
STATUTORY INSTRUMENTS

2014 No. 2014

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

PART 2

Supplier obligation

CHAPTER 7

Collateral

Requirement to provide collateral

19.—(1) This regulation applies at all times after an electricity supplier makes an electricity supply in a quarterly obligation period in respect of which it is required to make an interim rate payment.

(2) Where this regulation applies the supplier must ensure that, on any day, the CFD counterparty holds sufficient collateral from the supplier to meet the supplier's collateral requirement for that day.

(3) The supplier's collateral requirement for a day ("the relevant day") is determined by reference to the period beginning 26 days, and ending 5 days, before that day ("the relevant period").

(4) For each day in the relevant period, the amount of electricity supplied by the supplier on that day (as determined on the day before the relevant day) multiplied by the interim levy rate which applies in relation to the relevant day gives a relevant amount.

(5) The sum of the relevant amounts is the supplier's collateral requirement for the relevant day.

(6) The supplier is not to be treated as having breached its obligation under paragraph (2) where, after the first occasion on which it provided sufficient collateral to the CFD counterparty to meet its collateral requirement for a day—

- (a) the amount of that supplier's collateral held by the CFD counterparty fell below that supplier's collateral requirement for a subsequent day; and
- (b) by the second working day ("the cure day") after that subsequent day, the supplier provides sufficient collateral to the CFD counterparty to meet its collateral requirement for the cure day.

(7) Collateral may be provided in the form of—

- (a) cash;
- (b) appropriate letters of credit; or
- (c) a combination of the two.

(8) For the purposes of this regulation—

- (a) collateral is held by the CFD counterparty where it is provided to the CFD counterparty and not called (within the meaning of regulation 22);

- (b) the amount of electricity supplied by a supplier on any day is the amount which the BSCCo determines, on the basis of the most recent BSC reconciliation run carried out by the BSCCo in relation to that day, as the amount of electricity that the supplier supplied on that day; and
 - (c) the interim levy rate which applies in relation to a day is the interim levy rate which applies in relation to that day by virtue of regulation 8(3).
- (9) In this regulation “appropriate letter of credit” is to be construed in accordance with regulation 20(1).