**Offtaker of Last Resort Advisory Group – Introductory Meeting**

**Thursday 12th September 2013 16:00 – 17:00**

**Minutes and actions**

**Attendees:**

**DECC attendees:**

Alex Weir (chair)

Tim Warham

Adam Harper

Jessica Henry

**Group members:**

David Handley, RES

Maria Paz Garcia Alajarin, EDP Renewables

Andrew MacLellan, Energos

Ravi Baga, EDF

Stuart Noble, Scottish Power

Christian Pegrum, Eon

Robert Owens, Smartest Energy

Simon Proctor, Good Energy

Keith Patterson, Brodies

Kirsty Hamilton, LCFG

Martin Bell, Ofgem

**Apologies:**

Ben Cosh, Green Company

Phil Broom, GDF Suez

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|  | **Introductions & Overview of OLR** | | **Outline of OLR & Key Design Issues** | | | **Alex Weir** |  |
| The group introduced themselves. Alex Weir (AW) began by giving an overview of the PPA problem as seen by DECC and then gave a quick outline of the current Offtaker of last resort design principles. There were some questions from the group about particular design issues, including:   * Whether pricing is still intended to cover debt & setting an appropriate discount; * Whether different finance models will affect generator eligibility; * Whether non-suppliers can take part; * A question of clarification on the allocation process (administrative vs. competitive).   AW addressed these points in turn but stated that more detail on each of the issues will be set out further in separate papers presented to the group in subsequent meetings.  The group was taken through a list of key design issues that DECC plans to prepare papers on for upcoming meetings. These issues are:   * Eligibility – which technologies/size of generator should be eligible? * Pricing – how should the fixed discount be set? * Risk allocation – what is appropriate risk allocation, how is it grandfathered and how to avoid distortions in the PPA market? * Timing – At what point should the backstop PPA be available? * Access – Under what circumstances should the backstop PPA be available? * Offtaker eligibility – which suppliers should be subject to the obligation to offer the backstop PPA? * Allocation – How should a backstop offtaker be selected?   The group agreed that these issues were relevant – although debated the fact that some would be more difficult than others to resolve, and that there would be a significant level of overlap between some issues. | | | | | | | |
|  | **Discussion of Terms of Reference** | | **Terms of Reference** | | **All** | |  |
| AW outlined the purpose of the group – it will be used to advise and encourage debate on a series of papers covering key design issues of the OLR. It does not have similar objectives to the CfD market readiness working groups as it will not be creating products, but advising on policy development.  All agreed that papers would be circulated as widely as possible (group members were encouraged to circulate any papers) and placed on the DECC website.  AW explained that group meetings are leading up to a formal policy consultation and a wider industry workshop that will allow for wider feedback.  The membership of the group was briefly discussed – it comprises of a mixture of generators with a focus on different technologies, small and large suppliers in addition to legal, accountancy and financial resource. Members were reminded that continuity is vital to the policy development process and were encouraged to make time for the meeting schedule. | | | | | | | |
|  | **Meeting Schedule** | |  | | **Alex Weir** | |  |
| Members were advised that the next meeting has been tentatively scheduled for the 2nd October, and will be a discussion of a paper on the allocation mechanism for the offtaker of last resort. This design issue was chosen as it has fewer connections to the other issues and can be discussed as a stand-alone piece. AW also explained that DECC hopes to hold meetings once every 2-3 weeks until the end of the year, dependent on availability and progression,  There was a question on the formal consultation – AW confirmed that it would be released after the advisory group has completed its meeting schedule. There was also a question on the order of design issues – whether DECC has any inclination as to what order the issues will be discussed in. AW explained that the order will largely depend on the work plan agreed with external consultants, who were appointed recently, so the group should have a better idea of the order of issues by the next meeting. However, AW did flag that some issues, such as eligibility, would be more salient so warrant an earlier discussion.  A point was raised about the design issues overlapping – AW agreed that the group meeting schedule may need to be extended and time allowed to revisit issues needing further consideration. | | | | | | | |
| **5.** | | **Actions** | |  | **Alex Weir** | |  |
| **DECC**   * **Circulate provisional meeting dates** * **Draft the paper for the next meeting on the allocation mechanism & circulate**   **All members please:**   * **Confirm availability for the proposed series of meetings** * **Review the published OLR straw man paper and the paper to be circulated** | | | | | | | |