Draft Regulations laid before Parliament under section 6(8)(b) of the Energy Act 2013, for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2024 No.

ELECTRICITY

The Contracts for Difference (Electricity Supplier Obligations) (Amendment) Regulations 2024

Made - - - -

Coming into force in accordance with regulation 1(2)

The Secretary of State makes these Regulations in exercise of the powers conferred by sections 6(1), (5) and (6), 9(1), (2) and (6) and 17(1) and (2) of the Energy Act 2013(**a**).

The Secretary of State has consulted the persons listed in section 24(1) of that Act and has had regard to the matters in section 5(2) of that Act.

In accordance with section 6(8)(b) of that Act, a draft of this instrument was laid before, and approved by a resolution of, each House of Parliament.

Citation, commencement and extent

1.—(1) These Regulations may be cited as the Contracts for Difference (Electricity Supplier Obligations) (Amendment) Regulations 2024.

(2) These Regulations come into force on the day after the day on which they are made.

(3) These Regulations extend to England and Wales, Scotland and Northern Ireland.

Amendment of the Contracts for Difference (Electricity Supplier Obligations) Regulations 2014

2. The Contracts for Difference (Electricity Supplier Obligations) Regulations 2014(**b**) are amended in accordance with the following provisions.

Amendment to regulation 2 (Interpretation)

3. In regulation 2(1), at the appropriate place insert—

(**a**) 2013 c. 32; section 6 was amended by the Energy Prices Act 2022 (c. 44), section 18(2)(a).
(**b**) S.I. 2014/2014; relevant amending instruments are S.I. 2016/363, 2017/502, 2020/709, 2023/389.

""transport and storage provider" means a person who holds a licence under section 7 of the Energy Act 2023(**a**)."

Amendment to regulation 4 (CFD daily contributions)

4. In regulation 4—

(a) in paragraph (1)—

(i) for the definition of GP, substitute—

"GP is the total amount of generation counterparty payments which the CFD counterparty is required to make in respect of—

(a) electricity generation which occurred on that day,

(b) electricity generation capacity which was made available on that day,

(c) transport and storage capital costs or operational costs which arose on that day,

(d) carbon dioxide capture which occurred on that day,

(e) carbon dioxide capture capability which was made available on that day,

(f) transport and storage revenue shortfalls which arose on that day,

except for any payments which, at the time of the final reconciliation determination in respect of that quarterly obligation period, had not been determined by the CFD counterparty;";

(ii) for the definition of CP, substitute—

"CP is the total amount of generation party payments which the CFD counterparty has received from CFD parties in respect of—

(a) electricity generation which occurred on that day,

(b) electricity generation capacity which was made available on that day,

(c) transport and storage capital costs or operational costs which arose on that day,

(d) carbon dioxide capture which occurred on that day,

(e) carbon dioxide capture capability which was made available on that day,

(f) transport and storage revenue shortfalls which arose on that day,

except for any payments which, at the time of the final reconciliation determination in respect of that quarterly obligation period, had not been determined by the CFD counterparty;";

(b) in paragraph (2)—

(i) for the definition of "generation counterparty payment", substitute—

""generation counterparty payment" means any CFD counterparty payment made under, or in respect of a breach of, a CFD or connected agreement which is calculated directly by reference to—

(a) an amount of electricity generated by a generating station which is the subject of that CFD or connected agreement,

(b) an amount of electricity generation capacity made available by a generating station which is the subject of that CFD or connected agreement,

(c) the capital costs or the operational costs incurred by a transport and storage provider and is payable under the CFD or connected agreement to the generating station which is the subject of that CFD or connected agreement,

(**a**) 2023 c. 52.

(d) an amount of carbon dioxide captured by a generating station which is the subject of that CFD or connected agreement,

(e) an amount of carbon dioxide capture capability made available by a generating station which is the subject of that CFD or connected agreement,

(f) the revenue shortfalls of a transport and storage provider and is payable under the CFD or connected agreement to the generating station which is the subject of that CFD or connected agreement;";

(ii) for the definition of "generation party payment", substitute—

""generation party payment" means any CFD party payment made under a CFD or connected agreement which is calculated directly by reference to—

(a) an amount of electricity generated by a generating station which is the subject of that CFD or connected agreement,

(b) an amount of electricity generation capacity made available by a generating station which is the subject of that CFD or connected agreement,

(c) the capital costs or the operational costs incurred by a transport and storage provider and is payable under the CFD or connected agreement to a generating station which is the subject of that CFD or connected agreement,

(d) an amount of carbon dioxide captured by a generating station which is the subject of that CFD or connected agreement,

(e) an amount of carbon dioxide capture capability made available by a generating station which is the subject of that CFD or connected agreement,

(f) the revenue shortfalls of a transport and storage provider and is payable under the CFD or connected agreement to the generating station which is the subject of that CFD or connected agreement;".

Amendment to regulation 7 (estimated cost, income & electricity supply)

5. In regulation 7—

(a) for paragraph (2), substitute—

"(2) The matters referred to in paragraph (1) are—

(a) the strike prices which, in the opinion of the CFD counterparty, will apply to CFDs during the rate period;

(b) the availability payments related to the amount of low carbon electricity generation capacity availability which, in the opinion of the CFD counterparty, will apply to CFDs during the rate period;

(c) the CFD counterparty's estimate of—

(i) where payments under a CFD may become due in relation to the generation of electricity in a settlement hour or a settlement period by a CFD generating station, the amount of electricity generated by each such CFD generating station in each settlement hour or settlement period during the rate period;

(ii) where payments under a CFD may become due in relation to the generation capacity made available in a settlement hour or a settlement period by a CFD generating station, the amount of generation capacity made available by each such CFD generating station in each settlement hour or settlement period during the rate period;

(iii) where payments under a CFD may become due in relation to the capital costs or the operational costs of a transport and storage provider in a settlement hour or a settlement period, the amount of those capital costs or operational costs in each settlement hour or settlement period during the rate period;

(iv) where payments under a CFD may become due in relation to the capture of carbon dioxide in a settlement hour or a settlement period by a generating station, the amount of carbon dioxide captured by each such generating station in each settlement hour or settlement period during the rate period;

(v) where payments under a CFD may become due in relation to the carbon dioxide capture capability made available in a settlement hour or a settlement period by a generating station, the amount of carbon dioxide capture capability made available by each such generating station in each settlement hour or settlement period during the rate period;

(vi) where payments under a CFD may become due in relation to the revenue shortfalls of a transport and storage provider in a settlement hour or a settlement period, the amount of those revenue shortfalls in each settlement hour or settlement period during the rate period;

(vii) the market reference price which is to apply in relation to each settlement hour in respect of which a payment may become due during the rate period;

(viii) the market reference price which is to apply in relation to each settlement period in respect of which a payment may become due during the rate period;";

(b) in paragraph (3), in sub-paragraph (a), omit "(a) and (b)(i) to (iv)";

(c) in paragraph (5)—

(i) for the definition of "TCPR", substitute—

""TCPR" means the sum of all CP paid to the CFD counterparty during the rate period in respect of—

(a) electricity generation;

(b) electricity generation capacity made available;

(c) transport and storage capital costs or operational costs;

(d) carbon dioxide captured;

(e) carbon dioxide capture capability made available;

(f) transport and storage revenue shortfalls;";

(ii) for the definition of "TGPR", substitute—

""TGPR" means the sum of all GP required to be paid by the CFD counterparty during the rate period in respect of—

(a) electricity generation;

(b) electricity generation capacity made available;

(c) transport and storage capital costs or operational costs;

(d) carbon dioxide captured;

(e) carbon dioxide capture capability made available;

(f) transport and storage revenue shortfalls;".

Name
Parliamentary Under Secretary of State
Department for Energy Security and Net Zero

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Contracts for Difference (Electricity Supplier Obligations) Regulations 2014 (S.I. 2014/2014) (the "ESO Regulations").

The ESO Regulations impose a requirement on electricity suppliers to make contribution payments to the CFD counterparty. Regulation 4 of the ESO Regulations deals with the calculation of the supplier's daily contribution to the CFD counterparty. Under regulation 4 the supplier's daily contribution is calculated on the basis of payments made and received by the CFD counterparty, which are dependent on the amount of electricity generated on that day by a generating station. Regulation 3 of these regulations introduces a definition of "transport and storage provider". Regulation 4 of these regulations amends regulation 4 of the ESO Regulations so that where calculations are based on the amount of electricity generated, they can also be based on electricity capacity made available, transport and storage payments, the amount of carbon dioxide captured and the amount of carbon dioxide capture capability made available.

Regulation 7 of the ESO Regulations sets out the basis on which the CFD counterparty must estimate certain matters (such as the amount of money it believes it will need). Regulation 5 of these regulations amends regulation 7 of the ESO Regulations so that the list of matters that the CFD counterparty must have regard to includes matters relating to: the amount of generating capacity made available, the amount of capital or operational costs of a transport and storage provider, the amount of revenue shortfalls of a transport and storage provider, the amount of carbon dioxide captured by a generating station and the amount of carbon dioxide capture capability made available by a generating station.

A full impact assessment of the effect that this instrument will have on the costs of business and the voluntary sector and community bodies is available from the Department for Energy Security and Net Zero at 3-8 Whitehall Place, London, SWA 2EG and is published with the Explanatory Memorandum alongside this instrument on www.legislation.gov.uk.

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