
STATUTORY INSTRUMENTS

2014 No. 2014

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

PART 2

Supplier obligation

CHAPTER 4

Adjustments to interim rate and additional reserve payments

In period adjustments

12.—(1) Where the CFD counterparty is of the opinion that there is a high degree of likelihood that it will be unable to make all payments it is required to make to CFD parties during a quarterly obligation period it may, if it thinks it expedient to do so—

- (a) determine an adjusted interim levy rate in respect of that period in accordance with regulation 13;
- (b) determine an additional total reserve amount in respect of that period in accordance with regulation 14;
- (c) determine an adjusted interim levy rate and an additional total reserve amount in respect of that period.

(2) The CFD counterparty must take such steps as it considers necessary to ensure that electricity suppliers are kept informed of the likelihood that it will be unable to make all payments it is required to make to CFD parties during a quarterly obligation period.

(3) Where the CFD counterparty is of the opinion that there is a high degree of likelihood that it will collect significantly more from suppliers under regulations 8(1) and 11(1) during a quarterly obligation period than the amount it requires to be able to make all payments it is required to make to CFD parties during that period it may, in accordance with regulation 13, determine an adjusted interim levy rate in respect of that period.

Adjusted interim levy rate

13.—(1) Subject to paragraph (2), an adjusted interim levy rate for a quarterly obligation period (“the rate period”) is to be determined as the amount given by—

$$\frac{EOC - (EOI + SPC)}{EPS}$$

where—

EOC is the estimated quarterly obligation period payment cost in respect of the rate period, estimated in accordance with regulation 7(1) as at the time of the determination of the adjusted interim levy rate;

EOI is the estimated quarterly obligation period income in respect of the rate period, estimated in accordance with regulation 7(3) as at the time of the determination of the adjusted interim levy rate;

SPC is the sum of—

- (i) the total amount of interim rate payments which have been received by the CFD counterparty in relation to the rate period as at the time of the determination of the adjusted interim levy rate; and
- (ii) the total amount of interim rate payments which the CFD counterparty estimates it will receive in relation to the rate period, in the period from the time of the determination of the adjusted interim levy rate until the adjusted interim levy rate has effect;

EPS is the amount of electricity which the CFD counterparty estimates will be supplied by all electricity suppliers from the time the adjusted interim levy rate has effect until the conclusion of the rate period.

(2) Where the rate determined in accordance with paragraph (1) would be a negative number, the CFD counterparty must determine the adjusted interim levy rate as zero.

(3) Where the CFD counterparty has determined an adjusted interim levy rate 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) An adjusted interim levy rate has effect from the latest of—
- (a) the commencement of the rate period;
 - (b) the 30th day after the CFD counterparty has published the notice under paragraph (3);
 - (c) any later date in the rate period which the CFD counterparty specifies in the notice under paragraph (3).

Additional total reserve amount

14.—(1) An additional total reserve amount for a quarterly obligation period (“the reserve period”) is the amount which the CFD counterparty determines it would need to be paid, having regard to the matters set out in paragraph (2)—

- (a) to be able to make any CFD counterparty payments it has failed to make during the reserve period; and
 - (b) for there to be a 19 in 20 probability of it being able to make all payments it is required to make to CFD parties during the reserve period after the making of the determination.
- (2) The matters referred in paragraph (1) are—
- (a) the amount of interim rate payments which it expects to be paid during the reserve period after the making of the determination of the additional total reserve amount;
 - (b) any other amount which it expects to be paid by suppliers during the reserve period after the making of that determination;
 - (c) the likelihood of any supplier failing to make payments it is required to make under these Regulations during that period; and
 - (d) the estimated quarterly obligation period income, estimated quarterly obligation period electricity supply and the estimated quarterly period cost in respect of that period.

(3) Where the CFD counterparty determines an additional total reserve amount each electricity supplier must pay an additional reserve payment.

- (4) An electricity supplier’s additional reserve payment is the amount given by—

$$\left(TAA \times \frac{SRE}{RE} \right)$$

where—

TAA is the additional total reserve amount;

SRE is the amount of electricity (within the meaning given by regulation 11(5)) supplied by that supplier in the adjusted reference period as determined at the time that additional total reserve amount is determined;

RE is the total amount of electricity (within the meaning given by regulation 11(5)) supplied by all suppliers in the adjusted reference period, as determined at the time that additional total reserve amount is determined.

(5) For the purpose of paragraph (4), “the adjusted reference period” means the most recent period of 30 consecutive days in respect of which the BSSCo has carried out an Initial Volume Allocation Run.

(6) Where the CFD counterparty has determined an additional total reserve amount it must—

- (a) publish a notice setting out its determination of the additional total reserve amount, and
- (b) issue a notice to every electricity supplier setting out its determination of that supplier’s additional reserve payment.

(7) An electricity supplier must pay an additional reserve payment in respect of the reserve period by the later of—

- (a) the date by which a reserve payment is due from that supplier in respect of that period;
- (b) the 30th day after the CFD counterparty has published a notice under paragraph (6)(a); or
- (c) any later date which the CFD counterparty specifies in the notice published under paragraph (6)(a).

(8) Where a supplier fails to make all or part of an additional reserve payment by the date it must be paid in accordance with paragraph (7), 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 date by which that amount should have been paid.