpaid amount at the rate specified in regulation 35(1) from the day after the operational cost payment date.

(7) For the purposes of this regulation—

- (a) the operational levy rate is £0.079 per megawatt hour; and
- (b) the amount of electricity supplied by an electricity supplier on a particular day is the amount of electricity which the BSCCo determines, on the basis of an Initial Volume

Allocation Run carried out in relation to that day, as the amount of electricity which that supplier supplied on that day.

Repayment of excess

24.—(1) The CFD counterparty must determine, as soon as reasonably practicable after the conclusion of an operational cost period, whether the amounts received under regulation 23(1) in respect of that period and received by virtue of regulation 23(6) during that period are greater than the costs which it incurred in respect of the relevant period in relation to that operational cost period.

(2) Where the CFD counterparty determines that those amounts are greater than those costs it must pay the difference to electricity suppliers as soon as reasonably practicable after making that determination.

(3) Where the CFD counterparty must make a payment under paragraph (2), the amount which the CFD counterparty must pay to an electricity supplier in respect of an operational cost period is the amount given by—

$$(AR - CO) \times \left(\frac{SE}{ST} \right)$$

where—

AR is the sum of—

- (i) any amounts received by the CFD counterparty under regulation 23(1) in respect of that period,
- (ii) any amounts received by the CFD counterparty by virtue of regulation 23(6) during that period,
- (iii) any amounts which were paid to the CFD counterparty during the relevant period for the purpose of compensating it for any costs incurred by it in respect of a breach of any duty or obligation owed to it (whether or not under these Regulations);

CO is the costs the CFD counterparty determines it has incurred in respect of the relevant period;

SE is the amount of electricity supplied by the supplier in that period;

ST is the total amount of electricity supplied by all suppliers in that period.

(4) For the purposes of paragraph (3) the amount of electricity supplied by a supplier in an operational cost period is the amount of electricity which the BSCCo determines, on the basis of Initial Volume Allocation Runs, as the amount of electricity that supplier supplied in that period.

(5) In this regulation—

- (a) “costs” means any costs incurred by the CFD counterparty in connection with the performance by it of any function conferred on it by or by virtue of Chapter 2 of Part 2 of the Act; and
- (b) “relevant period” in relation to an operational cost period means—
 - (i) in relation to the first operational cost period, the period beginning on the coming into force of these regulations and ending on 31st March 2015; or
 - (ii) in relation to any other operational cost period, that operational cost period.