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Guide to OTC Derivative Reporting of PPAs

Virtual Power Purchase Agreements (vPPAs) have gained significant traction in recent years as a means of facilitating renewable energy procurement.

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Virtual Power Purchase Agreements (vPPAs) are innovative contracts that enable organizations to support and benefit from renewable energy projects without physically consuming the electricity generated. However, as vPPAs involve financial derivatives, they fall under the purview of regulatory frameworks, such as the European Market Infrastructure Regulation (EMIR) in the European Union and Dodd-Frank In the U. S. This piece aims to shed light on the reporting obligations associated with vPPAs under EMIR and Dodd-Frank regulations.

EMIR Reporting Requirements: EMIR, implemented in 2012, establishes requirements for the reporting of derivative transactions. It applies to both standard over-the-counter (OTC) derivatives and non-standard derivatives, including vPPAs. The key reporting obligations under EMIR for vPPAs include:

1. Unique Trade Identifier (UTI): Parties to a vPPA must assign a UTI to each transaction, ensuring that it can be uniquely identified in reporting.

2. Reporting Counterparty (RC): One of the parties involved in a vPPA must be designated as the RC responsible for reporting the transaction to a registered trade repository (TR). This obligation lies with financial counterparties or non-financial counterparties exceeding certain thresholds.

3. Timely Reporting: The vPPA details, including UTI, product type, notional amount, settlement date, maturity date, and any modifications, must be reported by t+1. Data accuracy and completeness are crucial for compliance.

CFTC Reporting Requirements: In the United States, vPPAs are subject to regulations imposed by the CFTC. The primary reporting obligations under CFTC regulations include:

1. Swap Data Reporting: Parties engaging in vPPAs that qualify as swaps must report specific data fields to a registered swap data repository (SDR). The reporting parties must provide details such as product information, parties' identification, pricing and other economic terms.

2. Reporting Party Determination: Similar to EMIR, the parties involved in the vPPA must determine who will be responsible for reporting the transaction to the SDR. This determination may depend on the status of the entities as swap (SD)dealers, major swap participants (MSP), or end-users.

3. Timely Reporting (real time and t+2 reporting):

Part 43 data needs to be reported "As soon as Technologically Practicable" (ASATP) after the execution of the transaction.

For Part 45, SD/MSP/DCO reporting counterparties need to report swap data by T+1 following the execution date, while non-SD/MSP/DCO reporting counterparties must report swap data by T+2 following the execution date. Additional time delay for P45 allows for the industry to collect all relevant data for reporting.

How Cappitech can help with your vPPA reporting obligations

- Our expert staff understand both vPPAs and OTC derivative reporting to explain the process and answer questions
- Review of vPPA terms and conversion to regulatory reporting fields
- Availability to submit reports on behalf of counterparties
- Easy to use format to report modifications in the future such as changes in price or electricity output
- Fast and efficient process that can be completed within days of first conversation with Cappitech

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We help 600+ clients globally to manage, automate and future proof their regulatory reporting obligations. We offer a multi-jurisdictional trade and transaction solution across EMIR, SFTR, MiFID, FinfraG, SEC, CFTC, Canadian, ASIC, MAS, JFSA, HKMA and other regimes.

Join the network of clients that rely on our regulatory reporting expertise, award-winning technology and around the clock support.

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