



CFD counterparty Governance

EMR Expert Group

10 October 2013



Aims

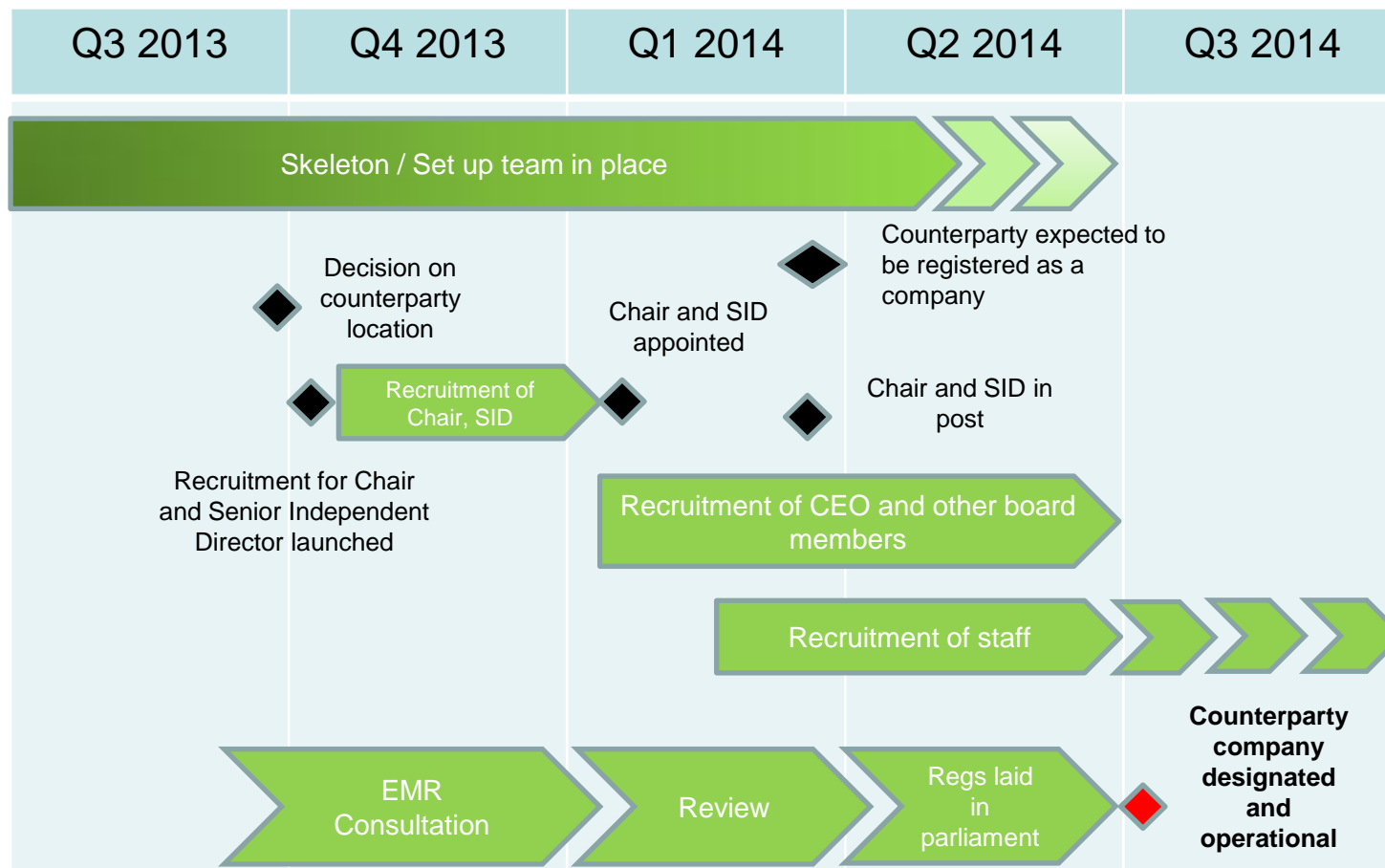
- Update on:
 - I. The timing of set up of the CFD counterparty,
 - II. The corporate structure,
 - III. Latest position on governance

Q. Does the group have any thoughts on how they would like to be kept up to date on progress of the governance framework and are there any particular areas of interest?

Anticipated timetable for the establishment of the CFD counterparty



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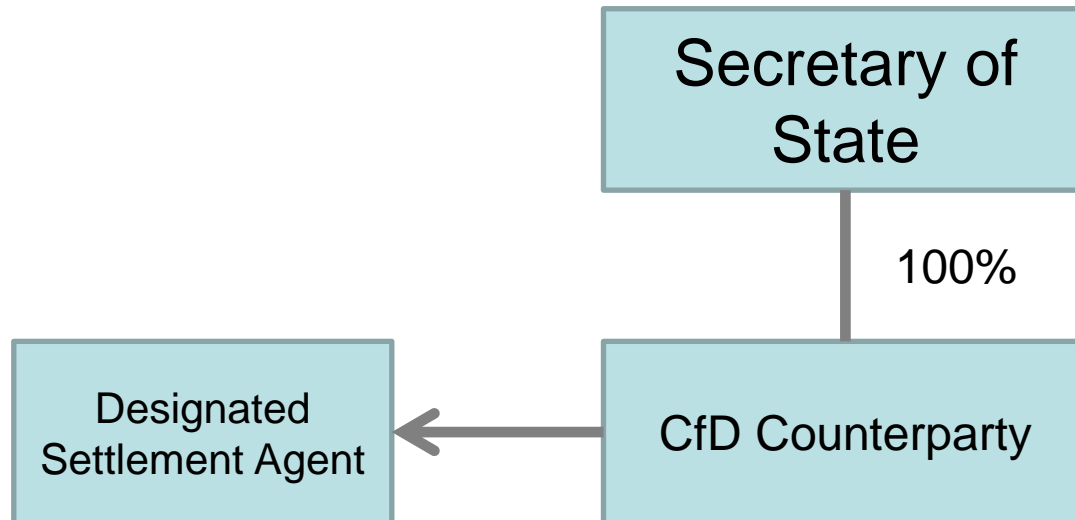


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The CFD counterparty ownership & Board



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- CFD Counterparty is Government owned Companies Act Company
- DECC SoS sole shareholder
- SoS recruits the Chair, Senior Independent Director and DECC board representative
- Remainder of Board recruited and appointed by nominations committee but subject to SoS veto (as shareholder)



The counterparty is a GovCo and a tax raising body implementing government policy. Therefore it cannot be independent of DECC policy but must have sufficient independence to operate efficiently and objectively on a day to day basis within standard commercial timeframes, meaning it needs to be adequately and appropriately resourced to operate in a commercial timeframe.

The roles of the counterparty are anticipated to include:

- Managing the reserve funds (within the parameters of the regulations)
- Paying generators and suppliers (within the parameters of the CfDs and regulations)
- Managing contracts and milestones
- Managing the role of the settlement agent
- Forecasting the supplier levy (subject to potential matters reserved to the SoS for some aspects)
- Managing its operations within its budget

The matters that could be reserved for the SoS as shareholder, in addition to standard shareholder rights over the board, directors, and remuneration, could include areas such as the following:

- Approving the counterparty's Annual Budget
- Approving the counterparty's 5 Year Business Plan
- Potentially discrete aspects of the counterparty's forecasting role (as above)
- Changing EMR policy
- This is in addition to the SoS's legislative power to direct the counterparty to enter into CfDs.