

Question Log



Department
of Energy &
Climate Change

Programme / Project Name			DECC EMR Workshops			
Programme / Project Manager			Stuart Cook			
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Issue Id.	Programme/ Project/ Workstream Affected	Document Point Ref	Question raised in Collaborative Development group	DECC has seen no evidence to suggest that this is a matter for concern for the design or operation of CfDs	DECC has been aware of this through its regular stakeholder engagement channels and has published its preferred approach to dealing with this matter. Further views are welcome in response to the October consultation on EMR implementation	DECC will consider this matter and will clarify how this be addressed before the end of collaborative development process
1	End to end policy - other		Subsequent publications - will these documents be final, or still open to consultation? Consultation document sets out clearly the process for resolving policy issues.	x		
2	End to end policy - other		Budget for CfDs and how these are set - do you need to consider the budget for the life of the CfD? Will people be able to understand where they are in relation to FCFS / constrained rounds?			x
3	End to end policy - supplier obligations		How is the reserve fund calculated? What is the likely scale of the fund? Three month minimum notice. Scale to be included in impact assessment in October.		x	
4	End to end policy - supplier obligations		What will the 2014/15 payment be? Zero? Early indications, payments to generators in year commencing April 15 at the earliest - supplier payments would commence pre-April '15. Further information to come on this. Still possible for a payment next year. May be lump sum set-up payments due before April 15.		x	
5	End to end policy - supplier obligations		Does the reserve fund / insolvency fund count towards the levy control framework?		x	
6	End to end policy - supplier obligations		Can more information be made available on the Reserve Fund?		x	
7	Manage collateral	Manage Collateral - 10, 5.	Should there be a confirmation from the settlement agent once collateral received and checked? (ref10) There will be information made available every working day as to requirements versus what posted - this will be reflected on the process map. Process map could explicitly reflect the choice for suppliers to post additional collateral above their requirements to avoid having to make regular additions. (ref 5)			x
8	Manage collateral		When will we have a better understanding of the magnitude of Collateral costs? Collateral costs to be included in impact assessment.		x	
9	Invoicing / Reconciliation	I&DR:2	Can we capture the necessary complexity / detail in relation to set-up suppliers and generators? Not given on this map or the separate one yesterday.			x
10	Invoicing / Reconciliation	I&DR:12	Could the size of the reserve fund be reduced by sizing collateral against variable rate? Easier to have a collateral requirement against the fixed rate. Policy area - needs to be thought about. More detail on policy in the ConDoc			x
11	Invoicing / Reconciliation	I&DR:3	Concerns raised on metering requirements of invoices, including unit metering not covered by BSC. Referred to metering sub-group under CfD expert group - would be covered under that. Can pass relevant details through (need delegate name).	x		
12	Invoicing / Reconciliation		12a) Does the process allow for modifications over time? Would need a greater level of detail in process maps to identify changes to systems. 12b) A worked example for settlement day would be very useful - one at the end, beginning of financial year.	12a		12b

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13	Invoicing / Reconciliation		Requirements would mean a new system for e.g. renewable generators (used to monthly bills). We need to map out the customer journey for differing type of generators.		x	
14	Invoicing / Reconciliation	I&DR: before 17 & 22	Wording around raising issues against invoices / credit notes by suppliers / generators currently unclear.			x
15	Invoicing / Reconciliation		EII - provisions currently in development. Could use BSC data as one option. More detail later this year. SO will be paid based on non-exempt electricity. (Again to metering sub-group)		x	
16	Invoicing / Reconciliation		Could we have more detail on the RQM processes? Still being developed. Proposals in 4-6 weeks. Sustainability compliance included in that.			x
17	Invoicing / Reconciliation		What would be the potential size of the Reserve / Insolvency Reserve Funds?		x	
18	Payments / Receipts		Some small generators could struggle to make payments in 5 days. BACS - 3 days. 2 days to approve invoices seems tight. Direct debit possible? Does government banking service allow direct debits? CHAPS quicker but more expensive. Need to consider irregularity of payments and difference between BSC and non-BSC registered participants. Potential for different invoicing terms for small payments (as per BSC)?			x
19	Payments / Receipts		Separate reconciliation invoice for CfD / RQM would be easier. Not easy to separate out metered volume and RQM reconciliations - they interact - likely to result in a lot of small payments. Not straightforward.			x
20	Payments / Receipts - non-payment		Worth noting that in event of call on group collateral, BSC would have to call on each suppliers letter of credit at the same time? Potentially a big admin burden to call on LCs at the same time. There is quite an early warning system involved. Early warning of payment / credit default through system, given daily invoicing. Form of collateral can be cash or LoC.			x
21	Payments / Receipts - non-payment	P&R:13	Wouldn't suppliers take advantage of those extra two business days (rectification period)? Potentially, but the rectification period can be used to sort out small differences (as experienced by Elexon). Expect to charge interest on late payments between 5 and 7 days. (Add to process map)		x	
22	Payments / Receipts - non-payment	P&R:22	Further detail could be added to the process map to reflect transparency for the benefit of all industry participants needs to be incorporated.			x
23	Estimate Reserve Fund		In the process of forecast model development for each year - will the parameters of the model / the model itself be made available to people? Will the model methodology be open for consultation?			x
24	Manage Reserve Fund		When will the size of the Reserve Fund be known and methodology? This will be covered in the Impact Assessment.		x	
25	Manage Reserve Fund		Might be worth having a timeline showing how payments and volume reconciliation runs for a given day would flow through the different levies and fund reconciliations.			x
26	Manage Reserve Fund		Should a new supplier's Reserve Fund contribution be sized according to their plans, as opposed to their month 1 market share? Another solution would be a monthly top-up or triggers for new suppliers? A number of available approaches.			x
27	Manage Reserve Fund	RFM1,3,4	The actual process to start the Reserve Fund Management process wouldn't involve an action of settlement agent asking BSCCo for stuff, rather it would be written into BSC and be available to them.			x

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28	Manage Reserve Fund	RFM12	If metering dispute within year, need to understand the materiality threshold for recalculating the size of the Reserve Fund for all suppliers mid-year.	x		
29	Manage Reserve Fund	RFM	What happens when Reserve Fund gets drawn? Not reflected on process map.			x
30	Manage Reserve Fund	RFM	In extreme scenario (of market prices and difference payments), the fixed levy payment could be changed or there could be a call for funding for the Reserve Fund - dependent on what is cost effective. This needs to be documented quite clearly as to what might happen in the event that the Reserve Fund is not sufficient. The extraordinary process should be included in the process map.		x	x
31	Manage Reserve Fund		At the moment, notifications of the Reserve Fund level per supplier are issued to supplier on a quarterly basis - keen to take views on how often would be useful. More transparency would be better - would propose monthly Reserve Fund notifications?		x	
32	Manage Reserve Fund	RFM5,6	Payments for Reserve Fund invoice by May, expected in July? Still looking at this.			x
33	Estimate Reserve Fund	RFE1,2	When Reserve Fund sizing will be notified to market? Could include this in the process map.			x
34	Estimate Reserve Fund	RFE5	Reserve Fund calculation would involve forecasting January to March for settlement data? May involve a reference month (e.g. November). Reserve Fund Estimation is both an adjustment for the previous year and estimation for the coming year.			
35	Reserve Fund / Levy Reconciliation		Relationship with LCF needs to be clarified - rate will be based on LCF from 2 years previously?			x
36	Reserve Fund / Levy Reconciliation	L&RFR9	Finalised rate to be published / notified - should be added to process map.			x
37	Invoicing / billing documentation (Elxon)		Would VAT be chargeable on any elements of the CfD invoices?			x
38	Invoicing / billing documentation (Elxon)		What is the current view on information transparency? In the current strawman templates, we are not reporting individual generator or supplier market share data.	x		
39	Invoicing / billing documentation (Elxon)		Billing statements will include changes to RQM values included in the reconciliation runs. Current RQM % should be included on the bill.	x		
40	Invoicing / billing documentation (Elxon)		Would the billing statements / invoices need to be issued separately for individual CfDs? Could invoice separately but apply to the same billing entity? Need to understand implications for Project Financing. DECC will take this away and consider.			x
41	Invoicing / billing documentation (Elxon)		Why are Counterparty set-up / operating costs being levied on a per MWh basis? Only useful if there is a need for transparency with consumers. Otherwise might make sense to run similarly to BSC operating costs, budgeted annually and levied by market share.		x	
42	Invoicing / billing documentation (Elxon)		Could the initial year be seen as a 'test-run' for suppliers / generators given the amounts involved? DECC would like more information on the operationalisation approach (discussion offline).			x
43	Invoicing / billing documentation (Elxon)		Concern over size of Reserve Fund - creates political risk for suppliers at year-end. Ofgem could provide transparency to consumers, but would the information give confidence? Would be useful for consumer groups to be involved in the sizing of the Reserve Fund.		x	

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44	Invoicing / billing documentation (Elexon)		Defaulting supplier would have an asset in the Reserve Fund / or remaining reconciliation payments. Who owns the asset in the Reserve Fund legally - could it be used to pay back supplier costs incurred through mutualisation?			x
45	Invoicing / billing documentation (Elexon)		Change the word 'notice' to 'notification' to imply its not a demand (pg10).			x