

ELECTRICITY MARKET REFORM: SMOOTHING THE TRANSITION TO THE CFD

WORKING GROUP 1, SAMPLE CONTRACTS

TERMS OF REFERENCE

Objectives:

- To enable market participants to understand the likely commercial arrangements for the sale of electricity through Power Purchase Agreements compatible with the CfD.
- To reduce barriers to participation at the outset of the scheme; reduce costs for the first movers; and improve investor confidence in the PPA market under CfD.

Output:

Sample PPA contracts which are compatible with the CfD and would provide the basis for commercial negotiations.

Milestones:

May – paper on resource requirements

July/August – draft Heads of terms

December – Final sample contracts

Governance:

The Working Group will be chaired by Chris Hemsley/Phil Hicken and will report to the Smoothing the Transition Steering Board, which will have overall responsibility for the progress of the Working Group. The WG will produce papers for the Steering Board's consideration and the chair of the WG will attend SB meetings to discuss progress, accompanied by key members of the WG as appropriate.

Meetings:

We envisage that the Working Group will meet approximately every month during 2013 to discuss progress and agree the next steps. All meetings will be held at DECC's offices in central London, and are expected to last around 90 minutes.

Papers:

DECC will aim to circulate relevant material in advance of each meeting to allow for preparation where appropriate.

WG members will be required to handle any papers with discretion and are requested to not share papers widely with colleagues or outside their organisation.

Transparency:

Draft minutes of the meetings will be circulated to all WG members and DECC will publish final minutes on the internet. Members are welcome to distribute minutes of the meetings to any interested parties.

Discussion papers will also be published on the internet.

Indicative timetable of activities

	Activity	Resources
April/May	Consider current structure of PPAs <ul style="list-style-type: none"> Identify the function of each element 	commercial/origination teams
June/July	Develop structure of CfD-PPA (based on CfD Heads of Terms) <ul style="list-style-type: none"> Identify the functions that a CfD-PPA will need to perform & compare with functions of current PPA (to include risk allocation) Consider additional functions necessary in a CfD PPA Identify variants (e.g. simple CfD PPA, PPA reflecting indexation of imbalance costs) 	Commercial/origination teams Legal
July/August	Draft heads of terms for variety of PPA approaches (Legal resource)	Legal
August	Interim report and draft HoT to SB	Policy
September-November	Fill in detail of contract (Legal resource)	Legal
November	Legal check of any competitive impact	Legal
December	Present final draft contracts to Steering Board	Policy

Membership:

Members of the WG have been selected on the basis of their knowledge and experience. Substitutes will therefore not generally be accepted. However, if members are unable to attend meetings then DECC will consider suggestions for alternates for that meeting.

Members of the WG are expected to act impartially and they, their organisations or any of their substitutes will not be bound by any recommendations or decisions made by the group.

Ofgem officials that are members of this group do not represent the views of the Gas and Electricity Markets Authority. Their attendance should therefore not be considered an implicit or explicit endorsement or agreement to the outcomes and will not fetter the Authority discretion in the future. Similarly representatives from National Grid that are members of this group do not represent the views of National Grid PLC or any of its subsidiaries and will not be bound by any recommendations made by the group.

DECC reserves the right to review membership in future to ensure the group remains effective. DECC will assess the composition and the need for the Group at the end of the next stage of the programme to ensure it remains fit for purpose for future stages.

Members:

Name & Title	Company
Jean-Pascal Boutin	Eversheds
Scott Buckleton	GPS
Nick Churchward	Burges Salmon
Rob Ellis	Cooperative Group
Andreas Flamm	Ofgem
Owen Forster	EDF
Anne Geilen	Ovo Energy
Christopher Granby	Infinis
Kirsty Hamilton	LCFG
Edward Lawns	SSE
Peter Lynch	Mainstream Renewables
Stuart Noble	Scottish Power
Robert Owens	Smartest Energy
Stephen Packwood	RES
Christian Pegrum	E.On
Lee Priestley	Centrica
Simon Proctor	Good Energy
Mark Smith	RWE

Adherence with competition law

Working Group members must ensure that their involvement in this group is consistent with their obligations in relation to competition law. Participants should take their own legal advice if this is necessary. No participants are expected to share any information which is considered to be commercially sensitive and if participants have any concerns about the activities of the group as it relates to competition law this should be brought to the attention of the chair of the group.