



6<sup>th</sup> Floor  
33 Old Broad Street  
London  
EC2N 1HZ

Department of Energy & Climate Change  
3 Whitehall Place  
London  
SW1A 2AW

10 March 2011

Dear Sirs

## **EMR consultation response**

This paper is offered in response to the Electricity Market Reform ("**EMR**") Consultation Document issued in December 2010 (the "**Consultation Document**") by the Department of Energy and Climate Change.

Lloyds Banking Group (the "**Bank**") supports Her Majesty's Government's ("**HMG**") long-term objective of decarbonising electricity generation in the UK. Given the significant funding requirements to effect a move to low carbon generation, the Bank has decided on this occasion to provide some insight into our thoughts surrounding the main investment themes contained within the Consultation Document.

The energy sector is a key area of focus within the Bank, with us supporting a wide range of customers across both conventional and renewable energy generation. In order to accelerate low carbon investment and provide the framework for deepening the investor base reform of current electricity market arrangements is required to provide vital investment characteristics of long term stability, simplicity and transparency. Our response is designed to assist your consideration of how to optimise the regulatory framework to attract the additional capital required to meet the UK's investment requirements.

The Bank's extensive UK and international experience in financing Energy and Infrastructure markets, allied to the importance we attach to actively promoting and working with our customers on low carbon initiatives and sustainability, by helping them to recognize the risks and to seize the opportunities from a low carbon, more resource efficient, economy provide us with the necessary understanding of the market dynamics to provide commentary to DECC's proposals in order to deliver a more rapid deployment of low carbon technology.

### **1 Approach to this response**

As a major lender to the power market in the UK, the Bank believes it is important that DECC fully appreciate how the Bank (and no doubt the lending market more widely) may be expected to approach EMR and the associated transitional arrangements with respect to the Renewable Obligation.

At the highest level, the EMR proposals may be expected to help protect the ratings of the major utilities as they absorb the challenge of assisting HMG with delivering its low carbon and security of supply objectives. The transfer of risk from the private sector to the public

sector, implicit in these proposals, is essential in bringing the risk profile for these very significant investments within the envelope which lenders to these companies (and their credit rating agencies) would expect (and should reduce investment return hurdle rates). These utilities are important customers of the Bank and at this strategic level the proposals are therefore welcome.

By the same token, many independent generators and potential new entrants to the UK energy sector are also important customers of the Bank and we welcome proposals that will provide a "level playing field" for investments in new generation assets in order to attract this wider source of capital.

The Bank concurs with HMG's analysis that the policy environment for these technologies required renovation. The EU ETS has not meaningfully supported low carbon investment. It has been increasingly difficult to secure long term, price-stabilised contracts for low carbon generators and cracks were beginning to show in the Renewable Obligation (as evidenced by the debates on biomass and offshore wind incentives), leading to an increasing expectation of a change in law.

However, any major regulatory change brings with it the challenge of managing the transition without stranding assets or interrupting investment in low carbon, which has been gaining significant momentum. Further, EMR sets out to make it easier to attract new debt and equity capital to the sector, capital which will be needed if the speed of development is to meet the targets set by HMG. As a bank which is very active in the structured/project/asset finance markets, and specifically in low carbon investment, the Bank believes that it has a contribution to make in assisting HMG to achieve these objectives efficiently and with as few unintended consequences as possible.

Throughout this paper we have sought to identify in the first instance the key principles guiding the Bank in its analysis and then to assess the extent to which the detail is, or may be, as it develops, consistent with these principles.

## **2 Implications for Lloyds existing asset portfolio**

### **2.1 Key principles**

The Bank has existing loan arrangements in place with a wide range of power generators across the thermal and renewable sectors, both at a corporate and asset level. In assessing the implications of EMR for this loan book, the key principles the Bank would wish to see respected are what is often referred to as "grandfathering", i.e., that the regulatory change should:

- 2.1.1 preserve the economics of existing assets;
- 2.1.2 respect, and not disrupt, typical market commercial arrangements entered into; and
- 2.1.3 not materially adversely effect the risk profile of these assets.

This is particularly important where investment has been made in significant reliance on a regulatory incentive, as is the case with renewables.

### **2.2 Do the EMR proposals respect these principles with respect to the existing loan portfolio?**



Many of the measures included in the EMR proposals (e.g. the proposed emissions performance standard, capacity payment and contract for difference) relate to new investment and accordingly should not raise significant concerns with respect to the existing portfolio. However, consideration has been given to the implications:

- 2.2.1 for thermal plant, of the introduction of the upstream carbon levy;
- 2.2.2 for wind projects in construction or operation, of the proposals to sharpen the price signals around intermittency; and
- 2.2.3 for renewables projects in construction or operation, of the transitional arrangements for the Renewable Obligation ("RO").

Although this will not be universally the case, for the most part the Bank expects that the introduction of the upstream carbon levy is something which its thermal generating clients will be able to pass downstream and, accordingly, that this will not materially adversely affect these assets.

With respect to 2.2.2 above, most of the wind assets the Bank has financed will have been financed on the basis that the risks of managing intermittency are borne by the offtaker, in return for a fixed discount on power prices. In many cases, however, this arrangement may be subject to being re-opened in the case of a change in law. Otherwise put, the private sector has typically sought to price rather than absorb the existing risk, and the change proposed may disrupt a large number of existing commercial arrangements concluded on this basis. The Bank believes it would be strongly preferable that independent renewable generators are not forced into a renegotiation of the intermittency arrangements/power price with their offtaker, particularly not in a market where offtakers now anticipate that the RO will be withdrawn such that they may have less incentive to deal with these projects (see below).

***Recommendation 1: that any moves to introduce sharper price signals for intermittent technology be applied to new generating assets only.***

## **2.3 Issues raised on RO transition**

The Annex to the consultation document clearly contemplates a desire by HMG to manage the transition away from the RO in a way that preserves the economic support for existing renewable generation assets, which is helpful. However, there is a concern that grandfathering principles relating to preservation of market typical contracts and risk allocation may nevertheless be adversely affected by the proposals. Specifically:

- 2.3.1 The "Fixed ROC" option, referred to at para 42 et seq. of the Annex, while advantageous in a number of respects, if introduced in a blanket fashion in 2017 would cut across existing offtake arrangements typically in place across the Bank's renewables portfolio (and in consequence could give rise to widespread loan default). It also begs a question as to the credit standing of any such buyer/agency and accelerates the point in time at which existing assets are required to sell power into the market without the benefit of the obligation (see further 4 below); and

- 2.3.2** The alternative, being to vintage the RO in 2017 and run it off up to 2037, as well as being an administrative burden, raises real concerns as to the long term liquidity in the ROC market. There is clearly the potential for RO trading desks to consolidate the remaining demand in the system in a small number of hands (resulting in generators being very significantly price takers for ROCs). This would be expected to materially adversely affect the risk profile of the Banks' loans to generators which are not fully covered by contracted PPAs, and, to a lesser extent, the Bank's loan portfolio generally, in that it increases the risks in the event of offtaker default.

A solution may lie with some sort of compromise between these two options. An example of this which we understand HMG have mooted would be to transition to the Fixed ROC concept in 2027, when most existing PPA arrangements would have expired, but saving 10 years of scheme operation. However, the Bank believes there could still be material disruption on this model if the liquidity concern identified in 2.3.2 arises. For example, a generator with a PPA expiring in 2022 could face five years of severely reduced power prices if the market is not operating effectively. For the limited period over which this will be the case (i.e. between existing contracts falling off and 2027) the Bank would therefore encourage market intervention to protect generators.

***Recommendation 2: Any introduction of the Fixed ROC concept should be done in a way that preserves existing PPA arrangements, and care should be taken to maintain liquidity in the ROC market, by an intervention if necessary, during the remainder of the RO period.***

### **3 Short and medium term – financing low carbon prior to 2017**

#### **3.1 Key principles**

With respect to the immediate horizon, the Bank's overriding principle is to minimise the period of investment hiatus. Following the effects of the liquidity crisis and a limited number of projects being bought to the financing market due to delays associated with issues such as planning consents, connectivity and credit rating analysis of off balance sheet debt treatment, activity in the low carbon sector is depressed in the UK while the US and Asia appear attractive, and active, markets for investors. Further pressure through regulatory uncertainty may have a long term impact on investor appetite for UK low carbon investment.

#### **3.2 Investment hiatus risks**

The primary sources of uncertainty at the time of this submission arise from three areas:

- 3.2.1 Eligibility and Auctioning:** The transition process refreshes core concerns as to the make-up of Government's preferred low carbon portfolio<sup>1</sup>, what this means for which types of projects will get support, the order of magnitude of that support, what criteria and/or volume limits may be

---

<sup>1</sup> What is "low carbon"? Does it include all types of CCS technology for example? All renewables? What about large hydro/barrage schemes?



applied to parties wishing to access that support<sup>2</sup> and whether this will discriminate against particular types of developer. Does the arrival of EMR signal a move away in the UK from the "open to all" approach under the RO and continental feed-in tariffs to a regime where incentives will be rationed? As it stands, there is very little on this to guide market participants in the consultation document, other than a reference to price auctioning.

On the whole, the Bank finds that many of its least performing assets are ones where the economics have been driven by price auction processes and as such remain mindful of the negative effect that this may have when considering our risk appetite for future assets. The NFPA precedent suggests that deliverability is not enhanced by such processes, and the risk created by the scarcity of feed in tariff/Contract for Difference contracts may dissuade developers – unless contracts are let early in the development process which raises other issues as to price setting and deliverability. There is also a clear practical limitation on the number of contracts which can be effectively let this way, so that it may not be efficient for smaller renewables investments, not to mention the challenge of reconciling this with the nuclear and Round III site allocation processes already conducted.

- 3.2.2 Un-priced optionality and timing:** Even where it is clear (or can be assumed) that support will be available, if un-priced options arise, market participants may wait and see before committing. Examples of this may be deferring investment in gas-fired generation pending clarity on capacity payments, or deferring committing renewable assets to the RO pending clarity on the alternative. The challenges with finding an elegant way to wind down the RO (see 2.3 above) may also encourage investors to get into the EMR alternative if they can.

A specific issue in this respect is the uncertainty regarding when assets will be able to opt into EMR. Is it only assets which commence construction after 1 April 2013, or is it any asset which has yet to get to first power by that date (which potentially extends the option forward to many assets which are approaching investment decision today)?

Related to this of course is that fact that pricing (banding) for the last phase of the RO is still not known. Expediting the conclusion of this review as early as possible this year will be helpful in setting at least one parameter in the choice.

- 3.2.3 Catalysis and early adoption:** The ambition of the proposed changes and the debate about market power price volatility and cost of intermittency raised in the consultation, may have accelerated the point at which offtakers are not longer willing to offer price stabilisation to independent generators, especially intermittent generators. Generally, many market participants may feel more comfortable anticipating the new regime and building their expertise in this area. This may encourage greater uptake of the new mechanism – especially if it is a CfD – increasing the importance of

---

<sup>2</sup> Will contracts be auctioned? On price or deliverability? Or should contracts be available as of right, subject to volume limits? Is there a difference between the process which should apply for nuclear and larger renewables (offshore wind, barrages etc) and for smaller renewables?

early clarity and as much flexibility for new projects to enter EMR as possible.

### **3.3 Recommendations**

Prioritising the information flow is the key to many of these concerns. Accordingly, the Bank would recommend that:

***Recommendation 3: The White Paper should clearly set out what types of assets are considered desirable, in approximate quantities, and how HMG would intend to allocate support to such projects (see 4, 5, and 6). Release of the White Paper should be as soon as practicable.***

***Recommendation 4: The “open to all” principle of the RO should be maintained, through a streamlined process, for the vast majority of small and medium sized renewable projects (<150MW?). This would imply publication of standard contract terms, common strike price levels and, if necessary, volume limits as has been the practice in other feed in tariff jurisdictions.***

***Recommendation 5: Price auctioning should be avoided where possible, but annual prioritisation of contract award based on readiness (as with OFTO) for the larger projects may be desirable for transparency reasons, with pricing and contract term derogations (from a standard) being bespoke to the asset through a controlled negotiation process with the regulator/DECC.***

***Recommendation 6: Extending forward the window for opting into EMR to anything which has not reached first power by go-live is probably helpful flexibility in keeping the option period as long as possible, but if this is the approach a conservative go-live date is highly desirable and it needs to be adhered to, as otherwise assets may fall back into the RO at the last minute.***

***Recommendation 7: Banding decisions for the last phase of the RO should be released as soon as possible.***

## **4 Comments on the proposed EMR regime for new low carbon investment**

In this section we focus on the key elements of EMR relevant to new low carbon investment in nuclear, CCS and renewables. Comments on the security of supply section and coal emissions performance standard are set out in Section 5.

### **4.1 Key Principles**

With respect to the design of the long term policy, the Bank believes that EMR presents an important opportunity to create an environment for investment which is closer to market precedents for other infrastructure and which is attractive to the widest possible range of infrastructure investors. Simplifying the revenue structure for the asset class so that risks are kept within reasonable bounds is a key part of achieving this, although there will remain concerns with the construction risk profile where we believe there is a role for intervention by the Green Investment Bank.

First prize will be a model in which there is a meaningful low cost capital markets refinancing option for operational assets and that can be realistically deployed in 2013, rather than requiring a history of market operation before parties are willing to invest. This will allow the Bank and others to optimise the allocation and deployment



of available commercial debt during the construction phase with realistic expectations of a shorter return on investment: if returns on debt are higher, more debt capacity will enter the market.

Key features of any solution are therefore likely to be:

- 4.1.1 long term stable inflation linked cash flow, being a function of both volume and price certainty;
- 4.1.2 a strong credit; and
- 4.1.3 low risk of regulatory change and/or protection from impacts of regulatory change

**4.2 Will EMR deliver a long term stable inflation linked cash flow for low carbon investment?**

The Bank is concerned that neither the proposed Contract for Difference nor the Premium FiT solution, as currently conceived, sufficiently address this requirement and that the limitations may meaningfully deter investment in the volumes required to achieve HMG's targets.

The key factors giving rise to a concern are:

**4.2.1 Inability to access the average/market price – due to being a price taker:** Individual generation assets will require a route to market on either proposed incentive structure. HMG is keen that assets retain incentives to generate efficiently, and this is understood, but the question remains whether it is possible to achieve that without exposing assets fully to the need to secure a power offtake at a fair price. This is particularly important because there is a perception that the market is weighted such that generators will be price takers:

- (i) HMG has referred in the Consultation Document to possible concerns as to liquidity. There are examples, even today, of projects which have failed to secure offtake contracts as they are pressured to sweeten the deal with equity. The London bank market also has experience of individual assets in distress which have been put under further pressure by the markets. This risk should not be overstated, but the perception is not helpful in attracting new investment.
- (ii) This is exacerbated in the case of intermittent technology where the power output may be considered to be less desirable. To date such power has sold but with the benefit of the Renewable Obligation incentivising offtakers to purchase. Investors cannot assess how the market will behave when this incentive is removed and will need to wait and see that there is an efficient market operating.
- (iii) Under either the proposed Contract for Difference or Premium FiT, assets will have to generate to earn the incentive element of the revenue. In many cases they would be incentivised to generate even if the price offered by the offtaker was zero: this does not make for a fair negotiation.



- (iv) Under the Premium FIT, the absence of any long term price protection may make it harder to secure a contract in that generators will need not only a route to market at or near the average price (as in the Contract for Difference) but will also need some price stabilisation (e.g. a collar) from the offtaker to preserve the same capital structure as currently, making these contracts less attractive to offtakers.
- (v) There is a real concern with what the "market price" is, given steadily reducing traded volumes, and this concern is only going to get worse. Reduced visibility as to the real value of output, undermines the ability to negotiate.

**4.2.2 Inability to access the average price – due to formulation of the average price:** Even assuming the market is operating efficiently, absent further detail, there is a question as to how the average price is formulated and applied to different technologies. A simple example is tidal: a tidal asset will generate only during certain settlement periods. If, however, it is assumed for the purposes of calculating the difference under the Contract for Difference that it has been accessing the market at an average index price which looks at all settlement periods, a gap will open in the price protection offered under the Contract for Difference which will create volatility in revenues. One advantage of the Premium FIT is that this complexity is avoided.

As referred to in (v) above, the transparency of the average price/index is also a key concern and the inability to understand it may result in poor recovery for generators against the assumed average market price.

**4.2.3 Indirect preservation of power price volatility risks:** Where power prices are high, the benefit provided by the Contract for Difference reduces; as they tend to the Strike Price a generation asset is essentially fully merchant (or fully exposed to the market). The impact of 4.2.1 and 4.2.2. creating a discount to market prices therefore is much more serious in a high power price environment than in a low power price environment. This brings investors back to having to take a view on long term power prices, something the Contract for Difference was seeking to avoid. One advantage of the Premium FIT proposal is that at least that element of the revenue remains free from power price risk throughout (although of course the power element is fully exposed).

**4.2.4 Negative pricing scenarios and constraining off:** a successful low carbon programme may increase the incidence of negative pricing periods and the need to constrain assets off. References in the Consultation Document raise the question as to whether this risk should be borne by generators, as it is an inevitable result of HMG's chosen asset portfolio. This uncertainty further increases the risk associated with short to medium term investment in gas fired generation in the period while the low carbon capacity is developed with the inevitable consequence of a shortfall in investment and an increase in electricity prices.





#### **4.3 Will low carbon generators be able to access a strong credit?**

HMG suggestions that Contract for Difference/Premium FiT contracts will have the full HMG credit behind them are clearly helpful, as, for many assets and for some time, this will be a material part of the revenue. Further detail on how the government counterparty will be funded and/or supported would be welcome.

However, the power price element will, to maintain current leverage levels, need to be supported by highly rated utility (and possibly trading) offtakers. In a high power price scenario, the exposure to the private sector risk clearly increases.

The Bank does not consider that a process to reduce the size of the vertically integrated utilities (in an attempt to improve liquidity for the reasons given above) will therefore be helpful to long term capital stability or potential allocation of credit capacity to market players both existing or new. On the contrary it may reduce the pool of eligible offtake counterparties to support new build assets.

Long term contracts to secure creditworthy offtakers are not easily available in the market at present because of the lease accounting treatment of such contracts. This is an important difference between the Premium FiT and the Contract for Difference. Under the Premium FiT, the need to include price stabilisation means these contracts are likely to be accounted for as leases, unless multiple contracts are let by the generator (further increasing the limits of effective competition). By contrast, route to market contracts only, i.e. at the prevailing market price without stabilisation, should fall outside the IFRIC 4 lease accounting rules and would be all that would be required in conjunction with the Contract for Difference.

#### **4.4 Low risk of regulatory change**

It is impossible for HMG to insulate investors from change to the EMR regime entirely: a subsequent statute under English law can always override any previous statutory or contractual promise. However, given the level of investment involved, a stronger legal approach than the partial "policy intention on grandfathering" offered up under the RO seems appropriate. There is no discussion of this in the Consultation Document, however the Bank considers that investors would be looking for:

**4.4.1 Legislative statement:** a strong statement in the primary legislation that investors were intended to be protected from the effects of subsequent legislative change, and authorising contractual protection; and

**4.4.2 Contractual protection:** in the form of compensation for changes in law enshrined in the Contract for Difference or FiT contract.

#### **4.5 Recommendations**

There are understandable limitations on the Bank's ability or desire to develop workable alternative policy solutions: it is not our core business. The simplest recommendation therefore is for HMG to develop the policy in a way which addresses the concerns referred to above.

However, we have sought to set out below some possible ways in which this could be done, particularly in the context of the Contract for Difference if this is the option taken forward:

**4.5.1 Risk transfer to Government:**

- (i) **Deemed Generation:** it would be possible for HMG to include within the Contract for Difference a concept of "Deemed Generation" which would apply in certain limited circumstances (such as to address the regulatory risk concerns, where a change in law makes generation impossible). The Bank would also support this concept being used for circumstances where assets are constrained off due to negative pricing.
- (ii) **Market Disruption:** To address the price-taker concerns, it would equally be possible for HMG to assume the risk that the market does not operate efficiently for generators in its Contract for Difference with generators. For example, the contract could provide that if the generator is unable to secure an offer to purchase the power at equal to or greater than X% (e.g. 80%) of the index/Average Market Price (as defined in the contract for difference and from an appropriate credit) then the Average Market Price will be equal to the actual realised price. This would transfer to HMG (and the regulator) the risk of ensuring that an effective market of creditworthy entities is operating, but still leave assets exposed to market risks and incentives within this band<sup>3</sup>. For intermittent technology, this discussion could be extended to cover the pricing implications of transferring the intermittency risk to those in the market that can manage it.

Clearly, there would need to be anti-avoidance mechanisms to ensure that the generator's unattractiveness to the market was not due to its own poor performance etc., and a role for the regulator in enforcing these.

Whilst this would give rise to a few pages of complex drafting, this solution would be a self-contained one, and could be withdrawn by HMG in future years once investors are persuaded that there is an effectively operating market. It works best with the Contract for Difference, although it may be possible to structure something similar into a Premium FIT.

The Bank considers that there would be considerable investment advantages in limiting the discount to power market prices to which generators are exposed. A band of, say, 20%, would mean that power price risk will then be primarily an equity pre-occupation and something that lenders can largely ignore in pricing. There are parallels with the approach taken to availability penalties in the

---

<sup>3</sup> On a more sophisticated version, the X% would not be a fixed number but would adjust with market prices to mitigate the concern referred to in 4.2.3 above.



OFTO regime (and other infrastructure assets) here that suggest this would attract a wider class of investment.

- 4.5.2 Risk transfer to industry: market intermediary or buyer of last resort, with costs socialised across industry.** An alternative to putting the risk on to Government and the regulator, is to put the risk onto the market. A return to a pool seems unlikely but it would be possible to create a buyer of last resort (modelled loosely on the NFPA, or the Polish model), which would have a standing offer to buy power at a fixed discount to the average market price and which would then resell it. If the agency was unable to resell at a profit it would be entitled to recoup its funding shortfall through a levy on market participants (this could be licensed electricity suppliers or possibly all participants). The levy would only apply if two attempts to sell the output in the market had failed. Again, if the discount to average prices is fixed within a reasonable range, debt concerns can be contained opening up greater willingness to lend.

This solution could apply not just under the Contract for Difference but also under the Premium FIT (and could also be open to capacity contracted under the Fixed ROC model) so would have wider benefits. It would, however, be more complex and detailed to set up than the contractual risk transfer in the Contract for Difference and would need to be a long term structure.

***Recommendation 8: That the EMR proposals be developed so as to limit the exposure of generating assets to not being able to access the market price to a band, such that this issue is essentially de-risked from a debt perspective. This could be achieved by market intervention or through HMG assuming the risk and managing the outcome through its regulatory responsibility.***

***Recommendation 9: That the EMR proposals should contain a strong commitment to regulatory protection in the form of both statutory commitments and contractual risk protection (through a Deemed Generation concept).***

***Recommendation 10: Assets should be protected against being constrained off through a Deemed Generation concept.***

## **5 Security of Supply and Emissions Performance Standard**

The Bank appreciates the importance of the interaction within the EMR of the capacity mechanism, in order to offset the increased levels of inflexible nuclear and intermittent wind capacity that may be introduced into the market, and Emissions Performance Standard, and broadly welcomes the outline proposals but more detail will be required in order to fully assess the affect this will have on capital attraction.

An increasing amount of financial activity within the Short Term Operating Reserve ("STOR") provisions is currently being witnessed providing confirmation that a Capacity Mechanism, under longer term contracts does provide the necessary stability to attract long term investors. Notwithstanding this, it should be recognised that STOR is unlikely to satisfy the full requirement for the provision of capacity support.

Care in the analysis of market operation is needed to ensure that the capacity mechanism will not provide a market distortion which in turn will reduce investment outside the capacity markets or suppress returns under peak price conditions for other capacity, thus affecting investment decisions made elsewhere. It is essential to ensure that those committing to build capacity which see their operation profile changing as the Government's targets for zero carbon generation are achieved are not adversely impacted.

Further clarity over eligibility and the type of plant (new, existing, upgraded or co-generation) to which this will be available is a key area of interest for the Bank as innovative market solutions may evolve. The interaction with other EU markets via any interconnector arrangements will also require greater visibility.

## **6 Conclusions**

The Bank would wish to highlight the following key messages:

- The EMR proposals as yet do not capture an elegant solution on RO transition. To avoid an adverse impact on regulatory appetite, a solution needs to be found which not only preserves economics but also respects contractual arrangements and avoids creating additional risks;
- To avoid an increased investment hiatus, clear and detailed plans need to be set out in the White Paper in May which address in particular the preferred asset portfolio/technologies and how incentives will be set and accessed by generators; and
- As it stands, the attempts to improve revenues for low carbon are undermined by genuine concerns that generators will not be able to access the market effectively. To avoid a prolonged wait-and-see from investors and ensure that the necessary investment platform is established now, HMG must either intervene in the market or assume the risk contractually, and manage it through existing regulatory powers.

Yours faithfully

