



LOW CARBON
CONTRACTS COMPANY

Electricity Market Reform Contracts for Difference

GB Implementation Plan

Published 24 July 2014
(Updated from 08 April 2014)

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Any enquiries regarding this publication should be sent to us at cfpreparations@decc.gsi.gov.uk.

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Introduction

The Contracts for Difference (CFD) scheme is a key pillar of the Department of Energy and Climate Change (DECC) Electricity Market Reform (EMR) programme.

This document provides potential participants in the CFD scheme and electricity suppliers with details of the key implementation activities and milestones for the first CFD allocation round in 2014 and subsequent settlement.

The first version of this CFD GB Implementation Plan was published by DECC on 8 April 2014 as one of the outputs of the EMR Collaborative Development Programme which concluded in December 2013.

This version has been updated by the Low Carbon Contracts Company in its role as the CFD Implementation Coordinator (see below) and is now based on Government's final policy position¹, published Allocation Framework², and Regulations laid in Parliament³.

CFD Implementation Coordination

In its role as CFD Implementation Coordinator, the Low Carbon Contracts Company is responsible for:

- Overall monitoring of progress and readiness against the CFD Implementation Plan;
- Maintenance of the CFD Implementation Plan;
- Co-ordinating CFD implementation activities across delivery partners and potential industry participants;
- Passing any policy issues to DECC if raised as part of implementation discussions; and
- Owning and updating the CFD operating model.

CFD Implementation Plan

The CFD Implementation Plan identifies the key milestones and activities that are required to successfully implement the CFD scheme. The milestones set out in this implementation plan reflect the agreed position between the government and EMR delivery partners at the time of publication on the timing of planned activities that support delivery of the CFD in 2014.

The plan is intended to provide a high level overview of the steps involved in the implementation of the CFD scheme and the running of the first application and contract award process, with the aim being that applicants and electricity suppliers have the clarity required to plan and manage their own implementation work.

The implementation plan is a summary and does not replace or replicate the detailed implementation plans that Government, delivery partners and individual industry participants may need to produce to manage their respective implementation activities.

The plan may need to be revised and so the timeline for the implementation of the CFD scheme may be subject to change, with and Parliamentary approval currently still in progress.

Importantly, the plan only covers the scenario where there are no eligibility disputes (Tier 1 reviews or Tier 2 appeals). Everything following the eligibility results day would be impacted in the case of eligibility disputes and depending which tier of dispute was activated the impact on the Allocation date would vary significantly.

¹ As set out in "Implementing Electricity Market Reform" June 2014 document:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/324176/Implementing_Electricity_Market_Reform.pdf

² The latest Allocation Framework is available at: <https://www.gov.uk/government/publications/electricity-market-reform-contracts-for-difference>

³ CFD Regulations published on 23 June 2014 available under "Electricity" at: <http://www.legislation.gov.uk/ukdsi/2014/e>

The plan consists of the key implementation milestones set out in the table of [Key Activities and Milestones](#) and in the accompanying Implementation Plan at [Annex A](#)- which assumes no eligibility disputes. [Annex B](#) has been provided to illustrate one scenario of how the timeline could be impacted should there be eligibility Tier 1 reviews and Tier 2 appeals.

Roles and Responsibilities under the CFD Scheme

A number of organisations are working together to implement the EMR programme. This section focuses on these organisations' roles in relation to the 'implementation phase' covering the first application and contract award process for CFDs. This is depicted in **Figure 1: Overview of Roles and Responsibility under the CFD Scheme**.

Government

- Designs and implements the policy for the CFD mechanism.
- Sets the terms of the CFD contract and can vary terms for contracts issued in future.
- Sets the objectives for the allocation system.
- Is responsible for approval of supply chain plans.
- Sets out eligibility criteria that applicants must meet.
- Sets auction rules and details of the allocation process in the Allocation Framework.
- Can vary the generic CFD contract terms before an allocation round is announced.
- Announces allocation rounds and the budget for allocation rounds.
- Takes the final decision on whether to proceed with, rerun or terminate an allocation round after receiving the audit report.
- May award CFDs outside the generic allocation process.
- Is sole shareholder of the Low Carbon Contracts Company.
- Reviews and approves Low Carbon Contracts Company's operational budget and sets the operational cost levy rate to cover this in the Contract for Difference (Electricity Supplier Obligations) Regulations.

Low Carbon Contracts Company (the CFD Counterparty)

- Considers any minor and necessary modifications to the contract standard terms ahead of an allocation round.
- Signs CFDs once provided with the necessary information by the Delivery Body or directed by the Secretary of State.
- Manages and monitors CFDs, and Investment Contracts which are transferred from the Secretary of State, over their lifetime⁴.
- Forecasts CFD payments, and fixes Supplier Obligation interim rate and reserve amounts on a quarterly basis.
- Calculates quarterly reconciliation payments.
- Collects payments from suppliers and passes to generators and vice versa, collects and holds collateral from suppliers/generators, takes action to recover debts owed by electricity suppliers and generators, and mutualises any unpaid debts (EMR Settlement Ltd, as Settlement Services Provider, will carry out these activities on behalf of the Low Carbon Contracts company).

⁴ Including fuel monitoring, sampling and sustainability agreement where applicable.

National Grid (EMR Delivery Body)

- Assesses the eligibility of applications for generic CFDs and notifies applicants of eligibility determination.
- Values all applications and assesses whether an auction process is required to decide which applicants should be offered a CFD.
- Runs the CFD allocation process.
- Provides the Low Carbon Contracts Company with the information necessary to offer a CFD.
- Conducts analysis to support Government's setting of administrative strike prices.
- Reports value of applicants to DECC.
- Determines disputes regarding CFD eligibility (Tier 1 disputes).

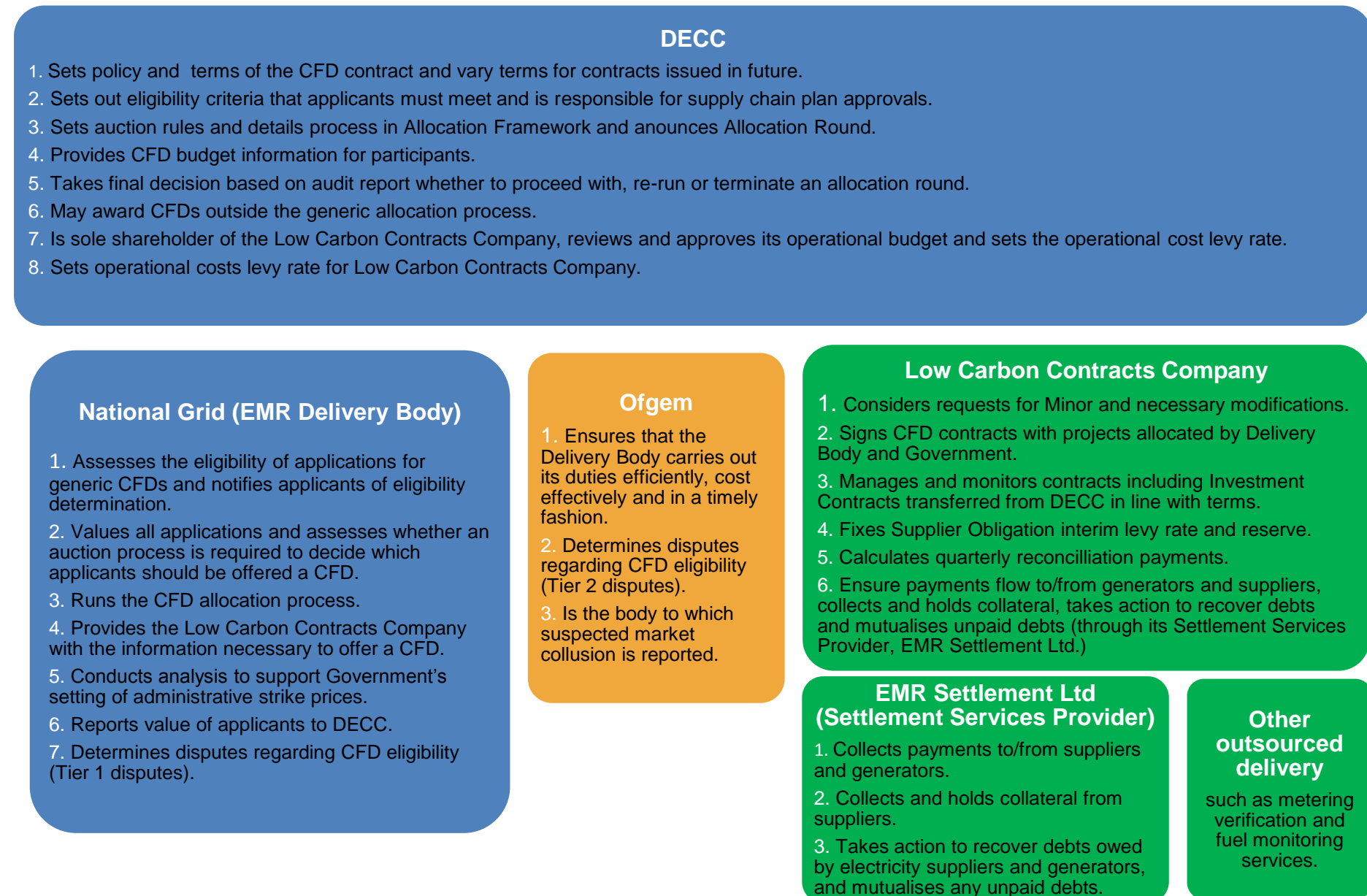
EMR Settlement Ltd (Settlement Services Provider)

- Collects payments to/from suppliers and generators.
- Collects and holds collateral from suppliers.
- Takes action to recover debts owed by electricity suppliers and generators, and mutualises any unpaid debts.

Ofgem

- Ensures that the EMR Delivery Body carries out its duties efficiently, cost effectively and in a timely fashion.
- Determines disputes regarding CFD eligibility (Tier 2 disputes).
- Is the body to which suspected market collusion is reported.

Figure 1: Overview of Roles and Responsibility under the CFD Scheme



Key Activities and Milestones

The table below details the completed and anticipated dates for milestones for the EMR CFD GB Implementation Plan. The Reference numbering (Ref. Num) refers to the location of the milestones on the Implementation Plan schedule provided at Annex A.

Please note that these timings are indicative and are subject to Parliamentary and State Aid approval. Low Carbon Contracts will endeavour to provide any updates to milestones in a timely manner.

Ref. Num	Activity/ Milestone	Description	Planned Date	Owner	Dependencies Applied Where Applicable
1	Consultation on Operational Cost Levy for 2014/15	Four week consultation on estimated operational costs for CFD Low Carbon Contracts, and on the forecast electricity demand.	Complete 27 March 2014	DECC	
2	Draft Allocation Framework	Publication of Government position on the allocation rules	Complete 8 April 2014	DECC	
2a	Consultation on BSC subsidiary documents	Four weeks consultation on Balancing Settlement Code (BSC), further to January Codes and Licences consultation	Complete 9 April 2014	DECC	
3	CFD Contract published	Publication of updated CFD contract and supporting documents (less private wire, sustainability and phasing clauses)	Complete 22 April 2014	DECC	
4	Publication of the CFD Budget Policy Update and narrative	<p>Sets out the government response to the January consultation on Competitive Allocation and provides a short policy update on CFD allocation</p> <p>Launches four weeks further consultation on approach to Biomass conversions, Scottish Island projects and Minima and Maxima</p>	Complete 29 April 2014	DECC	

Ref. Num	Activity/ Milestone	Description	Planned Date	Owner	Dependencies Applied Where Applicable
5	Supply chain guidance published	Draft guidance to those who will require supply chain plans before applying for a CFD	Complete 29 April 2014	DECC	
6	Publication of updates to business process maps begins and Stakeholder events	Publication of level 0 and level 1 generator and supplier journeys process maps. Events includes launch of generator and supplier CFD Implementation Coordination event	Commenced 29 April 2014	Low Carbon Contracts	
7	Supply chain guidance published	Q & A guidance to those who will require supply chain plans before applying for a CFD	Complete 23 June 2014	DECC	
8	Allocation Framework published and CFD Regulations laid in Parliament	Updated allocation rules including a description of the change process for the framework. All CFD Regulations laid before Parliament at this time.	Complete 23 June 2014	DECC	
9	EMR consultation on implementation response published	Response to October 2013 consultation: <i>Electricity Market Reform: Consultation on Proposals for Implementation</i> . Also, Government response to January & April 2014 Codes & Licence consultations	Complete 23 June 2014	DECC	
10	CFD Stakeholder event – Generator Journey through CFD	Contract and pre-allocation focus: , including: -Briefing on CFD contract (DECC) -Generator Journey (Low Carbon Contracts) -Minor and Necessary change process (Low Carbon Contracts) -Offtaker of Last Resort process (DECC)	Complete 24 June 2014	DECC/ Low Carbon Contracts	
11	CFD Stakeholder event – suppliers Journey through	Suppliers Journey through CFD and CM, including:	Complete	Low Carbon	

Ref. Num	Activity/ Milestone	Description	Planned Date	Owner	Dependencies Applied Where Applicable
	CFD and CM	<ul style="list-style-type: none"> -Supplier Obligation (Low Carbon Contracts) -EMR Settlement Ltd's role in EMR (EMR Settlement Ltd) -Supplier Settlement -Credit Cover -Default -Interfaces & Reporting -As a supplier, how does it work if my customers are Capacity Providers or CFD Generators? 	2 July 2014	Contracts/ EMR Settlement Ltd	
12	Settlement system interface specs	Settlement system interfaces event, to enable design of parallel industry systems	Complete 07 July 2014	Settlement Services Provider	
13	Supplier Obligation Forecasting Model Expert Groups	Stakeholder engagement on design, assumptions and inputs of Power Market Forecast Model begins	Commenced 14 July 2014 – 21 September 2014	Low Carbon Contracts/ Suppliers	
14	Initial CFD budget published	Indicative CFD budget published, setting out the indicative budget for each technology pot. Also, Government response to April 2014 Minima & Maxima consultation	Complete 24 July 2014	DECC	
15	Data Transfer System Change Proposals to the Meter Registration Authority committee	Present Data Transfer System Change Proposals to the Meter Registration Authority committee for development of settlement system	31 July 2014	Suppliers	

Ref. Num	Activity/ Milestone	Description	Planned Date	Owner	Dependencies Applied Where Applicable
16	Secondary Legislation, Codes & Licence changes in force.	Secondary Legislation, Codes & Licence changes in force. Operational cost budget for Low Carbon Contracts takes legal effect	1 August 2014	DECC	
17	Final Guidance for Supply Chain	Final Supply Chain guidance published once secondary legislation comes into force.	1 August 2014	DECC	
18	Submit supply chain plans	<p>Applicants with generation >300MW are legally able to submit their supply chain plans to DECC for approval.</p> <p>26 August is the date by which supply chain plans should be submitted and still be confident that they can be processed in time for the Eligibility process.</p> <p>Supply chain plans can be submitted up to 10 October</p>	<p>1 August 2014 – 26 August 2014</p> <p>10 October</p>	Applicants	<p>Legislative in force (16)</p> <p>Publication of final supply chain guidance (17)</p>
19	SoS publishes the CFD Allocation Round Notice	SoS launches the first CFD allocation process	15 August 2014	DECC	
20	Process Minor and Necessary modifications	Guidance issued and window for contract variation modification (minor and necessary) change requests to be submitted to Low Carbon Contracts Company.	15 August – 20 October 2014	Low Carbon Contracts	Publication of CFD Allocation Round Notice (19)
	Applicants apply for Minor and Necessary modifications	Part of Applicants' preparation for the eligibility process.	15 August – 29 September 2014	Applicants	
21	Settlement System: Design Phase Complete	Design Phase Complete	22 August 2014	Settlement Services Provider	

Ref. Num	Activity/ Milestone	Description	Planned Date	Owner	Dependencies Applied Where Applicable
22	Supply chain plans processed	<p>Plans submitted 1-26 August 2014 can be confident that they can be processed in time for the first auction.</p> <p>DECC aims to respond within 30 days, however plans that are incomplete or are assessed to be border-line may take longer to process. DECC aims to respond to all applicants no later than 14 October 2014</p>	<p>1 August 2014 – 14 October</p> <p>14 October</p>	DECC	
23	Data Transfer System Change approved at Meter Registration Authority committee for settlement system interface development	Balancing & settlement code Data Transfer System change to implement EMR settlement system interface	28 August 2014	Supplier/Settlement services Provider	
24	Settlement system interface specification	Publication of final settlement system interface specification	29 August 2014	Settlement Services Provider	
25	Publish Final Allocation Framework	Final allocation rules published	01 September 2014	DECC	
26	Publish draft Application/Allocation Guidelines	The Delivery Body will publish a draft document setting out the details applicants will need in order to make an application.	01 September 2014	Delivery Body	Legislation live

Ref. Num	Activity/ Milestone	Description	Planned Date	Owner	Dependencies Applied Where Applicable
27	Finalised CFD Budget & Allocation Round notices published	Budget Notice published which includes CFD budget available to Delivery Body to allocate to the technology pots (confirmation of any minima or maxima), Allocation Round notice published confirming details of the allocation round	29 September 2014	DECC	
28	Publish "final" Application/Allocation Guidelines	The Delivery Body will publish a final document including details from Government notices (Budget, Round etc.). This will include confirmation of dates, timings, IT systems and processes to follow	30 September 2014	Delivery Body	
29	Supplier Obligation Forecasting Transparency tool Expert Groups	Stakeholder engagement on design, assumptions and inputs of Suppliers Obligation Forecasting Transparency begins	29 September 2014 – 07 December 2014	Suppliers/ Low Carbon Contracts	
30	Application IT systems available	Provide IT system access to all "registered" applicants to enable User trials & potential data pre-load	30 September 2014	Delivery Body	Legislation in force (16) IT system readiness
31	Go/no-go decision to start applications	Delivery Body will conduct its final assessment to confirm readiness for opening the allocation round	10 October 2014	Delivery Body	
32	Application round window opens	CFD applicants can submit their applications for eligibility to the Delivery Body	14 October 2014	Delivery Body	
33	Apply for CFD eligibility	Generators submit applications for CFD eligibility, to the Delivery Body	14 October 2014 – 27 October	Applicant	Application receipt of guidelines, and preparation of application information

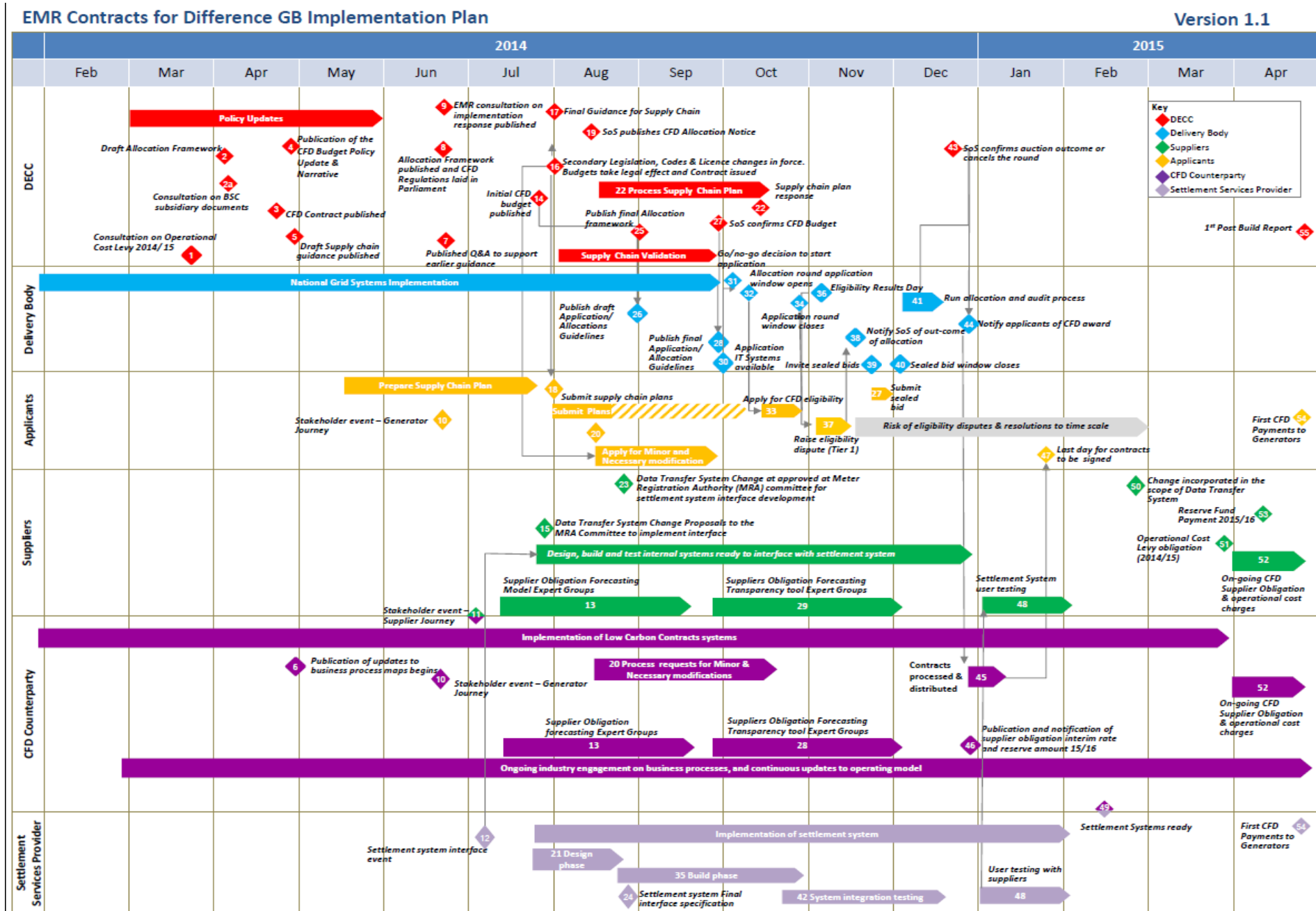
Ref. Num	Activity/ Milestone	Description	Planned Date	Owner	Dependencies Applied Where Applicable
34	Application round window closes	No further applications accepted for this round	27 October 2014	Delivery Body	
35	Settlement System: Build Phase Complete	Build Phase Complete	31 October 2014	Settlement System Provider	
36	Eligibility Results Day	Delivery Body announces outcome of eligibility assessment to all applicants	10 November 2014	Delivery Body	Assessment complete
37	Raise eligibility dispute (Tier 1)	Unsuccessful applicants have 5 business days after results day to decide whether or not to raise an eligibility dispute with the Delivery Body ⁶	10 November 2014 – 17 November 2014	Applicants	Eligibility results
38	Notify SoS of out-come of eligibility	Delivery Body updates SoS on final valuation of eligible applications	18 November 2014	Delivery Body	
39	Invite sealed bids	Applicants required to have allocation considered by competition will be invited to submit bids	26 November 2014	Delivery Body	
40	Sealed bid window closes	Last date for bids to be received	3 December 2014	Delivery Body	
41	Run allocation and audit process	Delivery Body complete allocation process and auditors complete assessment	4 December - 19 December 2014	Delivery Body	
42	Settlement system	System Integration Testing complete for the CFD	19 December	Settlement	

⁶ Having reconsidered the result of their application, unsuccessful applicants have the option to dispute and seek resolution at this stage. All milestones and activities beyond this point are based on no disputes being lodged. Further details are to be set out in the Allocation Framework. Also, Annex B shows the potential effect to the timeline should there be disputes.

	integration Testing complete	settlement system	2014	Services Provider	
43	SoS confirms auction outcome or cancels the round	SoS reviews the Delivery Body's proposed allocation and the Auditor's report and determines whether the proposed allocation should stand	24 December 2014	DECC	Allocation complete auditor report
44	Notify applicants of CFD award	Earliest date by which successful applications can be notified of their award	29 December 2014	Delivery Body	
45	Contracts Processed & Distributed	Contracts sent to successful participants	29 December – 13 January 2015	Low Carbon Contracts	
46	Publication and notification of supplier obligation interim rate and reserve amount for Q1 2015/16	Publication of supplier obligation interim rate and total reserve amount for Q1 2015/16 and forecast for Q2, Q3, and Q4. Notification to individual suppliers of the interim rate and their individual reserve amounts for Q1 2015/16 and latest transparency tool go live	31 December 2014	Low Carbon Contracts	
47	Last day for contracts to be signed	Latest date by which applicants that received a contract from Low Carbon Contracts on 13 January are required to have signed and returned contract (must be within 10 working days of receipt from Low Carbon Contracts)	27 January 2015	Applicants	Contracts Distributed
48	Settlement system user testing	Testing of interfaces between industry and settlement services provider systems in preparation for settlement go live	05 January 2015 - 06 February 2015	Suppliers/ Settlement Services Provider	
49	Settlement Systems ready	Settlement Systems approved for go-live	18 February 2015	Low Carbon Contracts/ Settlement	

				Services Provider	
50	Settlement System: Change incorporated in the scope of Data Transfer System	Data Transfer System amended to allow for settlement transactions EMR	28 February 2014	Supplier	
51	Operational cost levy	Date from which single charge for the Operational Cost Levy for 2014/15 costs is due	31 March 2015	Suppliers	
52	On-going CFD supplier obligation and operational cost charges	Commencement of regular Supplier Obligation data collection, invoicing and receipting, and generator settlement	1 April 2015	Low Carbon Contracts/ Suppliers	
53	Reserve Fund payment 2015/16	First reserve fund payments due by this date	13 April 2015	Suppliers	
54	First CFD payments made to generators	First payments to applicants for electricity generation under the terms of a CFD can commence	29 April 2015	Settlement Services Provider	
55	1st Post Build Report	Report requested from developers receiving first CFD payment, setting out implementation progress on their Supply Chains plans Thereafter similar requests issued to developers at the point of the first CFD payment for each project	30 April 2015	DECC	Generators >300MW receiving first payments

Annex A: EMR Contracts for Difference GB Implementation Plan



Annex B: First Allocation Round Timeline

Effect of potential disputes on implementation timeline – *one possible alternative scenario*

Milestone	Expected Date (with no disputes)	One Possible Alternative Scenario (with reviews and appeals)
Final budget notice published	30 Sep 2014	30 Sep 2014
Commencement date of the allocation round	14 Oct 2014	14 Oct 2014
Application closing date	27 Oct 2014	27 Oct 2014
Results Day	10 Nov 2014	10 Nov 2014
Deadline for applicants to raise a review of a non-qualification	17 Nov 2014	17 Nov 2014
Non-qualification review notification	n/a	02 Dec 2014
Applicant makes appeal in respect of a non-qualification determination	n/a	09 Dec 2014
Target date for completion of Tier 2 disputes by Ofgem	n/a	23 Jan 2015
Auction notice	26 Nov 2014	02 Feb 2015
Sealed bids submission closing date	03 Dec 2014	09 Feb 2015
CFD notifications sent to Low Carbon Contracts	29 Dec 2014	04 Mar 2015
Low Carbon Contracts sends contracts to successful applicants	29 Dec 2014 – 13 Jan 2015	04 -17 Mar 2015

N.B. These dates are indicative and are not binding on National grid or Ofgem.

