



Department  
of Energy &  
Climate Change

# Electricity Market Reform Contracts for Difference

Implementation Plan

April 2014

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# Introduction

This document provides potential participants in the Contracts for Difference (CfD) scheme with details of the key implementation activities and milestones.

The Implementation Plan is one of the outputs of the EMR Collaborative Development Programme which finished in December 2013.

## Scope and Status

The CfD Implementation Plan identifies the key milestones and activities that are required to successfully implement the CfD. The dates set out in this implementation plan reflect the agreed position between the Government and EMR Delivery Partners on the planned dates that support delivery of the CfD in 2014. The Implementation Plan reflects the policy for EMR that Government set out for consultation in October<sup>1</sup>, a further consultation was published in March on the Operational Costs Levy for the CfD. The draft Allocation Framework will be published shortly. The dates in the plan are based on the Government's and Delivery Partners' assessment of deliverability against that policy.

The plan may need to be revised and so the timeline for the implementation of CfD remains subject to change, and is particularly dependent on time taken for the legislation to pass through Parliament and on the process for securing state aid clearance.

The plan brings together milestones from the Government and each of the EMR delivery partners. It is intended to provide a high level overview of the steps involved in the implementation of the CfD scheme and the running of the first application and contract award process, this should ensure that industry participants have the clarity required to plan and manage their own implementation work.

The implementation plan is a summary and does not replace or replicate the detailed implementation plans that Government, delivery partners and individual industry participants may need to produce to manage their respective implementation activities.

## Implementation Approach

The process for awarding a CfD progresses in stages. The first CfD application round opens in October 2014 and the eligibility of applicants will be assessed and the value of eligible bids determined. If the eligible bids can be met within the budget available then the Delivery Body will propose that the Counterparty Body offer CfDs to participants. If the eligible bids exceed the budget available then, in December, eligible generators may be required to submit a sealed bid for the CfD auction. Assuming that there are no appeals CfD contracts will be offered to developers later that month and come into effect from January 2015.

The details of this timetable, and the key implementation milestones required to deliver this, are set out in the table of [Key Activities and Milestones](#) and in the accompanying Implementation Plan at [Annex A](#).

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<sup>1</sup> Electricity Market Reform: consultation on proposals for implementation and the accompanying draft legislation published in October 2013

## Roles and Responsibilities:

A number of organisations are working together to implement the CfD programme. This section focuses on these organisations' roles in relation to the 'implementation phase' covering the first application and contract award process.

### Government

- Finalising the policy design and implementing legislation
- Reporting to Ministers and communication of Ministers' decisions
- Establishing of the CFD Counterparty Company
- Working with the European Commission to secure State Aid clearance
- Appoint and work with the EMR Panel of Technical Experts
- Producing the EMR Delivery Plan and annual updates
- Managing any changes to Regulations after the first allocation round
- Assessing supply chain plans

### CfD Implementation Coordinator

In its role as CfD Implementation Coordinator, the CFD Counterparty is responsible for:

- Overall monitoring of progress against the CfD Implementation Plan
- Maintenance of the CfD Implementation Plan
- Industry engagement including readiness monitoring

## CFD Counterparty Company

- Activities transitioned from DECC, including the management of Investment Contracts entered into through the Final Investment Decision enabling for Renewables (FIDeR) process
  - Signing CfD contracts with projects deemed eligible by Delivery Body and Government
  - Managing those contracts in line with terms set out in the contracts\*
  - Forecasting Supplier Obligation levy rate and reserve
  - Ensuring that payments flow from/to generators and suppliers, collecting collateral (through its Settlement Services Provider)
  - Co-ordination of CfD implementation
- \* including, where relevant, provisions on Fuel Measurement, Sampling and Sustainability

## National Grid (Delivery Body)

- Publish CfD application/allocation guidelines
- Designing, implementing and operating processes and systems to:
  - Receive and assess the eligibility of applications for CfD contracts
  - Run the CfD allocation process
  - Provide the CFD Counterparty with the information necessary to offer a contract
- Delivering analysis to support Government's setting of strike prices having received and processed information from industry
- Delivering on-going reporting

## Elexon

- Create a subsidiary to act as Settlement Services Provider, which will manage the outsourcing of settlement activity
- Advising of changes to Balancing and Settlement documentation
- Run process and systems for Settlement Service Provider functions

- Work with Suppliers and Generators to ensure alignment of systems for payment and settlement

### **Elexon Subsidiary (Settlement Services Provider)**

- Manage the Settlement Services Sub Contractor
- Work with Suppliers and Generators to ensure integration of systems for payment and settlement

### **Ofgem**

- Regulating National Grid Electricity Transmission (NGET) in its role as the Delivery Body for the CfD.
- Dispute resolution following the Delivery Body tier 1 dispute resolution process. (Note: Ofgem's role in tier 2 disputes is subject to discussion and agreement)

## Key Activities and Milestones

The table below details the anticipated dates for milestones for the EMR CfD GB Implementation Plan. The Reference numbering (Ref. Num) refers to the location of the milestones on the Implementation Plan schedule provided at Annex A.

Please note that these timings are indicative and are subject to Parliamentary and State Aid approval. DECC will endeavour to provide any updates to milestones in a timely manner.

Ref. Num	Activity/ Milestone	Description	Planned Date	Owner	Dependencies Applied Where Applicable
1	Consultation on Operational Cost Levy for 2014/15	Four week consultation on estimated operational costs for CFD Counterparty, and on the forecast electricity demand.	Achieved 27 March 2014	DECC	
2	Draft Allocation Framework	Publication of Government position on the allocation rules	8 April 2014	DECC	
2a	Consultation on BSC subsidiary documents	Four weeks consultation on Balancing Settlement Code (BSC), further to January Codes and Licences consultation	9 April 2014	DECC	
3	CfD Contract published	Publication of updated CfD contract and supporting documents (less private wire, sustainability and phasing clauses)	22 April 2014	DECC	
4	Publication of the CfD Budget Policy Update and narrative	Sets out the government response to the January consultation on Competitive Allocation and provides a short policy update on CfD allocation  Launches four weeks further	29 April 2014	DECC	

Ref. Num	Activity/ Milestone	Description	Planned Date	Owner	Dependencies Applied Where Applicable
		consultation on approach to Biomass conversions, Scottish Island projects and Minima and Maxima			
5	Supply chain guidance published	Draft guidance to those who will require supply chain plans before applying for a CfD	30 April 2014	DECC	
6	Publication of updates to business process maps begins	Regular updates to the business process maps will be undertaken and published as part of an iterative process.  The maps form key element of the CfD Operating Model.	29 April 2014	CFD Counterparty Company	
7	Allocation Framework published and CfD Regulations laid in Parliament	Updated allocation rules including a description of the change process for the framework. All CfD Regulations will be laid before Parliament at this time.	2 June 2014	DECC	
8	EMR consultation on implementation response published	Response to October 2013 consultation: <i>Electricity Market Reform: Consultation on Proposals for Implementation</i> . Also, Government response to January & April 2014 Codes & Licence consultations	2 June 2014	DECC	
9	Publication on Contract Management System	Revised processes and specification for Contract Management System	30 June 2014	CFD Counterparty Company	Analysis of contract management questionnaire responses.
9a	Publication of system	Detailed interface specification for	30 June 2014	Settlement	Inputs from business process

Ref. Num	Activity/ Milestone	Description	Planned Date	Owner	Dependencies Applied Where Applicable
	interface specs	settlement system, to enable design of parallel industry systems		Services Provider	industry sessions
10	Initial CfD budget published	Indicative CfD budget published, setting out the indicative budget for each technology pot. Also, Government response to April 2014 Minima & Maxima consultation	mid July 2014	DECC	
11	Secondary Legislation, Codes & Licence changes in force. Budgets take legal effect and Contract issued	Secondary legislation, contract, budget and regulation take legal effect	1 August 2014	DECC	
12	Final Guidance for Supply Chain	Final Supply Chain guidance published once secondary legislation comes into force.	1 August 2014	DECC	
13	SoS announces commencement of CfD allocation	Announcement of 1 <sup>st</sup> allocation round	1 August 2014	DECC	
14	Submit supply chain plans	Earliest date at which applicants with generation >300MW are legally able to submit their supply chain plans to DECC for approval.	1 August 2014	Applicants	Secondary Legislation, Codes & License Changes Publication of supply chain guidance
15	Contract terms review  Review contract terms	Earliest date that contract variation modification (minor and necessary) can start with discussion between CFD Counterparty and Applicants.	4 August – 10 October 2014	Applicants/ CFD Counterparty Company	Legislation live

<b>Ref. Num</b>	<b>Activity/ Milestone</b>	<b>Description</b>	<b>Planned Date</b>	<b>Owner</b>	<b>Dependencies Applied Where Applicable</b>
		Process occurs during Applicants' application preparation.			
16	Supply chain submission window closes	Date by which supply chain plans should be submitted and still be confident that they can be processed in time for the Eligibility process. Note: plans that are incomplete or are assessed to be border-line may take longer to process.	26 August 2014	DECC	
17	Publish Application/Allocation Guidelines	The Delivery Body will publish a document setting out the details applicants will need in order to make an application. This will include confirmation of dates, timings, IT systems and processes to follow.	12 September 2014	Delivery Body	Legislation live
18	IT systems available for data pre-load	Provide IT system access to all "registered" applicants to enable User trials & potential data pre-load	12 September 2014	Delivery Body	Legislation live IT system readiness
19	SoS confirms CfD Budget	Budget Notice published which includes CfD budget available to Delivery Body to allocate to the technology pots; confirmation of any minima or maxima	29 September 2014	DECC	10 working days prior to the applicant window opening
20	Go/no-go decision to start applications	Delivery Body will conduct its final assessment to confirm readiness for opening the allocation round	10 October 2014	Delivery Body	
21	Application round	CfD applicants can submit their applications for eligibility to the Delivery	14 October 2014	Delivery Body	

Ref. Num	Activity/ Milestone	Description	Planned Date	Owner	Dependencies Applied Where Applicable
	window opens	Body			
22	Apply for CfD eligibility	Generators submit applications for CfD eligibility, to the Delivery Body	14 October 2014 – 27 October	Applicant	Application receipt of guidelines, and preparation of application information
23	Application round window closes	No further applications accepted for this round	27 October 2014	Delivery Body	
24	Eligibility Results Day	Delivery Body announces outcome of eligibility assessment to all applicants	10 November 2014	Delivery Body	Assessment complete
35	User testing	Testing of interfaces between industry and settlement services provider systems in preparation for settlement go live	Activity during November and December 2014	Suppliers	
25	Raise eligibility dispute (Tier 1)	Unsuccessful applicants have 5 business days after results day to decide whether or not to raise an eligibility dispute with the Delivery Body <sup>2</sup>	10 November 2014 – 17 November 2014	Applicants	Eligibility results
26	Notify SoS of outcome of eligibility	Delivery Body updates SoS on final valuation of eligible applications	18 November 2014	Delivery Body	
27	Invite sealed bids	Applicants required to have allocation considered by competition will be invited to submit bids	26 November 2014	Delivery Body	

<sup>2</sup> Having reconsidered the result of their application, unsuccessful applicants have the option to dispute and seek resolution at this stage. All milestones and activities beyond this point are based on no disputes being lodged. Further details are to be set out in the Allocation Framework.

<b>Ref. Num</b>	<b>Activity/ Milestone</b>	<b>Description</b>	<b>Planned Date</b>	<b>Owner</b>	<b>Dependencies Applied Where Applicable</b>
28	Sealed bid window closes	Last date for bids to be received	3 December 2014	Delivery Body	
29	Run allocation and audit process	Delivery Body complete allocation process and auditors complete assessment	4 December - 19 December 2014	Delivery Body	
30	SoS confirms allocation outcome	SoS reviews the Delivery Body's proposed allocation and the Auditor's report and determines whether the proposed allocation should stand	24 December 2014	DECC	Allocation complete auditor report
31	Notify applicants of CfD award	Earliest date by which successful applications can be notified of their award	29 December 2014	Delivery Body	
32	Contracts Processed & Distributed	Contracts sent to successful participants	29 December – 13 January 2015	CFD Counterparty	
36	Operational cost levy	Date from which monthly charges for the Operational Cost Levy incurred from August 2014 may begin	1 January 2015	Suppliers	
33	Notification of supplier obligation interim rate and reserve fund 2015/16	Confirmation of supplier obligation interim rate and reserve fund figures for 2015/16	13 January 2015	CFD Counterparty	
34	Last day for contracts to be signed	Last date by which applicants are required to have signed and returned contract	27 January 2015	Applicants	Contracts Distributed

Ref. Num	Activity/ Milestone	Description	Planned Date	Owner	Dependencies Applied Where Applicable
37	On-going CfD supplier obligation charges	Commencement of regular supplier obligation charges regime	1 April 2015	CFD Counterparty Company	
38	Settlement go-live	Commencement of regular Supplier Obligation data collection, invoicing and receipting, and generator settlement	1 April 2015	CFD Counterparty Company	
40	Insolvency Reserve Fund Payment (2015/16)	First insolvency reserve fund payments due by this date <sup>3</sup>	1 April 2015	Suppliers	
41	Reserve Fund payment 2015/16	First reserve fund payments due by this date <sup>3</sup>	1 April 2015	Suppliers	
42	First CfD payments made to generators	First payments to applicants for electricity generation under the terms of a CfD can commence here	29 April 2015	Settlement Services Provider	
39	1st Post Build Report	Report requested from developers receiving first CfD payment, setting out implementation progress on their Supply Chains plans  Thereafter similar requests issued to developers at the point of the first CfD payment for each project	30 April 2015	DECC	Generators >300MW receiving first payments

<sup>3</sup> Subject to final decision on Supplier Obligation policy



## Next Steps

In April, the CfD Counterparty will be holding an “Implementation Co-ordinator Launch Event” as the starting point for a series of monthly forums with CfD participants. These forums will cover implementation preparation activities in detail, develop the process maps to the next level, and seek to resolve implementation issues, review progress and assist with industry preparation for application submission in October 2014.

In addition, Government will be holding an EMR Industry Implementation Forum every two months, chaired by the Director of EMR, to provide overall programme oversight and provide CfD participants with the opportunity to get updates on progress across the EMR programme.

Government is aiming to publish further detail on the CfD policy design on 2 June as part of a full Government response to the October EMR consultation on proposals for implementation, alongside updated secondary legislation being introduced to Parliament.



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Department of Energy & Climate Change

3 Whitehall Place

London SW1A 2AW

[www.gov.uk/decc](http://www.gov.uk/decc)

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