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STATUTORY INSTRUMENTS

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**2014 No. 2014**

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

**PART 2**

Supplier obligation

CHAPTER 2

Interim daily levy

**Setting the interim levy rate**

6.—(1) The CFD counterparty must, in respect of every quarterly obligation period determine an interim levy rate which is to apply for that period.

(2) The CFD counterparty must determine an interim levy rate for a quarterly obligation period (“the rate period”) before—

- (a) where the rate period commences on 1<sup>st</sup> April 2015, 1st January 2015,
- (b) for any other rate period, the commencement of the quarterly obligation period which immediately precedes the rate period.

(3) Where the CFD counterparty has determined an interim levy rate for a quarterly obligation period it must publish a notice setting out that rate and must—

- (a) issue that notice to every electricity supplier, and
- (b) issue that notice to any person who becomes an electricity supplier during that period.

(4) Subject to paragraph (5), the interim levy rate for a quarterly obligation period is to be determined as the amount given by—

$$\frac{EOC - EOI}{EOS}$$

where—

EOC is the estimated quarterly obligation period payment cost, estimated in accordance with regulation 7(1);

EOI is the estimated quarterly obligation period income, estimated in accordance with regulation 7(3); and

EOS is the estimated quarterly obligation period electricity supply, estimated in accordance with regulation 7(4).

(5) Where the amount given by the calculation in paragraph (4) in relation to a quarterly obligation period is less than zero, the interim levy rate shall be determined as zero for that period.

**Estimated cost, income & electricity supply**

7.—(1) The estimated quarterly obligation period payment cost in respect of a quarterly obligation period (“the rate period”) is the amount which the CFD counterparty estimates will be required to be paid by it to CFD parties under every CFD or connected agreement to which it is, or is likely to become, a party during the rate period, having regard to the matters set out in paragraph (2).

(2) The matters referred to in paragraph (1) are—

- (a) the strike prices which, in the opinion of the CFD counterparty, will apply to CFDs in respect of which payments may become due during the rate period;
- (b) the CFD counterparty’s estimate of—
  - (i) where payments under a CFD may become due in relation to the generation of electricity in a settlement hour by a CFD generating station, the amount of electricity generated by each such CFD generating station in each settlement hour in respect of which payments may become due during the rate period;
  - (ii) where payments under a CFD may become due in relation to the generation of electricity in a settlement period by a CFD generating station, the amount of electricity generated by each such CFD generating station in each settlement period in respect of which payments may become due during the rate period;
  - (iii) the market reference price which is to apply in relation to each settlement hour in respect of which a payment may become due during the rate period;
  - (iv) the market reference price which is to apply in relation to each settlement period in respect of which a payment may become due during the rate period;
  - (v) the total amount of payments which the CFD counterparty will be required to make under CFDs during the rate period which are not payments based on the difference between a strike price and a market reference price in relation to electricity generated.

(3) The estimated quarterly obligation period income in respect of the rate period is the amount which the CFD counterparty estimates it will receive from CFD parties during the rate period having regard to—

- (a) the matters in paragraph (2)(a) and (b)(i) to (iv);
- (b) the CFD counterparty’s estimate of the total amount of payments which the CFD counterparty will receive under CFDs during the rate period which are not payments based on the difference between a strike price and a market reference price in relation to electricity generated;
- (c) the CFD counterparty’s estimate of the likelihood of the failure of CFD parties to make CFD party payments in accordance with CFDs.

(4) The estimated quarterly obligation period electricity supply in respect of the rate period is the amount of electricity which the CFD counterparty estimates will be supplied by all electricity suppliers in the rate period.

(5) In this regulation—

“CFD generating station” means any generating station which is the subject of a CFD;

“market reference price”, “settlement hour”, “settlement period” and “strike price” are to be construed in accordance with CFDs to which the CFD counterparty is a party.

(6) For the purposes of this regulation reference to a CFD includes reference to a connected agreement.

### **Interim rate payments**

8.—(1) An electricity supplier must make a payment (“an interim rate payment”) to the CFD counterparty in respect of each day on which that supplier supplies electricity in Great Britain during a quarterly obligation period.

(2) The amount of an interim rate 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 interim levy rate which applies in relation to that day.

(3) The interim levy rate which applies in relation to a day is—

- (a) the rate determined under regulation 6, or
- (b) where an adjusted interim rate which has been determined under regulation 12(1)(a) has effect in accordance with regulation 13(4), that rate.

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

(5) A supplier must make an interim rate payment in respect of a day by the 5th working day after the day on which the CFD counterparty has issued a notice under paragraph (4) to that supplier.

(6) Where a supplier fails to pay all or part of an interim rate payment by the day on which that payment must be made, 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 day on which that payment should have been made.

(7) For the purposes of paragraph (2), 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 Interim Information Volume Allocation Run in respect of that day, as the amount of electricity supplied by that supplier on that day.

### **Data reconciliation of interim rate payments**

9.—(1) This regulation applies where, before the conclusion of a quarterly obligation period, the BSCCo carries out a relevant allocation run in respect of a day in that period and the reconciled interim rate amount in relation to that day for an electricity supplier is different to the net levied interim rate payment for that supplier.

(2) Where that reconciled interim rate amount is more than the net levied interim rate payment the supplier must pay the difference to the CFD counterparty.

(3) Where that reconciled interim rate amount is less than the net levied interim rate payment the CFD counterparty must pay the difference to the supplier.

(4) The CFD counterparty must, as soon as reasonably practicable after the BSCCo has carried out a relevant allocation run in respect of a day, issue a notice to each electricity supplier which states the amount which must be paid by virtue of paragraph (2) or (3).

(5) An electricity supplier who is required to make payment by virtue of paragraph (2) must make that payment by the 5th working day after the day on which the CFD counterparty issues the notice to that supplier under paragraph (4).

(6) The CFD counterparty must make a payment it is required to make by virtue of paragraph (3) by the 8th working day after the day on which the BSCCo carried out the relevant allocation run following which the CFD counterparty is required to make that payment.

(7) Where a supplier fails to pay all or part of a payment it is required to make by virtue of paragraph (2) that supplier must pay the CFD counterparty simple interest at the rate specified in

regulation 35(1) on any unpaid amount from the day after the 5th working day after the day referred to in paragraph (5).

(8) For the purposes of this regulation—

- (a) the reconciled interim rate amount for a supplier in relation to a day is equal to the amount of electricity supplied by that supplier on that day multiplied by the interim levy rate which applies to that day by virtue of regulation 8(3);
- (b) the net levied interim rate payment for a supplier in relation to a day is the sum of the interim rate payment that supplier was required to pay in respect of that day and any payments that supplier was previously required to pay in respect of that day by virtue of paragraph (2), less any payments the CFD counterparty was previously required to pay to that supplier in respect of that day by virtue of paragraph (3);
- (c) a relevant allocation run is an Initial Volume Allocation Run or a Reconciliation Volume Allocation Run; and
- (d) 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 the most recent relevant allocation run in relation to that day, as the amount of electricity supplied by that supplier on that day.