

Proposal for a WEEE Compliance Fee

Developed by the compliance schemes operated by Dataserv, DHL, Transform, Valpak and Veolia

September 2014

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1. Introduction

The new WEEE regulations make provision for the Secretary of State to allow schemes to achieve compliance with their targets by paying a fee instead of providing evidence of actual WEEE collection and treatment. The provision is subject to approval, and does not specify how any fee should be determined.

Schemes and other stakeholders are invited to make proposals for a fee to the SoS by the end of September in any compliance year. The SoS may then approve only one methodology and will announce the decision by the middle of February following the end of the compliance year.

BIS has recently released some more detailed guidance on their expectations for proposals.

This document sets out proposals for formulating a common methodology developed by the WEEE compliance schemes operated by Dataserv, DHL, Transform, Valpak and Veolia.

2. Requirements

Whilst the regulations and existing guidance are not prescriptive on the details of a compliance fee, they do establish a number of requirements for consideration:

1. Any fee should be set so as to encourage schemes to take all reasonable steps to meet their collection target without recourse to the compliance fee, but should not be at too high a level that it encourages overpayment for WEEE.
2. It should reflect the different collection and treatment economics of each WEEE collection stream.
3. It should be stream specific.
4. The fee is payable on the tonnage for which a scheme is responsible which has not been achieved through its own collections from DCFs, regulation 43, 50 or 52 returns, or through arrangements with third parties.
5. Proposals should be capable of operating with minimum involvement from Government or the agencies and include details of how any fees will be administered and arrangements for the governance and disbursement of funds to suitable projects.
6. Any exchange of scheme specific cost information should be treated as confidential and not disclosed to other schemes.

3. Proposed Methodology

3.1. General principles

The methodology proposed includes details of how fees are to be calculated for each stream, but does not include actual fees. It is not possible to calculate actual fees until after the end of the compliance year when actual tonnages and costs are known.

It is proposed to use t2e The Environment Exchange as an independent third party to calculate and collect compliance fees. If this methodology is chosen then the independent third party will be expected to:

- Receive applications from schemes that wish to use the fee
- Collect actual cost information from schemes
- Undertake independent assessment and checks to verify that the data is accurate

- Receive a schedule from the Environment Agency on the collections and targets tonnage of each scheme in order to cross check that applications for the fee are genuine.
- Undertake the data analysis described in this proposal in order to calculate fee levels for each stream and the appropriate escalator factors described
- Notify all schemes who have applied to use the fee of their compliance fee £/tonne for each stream in advance of the deadline for submitting DoCs and invoice them as appropriate.
- Collect the funds, and provide confirmation to schemes before the end of March that they have been received.
- Transfer the funds, less an agreed administration fee, to the chosen system for distribution to support Local Authority WEEE projects.

We have selected t2e because of their established position and independence in producer responsibility and for their expertise and track record in handling third party funds and administering payments.

Their detailed proposal for this role is attached as an Appendix.

3.2. Fee Distribution

It is proposed that distributing funds raised through the compliance fee will be carried out through the existing DTS project fund to suitable Local Authority project applications. This fund is already operational, proven and is well thought of by LAs. There would be no conflict with Valpak also being the DTS operator because Valpak has no role in assessing or determining the selected projects, this being undertaken nationally by BIS. Criteria for project bids will be determined by BIS and communicated directly by them to Local Authorities. Also the total compliance fee fund would be paid into the DTS from the third party in a single payment so Valpak would receive no information on which producer schemes had or had not paid a compliance fee.

The project fund could potentially be extended to include charities and other suitable third sector organisations if agreeable to BIS.

In the event that the total compliance fee is far greater than the existing value of the DTS project fund, we would re-assess the appropriateness of this proposal in discussion with BIS, but this will not be known until March 2015.

3.3. Fee Calculation

The selected third party would request information from all schemes under conditions of confidentiality. The information requested would consist of the following for each WEEE stream:

- Highest, lowest and average net cost (including any necessary material rebates, legitimate Local Authority costs and reasonable administrative costs of collection, reporting, etc) of collection and treatment, together with the tonnage actually collected, and
- Their total collections (evidence) and targets by stream.

The third party would put application terms in place which would ensure that information provided remains confidential and is not disclosed.

The information collected should reflect only WEEE actually collected by each scheme, not any agreements with other schemes. The reason for requesting all categories is to preserve the

confidentiality of the requester. Only the price per tonne for the actual collection contracts that the scheme has arranged is requested rather than any costs that have been sub-contracted to another scheme so as to avoid double counting and because those costs will be submitted by the sub-contracted scheme directly.

Any scheme which has applied to use the compliance fee will be required to provide the information above as a condition of using the fee. If it does not provide the information then it will not have the option of using the compliance fee in its DoC.

The third party will also use their own market knowledge to verify that the information provided is reasonable and reflects actual market conditions.

They will use the information provided to calculate a weighted average percentile cost for each stream. It is proposed to use the 75thile but as an alternative a 90thile could be used. In any event we suggest that BIS would be consulted on the results of the calculation before fees are finalised to determine whether any adjustment of the %ile is appropriate. The cost of the chosen percentile would be the base compliance fee in £/tonne for each stream.

The total compliance fee applicable to each scheme will comprise a basic fee multiplied by an escalator which would increase the fee by certain percentages depending on the degree of shortfall in any particular stream against scheme target. This is to reflect the fact that a scheme which largely meets its target but is short by a small tonnage has made a significant contribution whereas a scheme which collected very little has made no contribution to national collections and therefore should pay correspondingly more per tonne to compensate.

The escalator will be calculated for each scheme and each stream separately by reference to their tonnage collected(evidence) and target in that particular stream.

We have two alternative suggestions for the escalator as shown below:

Compliance Fee = (Base Compliance Fee + Escalator) x Scheme Obligation Shortfall

Key: Base Price = Market Price Range from schemes @ %ile (i.e.75%)

Escalator = Base Compliance Fee x Shortfall % Charge Multiplier (Table Below)

Scheme Obligation Shortfall = The Compliance Scheme tonnage shortfall by category

Escalator Option One

In this option, the escalator uses defined banding to determine the % multiplier used, which can be adjusted as required for any given compliance year.

Shortfall % Charge Multiplier Banding

Obligation Achieved	Shortfall % Charge Multiplier
>90%	0
75- 90%	10%
50-74%	25%
<50%	50%

Escalator Option Two

In this option, the escalator uses a linear approach to determine the % multiplier used, so 1% short of obligation would convert into a 1% multiplier, 2% short a 2% multiplier and so forth.

Example Table

Obligation Achieved	Shortfall % Charge Multiplier
100%	0
90%	10%
50%	50%
2%	98%

The appropriate escalator will be applied to the base compliance fee for each scheme to determine its actual compliance fee for each stream according to the tonnage shortfall notified. All schemes that have applied for the fee will then be notified of their individual compliance fees thus calculated and an invoice issued accordingly.

Note: We do not propose that the third party would make any compliance fees public but only notify the schemes involved of their individual fees. However we would recommend that BIS give consideration to publicising at least summary information such as the total fees raised and also the base fees in each stream as this would help to provide incentives to ensure real collections are achieved in future.

Upon payment the third party will issue schemes with confirmation of payment and the tonnage that the fee represents for each stream so that they can be included in Declarations of Compliance.

3.4. Timetable

September 2014	Submit methodology to BIS.
February 2015	<p>BIS select chosen methodology.</p> <p>Third party receives applications from schemes to use the fee. <u>Proposed deadline 28th February.</u></p> <p><i>Note: If no applications are received by the deadline then further work on the compliance fee is stopped to avoid unnecessary expense and no fee will be available.</i></p> <p>Third party sends information requests to schemes.</p>
Early March 2015	Schemes return information to third party.
Late March 2015	<p>Third party calculates base fees and escalators according to the methodology described.</p> <p>Third party informs all schemes of compliance fees applying to the tonnages they have applied for, and invoices accordingly.</p> <p>Schemes pay fees due to third party by deadline required.</p> <p>Third party receives fees and provides confirmation of payment plus tonnage and streams represented back to schemes.</p> <p>Schemes submit DoC to enforcement agencies accompanied by confirmation of fee payment.</p>

April 2015	Third party pays total fee, less administration fee to DTS.
April 2015 onwards	BIS make DTS project fund, including compliance fee, available to bids from Local Authorities.

4. Additional Options for Consideration

In addition to the core methodology for a Compliance Fee described in this proposal a number of additional options have been suggested, and comments are invited on these.

One of the implications of the current approach is that it would be possible to have a situation where, for whatever reason, one scheme is in excess of their target in a particular stream and therefore their members are paying for more collection and treatment than necessary, whilst the same scheme is also short in another category (perhaps because there is no evidence available or the target has been set too high) and therefore also paying for that via the compliance fee too. The net effect is that costs to producers would be higher than necessary to meet the Government's targets.

Therefore we are proposing two additional options for consideration to address this situation.

4.1. Tonnage offset

To allow schemes who have excess collections in one stream to be able to count those tonnes to offset the compliance fee in another stream, but only if the excess is in a higher cost stream.

So for example, if a scheme had an excess of 10 tonnes of lamps this could be used to offset 10 tonnes in any other stream instead of paying a compliance fee.

Similarly if they had an excess in display then this could be used to offset compliance fees for cooling, mixed WEEE and LDA, an excess of cooling could offset mixed and LDA, and so on.

This would avoid the potential for producer costs to be higher than necessary whilst also avoiding the potential for schemes to aim deliberately to meet their targets through lower cost collections.

4.2. Fund dispersal

Where a scheme has collected above its target but others are paying a compliance fee then the scheme with surplus collections has, by definition, incurred costs on behalf of its members to increase collections. In these circumstances some of the funds raised by the compliance fee could be paid to any scheme with excess collections tonne for tonne at a proportion of the base compliance fee for the stream concerned, say 75%.

If the total surplus tonnes are greater than the tonnes of compliance fee available then the schemes are paid at a lower rate in proportion to tonnage.

All remaining funds (other than administrative costs) would remain for payment into the DTS project fund as before.

5. Evaluation Criteria

BIS has provided guidance on the criteria it will use to evaluate proposals. This section explains how our proposal addresses each criterion in turn.

1 - Proposed methodology for the calculation and administration of the fee.

The methodology should:

- Encourage compliance through collection and treatment of WEEE by PCSs via (Designated Collection Facility) DCF collections, Regulation 43 or 52;

Response: the proposal does this because the level of fee to be expected will be higher than the expected cost of actual collection and treatment in the majority of cases. It will also be higher still where a scheme has fallen significantly short of its target because of the escalator.

- Reflect the different market economics associated with collection, treatment and environmentally sound disposal of the 6 WEEE collection streams;

Response: the methodology obtains data on the actual costs associated with each stream and calculated a base fee separately for each.

- Set out a methodology for calculation of a compliance fee across each WEEE collection stream and argument/evidence in support of that methodology;

Response: See section 3.2 of this proposal.

- Be stream specific, i.e. a PCS short of their targets by 10 tonnes of Display and 15 tonnes of Cooling will pay a fee specific to their shortage in each stream rather than a generic fee for a shortage of 25 tonnes. Proposals may consider circumstances where a negligible or zero fee might be appropriate;

Response: See section 3.2 of this proposal.

- Indicate the extent to which the feasibility of the fee has been tested robustly;

Response: We have conducted spreadsheet modelling of various scenarios to demonstrate how the fee would apply in various situations and would be pleased to share this with BIS if required.

- Describe how the overhead costs of calculating, setting up and administering the compliance fee mechanism and disbursement of funds will be met. This should include contingencies for a situation of minimal up take or zero up take amongst PCSs;

Response: See Appendix for details of proposed administration fee. Should the third party receive no applications from schemes by the deadline then no further work will be carried out and the administrative cost very low. Should there be a minimal application then the resulting compliance fee will be adjusted to at least cover the pre-agreed administration costs of the third party.

- Allow innovation;

Response: The proposal meets this requirement in two ways. Firstly by encouraging schemes to innovate to meet their targets through actual collections, and secondly by encouraging Local Authorities who wish to apply for funds to develop innovative projects for consideration.

- Consider the impact of and comply with other relevant law, for example Competition Law;

Response: We have not taken detailed legal advice but believe that the steps taken to ensure confidentiality and the fact that no schemes will have access to information from other schemes are sufficient to meet this criterion. The third party will not be subject to FoI or EIR requests because it is not a public authority.

- Consider sound contingencies plans e.g. for failing schemes or new entrants;

Response: Newly approved schemes would be expected to comply through actual collections and evidence or through the compliance fee as proposed. We do not envisage any special arrangements as this would not be fair to existing schemes. Similarly we assume that a scheme which has not met its targets but refuses or is unable to pay the compliance fee would have its approval removed by the enforcement agencies.

- Describe what information must be provided by PCSs, including evidence of auditing arrangements that ensures declarations of payments by PCSs (if needed) are robust, and how commercial confidentiality will be maintained;

Response: See section 3.2.

- Describe the mechanism by which PCSs can pay the fee, what information must be provided and commercial confidentiality will be maintained;

Response: See section 3.2.

- Describe the mechanism for ensuring the environment agencies receive necessary evidence that an appropriate compliance fee has been paid by PCSs. The agencies must be able to recognise, when accepting a Declaration of Compliance from a PCS, that it is comprised of WEEE evidence and payment of a compliance fee. Validation of payment of the compliance fee must not place significant additional burdens on the agencies;

Response: See section 3.2, final paragraph. In addition if required the third party could issue copies of fee confirmation documents to the appropriate enforcement agencies so that the agencies can be sure that the documents provided by schemes are genuine.

- Set out evidence of auditing arrangements that ensures declarations of payments by PCSs are robust;

Response: This will be confirmed by the third party as described above.

- Explain the extent to which interested parties including producers, local authorities or other organisations have been consulted in developing the proposal.

Response: The 5 schemes making this proposal have consulted extensively amongst themselves to formulate what they believe to be a practical, fair and low cost solution. In addition they have where possible in the timescale consulted with producer members. For example Valpak has discussed the topic with its Advisory Group.

In addition we have consulted widely with Local Authorities through both a mailing conducted by the DTS operator and also by presenting the key features of this proposal to a workshop of Local Authorities conducted by Valpak in Scotland. The feedback from these exercises has been positive, in particular to the proposal to use the existing DTS project fund for distribution rather than setting up an alternative mechanism.

2 - Proposed methodology for the dispersal of funds

As a minimum, proposals should cover the following key areas. The methodology for the dispersal of funds should:

- Provide evidence of the suitability of the proposed operator that will administer the Compliance Fee Process;

Response: See Appendix for proposal from third party.

- Set out the governance arrangements for the receipt and disbursement of any compliance fees paid;

Response: We propose that the third party should collect fees and pay the total balance, less their agreed administration fee, to the DTS project fund. We would suggest that the third party provides BIS with a schedule of fees collected and paid out once the transfers have been completed so that BIS can make enquiries as it feels appropriate.

- Set out how disbursements of compliance fees will be validated with regards to their intended use;

Response: This will be done through the normal and established operation of the DTS project fund whereby projects are selected and approved by BIS. The DTS would notify BIS of the total project fund available. BIS would then launch and publicise the project fund to Local Authorities (and others if they wish) and then select the successful bids according to their selection criteria. BIS would then provide a schedule of approved projects to the DTS for payment. Once projects are completed BIS would ask successful Local Authorities for confirmation of the project completion and outcome.

- Ensure payments received establish a fund from which disbursements will be made and recover the costs of administering the compliance fee process.

Response: See section 3.1 and notes above.

- Show details of the mechanism for dispersal of funds collected and how validation will take place to show that the funds have contributed to higher levels of collection, recycling and re-use of WEEE. This must address the scenario of low up take and minimal levels of funds being collected;

Response: See notes above. Should the third party receive no applications from schemes by the deadline then no further work will be carried out and the administrative cost very low. Should there be a minimal application then the resulting compliance fee will be adjusted to at least cover the pre-agreed administration costs of the third party.

- Recognise the critical role that local authorities (and their partner organisations) play in WEEE collections;

Response: This is achieved through delivering the resulting funds through the existing DTS Local Authority project fund which has the advantages of being already established, well known by Local Authorities and using existing procedures thereby minimising additional administration costs.

- Encourage increased volumes of separately collected WEEE and increased recycling in line with (Best Available Treatment, Recovery and Recycling Techniques) BATTTR requirements and legitimate re-use;

Response: This is a condition of successful bids to the DTS project fund.

3 - Proposed timetable for implementation and operation

As a minimum, proposals should cover the following key areas. The timetable should:

- Provide a realistic and comprehensive plan for implementation and operation;

Response: See section 3.3.

- Show a clear process for staffing the proposals;

Response: See proposal from third party in Appendix.

- Show a clear process for developing and implementing the IT systems;

Response: See proposal from third party in Appendix. We do not believe that elaborate IT systems are necessary for this methodology. The calculations are sufficiently straight forward to be done through normal spreadsheet type mechanisms with which the third party and all schemes are familiar.

- Demonstrate an understanding of project dependencies;

Response: The timetable in section 3.3 illustrates the clear sequence of events to be followed. In addition the requirement for any participating scheme to provide cost information as a condition of accessing the fee will help to ensure that sufficient data is provided. Have appropriate contingency plans in place.

Response: The main contingency risk lies with the third party having sufficient resource during the critical February to March period after the end of the compliance year. See proposal in the Appendix for details.

4 – Experience of proposer and proposed operator

As a minimum, proposals should cover the following key areas. Proposers and proposed operators should demonstrate:

- A proven track record of financial probity combined with practical experience of working in a regulatory environment,

Response: The proposed third party has extensive experience of operating in the regime of the packaging regulations and a well established reputation for financial probity, secure handling of third party funds and confidentiality.

- A clear strategy for identifying and effectively mitigating risks arising as a result of any conflicts of interest

Response: We believe that this proposal minimises risk by ensuring that sensitive data is handled correctly, not releasing any details of compliance fees to anyone else other than the individual schemes applying to use them, having sufficient cross checks in place to ensure that the evidence of

fee payment presented to the agencies is genuine, and providing information to BIS so that they can be sure that the correct fee is added to the DTS project fund.

- Experience of setting up systems to allow data to be submitted and processed effectively

Response: The schemes represented by this proposal have extensive experience of data submissions both within the WEEE regime and other areas such as packaging. In addition the proposed third party has considerable data processing capability and a sound track record in the industry.

- Experience of developing robust proposals for Government

Response: The schemes represented by this proposal have extensive experience of developing and submitting constructive and practical suggestions and proposals to Government and the agencies on a range of subjects including, for example, revised regulations to meet the Directive recast, data reporting and amendment requirements, scope guidance and overall WEEE target levels.

5 - IT systems

Weighting 1 = 4 marks available

As a minimum, proposals should cover the following key areas. Proposals should demonstrate:

- Appropriate IT systems
- Appropriate IT backup systems
- Appropriate IT support

Response: See proposal from third party in Appendix.

6. Appendix – Proposal from t2e the Environment Exchange

OUTLINE PROPOSAL FOR ADMINISTRATING THE WEEE COMPLIANCE FEE

Background

The new WEEE regulations make provision for the Secretary of State to allow schemes to achieve compliance with their targets by paying a fee instead of providing evidence of actual WEEE collection and treatment. The provision is subject to approval, and does not specify how any fee should be determined.

Schemes and other stakeholders are invited to make proposals for a fee to the SoS by the end of September in any compliance year. The SoS may then approve only one methodology and will announce the decision by the middle of February following the end of the compliance year.

BIS has recently released some more detailed guidance on their expectations for proposals.

This document sets out proposals for providing the administration for the proposal submitted for formulating a common methodology on behalf of the WEEE compliance schemes operated by Dataserv, DHL, Transform, Valpak and Veolia.

Tasks

1 - Proposed methodology for the calculation and administration of the fee.

Describe how the overhead costs of calculating, setting up and administering the compliance fee mechanism and disbursement of funds will be met. This should include contingencies for a situation of minimal or zero uptake amongst PCSs;

Costs would be covered by:

1. An annual participation fee payable on 31 January by all B2C WEEE Compliance Schemes who wish to use or input or access the data compiled for the Compliance Fee or on submission of the participation agreement whichever is later.
2. Compliance Fee administrator charges, which would only be charged to those that use it, if the compliance fee is required.

The tasks identified subject to the methodology are as follows:

1. Ask compliance schemes to complete a compliance fee participation agreement.
2. Receive compliance fee requests.
3. Issue request for information to compliance schemes.
4. Follow-up request for information.
5. Analyse information provided by compliance schemes.
6. Publish compliance fee.
7. Calculate escalator.
8. Issue compliance fee invoices.
9. Receive funds for compliance fees.
10. Issue compliance fee certificates.
11. Notify Agencies of compliance fee certificates issued.
12. Distribute funds received less administration fee to DTS.

Ask compliance schemes to complete a compliance fee participation agreement.

All WEEE compliance schemes will be requested to sign a participation agreement with The Environment Exchange (t2e) regardless of whether they wish to use the

compliance fee route or not. This is to allow t2e to take the widest sample possible of costs for the recycling of WEEE. Additionally this will allow them access to the final fee once it is calculated.

The agreement will state that the WEEE compliance schemes will for the purposes of developing and paying the compliance fee will abide by the Rules of t2e. Key rules will be the submission of accurate information, permitting t2e to investigate the accuracy of that information, as necessary, accepting the WEEE Compliance Fee as calculated by t2e and prompt payment when requested in exchange t2e will deal with the WEEE compliance scheme fairly, professionally and confidentially ensuring that the scheme is in a position to comply by 31 March in the relevant year. In addition key contact details can be obtained at the same time. A draft of the participation agreement can be provided.

This document would be e-mailed to scheme as soon as it is confirmed that t2e has been appointed to administer the WEEE compliance fee. Once signed, this agreement would be binding for subsequent years (even if the methodology is not the same in subsequent years the same participation agreement could be used in future years).

Detailed tasks:

Drafting rules and participation agreements	5 days
Distributing rules, participation agreements and invoices	1 day
Receiving, recording and filing participation requests	1 day
Following up participation agreements	2 days

Receive compliance fee requests.

WEEE Compliance Schemes issue a request to t2e for a compliance fee stating the quantity requirement in tonnes or kilogrammes in each category in which they have a shortfall and their total obligation in that category. This information would need to be supplied to t2e within 7 working days of 31 January or when t2e is appointed as the administrator of the WEEE Compliance Fee whichever is the later date. This information could be validated with the Agencies.

Detailed tasks:

Receiving, recording and filing compliance fee requests	1 day
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Issue request for information to compliance schemes.

On receipt of one of more requests for compliance fees t2e will ask from all participant compliance schemes for the high, low and average prices per tonne for the collection of WEEE in all categories that has been arranged by that compliance scheme and the quantity in tonnes and kilogrammes collected.

This would be requested within 7 days of the final date for compliance fee requests to be submitted. In the event that no fee is requested all schemes, the Agencies and BIS would be informed that no compliance fee would be needed for that year.

Detailed tasks:

Issuing requests for information to WEEE Compliance Schemes	1 day
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Follow-up request for information.

In the event that a scheme had failed to respond within the allocated 7 days the scheme would be given a further 3 days to provide that information. In the event

that it failed to produce that information it would both be ineligible to apply for a compliance fee and to any information distributed to other schemes about the WEEE Compliance Fee.

Detailed tasks:

Follow up requests for information	2 days
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Analyse information provided by compliance schemes.

t2e would analyse the information provided by the WEEE Compliance Schemes on a spreadsheet using the methodology agreed by the Compliance Schemes to produce an average price per tonne for collecting evidence in each of the WEEE categories throughout the UK. This information would then be verified against information requested from AATFs and other information sources. This would be completed within 14 days of the final due date of when information would be received by t2e.

Detailed tasks:

Receiving, recording and filing evidence cost information requests	2 days
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Analyse information using methodology provided	2 days
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Issuing requests for information to WEEE AATFs	1 day
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Validate Information provided by WEEE Compliance Schemes against that sourced from AATFs and other sources	1 day
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Publish evidence fee.

Those WEEE compliance schemes that require the WEEE Compliance Fee will be notified of the evidence fee that has been calculated for the categories relevant to them and how it has been calculated. This information could be more widely distributed as wished by e-mail, social media or a website if wished.

Detailed tasks:

Publish evidence fee.	1 day
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Calculate escalator.

t2e would calculate the escalator for each WEEE Compliance Fee according to the proposed methodology.

Detailed tasks:

Calculate escalator.	1 day
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Issue compliance fee invoices.

t2e would issue Compliance Fee invoices to the relevant schemes which would show:

- The total evidence needed in each category.
- The price of that evidence
- The VAT on that evidence
- The escalator applied to that evidence
- The date payment required

t2e would act as an Agent for the purposes of collecting VAT, which would provide the maximum flexibility for the distribution of funds. The Settlement Date for t2e receiving cleared funds for these invoices would be 3 working days after the date of issue of these invoices.

If the total funds raised through the compliance fee invoices be insufficient to cover the costs of operating the administration an additional fee plus VAT would be charged pro rata from the WEEE Compliance schemes that used the service.

Detailed tasks:

Calculate component parts of the Compliance Fee Invoice	1 day
Enter Component parts into single invoice	2 days
Distribute invoices as appropriate.	1 day

Receive funds for compliance fees.

As part of the participation agreement t2e would encourage all WEEE Compliance Schemes to set up Direct Debit facilities with t2e so that t2e could call the appropriate funds to arrive by the Settlement Date. Otherwise WEEE Schemes would be asked to arrange that funds are deposited into a bank account where, less the administration fees which would be deducted on final distribution of the funds, they would be ring fenced from t2e funds.

Detailed tasks:

Set up bank account to receive funds

Record receipt of funds

Issue compliance fee certificates.

Within 24 hours of receipt of cleared funds t2e would issue certificates to the relevant schemes stating the total quantity in tonnes and kilogrammes of each category on which a compliance fee had been paid.

Detailed tasks:

Issue Compliance Fee Certificates as necessary

Notify Agencies of compliance fee certificates issued.

The Agencies will be notified by 31 March of the total in tonnes and kilogrammes in each category of Compliance Fees that had been paid for by each scheme. No financial information would be supplied to the Agencies.

Detailed tasks:

Confirm to the Agencies information as necessary

2 - Proposed methodology for the dispersal of funds

It is proposed that all funds should be distributed electronically through on-line banking after the deduction of administration fees and VAT charged on those fees to the Distributer Takeback Scheme (DTS) or wherever else as decided/instructed.

Internally these would be tracked from moment of receipt to moment of dispatch through a cashbook database established for the WEEE account.

Provide evidence of the suitability of the proposed operator that will administer the Compliance Fee Process;

t2e will administer the Compliance Fee process. t2e has provided the UK's marketplace for Packaging Recovery Notes since 1998. A marketplace provides transaction, settlement (payment), dispute resolution and information services. In 2013, 1,006,642 tonnes of PRNs were settled through t2e in a total of 1,564 transactions with a total value of £22,083,862.20 to a total of 96 sellers. 31% of

participants have Direct Debit facilities. 97% of those transactions were complete within 3 days of the agreed Settlement Date as required within the rules of t2e.

Each order placed on t2e is given a unique number as is each transaction once two orders match. Notifications are sent to all those who place orders confirming the price and volume and date of expiry of that order and on transaction this is confirmed to both counter-parties stating the quantity transacted the transaction price the trading fees and all relevant VAT as well as the Settlement Date.

All orders and transactions are recorded on a database through which they are processed in an auditable process from the moment of transaction to settlement, reconciliation with the bank accounts, delivery and final completion. All recipients of funds are notified not only of the funds that they will receive but also to which bank account it is transmitted.

All funds once received are placed into ring-fenced accounts until they are distributed.

This settlement process is very similar to that proposed for the WEEE Compliance Fee.

3 - Proposed timetable for implementation and operation

Show a clear process for staffing the proposals;

t2e has 10 employees 3 of which are employed on the PRN market, one in IT development and 2 in settlements. One of the PRN team will be deployed full time to this task throughout the period 16 February to 31 March otherwise these tasks will be allocated according to expertise concurrently with their normal daily tasks. A breakdown of their deployment to tasks is shown in the attached spreadsheet.

Show a clear process for developing and implementing the IT systems;

The IT developer will be re-allocated from other tasks as required.

Have appropriate contingency plans in place.

In the event that further employees are required to complete the tasks t2e will initially look to providing them from within its current employees and if necessary contract in further employees.

For IT t2e would use a 3rd party who currently provides network, hardware and software support. This 3rd party contractor is also responsible for providing an alternate location and recovery in the event of a disaster to either the office or the hard or software.

In the event of bank failure, t2e already has in place agreements which ring fence funds in the event of bank failure and if there is an IT failure then the bank can and has in the past authorised both collections and payments.

4 – Experience of proposer and proposed operator

As a minimum, proposals should cover the following key areas. Proposers and proposed operators should demonstrate:

A proven track record of financial probity combined with practical experience of working in a regulatory environment,

As stated earlier t2e has been in operation for 16 years and relies on its financial probity and confidentiality to sustain its credibility with its 453 participants, some of whom run WEEE as well as PRN Compliance Schemes.

A clear strategy for identifying and effectively mitigating risks arising as a result of any conflicts of interest

t2e does not identify any conflicts of interest between its operation of the PRN marketplace and its administration of the WEEE Compliance Fee. Although there are companies that operate in both fields they are two completely different systems and should any dispute arise in one it would be dealt with separately in the other.

Experience of setting up systems to allow data to be submitted and processed effectively

See 5. Although it would be feasible to set up on an online submission procedure and is a facility available for those who wish to enter orders interactively onto the t2e marketplace, it is recommended that initially data is provided manually on spreadsheets and transferred by t2e until the effectiveness of the methodology is validated and the cost of establishing an on-line facility justified. The lack of ability to submit data on-line should not increase the time for compliance schemes solely for the Compliance Fee administrator and this has been factored into the time available.

Experience of developing robust proposals for Government

While t2e has not been directly involved in developing proposals for Government, Angus Macpherson, its Managing Director, has been involved with the development of the PRN system since its inception in 1997 and has contributed to the development of other Producer Responsibility regimes as well as the ROC scheme and was a founder member of the Emissions Trading Group.

5 - IT systems

As a minimum, proposals should cover the following key areas. Proposals should demonstrate:

Appropriate IT systems

t2e has developed and maintains its own bespoke databases to deliver marketplaces for PRNs, Recovered Paper and historically WEEE Recovery Notes. It has the in-house capability to both develop new marketplaces and create appropriate software to administrate the WEEE Compliance Fee. Nevertheless at this stage it recommends that little development is needed on grounds of both cost and time availability and would propose to convert the system developed for its settlement process for its PRN marketplace to administer the finances of the WEEE Compliance Fee and a relatively unsophisticated spreadsheet to calculate the evidence and administration fees, VAT and the proposed escalator.

Appropriate IT backup systems

IT back-up has been described earlier in 3.

Appropriate IT support

As described in 3.

Cost of Operation

It is anticipated that there are fixed and variables elements of operating the administration of the WEEE Compliance Fee. The fixed element is split into three parts:

1. Setting up the WEEE Compliance Fee administration – a one-off cost.
2. Identify if the WEEE Compliance Fee is required.

3. Compiling and analysing the WEEE Compliance Fee – for consistency this will need to remain the same regardless of the number of WEEE Compliance Schemes that require to use the service.

While the variable element depends on the number of WEEE Compliance Schemes that require the service and the number of destinations to which the funds will be distributed.

Estimated fixed costs are as follows:

Phase 1: £7,250 – This could increase depending on the need for any IT development

Phase 2: £250

Phase 3: £3,500 – This could increase depending on the complexity of the calculation and the willingness of the WEEE Compliance Schemes and AATFs to assist

Estimated variable costs are as follows:

£1,250 – This could increase depending on the complexity of the distribution of funds and any disputes raised by WEEE Compliance Schemes of the funds invoiced.