

PROPOSAL FOR ADMINISTRATING THE WEEE COMPLIANCE FEE

Background

In the event that either a WEEE compliance scheme generates insufficient evidence of WEEE collection and reprocessing to meet its obligation or fails to sub-contract another WEEE compliance scheme to carry out this activity on its behalf, it will be required to acquire evidence that it has paid a compliance fee to meet the cost of its financing obligations. Additionally the aim of the WEEE compliance fee is to discourage PCSs from collecting WEEE significantly above their targets and seeking to sell their surplus at excessive prices to PCSs that are short of their target amount in any category.

Nevertheless the ambition of the compliance fee should not be that it can be utilised as either a mechanism that PCSs can use to potentially bankrupt rival PCSs, discourage the collection and/or processing of WEEE, avoid financing obligations, push additional costs onto local authorities or put the UK's potential compliance in danger.

DEFRA has requested that by 30 September in each year a methodology for both calculating and administering this compliance fee, which should be self-financing, and the distribution and validation of any funds received is submitted to them for approval.

In a back-to-front manner this development is self-negating. The more successful the threat of the compliance fee, the more successful it is at stimulating PCSs to seek out the collection and reprocessing of WEEE rather than opting to pay a compliance fee. This will stimulate the generation of additional WEEE collection potentially surplus to the targets which in turn creates surplus evidence which in turn if normal market forces are allowed applies a downward pressure on the price of evidence, which ensures that excessive prices are not charged and that the fee is not required!

Operations:

Without determining how the compliance fee will be calculated or the funds raised will be allocated the process the compliance fee operator will follow is clear:

1. PCSs agree to the terms and conditions of the WEEE compliance fee administrator.
2. PCSs apply to compliance fee administrator for the compliance fee on those WEEE streams for which they have a shortfall.
3. Compliance fee administrator gathers evidence and calculates the compliance fee by individual WEEE collection stream.
4. Compliance fee administrator issues an invoice, collects funds from PCSs and issues receipt/certificate of payment.
5. Compliance scheme submits receipt/certificate of payment to the Agencies as part of their certificate of compliance.
6. Compliance fee administrator notifies Agencies of the total compliance fee certificates issued to each PCS by WEEE stream for which cleared funds have been received by 31 March or preceding bank day.
7. Compliance fee administrator distributes aggregated fees to support higher levels of collection, recycling and re-use of WEEE and/or the wider obligations in the WEEE Directive.
8. Trail of fees is auditable.
9. Costs of compliance fee administrator are charged to those benefiting from the service.

Additionally there is a requirement that the compliance fee administrator should be independent of any PCS.

The Environment Exchange (t2e) offers to carry out this role which in many ways duplicates the established settlement system that it provides for its Packaging Recovery Note (PRN) marketplace, which involves over 450 participants many of whom are involved with WEEE Compliance both as PCSs and AATFs.

As a comparison of size and efficiency over a million tonnes of PRNs are traded through the in any calendar year, it distributes payments in the region of between £10 to £20 million per annum to reprocessors and exporters accredited by the Environment Agencies to issue PRNs. In excess of 96% of all trades are settled, funds paid, within 3 days of the settlement date. All the operations are confidential and auditable.

1 - Proposed methodology for the calculation of the fee:

the will have three elements within the compliance fee:

- the evidence fee, based on the average cost per tonne of collection and processing;
- the multiplier fee
- the administrative fee.

The evidence fee:

Without a clear mechanism for price transparency for WEEE collection and processing costs it is difficult to identify what are excessive prices other than individual WEEE PCSs perceptions of prices being charged that are greater than those that they have paid to date. The reasons for these higher prices could be numerous and not solely a desire to make 'excess profit'. Nevertheless to determine the average price of this 'evidence' and its range are core to calculating the compliance fee. Determining the average price of WEEE collection and processing costs and its range are core to calculating the compliance fee.

If the fee is set too low then it is in PCSs interests to opt for the compliance fee rather than acquiring 'evidence' of WEEE collection and recycling, thus effectively avoiding paying their full finance costs to the detriment of those PCSs that are acquiring evidence at higher costs and depending on the size of the scheme potentially by discouraging collection to the detriment of the UK's ability to comply with the WEEE Directive.

Whereas if it is set too high, potentially PCSs that have been unable to acquire sufficient evidence face significant costs and distorts to ambitions of AATFs and LAs. Although it should be noted that should the compliance fee be used regardless of the circumstances there remains the possibility that those who have financed the collection and processing of WEEE face significant losses with the consequent knock-on effect on meeting the WEEE collection and processing targets.

Income to carry out and potentially stimulate WEEE collection and reprocessing can come from one or more of three sources: sales of the processed secondary raw material, local authorities and producers via PCSs. The costs are determined by a number of variables such as energy/fuel, labour, finance whereas the income from sales of secondary raw materials are subject to the vagaries of global demand and supply as well as exchange and shipping rates to name but a few. None of these are predictable on a weekly basis let alone an annual one. Hence it is inevitable that the costs of collection and reprocessing will be variable and possibly volatile rather than fixed.

A PCS as an acquirer of evidence will consider prices above its average price to be excessive, whereas those higher cost collections may well be from where growth, if it is necessary, is derived. Additionally if a PCS always turns down the higher priced evidence its average costs will be lower than the overall average costs. Furthermore if producers drive down their contribution through only acquiring low cost or below average price evidence since the variable costs are going to have to be covered by others either the AATF, who may not be able, or wish, to afford it, or local authorities. From this perspective there is logic in:

- the compliance fee being above the average price of WEEE collection and reprocessing.
- costs of WEEE collection and processing being collected from all WEEE PCSs and AATFs to reflect the overall cost of collection and processing rather than just those that request to use the compliance fee.

- having knowledge of the range of evidence prices, to understand the variability of costs, as well as the average.

Nevertheless the process of gathering prices needs to be administratively swift, unburdensome on PCSs and easy to acquire.

For this reason t2e will request from all PCSs and AATFS for all WEEE streams regardless of whether they have requested the compliance fee or not for their average costs of collection and treatment and the highest and lowest collection costs per tonne as shown in annex A. Additionally this will help preserve the confidentiality of the compliance schemes requesting to participate in the compliance fee.

The average cost of collection and reprocessing of each WEEE stream will be calculated by totalling the costs submitted for each stream and dividing it by the tonnage of evidence issued for those costs.

The average highest and lowest costs per tonne will be calculated using the same method. The evidence fee will be set at the mid-point between the highest and the average costs per tonne for each WEEE stream.

Should there be no cost submitted for a WEEE stream, t2e will arrange the collection and delivery of a load to an AATF of that WEEE stream and from that calculate the average cost per tonne. This additional cost will be added to the fee of those that need the compliance fee in this stream.

If a stream shows a positive income stream at all times no evidence fee element will be charged within the compliance fee.

Multiplier fee:

This is not a penalty but introduced to reflect firstly how significantly the decision to opt for the compliance fee might impact on the overall ability of the UK to meet the WEEE targets and secondly that in all probability the marginal cost of each additional tonne collected will be greater than the previous tonne. It will be calculated as a multiple of the evidence fee and reflect the shortfall of evidence acquired as part of the total UK requirement. So if a PCS applies to use the compliance fee for 2% of the UK's requirement for collection in a particular WEEE stream then the multiplier fee will be 20% of the evidence fee.

If there is no evidence in that particular WEEE Stream available on the WEEE settlement centre the multiplier fee will be the square of the shortfall, so 2% would become 40% and 3% would become 90%, to reflect the seriousness of the potential shortfall in the UK meeting its WEEE targets. In the event there is no evidence fee then the base for the calculation of the evidence fee will be £10.00 per tonne.

Administration fee:

The cost to each PCS using the compliance fee will be £250.00 plus 5% of the sum of the evidence and multiplier fees

Advantages:

The advantages of this approach are:

1. It minimises the requirement for third party auditing
2. Prices reflect the costs of additional recycling.
3. Ensures that administration costs are covered..

2 - Proposed administration of the fee:

Costs

The costs of calculating, setting up and administering the compliance fee mechanism and the disbursement of funds will be met through the administration fee as detailed

above. In the event that insufficient administration fees are generated in any year then fees will be drawn from the multiplier fee.

In the event that this is insufficient then the costs will be met by t2e.

Operations:

The tasks identified subject to the methodology are as follows:

1. Ask PCSs to complete a compliance fee participation agreement.
2. Receive compliance fee requests.
3. Issue request for information to PCSs and AATFs.
4. Follow-up request for information.
5. Analyse information provided by PCSs and AATFs.
6. Calculate escalator.
7. Issue compliance fee invoices.
8. Receive funds for compliance fees.
9. Issue compliance fee certificates.
10. Notify Agencies of compliance fee certificates issued.
11. Distribute funds received less administration fee.

2.1 Ask compliance schemes to complete a compliance fee participation agreement.

All PCSs and AATFs will be requested to sign a participation agreement with t2e regardless of whether they wish to use the compliance fee route or not. This is to allow t2e to take the widest sample possible of costs for the recycling of WEEE. Additionally this will allow them access to the final fee once it is calculated.

The agreement will state that the PCSs and AATFs will for the purposes of developing and paying the compliance fee will abide by the Rules of t2e. Key rules will be the submission of accurate information, permitting t2e to investigate the accuracy of that information, as necessary, accepting the WEEE Compliance Fee as calculated by t2e and prompt payment when requested in exchange t2e will deal with the PCSs and AATFs fairly, professionally and confidentially ensuring that PCSs, where relevant, are in a position to comply by 31 March in the relevant year. In addition key contact details can be obtained at the same time. The Participation Agreement can be found at Annexes A-1 and A-2

This document would be e-mailed to PCSs and AATFs as soon as it is confirmed that t2e has been appointed to administer the WEEE compliance fee. Once signed, this agreement would be binding for subsequent years.

Detailed tasks:

Drafting rules and participation agreements	5 days
Distributing rules, participation agreements and invoices	1 day
Receiving, recording and filing participation requests	1 day
Following up participation agreements	2 days

2.2 Receive compliance fee requests.

PCSs e-mail a request to t2e for a compliance fee. This information would need to be supplied to t2e within 7 working days of 31 January or when t2e is appointed as the administrator of the WEEE Compliance Fee whichever is the later date.

Detailed tasks:

Receiving, recording and filing compliance fee requests	1 day
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2.3 Issue request for information to PCSs and AATFs.

On receipt of one of more requests for compliance fees t2e will ask from all participant PCSs and AATFs for the information below for the collection of WEEE in all categories that has been arranged by that compliance scheme and the quantity in tonnes and kilogrammes collected.

The reason:

1. for requesting all categories is to preserve the confidentiality of the requester.
2. why it is only the price per tonne for the contracts that the scheme has arranged is that any costs that have been sub-contracted to another scheme to carry out will be submitted by the sub-contracted scheme.

This would be requested within 7 days of the final date for compliance fee requests to be submitted. In the event that no fee is requested all schemes, the Agencies and DEFRA would be informed that no compliance fee would be needed for that year.

Detailed tasks:

Issuing requests for information to PCSs and AATFs 2 days

2.4 Information requested

The information requested would be as detailed in Annex B.

2.5 Submission methodology

All PCSs would be requested to complete the table at Annex C for each of the 6 WEEE streams and submit it by e-mail.

Reliability

These costs will be benchmarked against each other and additionally if available against the costs identified through the WEEE PCS Balancing System (PBS). WEEE evidence need to be verified from an accompanying print out from the WEEE Settlement Centre.

Costs per tonne that are divergent by more than 10% from the norm and/or the midpoint between the highest and the lowest costs in that WEEE stream will be returned to the submitter for clarification and not included in the calculations nor will the submitter be eligible to use the compliance fee unless justified. In the event of dispute PCS or AATF costs will be audited by Geoghegan and Co or an auditor of the PCSs and AATFs choice with the audited organisation being responsible for the audit costs. t2e retains the right to audit all figures submitted whether or not they have been audited by the PCSs' or AATFs' auditor.

2.6 Follow-up request for information.

In the event that a PCS or AATF has failed to respond within the allocated 7 days the PCS or AATF would be given a further 3 days to provide that information. In the event that it failed to produce that information it would both be ineligible to apply for a compliance fee or to partake in the distribution of the compliance fee.

Detailed tasks:

Follow up requests for information 2 days

2.7 Analyse information provided by PCSs and AATFs

t2e would analyse the information provided by the PCSs and AATFs on a spreadsheet to produce an average price per tonne for collecting evidence in each of the WEEE categories throughout the UK. This information would then be verified against information requested from WEEE PCS Balancing System (PBS). This would be completed within 14 days of the final due date of when information would be received by t2e.

Detailed tasks:

Receiving, recording and filing evidence cost information requests	2 days
Analyse information using methodology provided	2 days
Validate Information provided by PCSs against that sourced from AATFs and other sources	1 day

2.8 Calculate escalator

t2e would calculate the escalator for each WEEE Compliance Fee for each requesting PCS and WEEE stream according to the following methodology:

1. Start with evidence fee for each category.
2. Calculate percentage shortfall from total obligation in each category.
3. Multiply shortfall percentage by evidence fee in the relevant category.

Detailed tasks:

Calculate escalator.	1 day
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2.8 Issue WEEE Compliance Fee Invoices

t2e would issue WEEE Compliance Fee invoices to the relevant schemes which would show:

- The total evidence needed in each category.
- The price of that evidence
- The escalator applied to that evidence
- The VAT on that evidence and escalator
- t2e's administrative fee
- VAT on t2e's administrative fee
- The date payment required

t2e would act as an Agent for the purposes of collecting VAT, which would provide the maximum flexibility for the distribution of funds. The Settlement Date for t2e receiving cleared funds for these invoices would be 3 working days after the date of issue of these invoices.

Detailed tasks:

Calculate component parts of the WEEE Compliance Fee Invoice	1 day
Enter Component parts into single invoice	2 days
Distribute invoices as appropriate.	1 day

Receive funds for compliance fees

As part of the participation agreement t2e would encourage all PCSs to set up Direct Debit facilities with t2e so that t2e could call the appropriate funds to arrive by the Settlement Date. Otherwise PCSs would be asked to arrange that funds are deposited into a bank account where, less the administration fees which would be deducted on final distribution of the funds, they would be ring fenced from t2e funds.

Detailed tasks:

- Set up bank account to receive funds (Complete)
- Record receipt of funds

2.9 Issue WEEE Compliance Fee Certificates

Within 24 hours of receipt of cleared funds t2e would issue certificates to the relevant schemes stating the total quantity in tonnes and kilogrammes of each category on which a compliance fee had been paid.

Detailed tasks:

Issue WEEE Compliance Fee Certificates as necessary

2.10 Notify Agencies of WEEE Compliance Fee Certificates issued

The Agencies will be notified by 31 March of the total in tonnes and kilogrammes in each category of Compliance Fees that had been paid for by each PCS. No financial information would be supplied to the Agencies.

DEFRA would also be provided with this information and the total sum raised by the compliance fee which t2e would recommend that DEFRA consider publishing.

Detailed tasks:

Confirm to the Agencies and DEFRA information as necessary

2.11 Calculate and publish distribution fee

All those PCSs and AATFs that have contributed to the calculation of the WEEE Compliance Fee will be notified of the value per tonne of surplus evidence that has been calculated for all categories and how it has been calculated.

Detailed tasks:

Calculate distribution fee per tonne of excess evidence 1 day

Publish distribution fee per tonne. 1 day

Confidentiality

All t2e's operations are confidential and legally compliant with Competition and all other relevant laws and regulations.

All its employees have signed confidentiality agreements. All figures submitted by PCSs would only be used on an aggregate basis. No compliance scheme would know whether any other PCS had applied to use the compliance fee. Both t2e and Geoghegan and Co are totally independent of all PCSs.

Contingency plans

If a PCS wishes to use the WEEE Compliance Fee and fails to provide either the requested information or funds within the required timetable, it will not be issued with a WEEE Compliance Fee Certificate.

If costs provided are significantly divergent (10%) from the benchmarks they will be asked to be resubmitted. If they still remain divergent an audit will be initiated and the costs may not be used to calculate averages.

Random audits may be initiated by t2e on any PCS or AATF submitting information to confirm costs provided.

If no figures are submitted from a particular WEEE stream then figures from AATFs and/or the PBS will be used. If there are no figures from them, t2e will arrange for the collection of a load in that particular WEEE stream and use those costs to calculate the evidence fee.

3 - Proposed methodology for the dispersal of funds

Funding of the WEEE Collection and recycling system

WEEE Evidence is issued by AATFs to PCSs via the WEEE Settlement Centre on delivery of WEEE to their facilities. This WEEE comes from DCFs operated by Local Authorities or other facilities as permitted under regulations 43 and 52. PCSs aggregate evidence on behalf of their members, the producers, who are charged for the service of compliance. These funds are then distributed by PCSs to AATFs for the treatment services provided. On occasion AATFs provide in addition collection services otherwise collections are paid direct by PCSs. Collections are offered at no charge to DCFs although payments can and sometimes are made by PCSs for WEEE on collection.

Although PCSs take responsibility for clearing DCFs on an annual basis they have been known to offer WEEE streams on a load by load or month by month basis giving AATFs very little security of either supply or income. While this might seem a sensible mechanism to minimise costs for PCSs, it give little security to AATFs and if employed by all creates a great deal of volatility in prices and ultimately increases costs. Some PCSs have been reluctant to enter into long term contacts for the delivery of WEEE streams with AATFs because of fears of being unable to find buyers for evidence should it be in surplus. This may well reflect that there is no secure environment in which forward contracts for WEEE and its reciprocal WEEE evidence can be negotiated and managed.

Once agreed, PCSs payments are usually made in arrears while evidence is either made on request or within 7 days of the month end. On occasions PCSs make deliveries of WEEE but do not request evidence to be issued as they are in surplus and either no other PCS requires it or a PCS in shortfall has opted to pay the compliance fee. As a result in most WEEE streams there is a surplus of evidence available. If there is a shortage of evidence available a PCS can opt to pay a compliance fee to avoid excessive costs to find the additional tonnage of WEEE required, even if this results in the UK failing to meet the targets of the WEEE Directive.

As there is no facility to move evidence between compliance years, any evidence surplus or perceived to be surplus to requirement has nil value to the PCS. If this occurs due to more evidence being accumulated than the targets require then the financing in place has been in excess of what the targets required but if this occurs because a PCS has opted for the compliance fee rather than to acquire available evidence then the PCS holding the evidence ends up paying the financing obligations of the PCS opting for the compliance fee.

Under these circumstances the financing costs are being met but to date the additional funds being raised through the compliance fee have not recompensed those who have actually financed the collection. Not only is this inequitable it also adds additional costs to the system. It is also not clear how this helps to support higher levels of collection, recycling and legitimate re-use of WEEE or other initiatives designed to assist the UK to meet its obligations under the WEEE Directive.

The challenges that arise as a consequence are:

- Little incentive to create growth in WEEE collection and treatment.
- Little incentive to improve collection facilities.
- Little incentive to invest in AATFs.
- No price transparency for any participant in the system

Distribution methodology

Hence t2e propose that, if all evidence has not been utilised, compliance fee funds should be distributed to those PCSs that have an excess because they have already paid the financing costs for sustaining the WEEE collection rates achieved in that year. While this might be perceived as an encouragement for PCSs to acquire surpluses as explained earlier there are a number of constraints within a time-limited commodity, such as WEEE evidence, that discourage excess profits or the retention of excess supply not least that all excess tonnes have nil value. This has a deflationary impact on the overall cost of evidence. Additionally to meet the targets in the WEEE Directive it is surely better to encourage PCSs to generate a surplus, which could easily occur inadvertently, rather than a deficit.

If no surplus evidence is available then the size of the compliance fee fund will be announced and rolled over to the next compliance year.

It is proposed that all compliance fee funds should be placed into a ring-fenced account and distributed electronically through on-line banking after the deduction of administration fees and VAT charged on those fees to all those PCSs and AATFs, whose costs have been used to calculate the cost of evidence, that were in possession of surplus

evidence as notified in their submission and verified by the WEEE Settlement Centre. PCSs have the responsibility to grow the collection, recycling and legitimate re-use of WEEE to assist the UK in meeting its obligations under the WEEE Directive.

Disbursement to the AATFs and PCSs with surpluses in the WEEE streams could be perceived as encouraging additional collection by those that are already in surplus but since the funds available will be dependent on not only the quantity of under collection that is reported to the WEEE compliance fee administrator but also the calculation of the evidence fee and escalator and the quantity of the surplus WEEE evidence generated it is an extremely risky way to guarantee income. In all probability it will be paid at a lower value to the average cost per tonne.

It is also the sole mechanism for sustaining those PCSs that have funded the collection. As explained earlier without this incentive it is those PCSs that have inadvertently generated a surplus, the local authorities or the AATFs that will pick up the costs, which is to be discouraged and may also discourage their participation in growing the collection, recycling and legitimate re-use of WEEE to assist the UK in meeting its obligations under the WEEE Directive.

This role is primarily regulated by the Environment Agencies as part of a PCSs authorisation. In addition the WEEE Compliance Fee administrator would expect the recipient AATFs and PCSs to declare to the WEEE Compliance Fee administrator the use of those funds so that it could be, if necessary, audited by Geoghegans. Should that occur auditing fees would be charged to the recipient PCSs. It is to be anticipated that a considerable element of these funds would have already been returned to AATFs who have a vested interest in growing the collection, recycling and legitimate re-use of WEEE to assist the UK in meeting its obligations under the WEEE Directive

In the event that there was no surplus evidence in a WEEE stream from the declaring PCSs the funds for that stream would be held over for use in the subsequent year.

Proof that the funds had been utilised for the growth of collection, recycling and legitimate re-use of WEEE to assist the UK in meeting its obligations under the WEEE Directive would be in the annual increase in WEEE evidence availability.

The total sum that would be allocated to each category per tonne would be the total evidence shortfall submitted by the WEEE Schemes in tonnes as appropriate multiplied by the evidence fee price per tonne as appropriate divided by the total surplus made available to be transferred through the WEEE Settlement centre plus VAT as appropriate. In categories where kilogrammes are appropriate the calculation would be done in the same way per kilogramme.

Example calculation:

Total WEEE Compliance Fees requested in Category 1: 120 tonnes

Evidence Fee Calculated for Category 1: £10.00

Total of surplus evidence reported by PCSs and AATFs to the WEEE Compliance Fee Administrator: 400 tonnes

Calculation:

Total funds for distribution: $120 \times £10.00 = £1,200.00$

Distributed evidence fee per surplus tonne: $£1,200.00/400 = £3.00$

To which VAT would be added. The fees would be distributed in response to a self-billing VAT invoice issued on behalf of the recipient by t2e.

Internally all funds would be tracked from moment of receipt to moment of dispatch through a cashbook database established for the WEEE account. No funds would be released without a minimum of two signatures.

Provide evidence of the suitability of the proposed operator that will administer the Compliance Fee Process

t2e will administer the Compliance Fee process. t2e has provided the UK's marketplace for PRNs since 1998. A marketplace provides transaction, settlement (payment), dispute resolution and information services.

Between 1 January 2013 and 28 September 2016, 3,907,053 tonnes of PRNs have traded through t2e in a total of 6,357 transactions with a total value of £ 61,106,221.85 to a total of 174 sellers. 34.5% of participants have Direct Debit facilities. 96.6% of those transactions were complete within 3 days of the agreed Settlement Date as required within the rules of t2e.

Each order placed on t2e is given a unique number as is each transaction once two orders match. Notifications are sent to all those who place orders confirming the price and volume and date of expiry of that order and on transaction this is confirmed to both counter-parties stating the quantity transacted the transaction price the trading fees and all relevant VAT as well as the Settlement Date.

All orders and transactions are recorded on a database through which they are processed in an auditable process from the moment of transaction to settlement, reconciliation with the bank accounts, delivery and final completion. All recipients of funds are notified not only of the funds that they will receive but also to which bank account it is transmitted.

All funds once received are placed into ring-fenced accounts until they are distributed.

This settlement process is very similar to that proposed for the WEEE Compliance Fee.

4 - Proposed timetable for implementation and operation

Timeline

See Annex D.

Show a clear process for staffing the proposals;

t2e has 7 employees 3 of which are employed on the PRN market, one in IT development and 2 in settlements. One of the PRN team will be deployed full time to this task throughout the period 16 February or from the date of appointment to 31 March otherwise these tasks will be allocated according to expertise concurrently with their normal daily tasks. A breakdown of their deployment to tasks is shown in the attached spreadsheet.

Show a clear process for developing and implementing the IT systems;

The IT developer will be re-allocated from other tasks as required.

Have appropriate contingency plans in place.

In the event that further employees are required to complete the tasks t2e will initially look to providing them from within its current employees and if necessary contract in further employees.

For IT t2e would use a 3rd party who currently provides network, hardware and software support. This 3rd party contractor is also responsible for providing an alternate location and recovery in the event of a disaster to either the office or the hard or software.

In the event of bank failure, t2e already has in place agreements which ring fence funds in the event of bank failure and if there is an IT failure then the bank can and has in the past authorised both collections and payments.

5 - Experience of proposer and proposed operator

Proposers and proposed operators should demonstrate:

A proven track record of financial probity combined with practical experience of working in a regulatory environment,

As stated earlier t2e has been in operation for 18 years and relies on its financial probity and confidentiality to sustain its credibility with its 453 participants, some of whom run WEEE as well as PRN Compliance Schemes.

A clear strategy for identifying and effectively mitigating risks arising as a result of any conflicts of interest

t2e does not identify any conflicts of interest between its operation of the PRN marketplace and its administration of the WEEE Compliance Fee. Although there are companies that operate in both fields they are two completely different systems and should any dispute arise in one it would be dealt with separately in the other.

Experience of setting up systems to allow data to be submitted and processed effectively

See 6. Although it would be feasible to set up on an online submission procedure and is a facility available for those who wish to enter orders interactively onto the t2e marketplace, it is recommended that to control costs data is provided manually on spreadsheets and transferred by t2e until the cost of establishing an on-line facility is justified. The lack of ability to submit data on-line should not increase the time for compliance schemes solely for the Compliance Fee administrator and this has been factored into the time available.

Experience of developing robust proposals for Government

While t2e has not been directly involved in developing proposals for Government, Angus Macpherson, its Managing Director, has been involved with the development of the PRN system since its inception in 1997 and has contributed to the development of other Producer Responsibility regimes as well as the ROC scheme and was a founder member of the Emissions Trading Group.

6 - IT systems

Proposals should demonstrate:

Appropriate IT systems

t2e has developed and maintains its own bespoke databases to deliver marketplaces for PRNs, Recovered Paper and historically WEEE Recovery Notes. It has the in-house capability to both develop new marketplaces and create appropriate software to administrate the WEEE Compliance Fee. Nevertheless at this stage it recommends that little development is needed on grounds of both cost and time availability and would propose to convert the system developed for its settlement process for its PRN marketplace to administer the finances of the WEEE Compliance Fee and a relatively unsophisticated spreadsheet to calculate the evidence and administration fees, VAT and the proposed escalator.

Appropriate IT backup systems

IT back-up has been described earlier in 4.

Appropriate IT support

As described in 4.

t2e WEEE Compliance fee Participation Agreement

THIS AGREEMENT is entered into this day of 20[] BETWEEN:

- (1) **The Environment Exchange Limited**
of 8 Albany Street, Edinburgh, EH1 3QB
("The Environment Exchange")

AND

- (2)
of
("the t2e Participant")
hereinafter collectively referred to as "**the Parties**".

WHEREAS:

A. "The Environment Exchange" and the acronym "t2e" are trading names for the market place service operated by The Environment Exchange Ltd for the trading and settlement of Market Transactions ("**t2e Contracts**") and the provision of market information.

B. The t2e Participant is duly authorised to carry on the business of a t2e Participant as described in the rules of t2e (as amended from time to time) ("**the Rules**").

NOW THEREFORE in consideration of the mutual promises and covenants contained herein, the Parties hereby agree as follows:

1. On execution of this Agreement and its acceptance by t2e, the t2e Participant is granted such status and the attendant rights to participate in the trading of t2e Contracts.
2. By signing this Agreement, the t2e Participant hereby confirms that it has read and agrees to be bound by the terms of this Agreement and the Rules and acknowledges that all t2e Contracts entered into by it as a t2e Participant will be settled and/or delivered as appropriate in accordance with and otherwise subject to the Rules. t2e shall inform the t2e Participant of all amendments made to the Rules in accordance with the procedures set out in the Rules.
3. The terms of the Rules shall be incorporated in this Agreement as if the same were set out in full. All words and expressions defined in the Rules shall, unless the context otherwise requires, bear the same meaning when used in this Agreement.
4. The t2e Participant has satisfied t2e that it has the necessary regulatory authorisation to effect t2e Contracts at t2e in such capacity.
5. The t2e Participant shall inform t2e promptly of any change in any of the following:
 - (i) its name;
 - (ii) its principal place of business;
 - (iii) its directors, officers or other principal employees;
 - (iv) its personnel authorised to execute t2e Contracts or to place Orders or Instructions relating thereto to t2e.
6. The t2e Participant may request that its participant status be modified by request in writing to t2e. Provided that the t2e Participant satisfies the requirements applicable to the status in question, t2e shall accede to the t2e Participant's request.

7. The t2e Participant acknowledges that t2e may impose any restriction on its activities which t2e considers necessary in the interests of maintaining an orderly market in t2e Contracts and may require the t2e Participant to modify its participant status where t2e concludes that the t2e Participant no longer satisfies the criteria for the capacity in which it has previously acted or is otherwise unsuitable to continue to act in such capacity.
8. This Agreement shall be governed by and construed in accordance with English law.
9. Any disputes between t2e and the t2e Participant concerning the interpretation and application of this Agreement shall be referred to and finally resolved by arbitration under the Rules of Controlled Cost Arbitration of the Chartered Institute of Arbitrators. The arbitrator shall be appointed by the Honorary President, President or a Vice President for the time being of the Chartered Institute of Arbitrators on the unilateral application of t2e.
10. This Agreement is personal to the t2e Participant and the rights and obligations hereunder shall not be capable of transfer or assignment.
11. This Agreement may be amended from time to time by written agreement between the Parties.
12. This Agreement shall be executed as a deed.

 Witness

 Full name

 Address

 Director/Authorised Signatory
 For The Environment Exchange Limited

 Witness

 Full name

 Address

 Director/Authorised Signatory
 For the t2e Participant

Please return completed forms to:

The Environment Exchange
 Hudson House
 8 Albany Street
 Edinburgh
 EH1 3QB

ADMINISTRATIVE INFORMATION – WEEE Compliance Fee

1. Name of the applicant company (“**the Applicant**”):
.....
2. Address of the Applicant (registered or principal office):
.....
.....
Postcode:
3. Telephone number of the Applicant:
4. Producer Compliance Scheme Registration Number:
5. VAT number of the Applicant:
6. Names of persons authorised to transact contracts on t2e and from whom t2e may accept instructions on the Applicant’s behalf, their telephone and fax numbers and address for correspondence, if different to that above. Personal details required for security purposes must be entered and counter-signed by each individual at Annex A.

Name	Main Contact (tick one)	Telephone Number	Fax Number	Address (if different to above)

7. Bank account details (to be used for crediting/debiting monies resulting from transactions on The Environment Exchange):
 Name of Bank:
 Address of Bank:
 Postcode:
 Telephone number of Bank:
 Account Name:
 Sort Code:
 Account Number:
- **Fax machines and e-mails:** It is the responsibility of the applicant to ensure that all e-mail addresses and fax machines that are connected to the numbers given in this application (or subsequently provided) are functioning, regularly checked, switched on, filled with paper and conform to normal fax protocols. t2e can take no responsibility for an applicant failing to receive an e-mail or fax from t2e after it has been sent from t2e.
 - **Payment method:**

Payment: To simplify your administration, we strongly recommend that you allow us to initiate all payments due to The Environment Exchange by Direct Debit.

Do you wish to pay by direct debit? YES / NO

If yes, please complete the attached Direct Debit mandate form. This must be posted to us at the address below.

Distribution: all payments will be made by electronic transfer to the account given in paragraph 7.

• **Remittance advice:**

All electronic payments are accompanied by an emailed remittance advice. If requested, these can also be sent to a second e-mail address. Please provide us an e-mail address to send these to:

E-mail Address (optional):.....

Reminder:

Any data which is provided by you on this form will only be used by t2e for identification purposes, or for the provision of transaction or market information relevant to business conducted on or through t2e, or to create anonymous statistical data in relation to trading on t2e.

Unless we have your permission to do so, we will not disclose any personal data to third parties (except where we have to by law).

Signature:

I, on behalf of the Applicant, hereby certify that the above information is correct. If admitted as a participant, the Applicant undertakes:

- (i) to satisfy continuously the applicable criteria for participation of t2e;
- (ii) to notify t2e of any subsequent change in the information submitted; and
- (iii) to comply with t2e’s Rules (as amended from time to time) and Procedures.

Director/Authorised signatory:

Name:

Date:

Please return completed forms to:

The Environment Exchange
 Hudson House
 8 Albany Street
 Edinburgh
 EH1 3QB

Annex A - to Administrative information to become a participant for the WEEE Compliance Fee dated

PERSONAL DETAILS FOR TRADERS AUTHORISED TO REPRESENT THE APPLICANT FOR COMPLIANCE FEE PURPOSES TO THE ENVIRONMENT EXCHANGE

(These personal details should be completed separately for each authorised trader)

The email address, mobile telephone numbers, date of birth and mother's maiden name of each authorised representative are required for security purposes and should be entered below and counter-signed by the individual to confirm that the personal details provided are correct and that they may be held by The Environment Exchange:

Name	E-mail	Mobile Number	Date of Birth	Mother's Maiden Name	Authorised Representative's Signature

Reminder:

Any personal data which is provided by you on this form will only be used by t2e for identification purposes, or for the provision of transaction or market information relevant to business conducted on or through t2e, or to create anonymous statistical data in relation to trading on t2e.

Unless we have your permission to do so, we will not disclose any personal data to third parties (except where we have to by law).

Information to be submitted by all PCSs

The information requested is described in the following paragraphs, for each WEEE stream in the compliance year:

- Direct income from the sale of WEEE if this occurred
- Direct costs (Section A.1)
- Household WEEE tonnage collected (Section A.2)
- Household WEEE collection target (Section A.3)

Any PCS which has applied to use the compliance fee must provide the information listed as a condition of using the fee. If it does not provide the information then it will not have the option of using the compliance fee to meet its collection target. All other PCSs will be requested to provide it on a confidential basis knowing that only the aggregated totals will be used.

B.1 Direct costs

Direct costs paid by the PCS for household WEEE management should be included. This should be separately identified for each of the 6 WEEE streams. Examples of direct costs are given below:

- DCF collection, transport and treatment
- Regulation 43 collection, transport and treatment
- Regulation 52 collection, transport and treatment
- Auditing household WEEE collection and treatment activities
- Promoting WEEE recycling and reuse activities (e.g. leaflets, scratch cards competitions at DCF, etc.)
- Container costs (delivery, rental and depreciation)
- Waste transfer or consignment notes

Costs relating to household WEEE evidence purchased directly from AATFs, PCSs or waste management companies contracting with AATFs should not be included. Overhead costs like PCS management, IT systems, administration, offices rent, etc. should be shown separately. Corporate overhead costs should not be included.

Additionally the highest and lowest direct costs per load as well as the tonnage to which that load applies for each of the 6 WEEE streams.

B.2 Household WEEE tonnage collected

This is the sum of household evidence notes received on the Settlement Centre, WEEE collections from DCFs or under Regulations 43 or 52. This should be sub-divided between evidence notes received by AATFs or AEs appointed by the PCS and for which the PCSs has borne the costs in A1 and evidence notes received by AATFs or AEs under evidence transfer agreement with other PCSs. This information will be used to calculate the average cost per tonne of evidence created and the shortfall of each PCS against its collection target for one of the 6 WEEE streams.

B.3 Household WEEE collection target

As notified by the relevant Environment Agency for the compliance year covered by the compliance fee.

B.4 PCS with no direct household WEEE collections

If a PCS has no direct access to household WEEE but instead relies purely on WEEE evidence transfer agreements with AATFs or other PCSs, it will not be able to provide direct costs information to the fee administrator.

Annex C

Information Requested

WEEE Category:		Income (£)	Expenditure (£)
Sales	(from or by AATF)		
Collection	DCF		
	Regulation 43		
	Regulation 52		
Total			
Transport to AATF	DCF		
	Regulation 43		
	Regulation 52		
Total			
Treatment at AATF	DCF		
	Regulation 43		
	Regulation 52		
Total			
Auditing household WEEE collection and treatment activities			
Promoting WEEE recycling and reuse activities (e.g. leaflets, scratch cards competitions at DCF, etc.)			
Container costs (delivery, rental and depreciation)			
Waste transfer or consignment notes			
Overhead costs			
Total			
Household WEEE tonnage	Registered on Settlement Centre	Total (tonnes or kg as appropriate)	
Collected		(A)	
Transported	If this differs from A		
Treated	If this differs from A		
Acquired		(B)	
Disposed		(C)	
Total		= (A) + (B) - (C) = (D)	
Target		(E)	
Surplus/(Shortfall)		= (E) - (D)	

	Cost (£)	Quantity (tonnes or kg as appropriate)	Average (£/tonne or kg as appropriate)
Most expensive delivery to AATF	(I)	(J)	=(I)/(J)
Most expensive delivery to AATF	(K)	(L)	=(K)/(L)

Description of how you would use any compliance fees that were distributed to you to support higher levels of collection, recycling and legitimate re-use of WEEE or other initiatives designed to assist the UK to meet its obligations under the WEEE Directive. *You should note these should be broad but auditable plans because there is no guarantee of the amount that you might receive.*

Timetable of Events2017

31 January	End of 2016 Compliance Year
A	Appointed as Compliance Fee Operator
A + 1	Notify all AATFs and DCFs of appointment and request if Compliance Fee is needed
By A + 7	Distribute Participation agreement and request for information to all AATFs and PCSs
By A + 14	Receive participation agreements and requested information from majority
By A + 17	Receive participation agreements and requested information from late submitters
By A + 31	Calculate compliance fee and issue invoices
By 27 March	Receive funds from PCSs wishing compliance fee
By 29 March	Issue Compliance Fee Certificates
By 31 March	Notify Agencies and DEFRA
By 13 April	Calculate distribution premium, distribute funds to AATFs and PCSs as appropriate

This timetable is based on A being no later than 20 February 2017. If a decision is taken later than that date there is flexibility to achieve the timetable in a shorter time frame.