

Licensed suppliers  
Other interested parties

Email: REDevelopment@ofgem.gov.uk

Date: 29 June 2015

Dear Supplier,

**CONSULTATION ON DRAFT GUIDANCE: OFFTAKER OF LAST RESORT (OLR):  
ESSENTIAL GUIDE FOR LICENSED SUPPLIERS**

We have published our draft guidance 'Offtaker of Last Resort (OLR): Essential Guide for Licensed Suppliers' today for a six week consultation period. It is available to view below.

**We invite you to give feedback on the draft guidance. The closing date for responses is 10 August 2015.**

The draft guidance explains how we will administer the OLR scheme from 1 October 2015, the date the scheme opens to generators. The document has been drafted as if the Power Purchase Agreement Scheme (Amendment) Regulations 2015 are already in force.

Please note that the Essential Guide refers to the Ofgem Tendering Portal and a related handbook. We will publish the handbook on how to use this system in due course. The portal will be available from 1 October 2015. The OLR phone line is not live yet but we will publish the phone number in the final version of the Essential Guide.

**How to respond**

The purpose of this consultation is to get your views on how we propose to administer the OLR scheme and the clarity of this guidance and the associated templates. In responding, please answer:

- Question 1: Having read the document, are you clear about the responsibilities each party has, and when and how you must carry out certain activities?
- Question 2: Do you believe any part of the process has not been sufficiently covered in this document?
- Question 3: Are you satisfied with our proposed approach to handling potential errors or omissions in Project Information brought to our attention during the BPPA auction?
- Question 4: Do you have any concerns about the proposed timetable for periodic levelisation?

Please be aware that this is not a consultation on the policy behind the scheme but on how Ofgem intends to administer it within the confines of the Regulations<sup>1</sup>. Direct any queries about the policy to the [Department of Energy & Climate Change](#).

**Send your responses to either:**

REDevelopment@ofgem.gov.uk, or

RE Development Team  
Ofgem  
9 Millbank,  
London SW1P 3GE

It would be helpful if you could submit your responses electronically and in writing.

If you want us to keep your response confidential, please clearly mark the document/s to that effect and include your reasons for requesting confidentiality. (However, this may be subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004).

**Consultation feedback**

We are keen to consider any comments or complaints about how this consultation has been conducted. If you have any comments about the overall process which was adopted for this consultation, please send these to:

Andrew.macfaul@ofgem.gov.uk, or

Andrew MacFaul  
Consultation Co-ordinator  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Yours faithfully,

Renewable Electricity Development Team

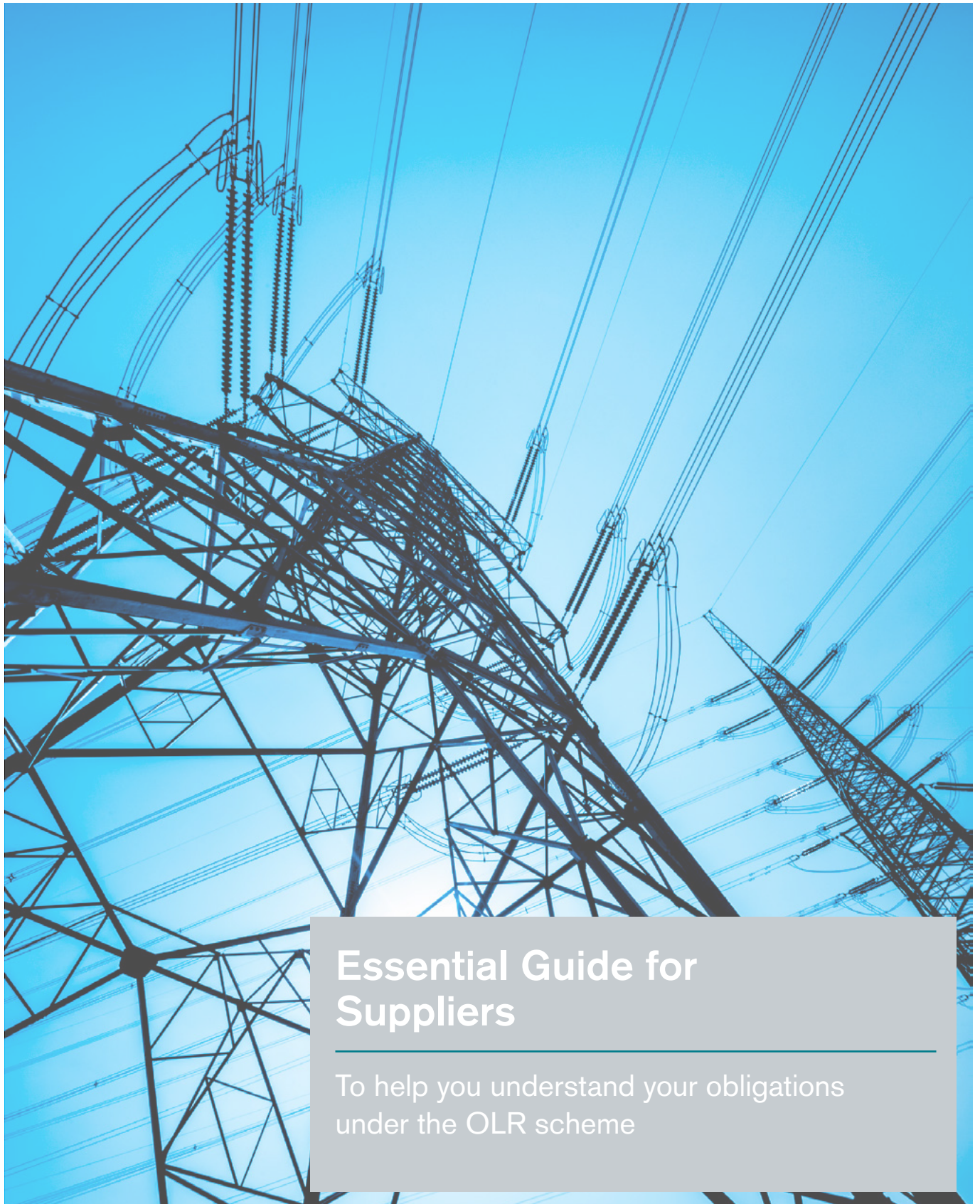
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<sup>1</sup> The Power Purchase Agreement Scheme Regulations 2014, [S.I.2014no.2511](#), as will be amended by The Power Purchase Agreement Scheme (Amendment) Regulations 2015, S.I.2015no.1412 which were laid in parliament 25 June 2015.

# Offtaker of Last Resort (OLR)

[www.ofgem.gov.uk/olr](http://www.ofgem.gov.uk/olr)

DRAFT June 2015



## Essential Guide for Suppliers

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To help you understand your obligations  
under the OLR scheme

## Essential Guide for Suppliers

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## Section 1

## About this guide

This essential guide gives licensed suppliers an overview of the Offtaker of Last Resort (OLR) scheme, and information on their duties under the scheme, including how to bid in auctions and requirements relating to the OLR levelisation process.

This guidance is complemented by the documents listed below. It is not a definitive technical or legal guide to the OLR scheme.

**This is a draft document which we have published for consultation.** Information about the consultation can be found on our [website](#).

## Associated documents

The following associated documents provide additional useful information for licensed suppliers:

- [Introduction to the Offtaker of Last Resort](#)
- Ofgem Tendering Portal: OLR Supplier Handbook
- Record of Ineligible Generating Stations
- Power Purchase Agreement Scheme Regulations 2014<sup>1</sup>
- Condition 38A of the [Electricity Supply Standard Licence Conditions](#)

Other documents in this series include:

- [Essential Guide to the OLR for Renewable Generators](#)
- Ofgem Tendering Portal: OLR Generator Handbook
- [How to submit Project Information for the OLR](#)
- Record of Ineligible Generating Stations

## Key terms

### Us

All references to 'us' in this document refer to Ofgem, the office of the Gas and Electricity Markets Authority (GEMA).

### You/Licensed Supplier

All references to 'you' or a 'licensed supplier' refers to an organisation in possession of a license granted by us to supply electricity under section 6(1)(d) of the Electricity Act 1989, or an authorised signatory who can act on behalf of that organisation.

### Generator

All references to 'generator' refer to a person who operates or participates in the operation of a generating station – an electricity generator, as defined in the Power Purchase Agreement Scheme Regulations 2014.

Explanations of all terms highlighted in bold throughout this document are given in the Glossary.

## Contact us

You can contact the OLR team by emailing [OLR@ofgem.gov.uk](mailto:OLR@ofgem.gov.uk).

<sup>1</sup> [SI.2014 no 2511](#), as will be amended by The Power Purchase Agreement Scheme (Amendment) Regulations 2015, SI.2015no.1412 which were laid in parliament 25 June 2015.

## Section 2

# Scheme overview

### What is the Offtaker of Last Resort (OLR) scheme?

The OLR scheme is designed to help eligible generators by providing an alternative route to market for their electricity. It does this by facilitating a backstop power purchase agreement (BPPA) between the generator and a licensed supplier via a competitive auction process.

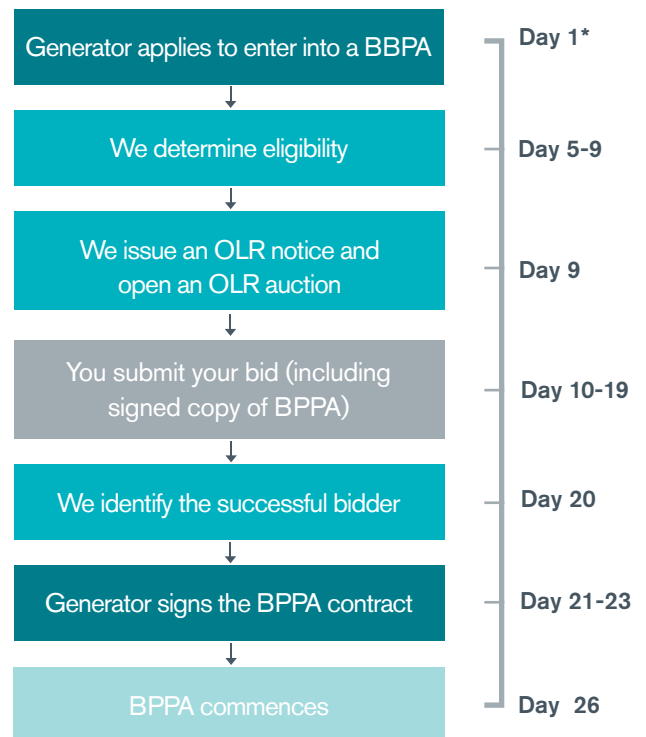
It is intended as a last resort to help generators who cannot get a power purchase agreement (PPA) through the usual commercial routes. So if you are successful in your bid to enter into a BPPA with the generator, the electricity generated will be sold to you at a specified discount below the market reference price.

The **scheme is only available to renewable generators with an Investment Contract or a Contracts for Difference (CFD)**. For a BPPA to be entered into, generators must also meet the specified eligibility requirements as set out in the relevant legislation.

The OLR scheme is part of the wider [Electricity Market Reform](#) programme introduced by the government.

### Overview of the OLR process

The OLR process is the term used to refer to the OLR application and auction process facilitated by us. There is an overview of how this process will run here. Further details on each stage are provided in sections 4 - 6 of this guide.



**Please note**, for the process to be completed in line with the timings shown, full and accurate project information must be provided in the first step and the earliest possible BPPA commencement date must be chosen by the generator. Sections 4 and 5 explain why, and by how much, the timeline may be extended.

\*Application timelines are based on working days. See the Glossary.



## Your role

Your role in the OLR scheme will differ depending on whether you are a mandatory or voluntary licensed supplier. Section 3 has more detail on this distinction and what it means for you.

Whether voluntary or mandatory, all licensed suppliers are required to participate in OLR levelisation. Sections 7 and 8 provide more detail on this.

All licensed suppliers should also ensure that they give us up-to-date contact details, including details of one or more authorised signatories able to act on behalf of their organisation in the event of an OLR auction. Please contact us if you think contact details for your organisation need to be added or updated.

## Our role

As administrators of the OLR scheme, our primary role is to help generators enter into a BPPA. We do this by:

- assessing your eligibility
- liaising with you
- running a BPPA auction.

We also determine each year which suppliers are to be mandatory licensed suppliers and run OLR levelisation, if required.

### What else will we do?

In addition, we will ensure that we communicate with you at key milestones in the process to keep you informed of progress, and to remind you of actions that are required.

We are also available by email or phone (within standard working hours) if you have questions about the OLR process and what you should do.

Please note, the Ofgem tendering portal which is used for OLR auctions has a dedicated external helpline

should you experience any difficulties. We will provide an additional guide to explain how to use the Ofgem tendering portal in due course. The portal will be available from 1 October 2015.

## Deadlines

Strict statutory deadlines apply to everyone involved in the OLR process: generators, suppliers and Ofgem<sup>2</sup>.

The OLR scheme is designed so that a BPPA can be entered into very quickly. Deadlines are essential for keeping everything moving. Further details of the timings for each section of the process and the deadlines that apply to you are provided in sections 5 and 6.

Further deadlines relating to the levelisation process also apply.

## The law

The legislative bases for the OLR scheme are the Power Purchase Agreement Scheme Regulations 2014<sup>3</sup> ('the Regulations') and condition 38A of [Electricity Supply Standard Licence Conditions](#) ('the SLCs').

Suppliers will be in breach of the electricity supply licence conditions and/or the Power Purchase Agreement Scheme Regulations 2014 if they fail to meet the deadlines or to fulfil their other obligations. Further information on how we determine whether or not to open an investigation can be found in Ofgem's [Enforcement Guidelines](#).

Ofgem takes a zero tolerance approach to fraud. We have a dedicated Counter Fraud team who investigate allegations of suspected fraud and will seek to refer the matter to the relevant authorities where appropriate.

<sup>2</sup> Please be aware, certain deadlines that apply to us may be modified in exceptional circumstance as set out in the Regulations. We will notify you if such modifications are required.

<sup>3</sup> [S.I.2014 no 2511](#), as will be amended by The Power Purchase Agreement Scheme (Amendment) Regulations 2015, S.I.2015no.1412 which were laid in parliament 25 June 2015.

## Section 3

# Mandatory or voluntary?

A **mandatory licensed supplier**, in relation to an OLR year, means a licensed supplier which we have determined, against the relevant criterion, is required to participate in all auctions which are held in that OLR year.

**Voluntary licensed supplier** means a licensed supplier which is not a mandatory licensed supplier.

## How we will determine mandatory suppliers

We will usually determine mandatory licensed suppliers by 1 September ahead of each OLR year<sup>4</sup>.

We will determine which suppliers are to be mandatory licensed suppliers for the next OLR year based on whether they meet the relevant criterion. This is that they, or they and any **affiliate** of theirs, supplied 6% or more of all the electricity supplied to customers in Great Britain in the **applicable OLR year** (the supply period).

The supply period our determination will be based on is:

- for the first OLR year (ending 31 March 2016), the 12-month period beginning on 1 October 2013 and ending 30 September 2014.
- for any other OLR year, the 12-month period beginning on 1 April and ending on 31 March immediately preceding the date the Mandatory Notice is issued.

**If you are an individual supplier** with no affiliates and you meet the relevant criterion, we will determine you to be a 'mandatory licensed supplier'.

**If you are a group of affiliated suppliers (supplier group)**, we will only determine one of your affiliated licences to be a mandatory licensed supplier. This will be the supply licence that you nominate to be subject to the obligations placed on mandatory

suppliers by the OLR scheme. All other affiliated suppliers in your supplier group will only be subject to the obligations placed on voluntary licensed suppliers.

- If you have previously nominated a licensed supplier to be the mandatory licensed supplier for your supplier group we will, for future determinations, assume this preference remains and make our determination accordingly. This is unless we receive a notice from you by 1 August (before our determination) requesting to nominate an alternative supplier within your group.
- If you have not previously nominated one of your affiliated licensed suppliers but you meet the relevant criterion we will write to your supplier group requiring that you nominate a single licensed supplier to be subject to the mandatory obligations.

## Submitting supply data to us

In order to determine who are to be the mandatory licensed suppliers, we need licensed suppliers to provide us with a statement of the amount of electricity they supplied in Great Britain in the applicable OLR year.

To avoid unnecessary duplication of effort for you and us, we will use the supply data you submit as part of the Renewables Obligation (RO) obligation setting process because each applicable OLR year aligns with RO obligation periods. **You do not need to make a separate supply data submission for the OLR.**

The deadline for the submission of supply data for the RO is 1 July each year. Please see our Information for Suppliers (RO) page for further details about what data should be submitted and by when.

If you fail to provide supply data for the RO obligation setting process, you will also be failing in the requirements for providing supply data for this scheme. A reminder will be sent to your organisation in May to ensure you are aware of the required submission.

<sup>4</sup> For the first OLR year, this determination was made by 1 April 2015 – see our [website](#).



## Notifying you

We will send you a Mandatory Notice by 1 September before the next OLR year if we determine that you are to be a mandatory licensed supplier for that OLR year.

We will send this to the authorised signatories we have on record. You should contact us if you think the contact details for your organisation need to be updated.

## Roles and responsibilities of mandatory suppliers

### When you receive a Mandatory Notice

Within 20 working days of receiving the Mandatory Notice, you must begin all necessary steps to ensure that an Additional BM Unit is registered in your name for every GSP Group<sup>5</sup>. An authorised signatory should then return the declaration included with the Mandatory Notice to confirm that this has been done.

The necessary steps are those set out in Elexon's [Balancing and Settlement Code Procedure 15](#) for Additional BM Units for EMR. You must ensure that the nominated supplier which is to be the mandatory licensed supplier is listed on the Active Power Purchasing Suppliers List (APPL) maintained by Elexon. For further assistance on the Active Power Purchasing List please refer to Elexon's [guidance note](#), or contact them directly on 020 7380 4333 or [contact@emrsettlement.co.uk](mailto:contact@emrsettlement.co.uk).

If you have already taken the necessary steps or have an additional BM unit registered in your name for every GSP Group you simply need to return the declaration included with the Mandatory Notice to confirm this.

You should also make sure you are registered on the Ofgem tendering portal before the start of the OLR year. Instructions for how to do this are on the login page.

## During the OLR year

**You must participate in each Backstop Power Purchase Agreement (BPPA) auction in that OLR year.** You must do so in line with the required timeline and rules in section 5.

However, you are not required to submit an auction bid where, after issuing an OLR Notice, we have issued a notice to you informing you that no BPPA is to be entered into in respect of the electricity generator.

**You must participate in OLR levelisation**, co-operating with us to provide any information we require in order to administer the process and making payments as requested.

## Roles and responsibilities of voluntary suppliers

You may submit a bid in an OLR auction, but you do not have to. If you do choose to participate in the OLR process, you must do so in line with the timeline and rules set out in section 5. You will need to register for an account on the Ofgem tendering portal.

**You must participate in OLR levelisation**, co-operating with us to provide any information we require for administering the process, and making payments as requested.

## Demonstrating compliance

Suppliers will be in breach of the SLCs and/or the Regulations if they fail to meet the deadlines that apply to them or to fulfil their other obligations.

To demonstrate your compliance, you should carry out all required actions as instructed by this guidance.

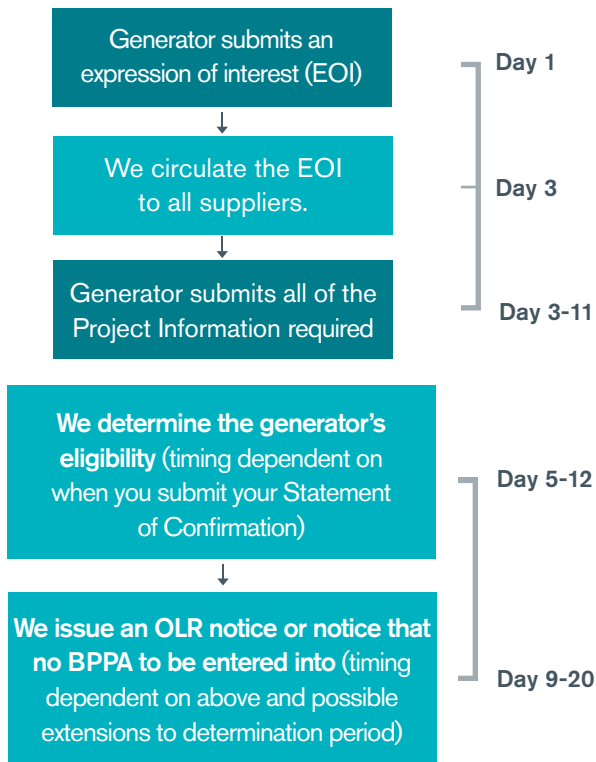
Please see Ofgem's [Enforcement Guidelines](#) for further information on how we determine whether or not to open an investigation concerning any breach of the SLCs.

<sup>5</sup> See the glossary for explanation of the terms Additional BM Unit and GSP Group.

## Section 4

# How the OLR process begins

The first stage of the OLR process is the generator applying to us. Only if we determine that the generator is eligible to enter into a BPPA will we open an OLR auction.



The EOI will contain basic information about the generator and its generating station.

You will not be notified if we receive an EOI that is not valid or our brief initial eligibility check determines that the applicant is ineligible.

### What should you do to prepare?

If your organisation already holds an account on the Ofgem tendering portal, you should make sure that enough people at your organisation have access to the account, and have read our Ofgem Tendering Portal: OLR Supplier Handbook and this document.

If you are interested in potentially bidding in an OLR auction and have not previously participated in one, you should register for an account on the Ofgem tendering portal at this stage. Please make sure that a sufficient number of people at your organisation have access to this account and have read the relevant documents.

The OLR portal has a dedicated helpline if you experience any difficulties when registering for an account. Details are in the Ofgem Tendering Portal: OLR Supplier Handbook. If you continue to experience problems please let us know by contacting us directly.

### How much warning of an OLR auction will there be?

A generator who wishes to enter into a BPPA must first submit an Expression of Interest (EOI).

If we receive a valid EOI, and it passes our brief initial eligibility check we will circulate the EOI to your authorised signatory(ies) by the end of the second day after we receive it<sup>6</sup>. We will use the most up-to-date contacts we hold for your organisation, see page 5, paragraph 3.

<sup>6</sup> At this stage of the process, we will only review the information provided in the EOI and which we already hold when considering whether the EOI should be circulated.

## Will an OLR auction definitely occur?

The EOI gives you notice that we may open an OLR auction shortly. However, it is not guaranteed that the process will progress to the stage of opening an OLR auction. The reasons an OLR auction may not occur are given in a. to e.

- a. The generator withdraws its EOI before submitting its statement of confirmation.
- b. The generator fails to provide full Project Information, including the Statement of Confirmation within 10 days after the date of the EOI submission.
- c. The generator withdraws its EOI during our eligibility determination.
- d. The generator fails to respond to a notice from us requesting missing Project Information within five days of the notice being given.
- e. We determine that the generator is ineligible to enter into a BPPA in respect of that generating station.

We will tell you if no BPPA is to be entered into in respect of the generator, or we will issue an OLR Notice which will let you know that an OLR auction has been opened.

If scenarios a. or b. occur, you will hear from us by day 11. If the timeline is extended due to missing Project Information then you may not hear from us until later.

## Our eligibility determination

Our final determination will be based on an assessment of the following checks:

- a. the completeness of the Project Information, and
- b. whether the eligibility criteria set out in SLC 38A.8 are met.

We will make this determination by reference to information provided to us or held by us for the purposes of the OLR. This includes reference to information about a generating station and its CFD contract provided to us by the Low Carbon Contracts Company Ltd (LCCC).

Following an assessment, we will determine that the generator is either eligible or ineligible to enter into a BPPA.



## Section 5

# Participating in an OLR auction

### The OLR Notice

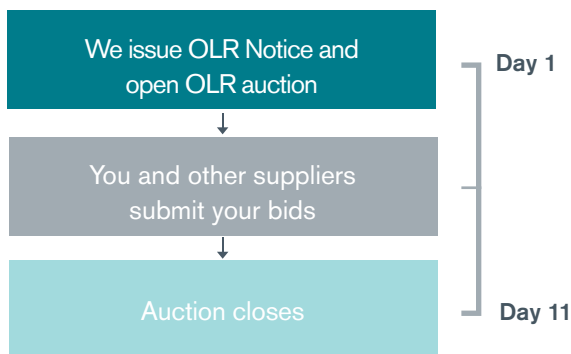
If we determine that the generator is eligible to enter into a BPPA, we will issue an **OLR Notice** to all mandatory and voluntary suppliers. This opens an OLR auction. If you are correctly registered on the Ofgem tendering portal, you will also receive an automatic notification of the auction opening.

If we can make a determination without delays, you may receive the notice as soon as the 7th day after you receive the EOI. However, if we experience delays during our determination, the date the OLR auction will open will also be delayed.

The OLR Notice will state the form, manner and date by which bids are to be submitted to us. It will contain a link to the Ofgem tendering portal where all the necessary information relating to the generator's application and the BPPA contract can be found. You should refer to our Ofgem Tendering Portal: OLR Supplier Handbook for a step-by-step guide on how to view the generator's project information and how to place bids.

### The auction

The auction bidding period begins from the first day after the date the OLR Notice is issued and **will normally close at the end of the 10th day.**



**Note:** this timeline is subject to no errors or omissions being identified during the auction. See pages 11-12.

### Placing your bid(s)

Mandatory licensed suppliers must bid in the auction. Voluntary licensed suppliers may choose to bid but do not have to.

Your OLR Auction Bid should be submitted in the form and manner requested in the OLR Notice. It must:

- a. confirm whether or not you have an Additional BM unit registered in your name for the GSP Group<sup>7</sup> to which the generating station is connected
- b. contain two copies of the applicable BPPA contract which are signed by (or for and on behalf of) your organisation but are not dated



- c. specify the management fee you will apply in respect of the BPPA if we determine that you are the successful bidder or the successful reserve bidder

and if you are a voluntary supplier:

- d. specify whether or not your bid may be considered as a reserve bid (see section 6).

<sup>7</sup> If the generating station the auction relates to is not connected to a GSP Group, this information is not required.

For instructions on how to submit your bid, see our 'Ofgem tendering portal: OLR Supplier Handbook'.

If the auction covers multiple BPPAs,<sup>8</sup> mandatory suppliers must submit a bid for each BPPA. Voluntary suppliers may, if they wish, bid for any number of the BPPAs available.

Bids cannot be accepted after the end of the auction period.

Once a bid has been submitted, it may not be withdrawn, amended or revoked, except where we issue a revised OLR Notice.

If we issue a revised OLR notice as a result of receiving updated Project Information from the generator, any bids previously submitted will be disregarded.

- If you are a mandatory supplier, **you must therefore submit a new bid** (by updating your original bid on the portal) on the basis of the updated Project Information and in the form and manner requested in the revised OLR notice.
- If you are a voluntary supplier you can choose whether, on the basis of the updated project information, you:
  - (a) wish to submit a new bid by updating your original bid on the portal,
  - or
  - (b) opt out of the auction by taking no further action.

### Questions about Project Information

If you simply wish to find out more information, additional to that required as part of the generator's Project Information, you can contact the generator directly. Ofgem does not facilitate these discussions or broker negotiations.

However, if you believe there is an error or omission in the Project Information that the generator has provided, you must notify us by email.

### Errors or Omissions in Project Information

If you believe there is an error or omission in the Project Information, you must fill in the [Notification of Project Information Error/Omission form](#) with full details of the issue you wish to raise and provide evidence to support your concern.

Do not use this form if you simply wish to get additional information that is not required as part of the generator's Project Information.

We will assess whether the problem amounts to an error or omission that must be resolved before the auction can be closed. This is because requests for updated Project Information may have impacts on the OLR process timeline. We need to ensure that the OLR process is not unduly delayed.

Our assessment will be done in line with the indicative table in the Annex to this document. You should be mindful of this table when deciding whether to raise concern about a possible error or omission.

If we identify an error or omission in the Project Information that must be resolved before the auction can be closed, we will ask the generator to provide updated Project Information.

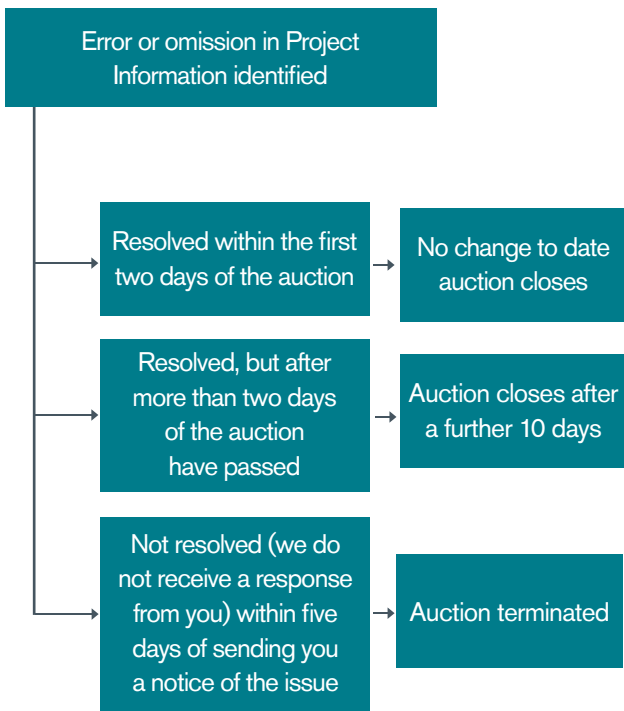
The generator must respond within five days either by providing the updated Project Information, or with a statement confirming that there is, in its view, no error or omission. If it does not we will terminate the auction and let you know that you are no longer required to submit a bid for the BPPA(s) the auction relates to.

If we receive a response from the generator within two days of the start of the auction, the auction timeline will not be delayed. However if we receive its response after the first two days of the auction, the timeline will be reset. The auction will run for a further 10 days starting from the date we receive a response from the generator.

<sup>8</sup> This will be the case where the OLR application capacity is equal to or greater than 100 MW and has therefore to be split across multiple BPPAs.

We will notify you as soon as possible of any extension of the bidding period. If the generator has sent us updated Project Information we will issue a revised OLR Notice providing you with the updated information. You will need to submit a new bid, see paragraph 5, page 11.

The generator may also identify an error or omission itself. If this happens the same timings and process as detailed on page 11 will apply.



### Concerns about a generator's eligibility

If at any time before submitting your bid you become aware of information that leads you to believe that the electricity generator is not eligible to enter into a BPPA in respect of the generating station that the OLR Notice relates to, you must notify us as soon as reasonably possible before the end of the auction period.

Along with your notification, you must provide a copy of the information that has led you to believe that the generator is ineligible. Please raise your concern by emailing us and follow this up with a call to the OLR team.

### Why might an OLR auction be terminated?

It is possible that an OLR auction may be terminated and no BPPA entered into even after we have issued an OLR Notice. The reasons this may occur are as follows:

- a. The generator withdraws its expression of interest.
- b. The generator fails to respond within five days to a request from us for updated project information with either:
  - i. an updated version of their project information, or
  - ii. confirmation that there is no error in or omission from the project information.
- c. We are notified of information which satisfies us that the generator does not meet the eligibility requirements<sup>9</sup>.

We will inform you if the OLR auction is to be terminated and no BPPA is to be entered into in respect of the generator.

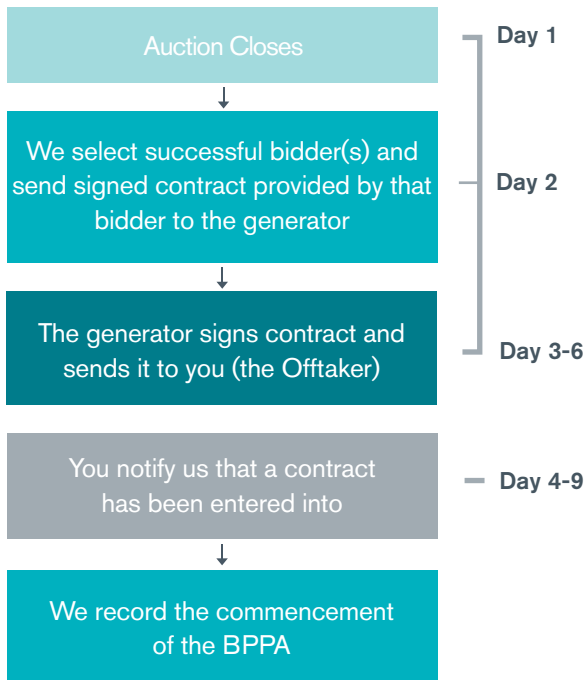
Mandatory suppliers must submit a bid unless we issue a notice terminating an auction.

<sup>9</sup> Information that was not available to us during our eligibility determination, see page 9.



## Section 6

## Entering into a BPPA



## Auction result

Within one day of the close of the auction, we will select the successful bidder and notify all parties of the outcome.

## Selection of successful bidder

If the generating station is connected to a GSP group, we will take no account of your bid if you are not connected to that GSP group.

If we issue a revised OLR notice, we will also take no account of any bid you may have submitted before the revised notice was issued.

Mandatory suppliers who do not submit a bid which we can take into account when making the selection will be in breach of the SLCs.

For single BPPA auctions, the successful bidder will be:

- the bidder which submitted the lowest management fee, or
- if the lowest management fee is submitted by two or more bidders, the bidder which submitted its bid first.

For multiple BPPA auctions, the successful bidders will be selected in line with the following process.

## Step 1

We will rank all bids submitted in the auction (irrespective of which BPPA they were submitted for) from lowest to highest.

## Step 2

- For the first BPPA we will select the bidder who submitted the lowest management fee, for the second BPPA we will select the bidder who submitted the next lowest management fee, and so on until a bidder is selected for each BPPA in the auction.

or

- If the lowest management fee is submitted by two or more bidders, for the first BPPA we will select the bidder whose bid was submitted first, for the second BPPA we will select the bidder whose bid was submitted second, and so on until either a bidder is selected for each BPPA in the auction, or all bids of the same management fee have been selected.

## Notifications

If we select you as a successful bidder we will let you know by email the same day.

We will also:

- send the generator an email to tell them of the auction outcome, providing a copy or copies of the signed BPPA contract(s) provided with the winning bid(s), and
- notify all remaining suppliers who have not been successful by email.

## What the generator will need to do

When we tell the generator the result of the auction and give it the BPPA, the generator must sign it and send a signed copy to you, the successful bidder, within three days.



This three-day deadline also applies if the generator is entering into multiple BPPAs. All successful bidders should receive a signed copy of the relevant BPPA in this timeframe.

## What you will need to do

Once the BPPA has been signed by the generator, you will become an **Offtaker**.

Within three days of receiving the signed copy of the BPPA from the generator, you must notify us that the BPPA has been entered into, providing the contract commencement date and your credit rating or credit support evidence.

Credit rating or credit support evidence can be any of the following:

- a. evidence that you meet the credit rating under the BPPA (this should be from an independent source), or
- b. evidence that you meet the credit support required under the BPPA, which must be either:
  - i. Proof that you (or any person acting on your behalf) has deposited cash in the electricity generator's nominated bank account; or

- ii. A copy of the letter of credit or parent company guarantee (as the case may be) provided by you to the electricity generator under the BPPA.

If you don't receive a signed copy of the BPPA from the generator within three days, you must tell us as soon as you can that no BPPA has been entered into.

## Reserve bid process

We will select a reserve bidder for a BPPA contract if we receive a copy of a Termination Notice that has been served on the Offtaker by the generator:

- in accordance with the terms of the BPPA,
- on the grounds that the Offtaker has committed a material breach of the BPPA, and
- which has resulted in termination of the BPPA no more than five days after the BPPA commencement date.

You must notify us if such a Termination Notice has been served on you and send us a copy of the notice as soon as reasonably practical.

We will select the successful reserve bidder in line with the process described on page 13, though we will disregard any voluntary supplier which elected not to be considered a reserve bidder, and any supplier previously selected in respect of the BPPA.

Also, in the case of a multiple BPPA auction, we will not consider any bid which has already been selected in respect of another BPPA in that auction.

Within one day of receiving a copy of the Termination Notice we will notify the successful reserve bidder that they have been selected and give to the generator the signed copies of the BPPA that the selected supplier submitted as part of their bid.



### Generation data

For OLR levelisation, **if you are an Offtaker you will be required to provide a statement of the electrical output of the electricity generator under the BPPA you are party to.** In section 7, there are details of the levelisation process and when you will need to submit data to us.

## End of the process

Following notification that the BPPA has been entered into, we will update the public Record of BPPAs with the required details which will be available on our [website](#). This will conclude the OLR process.

### Termination of a BPPA

If anything happens that results in the termination of the BPPA more than five days after the BPPA commencement date, this should be resolved in line with the provisions of the BPPA governing termination as a matter of private commercial law.

**You must notify us as soon as reasonably practical if a Termination Notice is served by either party,** and where there is a dispute, notify us of the nature of the dispute and the outcome.

We will add the generating station to our 'Record of Ineligible Generating Stations' if the BPPA is terminated by you exercising a right of termination under the BPPA in your favour, and

- i. the generator did not start court proceedings in respect of you exercising that right,
- or
- ii. having started such proceedings, it discontinued them, or final judgement<sup>10</sup> in proceedings was given in your favour.

<sup>10</sup>A judgement is final if not appealed against, or if appealed against, when the appeal has been disposed of. See regulation 6 (7)-(8) of the Regulations.

## Section 7

# OLR levelisation

## General principles

### How does it work?

Any supplier who enters into a BPPA will be an **Offtaker** for the duration of that contract.

The levelisation process is intended to ensure that the Offtaker's costs for entering into a BPPA are shared among all licensed suppliers, according to their share of the electricity supply market.

All licensed suppliers are required to participate in the levelisation process by:

- providing information to us to enable us to administer the process
- making levelisation payments as requested by us.

To calculate whether you will have to make a levelisation payment or are entitled to receive a payment we must determine and compare your **OLR contribution** (or, in the case of annual levelisation, your **adjusted OLR contribution**) and **market share OLR contribution** for the relevant period.

If your OLR contribution or adjusted OLR contribution is greater than your market share OLR contribution, you will receive a levelisation payment. If your OLR contribution or adjusted OLR contribution is less than your market share contribution, you must make a levelisation payment.

## When will it happen?

**The levelisation process will only run if a BPPA is in effect in a given period.**

If the process is activated we will carry out levelisation periodically and annually.

Periodic levelisation will be done following the end of each quarterly period below:

- 1 April – 30 June
- 1 July – 30 September
- 1 October – 31 December
- 1 January – 31 March.

If we need to vary these periods, we will issue a notice explaining the change at least one month before the variation takes effect.

Annual levelisation will be completed by 1 October following the end of an OLR year.

## Market Share OLR Contribution

To calculate your market share OLR contribution we will take the sum of all suppliers' OLR contributions and multiply it by your market share percentage of the GB electricity supply market.

**We will calculate your OLR contribution (OC) as:**

$$OC = V^n \times MF^n$$

**V** = volume of electrical output provided during the relevant period under each BPPA you are party to.

**MF** = the management fee payable to the OLR for the BPPA

Your OLR contribution will be zero if you have not been party to a BPPA in the relevant period.

Your **market share** will be determined as the amount of electricity you supplied to customers<sup>11</sup> in Great Britain in the relevant period as a percentage of the electricity supply market in that period.

Please note, for the purposes of OLR levelisation, green imports are **not** deducted from total supply.

<sup>11</sup> Customers has the same meaning as in Condition 1 of the SLCs.

## Periodic Levelisation

### Timetable

Quarterly period	Deadline for submitting BPPA generation data to Ofgem	Date on which Ofgem will send out invoices/ credit notices to all relevant suppliers	Deadline for submitting payments into the levelisation account	Date on which Ofgem will make relevant payments from the levelisation account
Every 3 months	10 days	10 days	10 days	5 days

We will publish a timetable for the levelisation process ahead of each OLR year.

### Data you need to submit

If you are an Offtaker during any periodic levelisation period, you need to provide us with a statement of the **electrical output** provided under any or each BPPA you are party to during that period.

You should do this by emailing a completed 'Periodic Levelisation: BPPA Electrical Output Data' template to us **within 10 days of the end of a quarterly period**.

We will send you a reminder that this data is required at the end of each quarterly period.

We may verify the data provided with an independent source.

### Other data we will use for our calculations

To avoid duplicating efforts by you and us, we will use the supply data that your organisation submits to us as part of the levelisation process for the Feed-in Tariffs (FIT) scheme<sup>12</sup>. You do not need to make a separate submission for this scheme.

However, please note if your organisation fails to provide the supply data as required by the FIT scheme this will also be considered a failure to meet the requirements for OLR.

### Calculations

Our calculations for periodic levelisation will be based on an estimate of the difference between your OLR contribution and your market share OLR contribution for the OLR year in which the period falls.

Your periodic levelisation payment will be equal to:

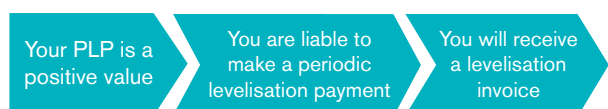
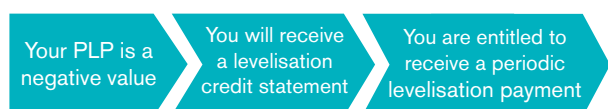
$$PLP = (TOC \times MS) - IOC$$

- PLP – your periodic levelisation payment (£)
- TOC – total OLR contributions of all suppliers in the relevant period
- MS – your market share during the relevant period
- IOC – your individual OLR contribution in the relevant period

<sup>12</sup> [Feed-in Tariff \(FIT\): Guidance for licensed suppliers](#) provide further details on the supply data required.

## Notifying you of payments

We will notify you if we calculate that you are entitled to receive or liable to make a payment. The type of notice you will receive is as follows:



If we determine you are neither liable to make or entitled to receive a levelisation payment, you will not receive either a credit statement or invoice.

## Making payments to us

You must make a periodic levelisation payment to us within ten days of receiving a levelisation invoice.

You should make this payment by electronic transfer to the specified OLR levelisation bank account. We will give you our bank account details in the levelisation invoice.

Failure to make a levelisation payment as requested will be in breach of your licence conditions. Any levelisation payments that may be owed to you will be suspended until we receive the outstanding payment. How we will manage shortfalls in the levelisation fund is detailed in section 8.

## Receiving payments from us

If we determine that you are entitled to a payment from the levelisation account, we will, subject to any shortfall in the levelisation fund, make this payment to you within five days of the deadline for

receiving payments.

## Annual levelisation

### Timetable

Any supplier who has been an Offtaker for any part of an OLR year must submit generation data to us by 1 August following the end of that OLR year.

We will aim to make the necessary calculation and let you know whether annual levelisation payments are owed by you, or due to you within 26 days of that date.

If you are required to make a levelisation payments you will need to do so within ten working days of us issuing levelisation invoices.

We will then aim to make any levelisation payments due to you, subject to any shortfall in the levelisation fund, by the end of September.

### Data you need to submit

If you have been an Offtaker during any periodic levelisation period during an OLR year, you need to give us confirmation of the **electrical output** provided under any or each BPPA you are party to during that OLR year.

You should do this by emailing a completed 'Annual Levelisation: BPPA Electrical Output Data' template to us **by 1 August**.

We will send you a reminder that this data is required at the end of each annual period.

We may verify the data provided with an independent source.



### Other data we will use for our calculations

To avoid duplicating effort by you and us, we will use the supply data that your organisation submits to us as part of the Renewables Obligation and FIT scheme.<sup>13</sup> You do not need to make a separate submission for this scheme.

However, please note if your organisation fails to provide the supply data as required by the RO and FIT schemes, this will also be considered a failure to meet the requirements of the OLR scheme.

### Calculations

Our annual levelisation calculations will take into account payments you have already made or received during the course of the OLR year.

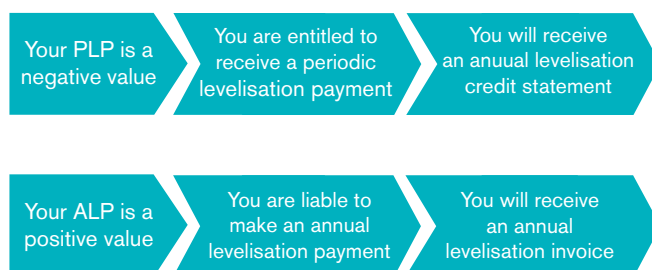
Your annual levelisation payments in respect an OLR year will be equal to:

$$ALP = (TOC \times MS) - (IOC + PLP)$$

- ALP – your annual levelisation payment (£)
- TOC – the total OLR contributions of all suppliers in respect of the OLR year
- MS – your market share in respect of the OLR year
- IOC – your total individual OLR contribution in respect of the OLR year
- PLP – all periodic levelisation payments you have made or which have been made to you in that OLR year.

### Notifying you of payments

We will notify you if we calculate that you are entitled to receive or liable to make a payment. The type of notice you will receive is as follows:



If we determine you are neither liable to make or entitled to receive a levelisation payment, you will not receive either a credit statement or invoice.

### Making payments to us

You must make an annual levelisation payment to us within 10 days of receiving a levelisation invoice.

You should make this payment by electronic transfer to the specified OLR levelisation bank account. We give you our bank account details in the levelisation invoice. You should ensure that the correct payment amount is sent to the correct account by the due date.

Failure to make a levelisation payment as requested will be in breach of your licence conditions. Any levelisation payments that may be owed to you will be suspended until we receive the outstanding payment. How we will handle shortfalls in the levelisation fund is detailed in section 8.

### Receiving payments from us

If we determine that you are entitled to a payment from the levelisation account, we will, subject to any shortfall in the levelisation fund, make this payment to you within five days of the deadline for receiving payments from suppliers.

<sup>13</sup> [The Renewables Obligation: Guidance for Suppliers](#) and [Feed-in Tariff \(FIT\): Guidance for licensed suppliers](#) provide further details on the supply data required

## Discrepancies

If you uncover any discrepancies or wish to dispute the levelisation calculations made, you should raise this with the OLR team by email at the earliest possible opportunity, providing the relevant background details.

Given the tight timeframe in which periodic levelisation needs to be reviewed, such discrepancies will not generally affect the levelisation payments for that periodic levelisation period. Instead, discrepancies will be dealt with during the annual levelisation process.

However, if discrepancies or disputes concerning the annual levelisation calculation are raised, we will look to resolve these before issuing final invoices.



## Section 8

# Managing shortfalls in the levelisation fund

In the event of a **defaulting licensed supplier**, there is likely to be a shortfall in the OLR levelisation fund.

Depending on the size of the shortfall, mutualisation may be triggered. If it is, suppliers who pay into the periodic levelisation fund may be required to make additional payments to address the shortfall.

This section explains how different levels of shortfalls in the levelisation fund will be managed, including the process of mutualisation.

On a case-by-case basis, if a supplier has defaulted on its required levelisation or mutualisation payments, we may take enforcement action against it regarding any unpaid amounts, in addition to recovering any outstanding payments.

## Standard late payments

If there has been a shortfall in the levelisation fund which is less than the **mutualisation lower limit**, those suppliers who are owed levelisation payments will be required to absorb the shortfall by receiving reduced levelisation payments.

There are two possible scenarios if we subsequently receive a late payment and mutualisation has not been triggered:

- If we receive the late payment before we make the annual levelisation calculation for that OLR year, we will include the payment in our calculations.
- If we receive the late payment after we make the annual levelisation calculations, we will distribute the payment to suppliers in proportion to their market share (for the OLR year in which we receive the late payment).

We will notify you if you are to receive a payment and what the distribution relates to.

## Mutualisation

### How is mutualisation triggered?

The mutualisation process is only triggered if:

- the whole or part of a periodic payment is more than five days late, and
- the total unpaid amount is equal to or greater than the mutualisation lower limit.

The Secretary of State will determine the mutualisation lower limit before the beginning of each OLR year. The Department of Energy & Climate Change (DECC) will publish this on its website.

Mutualisation is a separate process to levelisation and will take place after payments have been made to suppliers out of the OLR levelisation fund (less the shortfall).

### Timescale

The basic process is set out here. A detailed explanation is provided in the following sections.



\*The deadline will depend on the size of the shortfall.

## Mutualisation calculations and Mutualisation Notice

To calculate mutualisation payments we will first determine your **adjusted market share**.

We will then apportion the amount to be mutualised between all licensed suppliers (except for the defaulting licensed supplier) in proportion to your adjusted market share.

Where we calculate that you are liable to make a mutualisation payment we will send you a Mutualisation Notice which will explain what payment you need to make and the date the payment is due.

If you are to receive a notice, we will send this to you five days after we have made the periodic levelisation payments as part of the periodic levelisation process.

## Making a mutualisation payment

Once you receive a Mutualisation Notice, you should make the payment required by electronic transfer to the specified OLR mutualisation bank account.

We will advise you of the bank account details in the Mutualisation Notice.

## Mutualisation distribution

When the deadline for mutualisation payments has passed and if we have received mutualisation payments, we will distribute the funds in the mutualisation account to suppliers who:

- are not the defaulting licensed supplier, and
- because of the original shortfall, did not receive payment of all or part of a periodic levelisation payment owed to them.

We will notify you if you are to receive a payment and what the distribution relates to.

## Late levelisation payments

If, after we receive mutualisation payments from you, we then receive the previously unpaid amount from the defaulting licensed supplier, we will within 20 days distribute this amount to you in proportion to your adjusted market share.

## Late mutualisation payments

There are two possible scenarios where we receive a mutualisation payment after the due date.

- If we receive the late payment before we make the annual levelisation calculation for that OLR year, we will include the payment in our calculations.
- If we receive the late payment after we make the annual levelisation calculations, we will distribute the payment to suppliers in proportion to the market share of each.

We will notify you if you are to receive a payment and what the distribution relates to.

## Section 9

## Glossary

**Additional BM Unit**

Additional BM Unit takes the meaning given to it in the Balancing and Settlement Code on 14 February 2015 (the date SLC 38A took effect).

**Adjusted market share**

Your share of the electricity supply market adjusted to disregard the market share of the defaulting licensed supplier.

**Adjusted OLR contribution**

Your OLR contribution adjusted in light of payments already made or received during the course of the OLR year (only relevant to annual levelisation).

**Affiliate**

Affiliate takes the meaning given to it by Condition 1 of the Standard Electricity Supply Licence.

**Applicable OLR year**

The supply period which we refer to for mandatory determinations. It is:

- for the first OLR year (ending 31 March 2016), the 12-month period beginning on 1 October 2013 and ending 30 September 2014.
- for any other OLR year, the 12-month period beginning on 1 April and ending on 31 March immediately preceding the date the Mandatory Notice is issued.

**Backstop power purchase agreement (BPPA)**

A power purchase agreement which is entered into under the power purchase agreement scheme.

**Day**

A day that is not:

- a. a Saturday, Sunday, Christmas Day or Good Friday, or
- b. a day which is a bank holiday under the Banking and Financial Dealings Act 1971(b) in England and Wales or Scotland.

**Defaulting licensed supplier**

A supplier which has failed to make the whole or part of a periodic levelisation payment to us by the date it was due.

**Electrical output**

Electrical output means the net electrical output of the generating station delivered to the delivery points over a period of time, as measured by the metering equipment measuring the flows of electricity associated with the generating station and expressed as an amount for each megawatt hour of electricity

**Expression of Interest (EOI)**

Expression of Interest has the meaning given in regulation 5(1) of the Regulations.

**Generator**

An electricity generator as defined in Regulation 2 of the Power Purchase Agreement Regulations 2014 – a person who operates or participates in the operation of a generating station.

**GSP Group**

A distinct electrical system, as defined in the Balancing and Settlement Code on 14 February 2015 (the date Standard condition 38A took effect).

### **Licensed supplier**

An organisation in possession of a license granted by us to supply electricity under section 6(1)(d) of the Electricity Act 1989

### **Low Carbon Contracts Company Ltd (LCCC)**

The government owned company that manages the Contracts for Difference.

### **Mandatory licensed supplier**

A licensed supplier who we have determined is required to participate in all auctions held in an OLR year.

### **Market share OLR contribution**

The sum of all suppliers' OLR contributions multiplied by each individual supplier's market share of the GB electricity supply market.

### **Mutualisation lower limit**

The threshold which, if exceeded, triggers mutualisation. It is set by the government before the beginning of each OLR year.

### **Offtaker**

A supplier who enters into a BPPA following an OLR auction.

### **OLR Auction**

An auction held by virtue of the SLCs in order to determine the successful and reserve bids for a BPPA.

### **OLR Auction Bid**

An offer to enter into a BPPA in respect of a generating station (or a proportion of the capacity of the generating station), submitted by the supplier, or where the context requires by any other licensed supplier, in accordance with the SLCs.

### **OLR Contribution**

A licensed supplier's OLR contribution is the volume of electrical output provided under the BPPA during the relevant period multiplied by the management fee payable to them in respect of any BPPA for which they are the Offtaker.

### **OLR Notice**

A notice that one or more BPPAs are subject to an auction held in respect of an eligible generator.

### **OLR Year**

The period of six months ending on 31 March 2016  
or

After 31 March 2016, each 12-month period starting 1 April and ending 31 March.

### **Project Information**

Project Information has the meaning given to it in paragraph 38A.12 of the SLC.



**The Regulations**

The Power Purchase Agreement Scheme Regulations 2014 as will be amended by the Power Purchase Agreement Scheme (Amendment) Regulations 2015.

**SLCs**

Condition 38A of the Electricity Supply Standard Licence Conditions.

**Supply**

Supply has the same meaning as in the Electricity Act 1989 and 'supplied' is to be read accordingly.

**Termination Notice**

A notice given under and in accordance with a BPPA which provides for the BPPA to be terminated prior to the expiry date of the BPPA.

**Voluntary licensed supplier**

A licensed supplier which is not a mandatory licensed supplier.

## Section 10

## Annex

## Errors or omissions in OLR Project Information

This table indicates how we will handle errors or omissions raised to us after an OLR auction has been opened to ensure that the government's policy intent for the quick and smooth running of the OLR process is met.

Updated Project Information not required	Updated Project Information required (evidence of errors or omissions must be provided)
	Any error or omission notified by the generator.
Not all address information provided, but enough to determine location of project.	
Spelling, punctuation, grammar errors.	
	If supplier demonstrates an error in calculation of total number of BPPAs which results in an incorrect number of BPPAs being applied for.
	If supplier demonstrates an incorrect contracted electrical output (ie not to nearest whole per cent).
	If supplier demonstrates an incorrect discount figure.
	If supplier demonstrates an incorrect declaration of 'licensed'.
	If supplier demonstrates an incorrect GSP group.
	If supplier demonstrates an incorrect metering arrangement.
	If supplier demonstrates an incorrect LEC/REGO details.
If supplier cites an error in stated negative price trigger.	
If supplier cites an error has been made in the ramp up/down rate.	
If supplier requests more detailed output data in addition to minimum requirements as they can ask the generator directly.	If supplier demonstrates part of the generator data is missing, or historical output data does not cover two years.
If supplier shows that a generator will be undertaking planned maintenance on dates not declared.	
	If supplier demonstrates an incorrect aggregate liability cap.
	If supplier demonstrates an error in 'The Generator' information.

## Templates

[Notification of Project Information Error/Omission template](#)

Periodic Levelisation: BPPA Electrical Output Data template

Annual Levelisation: BPPA Electrical Output Data template

## Complaints

If you have a complaint about a decision we have made, please send an email to [OLR@Ofgem.gov.uk](mailto:OLR@Ofgem.gov.uk)

If you are not happy with how we have handled your concern, you should make a formal complaint in writing and we will try to resolve this with you in 20 days.

**London**

9 Millbank  
London SW1P 3GE  
Tel: 020 7901 7000

**Scotland**

Cornerstone  
107 West Regent Street  
Glasgow G2 2BA  
Tel: 0141 331 2678

**Wales**

1 Caspian Point  
Cardiff Bay  
CF10 4DQ  
Tel: 029 2044 4042

**[www.ofgem.gov.uk](http://www.ofgem.gov.uk)**