CfD Market Readiness –

Working Group 2, Developing a code of practice for the PPA market

Aims for the first meeting

We would like to use the first meeting of the working group to discuss the aims, objectives and draft workplan as set out in the terms of reference and to consider the deliverability of these with the resources available.

Background

This paper is intended to stimulate discussion and is not intended to define the scope of the work of the Working Group. This paper has been produced based on our current understanding of the current PPA market and some early thoughts about how it may develop under the CfD.

Possible elements of a code of practice

The following table contains some initial ideas for where a code of practice would be able to add value to the development of the PPA market. This is intended to stimulate discussion and not to be a definitive prescription. This discussion will be a useful starting point for developing workstreams, analysis and questions that could be incorporated into the action plan of the working group. **It would therefore be particularly useful if working group members could be ready to comment on:**

- **Their views on the importance of this element in improving the PPA market;**
- **Their views on any likely problems with inclusion of these elements in the code of practice, for example whether they would interfere with commercial confidentiality provisions or could have disproportionate cost implications;**
- **Whether there are any other elements that could usefully be included in a code of practice.**

Possible elements of code of practice	
Transparency	Transparency of requests for PPAs – establishing a central notice board where PPA tenders are published. Generators would publish details of their project on a website, including capacity, expected date of completion and certain preferences for PPA such as length. Participation need not be mandatory, and generators would be able to approach potential offtakers bilaterally if they prefer. Suppliers would be able to consider the projects and submit responses to the generator. This would enable generators to reach all offtakers via a single platform, potentially reducing costs. It would enable offtakers to survey all requests for PPAs and compete on tenders that they may not be

	otherwise aware of. We would need to consider who would set it up and manage it.
	Transparency of pricing within PPA offers Providing transparency would involve breaking down the headline discount by specific element such as cost of dealing with imbalance risk; providing credit and collateral; overheads and margin. This would help ensure that generators understand the discounts they see and have more information with which to compare offers. Would need to carefully consider the potential for perverse effects and whether the headline discounts could increase as a result of reduced options for cross-subsidising.
	Transparency of deals done Notifying Ofgem of certain terms in the PPA. Ofgem would then publish in an anonymised or aggregate form to generate some transparency about headline terms available to the market. This would improve understanding of trends in the market would enable generators to more easily assess the offers they receive. Would need to consider the potential for perverse effects and whether making certain terms public could lead to reduction in market activity. Would need to strike the appropriate balance of providing transparency without breaching confidentiality agreements.
Describing expectations	Standardisation of tenders Would involve generators setting out their calls for tender in a certain way. Standardising the basic elements of a call for tenders would help offtakers identify quickly assess the projects and would help speed up the process of responding to all tenders posted on the noticeboard.
	Commitment to respond to tenders Would involve offtakers committing to consider all tenders posted on notice board and to provide a substantive response (either with an offer or an explanation of why no offer is being made). This should be done within a reasonable and specific timeframe. If an offer is made, it should be structured in a standard way to facilitate easy comparison between offers.
	Commitment to respond to offers For generators to commit to responding to all offers within a specific timeframe either entering into negotiations or declining the offer. If the offer of a PPA is declined then an explanation should be provided.
	Commitment to consider use of sample PPA contract structures If requested by the generator, prospective offtakers should commit to

	consider the sample PPA contracts being developed through WG1 as the basis for commercial negotiations. If basing the terms on the sample PPAs is not appropriate then an explanation should be provided.