

**CfD Market Readiness Steering Board
Thursday 18th April 2013 14:00 – 16:00
Minutes and actions**

Attendees:

Chair:

Jonathan Brearley – Director, EMR, DECC

Board members:

Andrew Buglass	RBS
Dr Gordon Edge	RenewableUK
David Handley	RES
Angela Knight	Energy UK
Paul McCartie	Lightsource
John Perkins	National Grid
Jonathan Smith	First Utility

DECC attendees:

Chris Hemsley
Phil Hicken
Alex Weir
Matt Coyne
Jessica Henry

1.	Introduction	Slides 1 & 2 of the attached slide pack	Jonathan Brearley	
<p>The purpose of this Steering Board is to assist DECC develop an appropriately balanced package to ensure that independent renewable generators can play their part in the electricity market.</p> <p>The scope of the Steering Board will cover the analysis of the issues; the development of ‘no-regrets’ measures being taken forward by separate Working Groups; and consideration of whether additional regulatory intervention is appropriate, and if so what form it could take.</p> <p>The Steering Board will provide advice and expert input – ultimately, decisions will be made by DECC Ministers.</p> <p>The Board discussed the scope of the Steering Board and whether it would also consider the transition away from the RO. It was clarified that there are parallel processes in progress elsewhere that would cover that and the focus for this Steering Board would be to ensure the PPA market is ready for the introduction of the CfD. The Terms of Reference for the Steering Board were agreed.</p>				
2.	Voluntary ‘no-regrets’ measures	Terms of reference and objectives for Working Groups	Matt Coyne	

Sample PPA Contracts

The Board supported the overall approach but thought that the ultimate test would come when the first projects sought finance on the back of a CfD-compatible PPA.

There was a discussion on the level of detail needed and whether it would be necessary to deliver a fully worked up contract in legal language. The Board agreed that the Working Group should aim for Heads of Terms and then the Board should consider the necessity and feasibility of developing further into legal language.

The Board agreed that legal resource would be necessary from the start, and that even developing Heads of Terms would require legal resource.

The Board agreed that the Working Group should consider potential different structures for PPAs such as power only, power & CfD payments.

Noting that the detail of the CfD would be needed before it will be possible to work up the detail of a back-to-back PPA, it was suggested that one approach to starting the work could be to identify the areas of difference between current PPAs and PPAs under the CfD

Actions:

- **DECC** to circulate slides on CfD payment flows
- **DECC** to reflect the Board's consideration in the approach to the working group process.

Code of Practice

The Board considered the suggested elements of a code of practice as presented in the slides. The Board noted that it would be necessary to strike an appropriate balance between providing enough transparency to help market participants understanding, without affecting market behaviour or being incompatible with commercial confidentiality.

The Board agreed that the suggested elements should be put to the Working Group for further consideration and development.

Action:

- **DECC** to reflect the Board's consideration in the approach to the Working Group process.

3.	Regulatory interventions	Update on DECC's analysis of the options	Alex Weir	
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The Board considered the options for regulatory interventions presented in the slides. The Board noted that it would be important to consider the relationship between tariffs available under small scale FITs and CfD strike prices given the contingent degression mechanism for FITs tariffs, which could lead to the perverse outcome of tariffs being lower for smaller projects

The Board commented that the ‘backstop offtaker’ option could if structured correctly enable lenders to become comfortable with a wider variety of PPA counterparties and potentially shorter-term PPAs (although it would be unlikely to make lenders immediately comfortable with 3-5 year PPAs). The Board discussed the interactions between the method of setting the backstop price (project specific or on an average basis), the level of protection provided, conditions around accessing the backstop offtaker, and the degree of comfort that would be provided to lenders. . The Board agreed that it was worthwhile continuing to explore the feasibility of all the backstop options.

Action:

- **All Board members** to consider the approaches described in the slides discussed at the meeting and to provide comments to DECC.
- **DECC** to circulate a paper providing more details of the backstop offtaker option for comment.

4.	AOB, Next Board Date & Agenda	No papers	Phil Hicken	
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Next Board meeting will be scheduled for late May and will discuss the initial progress and any resource requirements for the Working Groups. Subject to Ministerial decisions and timing of the Energy Bill process it should also allow consideration of the next steps for developing a regulatory response.

Action:

- **DECC** to circulate the slides from this Steering Board and the recent workshop and, when received, the analytical reports from our consultants