Department of Energy & Climate Change

# CfD Supplier Obligation

Policy update and response to the call for evidence

August 2013

# Contents

# Supplier Obligation for Contracts for Difference

## 1. Introduction

1. The Government's Electricity Market Reform (EMR) programme aims to secure the significant investment required to replace the generation capacity closing this decade and deliver a secure, low-carbon electricity system. A key part of this programme is the Contract for Difference (CfD). CfDs are designed to give investors the confidence and certainty they need to invest in low carbon electricity generation, helping the UK electricity sector to attract greater investment in low carbon generation, and reducing the UK's carbon emissions. CfDs work by stabilising the prices received by low carbon generation, reducing the risks they face, and ensuring that each technology receives a price for its power that supports investment.

2. CfDs pay the generator the difference between a measure of the cost of investing in a particular low-carbon technology (the 'strike price') and a measure of the average market price for electricity (the 'reference price'), whilst still requiring the generator to participate in the electricity market, including selling their power in the normal way.

3. The payments to be made to generators will be calculated and paid out by the Counterparty, a Government owned limited liability company. The Counterparty will receive funds for the CfD payments from suppliers, through the supplier obligation. The supplier obligation is a compulsory levy and is likely to be classified as a direct tax.

4. In November 2012 the Government outlined a high level approach to the supplier obligation, setting out that, subject to the passage of legislation through Parliament, the Government would introduce a statutory obligation on suppliers to make payments to the Counterparty to fund the payments that are due under CfDs to generators. More detail on the approach was included in the Feed-in Tariff with Contracts for Difference: Operational Framework[1]

5. The Government stated that it was considering implementing a variable rate supplier obligation, where the precise amounts owed to the generators under the CfD contracts in a given period would be collected from suppliers as soon as possible after that same period. It was felt that this design would be simple for the Counterparty to administer, and there would be potentially small reconciliations of under or over collections at year end (due to payments in matching payments out).

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/66554/7077-electricity-market-reform-annex-a.pdf

6. Alongside this high level approach, in light of feedback from industry and from the Energy and Climate Change Committee, the Government also published a call for evidence on the design of the supplier obligation. Responses to the call for evidence are published together with this document. Alongside analysing the responses we have continued to work with stakeholders through the EMR Institutions expert group and other meetings with stakeholders, including small suppliers, to develop the detailed design of the policy.

7. This document sets out our current thinking on the design of the supplier obligation in advance of a detailed policy proposal being published for consultation in the autumn, and responds to the call for evidence published in November 2012, which closed on 15 January 2013.

8. It covers current thinking on the design of the supplier obligation, 'backstops' to ensure the certainty of payment and next steps.

9. Further detail on responses to the call for evidence is provided in chapter 3. Initial analysis of these responses and the impact of a variable rate levy have shown that this type of supplier obligation could have a material impact on suppliers, and smaller suppliers in particular. This is considered further in chapter 4.

10. In light of these responses and ongoing analysis, the Government is minded to charge suppliers using a fixed formula-based levy. The Government is issuing this document as an update on latest thinking, pending final analysis of the impacts of different forms of the levy.

11. The formula for the levy rate would be derived from forecasts of the likely payments arising from the generators' CfDs in a future period and forecasts of total supply. This would result in a pound per Megawatt hour (MWh) rate for suppliers. A reconciling mechanism would be needed to deal with any under or overpayment.

12. Under any type of levy, certainty that generators will get paid is critical. In chapter 5, therefore, this document also sets out our latest thinking on backstops and safeguards to ensure certainty of payments.

13. We will continue to hold further discussions with industry to inform the development of the supplier obligation before a consultation in the autumn on a detailed policy proposal. These discussions will also focus on the development of individual suppliers' systems requirements, such as IT systems and settlement systems, to ensure that the obligation can be implemented at the appropriate time. These next steps are set out in chapter 7.

## 2. Supplier Obligation – an outline

14. All licensed suppliers in Great Britain and Northern Ireland will be obliged to pay the supplier obligation. In general it is intended that the supplier obligation will be imposed equally on all GB suppliers in relation to their market share[2]. Money raised through the supplier obligation will be used to fund the payments that are due under the CfD to generators. The contract with each CfD generator will determine the level of payments each generator would be entitled to, with the amounts owed by individual suppliers dependent on their market share. Market share will be based on volume of eligible energy supplied.

15. CfDs have been designed to give investors the confidence and certainty they need to invest in low carbon electricity generation. Therefore the supplier obligation must be designed to ensure that the Counterparty can meet its contractual obligations and provide certainty to generators that they will receive the amounts due to them under the CfDs. Similarly, the obligation needs to be designed in way that is mindful of the impacts on suppliers and consumers.

16. The Government will put in place a number of mechanisms, or 'backstops', to ensure certainty of payments to CfD generators in the event of supplier credit or financial issues. The backstops include collateral, mutualisation, and the existing supplier of last resort (SOLR) and energy supply company administration regimes. There might also be an insolvency reserve fund. Further information on these can be found in chapter 5.

17. Powers to make regulations to create the supplier obligation are within the Energy Bill[3]. These allow for regulations to make provision for the holding of collateral, the mutualisation of debts or holding sums in reserve (funds). Although the final design of the supplier obligation will be set out in regulations, the Energy Bill also places a duty on the Secretary of State to include such provision in the regulations as he considers necessary to ensure that the Counterparty can meet all its liabilities under CfDs. The Bill also states that the Secretary of State when making regulations must make provision for suppliers to pay the Counterparty. The Government has strengthened the Bill during its passage in Parliament to clarify that the Counterparty can recover sums owed to it as a debt.

18. The Government has also strengthened the Bill to ensure that the Counterparty must exercise all functions placed on it to ensure its liabilities under a CfD are met.

19. The Government has previously stated its intention to exempt Energy Intensive Industries from some of the costs associated with Contracts for Difference. The intention is for this to be implemented through the supplier obligation by excluding any exempt electricity supplied from the levy calculation when looking at the

[2] The UK Government is considering whether coverage of the obligation should not be extended to suppliers in Northern Ireland, until the CfD is available to generators in Northern Ireland. We will continue to work with Northern Ireland on this issue as they transition to the CfD regime.

[3] http://www.publications.parliament.uk/pa/bills/lbill/2013-2014/0030/lbill_2013-20140030_en_1.htm

relevant suppliers' market share. The scope of the exemption is still to be determined, a consultation on this was issued on 4 July 2013[4].

[4] https://www.gov.uk/government/consultations/electricity-market-reform-contracts-for-difference-costs-exemption-eligibility

## 3. Call for evidence – summary of responses

20. In the Feed in Tariff with Contracts for Difference: Operational Framework published in November 2012 we issued a call for evidence that asked the following questions:

*1. Do you have concerns about the predictability of the amount of potential volatility of CfD payments?*

*2. Does this differ based on different scenarios for how the generation mix evolves?*

*3. How would you manage the fact that CfD payments are changeable, noting that they are inversely related to wholesale price movements, and looking at this from the perspective of variations in total costs to serve (i.e. wholesale price/other cost variations in conjunction with CfD payment variations)?*

*4. Is there a hedge that suppliers can utilise that may mitigate any risks?*

*5. Overall what are your views on the proposed variable rate obligation and are there any other issues we should be considering?*

*6. What are the potential impacts on suppliers of implementing the supplier obligation, including:*

- *cost effects of posting collateral both for the CfD obligation and alongside other requirements in the electricity market;*
- *method of data collection;*
- *changes to internal systems;*
- *and the proposed payment periods?*

*7. Are there any factors to consider in order to mitigate risks or shorten the timescale for implementation?*

21. This section summarises the key themes raised by respondents. It does not list all the points made. 25 responses were received in total and these are published alongside this document. The majority of responses were from suppliers, although some suppliers are also generators. The key themes were the type of levy and the impacts of posting collateral, with points also frequently raised about the ability of suppliers to hedge (which is related to the variable rate levy) and the use of existing industry processes for data collection.

### Type of Levy

22. The majority of suppliers (21) stated a preference for a fixed rate obligation. This was because suppliers thought that it would be hard for them to predict CfD payments as the amounts to be paid would change depending on a number of hard

to predict factors. They thought it would be difficult to manage and hedge against the volatility of a variable rate obligation.

23. Those suppliers (2) that expressed a preference for a variable rate obligation had concerns that the reconciliation under a fixed rate process could lead to large unpredictable calls for sums at year end. We will seek to avoid this through the design of the supplier obligation and will explain this further in the sections below.

## Hedging

24. In responses to the question on hedging, some suppliers felt that it would be difficult to hedge for CfDs as there were a number of variables. There were differing views on which of the following aspects were the hardest to predict: overall generation, what would be onstream when, or wind volatility. Some suppliers noted that there would be some natural hedging occurring with the wholesale price, but most felt that this was imperfect.

25. There were some general concerns about the impact of wind generation and the significant impact that this could have on the volatility of payments – many suppliers felt that they would find it difficult to plan for and manage this should extreme events occur which significantly increase the payments that are due.

## Using existing data

26. The November publication proposed that we use existing data and mechanisms to calculate the supplier obligation where possible. This would mean using metered data already collected through the Balancing and Settlement Code (BSC). All respondents who commented on this supported the approach of using existing industry processes in the method of data collection where possible. Our approach to data and settlement is outlined in chapter 6.

## Collateral and payment

27. Some suppliers were concerned about the costs of posting collateral alongside other collateral requirements across the industry. Alternatives proposed included using Distributed Networks Charges methodology – “free credit” for good payment record.

28. The November publication proposed monthly settlement (the period for which payments are calculated). Some smaller suppliers suggested that a shorter period would be beneficial, as this would help to lessen the amount of collateral required. There was no consideration or reflection given to whether this would be more burdensome administratively.

## 4. Managing payment volatility

29. This chapter focuses on the volatility of payments, how this might be managed by different types of levy and the impact it might have on suppliers.

30. As stated in the previous chapter, one of the key themes emerging from the call for evidence was the impact of a variable rate levy on suppliers and their ability to manage the volatility of payments. For the calculation of the supplier obligation there are four key variables that will impact on the amount of money required from suppliers:

- Strike prices (which vary depending on type of technology) – these will be set through the delivery plan and included in CfD contracts and may only vary in limited circumstances in line with the terms of those contracts;
- Generation output – the amount of generation under each CfD in a billing period;
- Reference price[5] – Day Ahead and Season Ahead prices; and
- Supply data – the amount of electricity supplied by individual suppliers.

31. All of these variables will need to be forecast in order to predict what CfD payments are needed. Who manages the risks associated with these key variables (the Counterparty or suppliers) to ensure sufficient money is raised to pay generators is integral to the decision about which type of supplier obligation levy to implement. In a fixed rate levy the Counterparty would be forecasting some or all of these variables, whereas under a fully variable rate suppliers would need to forecast to ensure that they have raised enough from customers to make the appropriate payments.

32. CfD payments across the year will not be stable. All technologies can vary in generation - wind is likely to be most variable but all can be subject to unplanned outages. In the case of wind, volatility is also the result of power price variations (as the reference price is set as Day Ahead price). The reference price for remaining technologies will be set as Season Ahead price so will be known further in advance, therefore only changes in generation output influence CfD payments.

33. Initial analysis examined the EMR reference case[6] as well as a number of sensitivities to assess the potential volatility of CfD payments.

34. Suppliers will be exposed to risks from any changes in the volume of CfD generation, as this impacts their CfD payment obligations. If suppliers' CfD

[5] Reference price varies by type of generation (intermittent or baseload). Government intend to base the reference price for baseload generation on the traded prices for seasonal contracts. Please see Electricity Market Reform – Contract for Difference: Contract and Allocation Overview (August 2013) for further information.

[6] As published in the updated EMR Energy Bill Impact Assessment (February 2013). Characterised by a diversified supply mix and targeting an illustrative decarbonisation level of 100gCO2/KWH in 2030, consistent with meeting both the Levy Control Framework and the renewables target for electricity generation in 2020.

payments unpredictably rise due to increases in generation the costs of these CfD payments will need to be absorbed through supplier margins and this could result in financial losses. Our initial analysis estimates these losses could equate to a cost of around £1.1/MWh and could be £4.50/MWh under extreme cases (where CfD payments are higher due to low fossil fuel prices for example). Given that supplier margins[7] have typically ranged from £2/MWh-£6/MWh, this could be a significant cost. Moreover these losses could also be amplified in scenarios where strong wind conditions coincide with low fossil fuel prices.

35. The majority of suppliers have indicated that some of these elements will be challenging to predict and that combined with unforeseen outages and unpredictable weather it is difficult for suppliers to mitigate against the impacts of CfD volatility. Our initial analysis further suggests that this is likely to have a more significant impact on small suppliers when compared to vertically integrated organisations (those who both generate and supply electricity) in the following ways:

- They may have less sophisticated hedging operations and less information on the key drivers of CfD payment levels because of having less involvement in low carbon generation. This could encompass information on both wind conditions and major plant outages. They may also find it more difficult or expensive to use derivative instruments such as wind swaps where this option exists.

- Initial modelling suggests a partial natural hedge between supply and generation with regards to the CfD payments. Vertically integrated suppliers are more able to benefit from this than small suppliers because they are able to enter into CfD contracts and receive payments as well making payments out.

- Small suppliers may have atypical purchase and sale arrangements for a high proportion of their load, potentially removing the benefit to them of the inverse correlation between supplier obligation costs and wholesale power prices and leaving them exposed to, and potentially needing to hedge, the full costs and risks or the supplier obligation.

36. The variable rate approach would mean that all suppliers will need to manage the variability of payment amounts, which will bring costs. This is likely to result in all suppliers applying varied risk premiums to their tariffs potentially leading to overpayment by consumers.

37. Taking into account initial analysis and suppliers' views, the volatility inherent in a variable rate levy would have a material effect on suppliers' business, with more significant impacts being felt by small/independent suppliers. This in turn would impact on consumer bills, as suppliers are likely to add a risk premium on to their tariffs to account for forecasting and managing this volatility. Suppliers being charged on the basis of a fixed rate levy could negate this by moving forecasting of some of the variables from suppliers to the Counterparty. This approach would provide greater transparency for suppliers and consumers, and would ensure that there was a level playing field for all suppliers, regardless of size. It would be

[7] Based on latest Ofgem market review report, analysis by consultants NERA and in-house DECC analysis.

important for the Counterparty to be able to manage the variable element of this risk effectively so as to continue to give generators the confidence that they will be paid.

## Alternative types of levy

38. Given the negative impact of a variable rate levy that our analysis showed, we have considered the types of fixed rate levy that could be used to charge suppliers as an alternative to a variable rate:

    a. **Generation fixed** – where the generation output is forecast and the strike price are known by the Counterparty but the supply data is based on metered data and the reference price is based on actual wholesale price for the settlement day (so suppliers would need to manage the latter two). In order to collect payments the Counterparty would inform suppliers of the strike price and estimated generation volume for each contract in advance of the billing period. Suppliers would then be charged the difference between the stated strike price and the reference price (based on actual wholesale prices) for the specified volume generated (as estimated by the Counterparty) in that billing period. Suppliers would be charged in proportion to their market share for that period.

    b. **Unit cost fixed** – similar to option a) but the Counterparty also forecasts and fixes the expected reference price in advance. Supply data is still based on metered data. This would lead to a pound per MWh rate for suppliers. Monies would then be collected from each supplier based on the Counterparty's set pound per MWh rate and the actual amount supplied in a given period.

    c. **Fully fixed** – where all of the elements are forecast in advance by the Counterparty and suppliers pay a set amount throughout the year. The Counterparty would estimate the total amount to be collected over the year and allocate a proportion to each supplier in line with their market share and then collect those payments at specified times throughout the year.

39. In all of these options the Counterparty would need to estimate the costs of CfDs for the coming year based on its forecast for each of the relevant variables. Further work is underway to determine how any fixed rate charge would be set and payments collected.

40. Under any fixed rate levy the payments received in each settlement day would not exactly match the payments out to generators. In order to ensure that the Counterparty has sufficient funds to make CfD payments it would need to establish a reserve fund or access to working capital to smooth payments and account for any mis-forecasting. The approach that the Counterparty takes to forecasting and the arrangements to prevent a funding shortfall will be of key interest to generators in understanding the robustness of the scheme. We will publish further detail on this in the autumn.

41. When deciding which type of levy to adopt we will consider the Counterparty's administrative costs; ease of administration for suppliers; operational risks (managing the volatile elements); market risks (liquidity and barriers to entry); and the financial impact of posting collateral, and the cost and administration of any necessary reserve funds.

42. Initial analysis has indicated that the partially fixed rate options would be better value for money than a fully variable or fully fixed option. This is due to the efficiencies of the Counterparty holding a reserve fund (essentially a risk premium) to smooth payments and account for mis-forecasting rather than individual suppliers including their own risk premiums to account for this. And of these options, based on value for money, transparency of costs and the ability to provide a level playing field for small and vertically integrated suppliers the Government is minded to charge suppliers using a Unit Cost fixed rate levy. This will be subject to further analysis.

43. Further information and analysis will follow in the autumn consultation and supporting impact assessment.

## 5. Backstops and safeguards

44. As part of the approach to the supplier obligation and to ensure that the system is robust we plan to put in place a number of mechanisms to ensure certainty of payments to CfD generators in the event of supplier default. These would be needed no matter which form of the levy is implemented. These backstops and safeguards are:

### Collateral

45. All suppliers (and generators when the payment flow is reversed) will be required to post collateral to cover their upcoming liabilities. We are mindful of the cost of collateral to suppliers, and of the importance of robust collateral arrangements to generators. We are considering ways to balance the interests of suppliers (i.e. to minimise collateral requirements) against the interests of generators (i.e. to have certainty of payment from the Counterparty).

46. Under our current proposals collateral can be collected in the form of cash or Letters of Credit (LoCs) which are the most liquid forms of collateral to ensure that the Counterparty has easy access to the funds it requires to make payments. We are continuing to consider ways to deliver that level of security at minimum cost to consumers.

47. Collateral is likely to be required to cover the expected supplier obligation debts that will accrue over the period from the settlement date to the time that the associated invoice is due to be paid. This incorporates:

    a) The billing period - the period for which supplier obligation payments are calculated. It is proposed that this be one day (the settlement day). The November 2012 publication suggested that payments to generators and from suppliers should be on at least a monthly basis but that they should where possible align with BSC settlement processes. A shorter payment period means that suppliers have to provide less collateral as the size of each payment will be lower. Discussions with suppliers since the call for evidence have suggested that the reduced collateral requirement that would be produced by a shorter payment period would be valued, and as daily settlement is part of existing industry arrangements under the BSC the additional administrative costs should be minimal. For this reason, we propose daily payment of the supplier obligation rather than the month proposed in the November 2012 publication.

    b) The invoicing period – the time allowed for the settlement agent to receive initial supply data and issue invoices for the supplier obligation. We propose seven working days.

    c) The payment period – the time that suppliers will have to pay their supplier obligation. We propose five working days.

48. We are currently considering the precise length of the period for which collateral will be required. Under the Balancing and Settlement Code (BSC), Parties are required to provide credit cover with a 25% margin above their expected liabilities.

49. Further details on collateral will be provided in the autumn consultation.

## Insolvency Reserve Fund

50. The Government has also considered whether further arrangements are necessary to deal with the unlikely event of a supplier becoming insolvent and that resulting in a short-term funding gap between non-payment and exhaustion of collateral and any enduring solution for the supplier's customers, such as Supplier of Last Resort (SOLR). Looking at historic BSC data the total unsecured losses from suppliers as a result of defaults and insolvencies over the past eight years (2004-2011) has been around 0.26% of the Balancing and Settlement Code revenue. As a result of robust credit and collateral arrangements there were no further unsecured losses following this insolvency, as the combination of collateral and the Supplier of Last Resort regime ensured that payment obligations continued to be met despite the disruption created by the insolvency events. We therefore consider unsecured losses unlikely to arise. If they did, an insolvency reserve fund would allow the Counterparty to continue to make payments to generators. The Government is exploring whether an appropriately sized reserve could further minimise the risk of pro-rating. Pro-rating is where the Counterparty did not have sufficient funds to pay generators and it could apportion sums (pro-rata) in proportion to the amounts which are owed, so that no one generator suffers unduly.

51. Our analysis suggests such a fund could be relatively small, in part given the low likelihood of unsecured losses, in part because the most likely scenario in which unsecured losses might arise would be the insolvency of a small supplier (as the large ones are covered by the Energy Supply Company Administration scheme, which should allow for payments to continue). Because any fund would be filled by suppliers, it is important that the size and associated costs are proportionate to the associated risk. In a case of potential default due to the insolvency of a large supplier the Secretary of State would apply for an Energy Supply Company Administration Order (ESCA), which should ensure that payments of the obligation would continue. Further details of the ESCA scheme are outlined below.

## Mutualisation

52. The mutualisation process would allow outstanding monies owed by a supplier to be recovered from the remaining suppliers based on market share at the time of mutualisation. These arrangements already feature under the Balancing and Settlement Code. It is currently proposed that mutualisation would take place in parallel to drawing on the insolvency reserve fund, so would essentially 'top up' the fund as it is depleted to ensure that it could cover any outstanding payments.

53. The notice period and timing for mutualisation are still being developed and will be designed to minimise the impact on suppliers as far as possible.

## Supplier of Last Resort

54. The Supplier of Last Resort (SOLR) process allows Ofgem to revoke a failed supplier's licence and appoint another supplier to take on its customers. While this process applies in principle to all suppliers, a key criterion is that the SOLR can take on the failed supplier's customers with minimal impact on its existing customers, so in practice the scheme is primarily aimed at small suppliers. The SOLR arrangements have been tested several times. On average it takes 3-4 days to appoint a SOLR once the failed supplier's licence is revoked and this, combined

with the use of collateral, has ensured that network, distribution and BSC payment obligations continued to be met despite the disruption created by insolvency events.

## Energy Supply Company Administration

55. The Energy Act 2011 included provisions for Energy Supply Company Administration. In the event of a large supplier facing insolvency the Secretary of State may apply to the court for an energy supply company administration order. An energy administrator may then be appointed by the court to run the company, with financial assistance from the Government if necessary, until the company is either rescued, sold, or customers transferred to other suppliers.

# 6. Settlement

56. In November 2012 DECC stated that "The Government … is minded to use ELEXON as the settlement agent on behalf of the Counterparty"[8]. Responses to the call for evidence supported this proposal. ELEXON (the Balancing and Settlement Code Company) currently administers the payment flows under the BSC. It is a not-for-profit body and the company is constituted through existing electricity codes and licences which ensure its independence from conflicts of interests and restrict the scope of its activities. ELEXON's expertise and the fact that it already collects and processes the data that will be required for this work puts it in a unique position in the electricity market to fulfil the role as settlement agent for EMR.

57. ELEXON will be contracted by the Counterparty to deliver settlement services for CfDs on its behalf. The details of settlement will be set out in the supplier obligation regulations, in the Contracts for Difference and in the agreements between the settlement agent and the Counterparty. The costs of EMR settlement will not fall on parties to the BSC. DECC is intending to fund the set-up of CfD settlement systems via a grant to Elexon. Once settlement systems are in place, the on-going costs of CfD settlement will be paid by the Counterparty and recovered as part of operational cost recovery arrangements from suppliers.

## Settlement processes and reducing the costs of collateral

58. For each billing period, the settlement agent will collect loss adjusted metered volume of supplier consumption data, as provided by the BSC, from the BSCCo in order to calculate how much is due from each supplier. As stated earlier, the call for evidence highlighted the potential cost to suppliers of providing collateral. We have proposed a shorter settlement process than was set out in the November 2012 publication in order to reduce this potential burden. We intend to calculate supplier obligation payments based on a billing period of one day (the settlement day) and to calculate the initial settlement invoices based on the Interim Information Run of the BSC.

59. In addition, we propose to base the initial settlement invoice on the BSC's Interim Information Run in order to further reduce the requirement to provide collateral by reducing the period of time between the settlement day and when payments are due. This initial invoice would then be subject to reconciliation following the BSC Settlement Calendar as more accurate settlement data becomes available.

60. We propose that suppliers will have five working days to pay their supplier obligation from receipt of the invoice, to ensure that suppliers have sufficient time to scrutinise invoices before payment but without increasing significantly the total amount of collateral to be posted.

[8] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65635/7077-electricity-market-reform-annex-a.pdf; page 76, paragraph 280

## 7. Next steps

61. We continue to work with suppliers and generators bilaterally and through collaborative development processes to test proposals on the supplier obligation and settlement. In the autumn the Government will publish more detailed proposals for the supplier obligation and settlement and will consult on those detailed policy proposals. This will include further detail on:

- How the levy will be calculated
- Rules and processes around the backstops
- Sizing of any reserve fund and associated rules/procedures
- How funds will be managed
- Enforcement and dispute procedures
- Approach to forecasting the levy and reconciliation
- Approach to Energy Intensive Industries
- Settlement processes and procedures
- Impact Assessment on the supplier obligation.

62. After this consultation, and subject to Royal Assent of the Energy Bill, it is expected that secondary legislation will be laid before Parliament in the spring of 2014, to come into force in summer 2014.

**Outline timetable**

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|---|---|
| September-November 2013 | Collaborative development with industry |
| Autumn 2013 | Consultation on detailed policy proposals |
| Spring 2014 | Secondary legislation laid in Parliament |
| July 2014 | Secondary regulations come into force and Counterparty becomes operational |
| End 2014 | System testing complete, payments are ready to flow |

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**URN: 13D228**