

Dear all,

Please find below a short summary of the key topics which were discussed at today's EMR Collaborative Development meeting. This summary will be in addition to the more detailed record of discussions which will be made available in due course. Details of notes of workshops so far are available here: <https://www.gov.uk/government/policy-advisory-groups/electricity-market-reform-emr-collaborative-development>

Contracts for Difference - E2E, Set Up Workshop

The chair opened the workshop by introducing the objectives of the collaborative development sessions, summarising the timetable to the end of the year and identifying the deliverables of the process, including a Target Operating Model and Implementation Plan for CfDs.

The first session - '**End to End Policy Overview – What Happens Up to Payments?**' covered:

- The developer's journey through the allocation system and interactions with the Secretary of State, National Grid and finally the Counterparty Body.
- The components of the allocation process, being First-Come First-Served (FCFS), Unconstrained Allocation and Constrained Allocation - and the triggers for moving from one component to the next.
- The appeals process for CfD ineligibility disputes, and impact on the allocation process.
- Evidencing Substantive Financial Commitment as part of the CfD application
- The different flexibilities (around commissioning dates, late commissioning, uncertain volumes and lower than expected volumes) included within the current proposals.

The '**CfD Counterparty and Supplier Obligation**' session covered:

- The expected role of the CfD Counterparty and the timetable for granting powers to the body
- The change in approach to the supplier obligation rate - now proposed as a fixed rate levy
- The proposed framework for ensuring the strength of the SO to make payments to generators, including: Reserve fund, collateral posting, insolvency reserve fund, and mutualisation in the event of insolvency. The discussion centred around the calculation and funding of the reserve fund and insolvency reserve fund and collateral requirements.
- Disputes and enforcement of the supplier obligation.
- The level of working capital held by the Counterparty Body in receiving payments from suppliers and making distributions to generators.

The process map for '**Setting Up Suppliers and Generators**' was briefly described; it was confirmed that for existing suppliers this would involve a confirmation of details Elexon already have.

In discussion of the process map for '**Managing Collateral**', discussion focused on the following points:

- The CfD collateral requirement for Suppliers (21 days based on the past 21 days of historical volumes), the types of collateral required (cash or letter of credit) and the timing of collateral posting.
- Additions to the process map, including confirmation of posted collateral, and the notification process of posted and required collateral expected by DECC. Industry views are welcomed on the form of collateral notification system.

- The cost of collateral and how this can managed to balance certainty for generator and costs to consumers.

Kind Regards
Lesley