

Catalogue of consultation questions

Contracts for Difference Consultation questions:	Investment Contracts
Question CFD1	Do you agree with the approach outlined in section 3.2.1.2 of this document to treat Investment Contracts as CfDs once they have been transferred to the CfD Counterparty in order to allow the counterparty to administer and fund these contracts in the same way as CfDs?
CfD Budget	
Question CFD2	Do you agree that Government should be able to increase the budget allocation to the EMR delivery body without further consultation, but should be restricted from reducing this for applicants within an allocation round?
Question CFD3	Do you have any comments on the use of minima and/or maxima budgets, the case for technology-specific and general auctions, and how they might best support value for money the management of the CfD budget (within the LCF)?
Eligibility Criteria	
Question CFD4	Do you agree with the proposed eligibility criteria set out at Annex F ? Do you have any further comments that should be taken into account in finalising these eligibility criteria (you may wish to refer to the August Allocation Methodology document)?
Question CFD5	Do you have any further comments that should be taken into account in finalising eligibility criteria for Northern

	Ireland?
Question CFD6	<p>Do you agree with the eligibility criteria for dedicated biomass CHP and the decision to offer the strike price for Qualifying Power Output only? Do you agree with the proposed five year safeguard measure? Do you agree with the use of Guidance Note 44?</p> <p>Do you agree with the approach to Energy from Waste CHP?</p>
Allocation Process	
Question CFD7	Do you agree that the proposed split between regulations and the CfD Allocation Technical Framework is the best way to implement the policy, whilst retaining the necessary flexibility?
Question CFD8	Do you have any further comments on any aspects of the design of the allocation process set out in this section (you may wish to refer back to the detail of the allocation process set out in the August Allocation Methodology)?
Contract Management	
Question CFD9	Do you have views on any aspect of the proposals set out in this section?
The levy formula	
Question CFD10	Do you have any comments on the proposed formula to calculate the supplier obligation?
Fixed Rate Levy	
Question CFD11	Do you have any comments on what would be an appropriate minimum notification of the unit cost rate, bearing in mind that notification earlier than three months will be less accurate?
Question CFD12	Are there any other items of information that suppliers need in order to manage CfD payments?

Question CFD13	What are your views on the impact of a unit cost fixed rate levy on the incentives for suppliers to trade in the reference market and consequently wholesale market liquidity?
Question CFD14	Do you agree with the described approach to levy reconciliation? If not, why and what alternatives can you suggest?
Question CFD15	Do you have any comments on how frequently the levy should be reconciled?
Reserve Fund	
Question CFD16	What are your views on the approach to sizing the reserve fund?
Question CFD17	Do you have any comments on how to fund the reserve fund? What funding options will ensure the Counterparty has sufficient funds to cope with unexpected events and smooth payments?
Question CFD18	Do you have any comments on the approach to determining market share for payment of the reserve fund?
Question CFD19	Do you have any comments on the timings outlined for notification of the amount of money required for the reserve fund?
Reconciliation	
Question CFD20	Do you have any comments on the frequency of reserve fund reconciliation?
Settlement	
Question CFD21	Do you have any comments on the reduced settlement timescale?
Question CFD22	Do you have any comments on the use of the BSC's Interim Information Run for the first supplier obligation

	invoice?
Question CFD23	Do you have any comments on how the Minimum Required Collateral should be calculated?
Question CFD24	Do you have any comment on how many working days will be sufficient to make payments to the counterparty, given the fact that longer payment periods would increase collateral requirements?
Question CFD25	Do you have a view on whether the settlement process (including lengths of billing period, invoicing period and payment period) should be the same for suppliers and generators, as currently proposed?
Collateral	
Question CFD26	Do you have any comments on the amount of time necessary to size collateral requirements?
Question CFD27	Do you have any comments on the length of the late payment rectification period?
Question CFD28	Do you have any comments on the form of collateral, such as cash or a letter of credit as proposed?
Question CFD29	Do you have any comments on the proposed credit rating requirements for letters of credit?
Question CFD30	Do you have any comments on the process for monitoring and enforcing credit requirements?
Question CFD31	Do you have any comments on the approach to sharing of collateral across the Contracts for Difference and Capacity Mechanisms schemes, and between suppliers and generator? What alternatives would you propose and how would this mitigate the risk of non-payment by the counterparty?

Question CFD32	Do you have any questions or comments on regulations 14 (Collateral) and 15 (Calculation of a suppliers collateral requirement)?
Insolvency Reserve Fund	
Question CFD33	Do you have any comments on the concept of an insolvency reserve fund; if not what alternatives would you recommend to manage the associated risk?
Question CFD34	Do you have any comments on how to size the insolvency reserve fund?
Question CFD35	Do you have any comments on the most appropriate means of funding the insolvency reserve fund?
Question CFD36	Do you have any comments on the minimum credit requirements for letters of credit used to fund the insolvency reserve fund?
Question CFD37	Do you have any comments on the length of notice period given to a non-defaulting supplier to replace a letter of credit with cash before it is called by the counterparty?
Question CFD38	Do you have any questions or comments on regulations 16 (Insolvency reserve collateral), 17 (Calculation of a supplier's insolvency reserve requirement) and 18 (Repayment of insolvency reserve collateral)?
Mutualisation	
Question CFD39	Do you have any comments on the concept of mutualisation, if not what alternative mechanism would you propose to ensure the insolvency reserve fund remains adequately funded?
Question CFD40	Do you have any comments on whether suppliers should pay towards mutualisation in proportion to their market share?

Question CFD41	Do you have any comments on whether there should be a minimum threshold for an outstanding debt before mutualisation begins? If so what threshold amount would you propose and how would this operate to ensure that the risk balance to the counterparty remains the same?
Question CFD42	Do you have any comments on the use of recovered funds?
Question CFD43	Do you any questions or comments on regulation 16 (Insolvency reserve collateral)?
Arrangements for dealing with non-payment	
Question CFD44	Do you have any comments on the proposed timescales for notifying and reporting payment default to Ofgem?
Question CFD45	Do you have any comment on the approach to the enforcement of debts through the courts by the counterparty?
Question CFD46	Do you have any questions or comments on regulation 19 (Enforcement of requirements)?
Question CFD47	Do you have any comment on proposed timescales within which suppliers must raise a dispute the counterparty for notifying and reporting payment default to Ofgem?
Question CFD48	Do you have any comments on the proposal that the notification of a payment or credit default by a supplier should be published on the counterparty's website?
Question CFD49	Do you have any questions or comments on regulation 20 (Disputes)?
Operational Costs	

Question CFD50	Do you have any comments on what would be acceptable to use as the basis for calculating suppliers' share of operational costs?
Question CFD51	Taking into account the constraints that arise from the need to set the rate in legislation, do you have any views on the proposed timetable for both 2014/15 budget and enduring regime? For example, does the timetable give enough notice to suppliers of the levy rate that will apply?
Question CFD52	With regard to operational cost payments that are accrued between July and December 2014, do you have any comments on the proposed payment period and frequency for recovering these payments (i.e. in instalments payable by the end of each month from January to March)? Do you have any other preference e.g. lump sum payment for the accrued amount?
Implementing the payment model	
Question CFD53	Do you have views on any aspect of the proposals set out in this section 3.4.3?
Devolved Administrations	
Question CFD54	Given the different planning and grid connection regime in Northern Ireland, we would welcome views from Northern Ireland generators as to which point in the grid connection process in NI is most appropriate to sign a CfD.
Question CFD55	Are there any other issues in the allocation criteria that need to be amended for NI generators?

Supply Chain	
Question CFD56	What impact, in terms of benefits and costs, do you think the supply chain plan assessment will have?
Question CFD57	What additional steps could Government consider to deliver our objectives? If applicable, you may wish to draw on your experience of the FIDeR process.
Question CFD58	Should the supply chain plan assessment process take into account the development stage of the project? If so, how could this best be reflected and measured in the supply chain plans to be submitted e.g. considering any procurement commitments that are in place, status of construction etc?
Question CFD59	Do you have any views on whether the three main criteria of innovation, industrial development and skills should be weighted and whether the sub-criteria should be scored evenly?
Question CFD60	Do you have any other comments or suggestions for the assessment criteria or scoring process that you think would support the aims of EMR to drive down the cost of low carbon generation (by promoting innovation, skills and open and competitive supply chains)?
Capacity Market Consultation questions:	Amount to auction
Question CM01	What are your views on the proposed delivery year (1 October to 30 September)?
Question CM02	What are your views on the proposed approach for setting the amount to contract in each Capacity Market auction?
Question CM03	Do you think the proposed value for net-CONE (£29/kW per year) and the proposed auction price cap (1.5 * net-CONE) are appropriate for the first auction? If not, do

	you think that the proposal for a transitional price cap of around £75/kW is appropriate to allow for a wider range of projects to set the price in the first auction(s)?
Question CM04	Do you think that the price of new entrant bids in the auction should inform the net-CONE set in subsequent auctions?
Question CM05	What are your views on the proposed approach to indexing capacity payments and penalties?
Question CM06	Do you have any further comments on aspects of the design described in this sub-section?
Question CM07	Do you have any comments on Parts 2 and 3, and Chapters 1 and 2 in Part 4 of the regulations for implementing proposals for setting the amount of capacity to auction?
Box 4.8: Consultation questions:	Eligibility and pre-qualification
Question CM08	Do you think the proposed limitations on eligibility for participating in the Capacity Market are appropriate? For example, do they give rise to particular issues for any technology type?
Question CM09	Are you aware of any solutions that might permit interconnected capacity to participate within the Capacity Market that would meet the Government's criteria as set out in this document?
Question CM10	What are your views on the approach to pre-qualification, including the submission criteria, time allowed for the process and the deadlines industry will be required to meet?
Question CM11	Are you aware of other ownership/legal structure arrangements that should be accommodated in the definition of applicants able to register for pre-qualification? If so please provide details.
Question CM12	Do you think the proposed methodology for de-rating capacity, and the proposed range, is robust? What are your views on the proposals for the auction to credit units at the fuel-type average availability level, rather than the unit's selected de-rating figure?

Question CM13	Do you think the level and type of collateral requirements for new build plants are appropriate?
Question CM14	Do you have any comments on the proposed process for dealing with pre-qualification disputes?
Question CM15	Do you have any further comments on aspects of the design described in this sub-section?
Question CM16	Do you have any comments on Chapter 3 of Part 4 and Parts 6 and 9 of the regulations and Chapters 2, 3, 4, 10 and 12 of the Capacity Market Rules for implementing proposals for eligibility and pre-qualification?
Box 4.12: Consultation questions:	Auction frequency, format and agreement lengths
Question CM17	<p>What are your views on the proposal for price takers and price makers?</p> <p>What is the lowest price taker threshold that should enable the most existing plant to participate in the auction without needing to qualify as a price maker?</p>
Question CM18	<p>Do you agree that that the relevant considerations to be taken into account when setting the capacity agreement length for new plant are the extent to which:</p> <ul style="list-style-type: none"> • long term capacity agreements can reduce financing costs; • investors in new plant value capacity prices beyond the term of their capacity agreement; • long term capacity agreements risk locking in volumes of capacity which is not needed; • long term capacity agreements risk locking in high prices; • long term capacity agreements impact the ability of existing plant on one year contracts to compete? <p>Are there other considerations which should or must be taken into account?</p>

Question CM19	What do you consider to be the appropriate maximum agreement lengths for new, refurbishing and existing capacity?
Question CM20	<p>Do you think financial thresholds are appropriate for distinguishing between new and refurbishing plants?</p> <p>Do you think the proposed levels of the thresholds are appropriate?</p> <p>Do you have any views on the type of refurbishments likely to require a longer term agreement? What scale of investment would these plants be making?</p>
Question CM21	Is a 'price only' (i.e. selected on price alone, irrespective of the length of agreement) or a dual auction comparing bids for around 10 and 25 years more appropriate? If the latter, how should the preference be established?
Question CM22	Do you think the additional rules proposed for prospective capacity providers that must build or refurbish their plant between the auction and delivery year are appropriate?
Question CM23	Do you agree with the concept of termination fees being applied to new build plants that are not operational for their delivery year? Would it be more appropriate to make such plant liable for penalties in any system stress events?
Question CM24	Under what circumstances would it be appropriate to cancel holding an auction or to reject its results?
Question CM25	<p>Should the Capacity Market create requirements for participants to bid fairly and to not engage in collusion or market manipulation?</p> <p>Do you have any comments on the proposed definitions of collusion and market manipulation in the Capacity Market Rules?</p> <p>Do you think that participants should have to sign up to</p>

	<p>a Certificate of Ethical Conduct in order to sign up to the auction?</p> <p>Do you think there are any potential gaps in existing competition powers that need to be addressed to ensure that Ofgem can ensure competition in the Capacity Market?</p>
Question CM26	<p>What are your views on which party should act as auction monitor and what should be the scope of their role?</p>
Question CM27	<p>Do you agree that the Government should introduce a guarantee to auction 50% of the capacity initially set aside for the year ahead auction?</p> <p>Could DSR capacity compete without the guarantee?</p>
Question CM28	<p>Do you have any further comments on aspects of the design described in this sub-section?</p>
Question CM29	<p>Do you have any comments on Part 3 and chapters 1, 2, 3 and 4 in Part 4 the regulations and Chapters 4, 5, 6 and 7 and Schedule 1 of the Capacity Market Rules for implementing proposals for auction format and frequency</p>
Box 4.15: Consultation questions:	Secondary market
Question CM30	<p>Do you have any comments on the proposed provisions for secondary trading of capacity? Are there any better approaches?</p> <p>Do you consider there are additional measures or design changes that the Government can take to facilitate a liquid hedging market around penalties for under-delivery?</p>

Question CM31	Do you have any further comments on aspects of the design described in this sub-section?
Question CM32	Do you have any comments on Chapters 7 and 9 of the Capacity Market Rules for implementing proposals for secondary trading?
Box 4.19: Consultation questions:	Delivery
Question CM33	Do you agree that liability for penalties should be conditional on the issue of a Capacity Market warning? If so, is the proposed four-hour period appropriate?
Question CM34	Do you think the proposed penalties applicable for non-delivery both more than and less than four hours after a Capacity Market warning are appropriate?
Question CM35	Do you think that a penalty cap of between 101 – 150% of a unit's annual capacity payments achieves an appropriate balance of consumer value for money, delivery incentives and investability?
Question CM36	Do you agree with the proposal that penalty caps should be determined at the portfolio level? If so, do you agree with the approach for determining portfolio structure?
Question CM37	Do you think that the proposal to apply different penalty rates to units depending on their balancing mechanism status is appropriate and offers value for money to consumers?
Question CM38	Do you think that over delivery payments are an important design feature for providing efficient despatch incentives and facilitating secondary trading?

Question CM39	What are your views on the proposals for identifying and spot testing participants' ability to deliver when needed?
Question CM40	Do you think the proposed treatment of 'force majeure' events is appropriate and offers value for money to consumers?
Question CM41	Do you have any further comments on aspects of the design described in this sub-section?
Question CM42	Do you have any comments on Chapters 7, 9, 11, 13 and 14 of the Capacity Market Rules for implementing the proposed obligations and penalties?
Box 4.21: Consultation questions:	Specific procedures for DSR participation
Question CM43	Do you agree that the specific rules for DSR (i.e. the proposals on bid bonds, eligibility, baselining, metering) are justified and provide DSR with a reasonable opportunity to participate? Are any other features needed (and if so why?)
Question CM44	Is the proposed level of the bid bond (£4,420/MW) for prospective DSR appropriate to sufficiently incentivise delivery without presenting an unacceptable barrier to entry?
Question CM45	<p>What do you think of the proposal that failure to deliver the total capacity awarded in the auction should result in the forfeit of the total bid bond?</p> <p>Does this provide a comparable incentive for prospective DSR to deliver when compared to the incentives for new generation to deliver?</p>
Question CM46	Do you have any further comments on aspects of the design described in this section?

Question CM47	Do you have any comments on Chapters 3, 4 and 5 in Part 4 of the regulations and Chapters 3, 4 and 10 of the Capacity Rules on the eligibility and pre-qualification arrangements for DSR?
Box 4.24: Consultation questions:	DSR transitional arrangements
Question CM48	Do you agree with the necessity of transitional arrangements to help build the capability of the DSR sector?
Question CM49	What are your views on the proposed transitional arrangements and do you think they will prove effective i.e. over 2 time limited stages and with the parameters set out?
Question CM50	Do you agree that the level of the bid bond should be reduced by 90% for prospective DSR during the transition period?
Question CM51	Do you have any further comments on aspects of the design described in this section?
Question CM52	Do you have any comments on Chapter 5 in Part 4 of the regulations and Chapter 10 of the Capacity Market Rules on the transitional arrangements?
Box 4.26: Consultation questions:	Payment model: calculating charges and payments
Question CM53	Do you have any comments on the charges being calculated for the purposes of Capacity Market settlement?

Question CM54	Given the Government's objective to link the costs of the Capacity Market with the drivers of those costs, and the desire to facilitate demand side participation in the Capacity Market, are you aware of an alternative to the peak charging methodology that might better meet those objectives?
Question CM55	Do you believe that any contribution from DSR CMUs should be excluded from suppliers' market share calculations, and if so what is the best method of doing this?
Question CM56	Do you have any comments on Chapters 5, 6 and 7 of the payment regulations covering calculating charges and payments?
Box 4.28: Consultation questions:	Payment model: Data systems and data collection
Question CM57	Do you have any comments on the data to be collected for the purposes of Capacity Market settlement (including whether all appropriate data flows been captured accurately)?
Question CM58	Do you have any comments on Chapter 4 of the payment regulations on the provision of data?
Box 4.30: Consultation questions:	Payment model: invoicing, banking and payment 1
Question CM59	Do you have any comments on the settlement timetable?
Question CM60	Do you have any views on the proposal to delay payment of penalties and over delivery payments pending the outcome of any disputes?

Question CM61	Do you think sufficient time is allowed for payments to be made once invoiced, given the fact that a forecast of monthly costs will have been provided in advance of the delivery year as part of the credit cover process?
Question CM62	Do you have any comments on the differences between payment timings proposed within the Capacity Market and those proposed for CfDs?
Question CM63	Do you have any comments on Chapters 6 and 7 of the payment regulations regarding invoicing, banking and payment?
Box 4.32: Consultation questions:	Payment model: invoicing, banking and payment 2
Question CM64	Do you have any comments on the size of credit cover being requested?
Question CM65	Do you agree with the form of credit cover being cash or a letter of collateral, if not what alternatives would you recommend?
Question CM66	Noting that suppliers' credit cover amounts are based upon suppliers' own demand forecasts do you feel additional checks or controls on such forecasts are required?
Question CM67	Do you feel the current credit cover default provisions are appropriate?
Question CM68	Do you have any comments on Chapters 5 and 8 of the payment regulations with regards collateral requirements?

Box 4.34: Consultation questions:	Payment model: settlement disputes
Question CM69	Do you have any comments on the process for the review of Capacity Market settlement disputes? Should there be specific provision for enforcement of obligations on the settlement body?
Question CM70	Do you have any comments on Chapter 10 of the payment regulations on settlement dispute resolution?
Box 4.36: Consultation questions:	Payment model: reconciliation
Question CM71	Do you have any comments on the timing or the approach to reconciliation? Should this be more or less frequent?
Question CM72	Do you have any comments on Chapter 11 of the payment regulations on reconciliation?
Box 4.37: Consultation questions:	Payment model: governance
Question CM73	Do you have any comments on the proposed governance arrangements for the Capacity Market Settlement Body and settlement agent?
Question CM74	Do you have any comments on the methods through which the costs of the settlement body and its agent will be controlled and levied?

Question CM75	Do you have any further comments on any aspects of Capacity Market settlement not covered in your responses to previous questions?
Box 4.39: Consultation questions:	Institutions and governance
Question CM76	Do you have any comments on the proposed institutional and governance arrangements for the Capacity Market? In particular that Ofgem will be responsible for amending the Capacity Market Rules, and the process for changing the rules and regulations.
Question CM77	Do you think it would be preferable for the Electricity Capacity Regulations to set objectives for the Capacity Market Rules? Such objectives may allow Ofgem to more easily assess the merits of a proposed change to the rules. If so what do you think these objectives should be?
Box 4.41: Consultation questions:	Nature of a capacity agreement
Question CM78	Do you have any comments on the draft capacity agreement notice template?
Question CM79	<p>Do you have any comments on the nature of a capacity agreement?</p> <p>The proposed capacity agreement will create statutory rights and obligations which can be enforced by Ofgem – so capacity agreements should serve the same ends as private law contracts. Capacity agreements will be funded by a full credit strength settlement body as described in Section 4.4. This regime has desirable parallels and consistency with the existing Balancing Mechanism. Are there any other features or attributes that ought to be incorporated to ensure the regime is investable (including for lenders)?</p>

Question CM80	Do you consider the test of financial commitment which applies to new build or refurbishing CMUs to be appropriate?
Question CM81	Do you consider the proposed provisions relating to termination of a capacity agreement to be appropriate and a proportionate balance between ensuring that capacity is delivered and affording appropriate safeguards to investors? Do you consider the timescales and appeal process relating to termination to be appropriate?
Question CM82	Do you consider the sanctions other than termination for failure or delay of new or refurbishing capacity to achieve substantial completion to be appropriate?
Question CM83	Do you consider the enforceability of payments due to, or from, a capacity provider to be sufficiently robust under the proposed structure?
Box 4.43: Consultation questions:	Ensuring the Capacity Market meets its objectives
Question CM84	Has the Government got the right balance between ensuring investors have sufficient certainty to bring forward the investment in capacity we need, and ensuring consumers' interests are protected?
Question CM85	Can the proposed design of the Capacity Market be simplified without sacrificing the ability for the mechanism to deliver the Government's objectives?
Question CM86	Do you agree that the Capacity Market design appropriately mitigates against the risk of gaming in the auction?
Question CM87	Is there more that could be done to ensure the proposed design supports the delivery of wider Government objectives such as the development of the internal energy market?

Question CM88	Do you have any comments on the proposed five-yearly review process?
Question CM89	Should there be sanctions to cover the event of a party providing false or misleading information in response to a request from the Government or Ofgem for the purposes of reviewing the Capacity Market? If so what should these sanctions be?
Question CM90	Do you have any comments on the proposed provisions for the protection of information in Part 7 of the Regulations?
Question CM91	Do you have any comments on Parts 7 and 12 of the regulations?
Enduring Delivery Plan process	

Question DP1	Do you agree the proposals here achieve the right balance between providing certainty to industry protection of commercial information and providing the right degree of flexibility to the System Operator and Government?
Question DP2	Do you agree that it is appropriate for the System Operator to have access to relevant information from CfD generators in order for it to fulfil its analytical and advisory functions as EMR Delivery Body?
Question DP3	Do you agree that it is appropriate for National Grid to require cost information from CfD generators to provide cost information to the System Operator in order for it to deliver its role as EMR delivery body and to enable the Secretary of State to take informed decisions which will impact on the affordability and “bankability” of CfD strike prices?
Liability Shield	
Question DP4	<p>Do stakeholders have any views on whether the principled approach should be the preferred approach? Or do stakeholders feel there is merit in adopting the approach whereby the liability shield is applied to all of National Grid’s EMR Delivery Body functions?</p> <p>Do stakeholders feel that there are other good reasons for supporting the principled approach or the approach whereby the liability shield is applied to all of National Grid’s EMR delivery body functions? Please provide reasons for your views.</p>
Conflicts of Interest	

Question DP5

How effectively will the licence modifications achieve the mitigation proposals set out above?

Please explain your answer, providing evidence where you can.

Are there any unintended consequences you can foresee from these modifications?