
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 [^{F1}in respect of] 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 [^{F2}in respect of] 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) [^{F3}in respect of] a quarterly obligation period than the amount it requires to be able to make all payments it is required to make to CFD parties [^{F3}in respect of] that period it may, in accordance with regulation 13, determine an adjusted interim levy rate in respect of that period.

F1 Words in reg. 12(1) substituted (1.4.2016) by [The Electricity Supplier Payments \(Amendment\) Regulations 2016 \(S.I. 2016/363\)](#), regs. 1(3), **8(2)**

F2 Words in reg. 12(2) substituted (1.4.2016) by [The Electricity Supplier Payments \(Amendment\) Regulations 2016 \(S.I. 2016/363\)](#), regs. 1(3), **8(2)**

F3 Words in reg. 12(3) substituted (1.4.2016) by [The Electricity Supplier Payments \(Amendment\) Regulations 2016 \(S.I. 2016/363\)](#), regs. 1(3), **8(2)**

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 [^{F4}respect of electricity supply during] 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 [^{F4}respect of electricity supply during] 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^{F5}, less the amount of EII excluded electricity which it estimates will be supplied by all suppliers, in the period] 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.

^{F6}(3) Where the CFD counterparty has determined an adjusted interim levy rate it must—

- (a) as soon as reasonably practicable, publish a notice setting out that rate and issue that notice to every electricity supplier who has a BM Unit registered as at the day before the date of publication of the notice;
- (b) issue that notice to every electricity supplier who has a BM unit that becomes registered on or after the date of publication of the notice and by the last day of the quarterly obligation period during which that rate has effect, as soon as reasonably practicable after the BM Unit is registered; and
- (c) where paragraph (5) applies, specify a date on which the rate shall have effect.]

(4) [^{F7}Where the adjusted interim levy rate is greater than the previous levy rate, it] 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).

^{F8}(5) Where the adjusted interim levy rate is less than the previous levy rate, it has effect from the date specified in the notice published under paragraph (3).

(6) For the purpose of paragraphs (4) and (5), “previous levy rate” means the interim levy rate or the adjusted interim levy rate most recently determined in respect of the rate period.]

<p>F4 Words in reg. 13(1) substituted (1.4.2016) by The Electricity Supplier Payments (Amendment) Regulations 2016 (S.I. 2016/363), regs. 1(3), 9(2)</p>
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- F5** Words in reg. 13(1) inserted (1.4.2015) by The Electricity Supplier Obligations (Amendment & Excluded Electricity) Regulations 2015 (S.I. 2015/721), regs. 1(2), **23(2)**
- F6** Reg. 13(3) substituted (1.4.2016) by The Electricity Supplier Payments (Amendment) Regulations 2016 (S.I. 2016/363), regs. 1(3), **9(3)**
- F7** Words in reg. 13(4) substituted (1.4.2016) by The Electricity Supplier Payments (Amendment) Regulations 2016 (S.I. 2016/363), regs. 1(3), **9(4)**
- F8** Reg. 13(5)(6) inserted (1.4.2016) by The Electricity Supplier Payments (Amendment) Regulations 2016 (S.I. 2016/363), regs. 1(3), **9(5)**

Additional total reserve amount

14.—^{F9}(1) An additional total reserve amount in respect of a quarterly obligation 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 which commences during that quarterly obligation 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 that 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 ^{F10}that 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 ^{F11}that 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 ^{F12}that reserve period]; ^{F13}...
 - ^{F14}(d) the CFD counterparty's estimate of the payments it expects to receive from CFD parties and electricity suppliers during that reserve period]^{F15}; and
 - (e) the amount of any SoS funds that the Secretary of State has specified will be available in respect of that reserve period and that the Secretary of State has specified should be taken into account when adjusting the total reserve amount].

(3) Where the CFD counterparty determines an additional total reserve amount each electricity supplier ^{F16}who supplied electricity during the adjusted reference period] must pay an additional reserve payment.

(4) An electricity supplier's additional reserve payment is the amount given by—
^{F17}

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

]

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;

[^{F18}SXE is the amount of EII excluded electricity supplied by that supplier in the adjusted reference period as determined on the date on which 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;

[^{F19}XE is the total amount of EII excluded electricity supplied by all suppliers in the adjusted reference period as determined on the date on which that additional total reserve amount is determined.]

(5) For the [^{F20} purposes of paragraphs (3), (4) and (6)], “the adjusted reference period” means the most recent period of 30 consecutive days in respect of which the [^{F21}BSCCo] 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 [^{F22} who supplied electricity during the adjusted reference period] 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.

- F9** Reg. 14(1) substituted (1.7.2017) by [The Electricity Supplier Payments \(Amendment\) Regulations 2017 \(S.I. 2017/502\)](#), regs. 1(2), **10(a)**
- F10** Words in reg. 14(2)(a) substituted (1.7.2017) by [The Electricity Supplier Payments \(Amendment\) Regulations 2017 \(S.I. 2017/502\)](#), regs. 1(2), **10(b)(i)**
- F11** Words in reg. 14(2)(b) substituted (1.7.2017) by [The Electricity Supplier Payments \(Amendment\) Regulations 2017 \(S.I. 2017/502\)](#), regs. 1(2), **10(b)(i)**
- F12** Words in reg. 14(2)(c) substituted (1.7.2017) by [The Electricity Supplier Payments \(Amendment\) Regulations 2017 \(S.I. 2017/502\)](#), regs. 1(2), **10(b)(ii)**
- F13** Word in reg. 14(2)(c) omitted (8.7.2020) by virtue of [The Contracts for Difference \(Electricity Supplier Obligations\) \(Amendment\) \(Coronavirus\) Regulations 2020 \(S.I. 2020/709\)](#), regs. 1, **2(6)(a)**
- F14** Reg. 14(2)(d) substituted (1.7.2017) by [The Electricity Supplier Payments \(Amendment\) Regulations 2017 \(S.I. 2017/502\)](#), regs. 1(2), **10(b)(iii)**
- F15** Reg. 14(2)(e) and preceding word inserted (8.7.2020) by [The Contracts for Difference \(Electricity Supplier Obligations\) \(Amendment\) \(Coronavirus\) Regulations 2020 \(S.I. 2020/709\)](#), regs. 1, **2(6)(b)**
- F16** Words in reg. 14(3) inserted (1.4.2016) by [The Electricity Supplier Payments \(Amendment\) Regulations 2016 \(S.I. 2016/363\)](#), regs. 1(3), **10(2)**
- F17** Reg. 14(4) formula substituted (1.4.2015) by [The Electricity Supplier Obligations \(Amendment & Excluded Electricity\) Regulations 2015 \(S.I. 2015/721\)](#), regs. 1(2), **24(2)(a)**
- F18** Words in reg. 14(4) inserted (1.4.2015) by [The Electricity Supplier Obligations \(Amendment & Excluded Electricity\) Regulations 2015 \(S.I. 2015/721\)](#), regs. 1(2), **24(2)(b)**
- F19** Words in reg. 14(4) inserted (1.4.2015) by [The Electricity Supplier Obligations \(Amendment & Excluded Electricity\) Regulations 2015 \(S.I. 2015/721\)](#), regs. 1(2), **24(2)(c)**

- F20** Words in reg. 14(5) substituted (1.4.2016) by [The Electricity Supplier Payments \(Amendment\) Regulations 2016 \(S.I. 2016/363\)](#), regs. 1(3), **10(3)**
- F21** Word in reg. 14(5) substituted (1.4.2015) by [The Electricity Supplier Obligations \(Amendment & Excluded Electricity\) Regulations 2015 \(S.I. 2015/721\)](#), regs. 1(2), **24(3)**
- F22** Words in reg. 14(6)(b) inserted (1.4.2016) by [The Electricity Supplier Payments \(Amendment\) Regulations 2016 \(S.I. 2016/363\)](#), regs. 1(3), **10(4)**

[^{F23}**Determination of reduced total reserve amount**]

[^{F24}**14A.**—(1) This regulation applies 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) in respect of a quarterly obligation period than the amount it requires to be able to make all payments it is required to make during the reserve period which commences during that quarterly obligation period]^{F25}, taking into account any SoS funds that the Secretary of State has specified will be available in respect of that reserve period and that the Secretary of State has specified should be taken into account when adjusting the total reserve amount].

(2) Subject to paragraph (3), where this regulation applies the CFD counterparty may determine again the total reserve amount in respect of that quarterly obligation period in accordance with regulation 10(1)(a) and (5) (and for the purposes of this regulation the amount after it has been determined again is the “reduced total reserve amount”).

(3) The CFD counterparty may not make a determination under paragraph (2) in respect of a total reserve amount after the date which is 5 working days before the date electricity suppliers must make a reserve payment in respect of that total reserve amount under regulation 11(1).

(4) Where the CFD counterparty makes a determination under paragraph (2) in respect of a quarterly obligation period, it must—

- (a) publish a notice setting out its determination of the reduced total reserve amount for that period;
- (b) recalculate the amount (the “reduced reserve payment”) each supplier must pay under regulation 11(1) in respect of that period in accordance with regulation 11(3), and
- (c) issue a notice to each electricity supplier who was issued a notice under regulation 10(4) in respect of that period setting out the amount that supplier must pay under regulation 11(1) in respect of that period.

(5) A notice under paragraph (4)(c) may only be issued before a reconciliation notice has been issued under regulation 15(3) in respect of the same obligation period.

(6) Where the CFD counterparty issues a notice to a supplier under paragraph (4)(c) and that supplier has already made a reserve payment in respect of the quarterly obligation period to which it relates which exceeds the reduced reserve payment due from that supplier, the CFD counterparty must pay back to that supplier the difference between the amount of that reserve payment and the reduced reserve payment now due from that supplier as soon as reasonably practicable.]

- F23** Reg. 14A heading inserted (8.7.2020) by [The Contracts for Difference \(Electricity Supplier Obligations\) \(Amendment\) \(Coronavirus\) Regulations 2020 \(S.I. 2020/709\)](#), regs. 1, **2(7)(a)**
- F24** Reg. 14A inserted (1.7.2017) by [The Electricity Supplier Payments \(Amendment\) Regulations 2017 \(S.I. 2017/502\)](#), regs. 1(2), **11**
- F25** Words in reg. 14A(1) inserted (8.7.2020) by [The Contracts for Difference \(Electricity Supplier Obligations\) \(Amendment\) \(Coronavirus\) Regulations 2020 \(S.I. 2020/709\)](#), regs. 1, **2(7)(b)**

Changes to legislation:

There are currently no known outstanding effects for the The Contracts for Difference (Electricity Supplier Obligations) Regulations 2014, CHAPTER 4.