

## Updates to the 2009/10 DC Master Agreement

The DC Master Agreement has been updated for the 2009/10 trading period. Relative to the 2008/9 DC Master Agreement, the 2009/10 DC Master Agreement contains, *inter alia*, the following updated sections:

Section 7.2 The amount owing to settle the Difference Payments owed by the Parties under the terms of a Contract for Differences will now be determined using average and weighted average quantities. Previously the DC Master Agreement called for the invoice total to be calculated on a half hourly basis. Moving to settlement based on an average quantity (i) facilitates the creation and checking of the invoice calculations, and (ii) reduces the need for sophisticated computer systems to calculate the correct values.

Section 7.3.1 Additional wording has been added to ensure that all invoices are paid without deduction of any charges, levies or expense.

Section 7.5.2 The process around the application of interest payments has been clarified.

Section 7.8 Wording has been added to remove the automatic triggering of the resettlement of Contracts for Differences. In previous DC Master Agreements all updates to SMP prices caused all Contracts for Differences to be resettled. Experience has shown that market prices in the SEM have been revised more often than initially envisaged. The CfD resettlement process is a system and resource intensive process that had, up until now, been invoked automatically for all adjustments in SMP prices, even for the most minor of adjustments.

Resettlement of CfDs will now occur automatically only following the issuing of a Timetabled Settlement Re-Run Statement. If Settlement Re-run statements are issued outside of these times, then an ad-hoc resettlement of CfDs will only occur if this resettlement would result in a payment of more than a set limit to any one counterparty. If an ad-hoc resettlement is made, then it shall be made for all Contracts for Differences valid under this DC Master Agreement.

Schedule 1 Three changes have been made to this section:

- (i) The definition of Forward Carbon Price has been modified to clarify what price should be used in the event of non-publication of the Forward Carbon Price.
- (ii) Definitions for “Timetabled Settlement Re-Run” and “Timetabled Settlement Re-Run Statement” have been added.
- (iii) Rules have been added regarding the rounding of payment totals and average SMP.