

Annual Report and Accounts for Electricity Settlements Company Ltd 2018/19

Our vision...

is to be at the heart of the delivery of the UK's goals for secure, affordable and sustainable energy

ESC's Guiding Principle is **to maintain market participants' confidence** in the Capacity Market settlement process and **minimise costs to consumers.**¹

Electricity Settlements Company (ESC) is an operationally independent, not-for-profit private company wholly owned by the Secretary of State for Business, Energy and Industrial Strategy (BEIS). The company carries out the key role of **Capacity Market Settlement Body**, supporting the delivery of the government's objective of "ensuring that the country can deliver its goal to provide reliable, low cost and clean energy system"².

As Capacity Market Settlement Body, ESC is responsible for managing all financial transactions and associated assurances under the Capacity Market scheme, such as credit cover; meter assurance; penalties; and payments to capacity providers.

"The Capacity Market is designed to use competition to achieve a defined level of electricity security in Great Britain at the lowest cost to consumers."³

¹ ESC Framework Document available at <https://lowcarboncontracts.uk/corporate-governance>

² BEIS Single Departmental Plan, updated May 2018: <https://www.gov.uk/government/publications/department-for-business-energy-and-industrial-strategy-single-departmental-plan/department-for-business-energy-and-industrial-strategy-single-departmental-plan-may-2018>

³ BEIS Publication: "Capacity Market Consultation – Improving the Framework", published December 2017: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664272/capacity-market-consultation-improving-framework-response.pdf

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Highlights for 2018/19

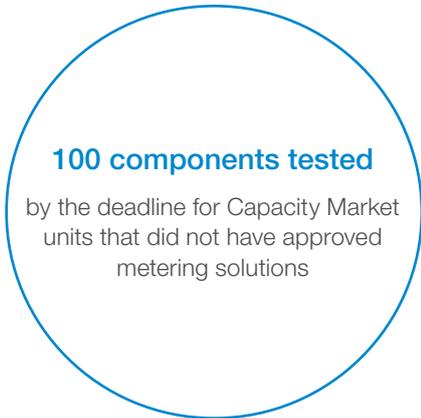
Capacity Market scheme delivery

Delivering Excellence



437 capacity agreements settled

for capacity available in the scheme
Delivery Year 1 October 2017
to 30 September 2018



100 components tested

by the deadline for Capacity Market
units that did not have approved
metering solutions



**9 significant process
or system changes to our
settlement operations**

to align with amended Capacity
Market rules and improve
performance

Developing as a Centre of Expertise



**Published a Capacity
Market Stress Event guide**

consolidating key industry
information from
Delivery Partners

Acting as a Trusted Advisor



**Advised the Capacity
Market policy board**

on rule changes to improve
our ability to detect fraud and
error in Capacity Market
settlement



**Supported BEIS on its
work on proposals for
Capacity Market restoration⁴**

in the run up to its public
consultation on
28 February 2019⁴

⁴ arrangements to restart the Capacity Market if a positive European Commission decision on State aid approval is received

Chair's foreword



It gives me great pleasure to present this year's annual report – an opportunity to reflect on what has been a transformative year for the Electricity Settlements Company.

Our journey so far

This year, we said farewell to our first Chair, Martin Read, and as Senior Independent Director, I stepped into the role of Interim Chair. This prompted me to reflect on how far the company has come since I joined the board in early 2014. I am genuinely proud of how much the company has achieved, having been on this journey since the very beginning.

Growing our capability

In 2017 we recognised that we had an opportunity to build on our delivery excellence and growing expertise, with a view to becoming a trusted advisor on the implementation and development of electricity market schemes.

ESC knowledge and expertise is increasingly in demand. Our scheme delivery work is involving interactions with market and system operators, generators, demand side reduction, capacity aggregators and suppliers, and requiring the ability to engage proactively with continual policy and regulatory change.

We continue to work closely with BEIS to maintain confidence in the Capacity Market scheme during the Standstill Period, following the recent European Court of Justice (ECJ) ruling and pending a further State aid approval. As a result, the last six months have been significantly busier than we expected. Preparations for the potential re-start of the Capacity Market, if State aid approval is granted, will likely continue throughout 2019.

Adding value through the transition

Looking at our industry, Ofgem's Forward Work Programme outlines an ambitious programme of change for the next two years, including reviews of supply models, charging models, and code governance. Along with many others, we eagerly await the forthcoming energy white paper.

We now have the opportunity to help shape these changes and to manage their impact on our operations and those of our key stakeholders. We stand ready to support the next phase, having already delivered a significant milestone in changing the way we collect Capacity Market charges from storage sites, in support of the government's Smart Systems and Flexibility Plan⁵. I am confident that our teams and systems are primed to play their part in the future development of the energy market.

Jim Keohane
Interim Chair

⁵ <https://www.gov.uk/government/publications/upgrading-our-energy-system-smart-systems-and-flexibility-plan>



Llangage power station was successful in both the 2018/19 and 2019/20 capacity market auctions.
© EPH

Chief Executive's statement



The last few months have been challenging for the GB Capacity Market, with industry coming to terms with the impacts of the ECJ ruling on 15 November 2018, which annulled the main State aid approval for the scheme. Though we immediately suspended the general part of our ESC settlement operations, we were far from idle – in fact it has been one of our busiest periods yet, working with BEIS on arrangements for the Standstill Period to provide confidence that there is a clear plan for Capacity Market re-start, if and when State aid approval is restored.

Delivering results

At the beginning of November 2018, we had just finished making payments in relation to over 400 capacity agreements for the 2017/18 Delivery Year for some 54.7GW of available capacity provided during the period 1 October 2017 to 30 September 2018. We also carried out meter assurance activities and recorded Satisfactory Performance Days, within the required timescales.

Even during the current Standstill Period, our focus on the Capacity Market has continued, ensuring that we remain primed to operate the scheme, should the scheme approval be reinstated following the European Commission's appeal against the ECJ decision or the scheme be approved following the Commission's recently launched investigation. One example is our work on Stress Event readiness. Back in February last year we successfully coordinated the first ever Capacity Market Mock Stress Event on behalf of Delivery Partners and, through a series of lessons learned sessions, agreed with industry an implementation plan for future improvements. One of the actions ESC took away was to coordinate and publish the Capacity Market Stress Event guide, which we issued in February 2019.

One other constant activity pre- and during the Standstill Period has been ESC's co-chairing of the Capacity Market Regulatory Change Advisory Board, with National Grid, which is making a real difference to implementation planning for all parties involved. The Board includes representatives from both BEIS and Ofgem, and is a key tool in enabling prioritisation across the future change pipeline.

During the latter part of 2018, we successfully implemented six BEIS and Ofgem policy changes to the Capacity Market, including in relation to metering and fraud prevention and the Final Consumption Levies exemption. All this vital work has been achieved whilst keeping within our agreed budget – ESC's annual net operating expenditure was £7.2m (2017/18: £5.5m), compared to the pre-approved budget of £7.6m. This underspend of £0.4m will be returned to suppliers.

Building on our strengths

The new operating model implemented by our sister company, LCCC, will enable us to be more agile in our delivery across the Capacity Market, and ensure that we have the right analytical and data processing skills to interpret scheme data and use insights to understand opportunities for improvement.

Growing in our role as a trusted advisor, we proactively engaged with the challenges we have been facing on Capacity Market data, creating a Fraud, Money Laundering and Error Risk Register for BEIS and Capacity Market Delivery Partners, and ensuring that fraud prevention remains a high priority for the coming year.

It has been a stimulating and challenging year, but as we have shown already, the company is assured in its ability to maintain market participants' confidence in the Capacity Market settlements process and minimise costs to consumers, whilst also competently managing a busy portfolio of future change, the volume of which is set to increase as the market undergoes further reforms.

For many of us delivering on behalf of ESC, this constant change is what we are all about and it's what makes our jobs so interesting. We sit at the interface between the generation, supply and market operation, providing certainty for investors – this is our unique role and we believe it will continue to be relevant during the changes ahead.

Neil McDermott
Chief Executive



The 9.8MW Leverton battery facility, owned and operated by Eelpower, secured a T-1 contract in January 2018, having secured a 15-year T-4 capacity agreement in 2016.
© Limejump Ltd

Corporate report

Our role in delivering affordable, reliable and clean electricity

Our Vision is to be at the heart of the delivery of the UK's goals for secure, affordable and sustainable electricity

- **Capacity Market Settlement Body:** ESC is responsible for managing all financial transactions and associated assurances under the Capacity Market scheme, such as credit cover; meter assurance; penalties; and payments to capacity providers. During the Standstill Period this includes operating the Voluntary Supplier Arrangement and preparing for Capacity Market restart.
- **Maintaining market participants' confidence in the Capacity Market settlement process:** To ensure that capacity providers and suppliers understand how the scheme works, we provide guidance on Capacity Market settlement and a dedicated settlement portal.
- **Minimising costs to consumers:** To support the efficient operation of the Capacity Market, we coordinate with National Grid to produce guidance on key processes such as Secondary Trading.

Key outcomes in 2018/19

Capacity Market Settlement outcomes 2018/19 ⁶	Total payments made by ESC to capacity providers	Total annual cost (including ESC operational cost levy)	Operational costs as a percentage of total annual cost
Availability payments made to 54.7GW of capacity	£175.6m (in the period April to November 2018 ⁷)	£182.8m	3.9%

On 15 November 2018 the ECJ annulled the 2014 decision by the European Commission to grant State aid clearance to the Capacity Market. The ECJ's decision did not affect the State aid approval granted in 2016 in relation to the supplementary Capacity Auction (or "Early Capacity Auction"), which continues to remain in place.

The reason for the annulment was that the ECJ decided that the European Commission should have undertaken a full formal investigation into the compatibility of the scheme with the European Union internal market before granting State aid clearance.

The European Commission has appealed the ECJ's decision and, at the same time, is also undertaking a formal investigation into the UK's notification of the scheme in order to inform its "re-decision" on whether to grant State aid clearance. The formal investigation is currently expected to conclude in Autumn 2019. The government is confident in the compatibility of the Capacity Market scheme with the internal market and, therefore, that a favourable State aid decision should be received.

⁶ Figures may not reconcile due to rounding.

⁷ Payments to available capacity were suspended on 15 November 2018 following the ECJ ruling annulling State aid approval for the Capacity Market, pending a further investigation by the European Commission.

However, in the interim, the ECJ's ruling has resulted in a 'Standstill Period' for the Capacity Market during which no State aid (in the form of capacity payments) can be paid to affected capacity providers. The company, accordingly, has not made any such capacity payments since the ruling, which means that no payments have been made in respect of the 2018/19 Delivery Year (which runs from October 2018 to September 2019).

The company completed making all capacity payments required in relation to the Early Capacity Auction in November 2018 and, as the relevant capacity agreements have now expired, no further capacity payments are due in respect of the Early Capacity Auction. Details of the capacity payments made in relation to the Early Capacity Auction are set out in Table 1 in the Financial Overview section of the Strategic Report.



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Delivery Excellence achievements

Capacity Market settlement

In accordance with the Capacity Market rules and regulations, we delivered meter tests for 100 components by the required deadline during 2018/19 and, in the period up to 15 November 2018, made payments of £175.6m in exchange for 54.7GW of reliable capacity to be made available to National Grid as System Operator.

As a result of the ECJ annulment of the Scheme Approval, from 15 November 2018:

- No capacity payments are being made to capacity providers during the Standstill Period.
- The Capacity Market supplier charge is not being collected during the Standstill Period.
- Capacity Market supplier charges already paid to ESC by suppliers towards the 2018/19 Delivery Year are being returned.
- Supplier credit cover provided to ESC is being returned upon request.
- Suppliers are continuing to be invoiced for the settlement costs levy, covering ESC's operational costs, and this levy is being collected on a monthly basis throughout the year.

In anticipation of new Capacity Market regulations⁸, which came into force on 10 April 2019, ESC has been receiving voluntary payments from suppliers and holding them in an interest-bearing account. This facility (called the "Voluntary Supplier Arrangement") enables suppliers to prepare to meet their potential post-standstill liabilities for any payments that would have been paid out to capacity providers were it not for the Standstill Period. Such payments would be due in the event that a new State aid approval is obtained allowing the award of deferred capacity payments.

Change Delivery

Over the course of the year we delivered 9 significant Capacity Market software and process change releases (details below). In addition, we have supported National Grid software releases and delivered all required BSC changes impacting Capacity Market settlement.

Regulatory system and process changes:

- Capacity Market Storage Facility Delivered Volume calculation (Of13);
- Final Consumption Levy exemption from Capacity Market charges for storage sites.

Process-only changes from Summer 2018 Capacity Market rules:

- Demand Side Response Tests;
- Metering requirements;
- Metering Tests;
- Site visits.

Operational efficiency and risk mitigations via system enhancements:

- Capacity Market recovery payments;
- Termination Fee Invoicing; and
- Credit Cover handling.

⁸The Electricity Capacity (No.1) Regulations 2019 SI 2019/862 <http://www.legislation.gov.uk/uksi/2019/862/made>

Centre of Expertise achievements

Improving industry understanding of the Capacity Market

Following the Mock Stress Event held in Spring 2018, ESC chaired a number of workshops with Capacity Market Delivery Partners and industry to get capacity provider feedback about the processes for Stress Events and future Mock Stress Events.

As a result, ESC progressed two actions in 2019 to improve transparency about Capacity Market Stress Events for Capacity Providers:

- i) creation of a unified Capacity Market Stress Event Guide; and
- ii) publication of a proposal for changes to the Capacity Volume Register to make verification of calculations easier.

The Stress Event Guide aims to be a single source of information about Capacity Market Stress Events. The Guide is intended to be a living document, which will be regularly updated by ESC on behalf of the Delivery Partners to reflect the most up-to-date rules and regulations that govern the Capacity Market scheme, and to ensure that it remains a useful resource for capacity providers.

The Capacity Volume Register is published to provide information on Capacity Market Unit (CMU) performance in relation to obligations following a Capacity Market Stress Event. We have proposed publishing additional data items in the Register to support capacity providers' calculations following a Capacity Market Stress Event.



Trusted Advisor achievements

Supporting scheme development

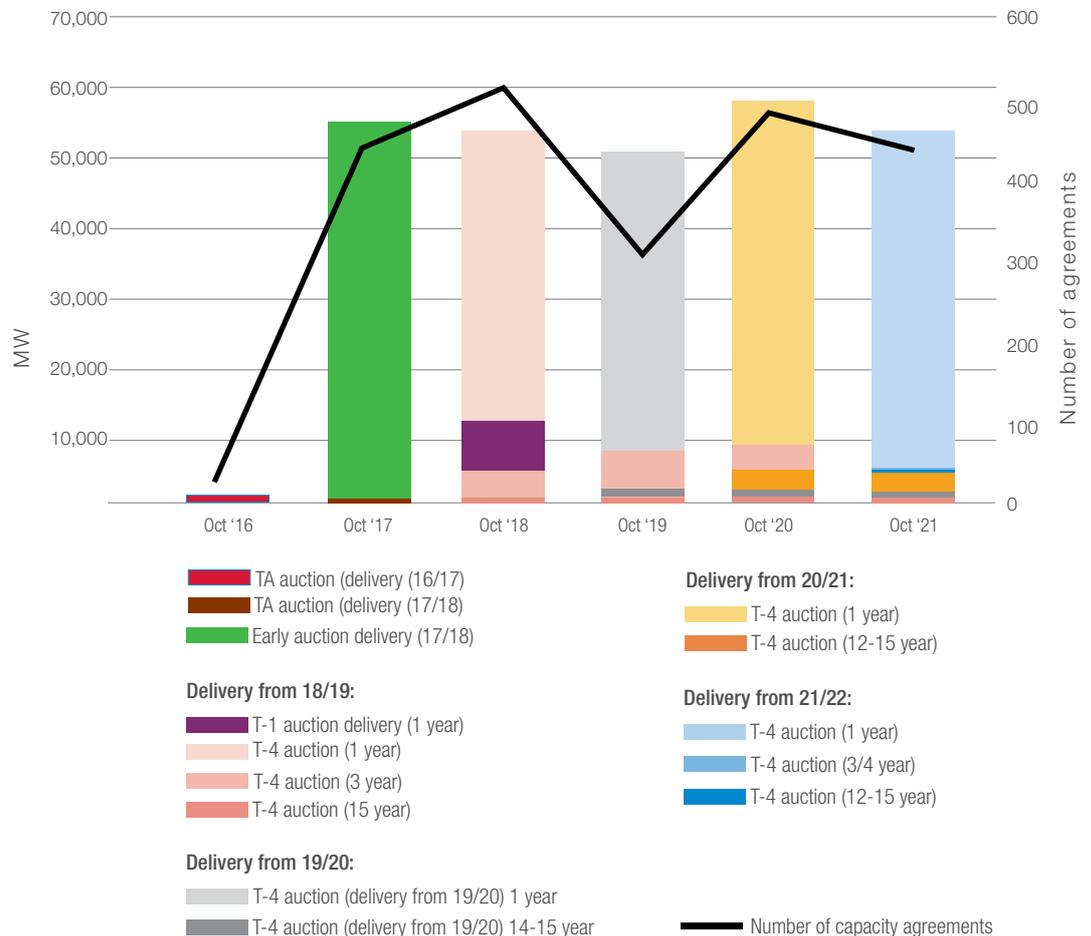
In July 2018, Ofgem decided to make rule changes in relation to five of ESC's rule change proposals to the Capacity Market to improve technical standards and our ability to detect metering fraud and error in settlement.

During the Capacity Market Standstill from 15 November 2018 onwards, we supported BEIS in developing arrangements to continue to maintain investor confidence in the Capacity Market while the European Commission proceeds with its investigation into the Capacity Market scheme. This included reviewing draft regulations, advising BEIS on the implementation of Standstill measures, and preparing to establish and operate the Voluntary Supplier Arrangement (described on page 9 and further detailed on page 14).

Communicating scheme benefits

Figure 1 below charts the volume of available capacity for future years, based on capacity agreements currently in place, subject to the outcome of the European Commission's State aid investigation. This does not attempt to forecast any additional capacity that will be procured through future year-ahead (T-1) auctions, which could result in further payments for "top-up" capacity in the event that State aid approval is granted.

Figure 1: Total volume of capacity agreements by auction by year



Environment report

The company does not have any employees.

This role is performed on its behalf by LCCC. The company accordingly does not itself have any Scope 1, Scope 2, or Scope 3 emissions. The company is, however, committed to ensuring its sustainability objectives and works closely with LCCC in relation to environmental matters.

Strategic report

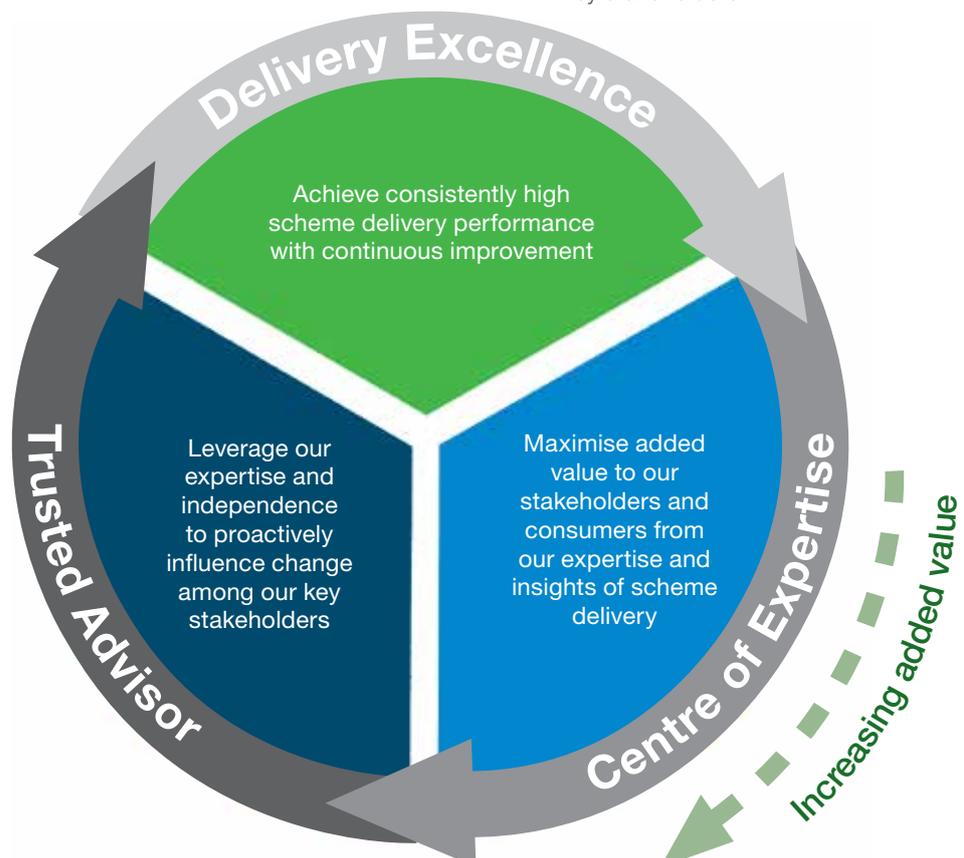
ESC plays an integral role in the implementation of the Capacity Market scheme by delivering the credit cover, meter assurance, levy collection and settlement functions required for the operation of the Capacity Market. The Capacity Market was introduced by the government in August 2014 with the aim of ensuring security of supply in future years while minimising the cost to consumers.

The principal activities of the company are described further in the Corporate Report including in relation to the current situation relating to the Capacity Market due to the State aid annulment, more particularly described on pages 14 to 16.

Performance against Strategy

Our vision, mission and objectives are set out in the **Corporate Report**, alongside our key achievements during 2018/19.

Figure 1: Our three strategic objectives



Performance overview

The year has seen ESC continue to deliver our core Capacity Market business activities as well as progress on our Trusted Advisor strategy implementation.

Working with our settlement agent, EMRS, we delivered all 2018/19 system releases on time and delivered operational excellence in our settlements, with 99.9% of issued invoices, notifications and payments accurate and on time, and 100% of Requested Meter Tests completed on time. We also reviewed our settlements services commercial arrangements, implementing several improvements that will drive further value for money from this activity going forward.

We also managed the impact of the annulment of the European Commission's State aid approval of the Capacity Market in November 2018, undertaking extensive work on the options for the Capacity Market, ceasing settlement of Capacity Market agreements, returning money to suppliers and managing communications with key stakeholders.

ESC has remained within operating cost budgets, driven primarily by savings in settlements, the payroll cost of our agent LCCC and insurance renewals, saving around 5% against budget. We have implemented our new risk management framework to better identify and manage our risks across the business.

The 2018/19 stakeholder survey feedback tells us that while our operations were widely viewed as competent and proactive, we have further work to do to raise the profile of the company and achieve our targets in terms of being viewed as a Trusted Advisor and an Expert in Scheme Delivery.

During the year, our delivery agent LCCC embarked on an Organisational Development Programme (ODP) to deliver a new target operating model, which brings together many aspects of managing both CFDs and the Capacity Market, together with improved capability in data analytics, management reporting, strategy and change management and development of its people. We expect this to have a significant positive impact on the way our Capacity Market activities are delivered and our ability to deliver our strategy, which will prepare us for our future success

Overview of company's role

ESC is an operationally independent company wholly owned by the Secretary of State for BEIS, which carries out the key role of Capacity Market Settlement Body.

Capacity payments constitute "State aid" and therefore the Capacity Market scheme requires State aid approval from the European Commission. There are two State aid approvals applicable to the Capacity Market. These are the State aid approval (SA.35980) granted in July 2014 in relation to the main scheme ("Main Scheme Approval") and a separate State aid approval (SA.44475) granted in 2016 for the Early Capacity Auction.

The company's main function under the Capacity Market scheme is to perform the levy collection and settlement role set out in the Capacity Market Regulations. As part of this role, the company also collects credit cover provided by applicants to Capacity Auctions, pays the credit cover back to unsuccessful applicants and processes the credit cover of successful applicants in accordance with the requirements of the Capacity Market Regulations. This credit cover is intended to provide a level of security for the performance by capacity providers of their obligations under the Capacity Market Regulations.

In addition, as part of its role under the Capacity Market scheme as designed, the company undertakes meter assurance activities to check that capacity providers are providing the capacity they are required to provide under their capacity agreements.

Capacity Market Standstill activities

In anticipation of the new Capacity Market regulations that came into force on 10 April 2019⁹, ESC undertook preparations to receive voluntary payments from suppliers and hold them in an interest-bearing account. It is also preparing for the Capacity Market scheme coming out of the Standstill Period, in the event that a new State aid approval is obtained.

ESC has made arrangements to accept and hold payments made, on a voluntary basis, by suppliers during the Standstill Period (the "**Voluntary Supplier Arrangement**"). All payments will be made and received on the terms and conditions for the Voluntary Supplier Arrangement published by ESC and will be applied by ESC in accordance with these terms and conditions and the new Capacity Market regulations.

The payments will be held in an interest-bearing account that accrues interest at the Government Banking Service rate (the Bank of England base rate minus 0.11%). If there is State aid approval for the making of deferred payments to capacity providers, the amount of any monies paid into the Voluntary Supplier Arrangement by the relevant supplier (plus accrued interest) will, in accordance with the new Capacity Market regulations, be applied to offset such supplier's post-Standstill Period supplier charge liability. If there is no State aid approval for the making of deferred payments, each supplier will, in accordance with the new Capacity Market regulations, be refunded the amount of the payments it has made into the Voluntary Supplier Arrangement during the Standstill Period (plus any accrued interest). As the arrangement is voluntary, suppliers may request, at any time prior to the applicable cut off contemplated by the new Capacity Market regulations, the refund of the amount of any monies paid into the Voluntary Supplier Arrangement (plus accrued interest).

The European Commission has received responses to its opening decision setting out the grounds for its Stage II detailed investigation of the Capacity Market scheme and is currently expected to make its final decision later in 2019.

An application has been brought for judicial review in respect of BEIS's decision (as

⁹ The Electricity Capacity (No.1) Regulations 2019 SI 2019/862 <http://www.legislation.gov.uk/ukxi/2019/862/made>

published on 28 February 2019) that some Capacity Market activities should continue during the Standstill Period. The application has also sought an expedited hearing to prevent the holding of the postponed T-1 capacity auction for the 2019/20 Delivery Year in June 2019. The Court has agreed to hear the judicial review but has refused the application for expedition.

Financial overview

Capacity payments

The total amount of capacity payments made in the financial year was £175.6m (2017/18: £220.7m).

The ECJ's ruling has resulted in a 'Standstill Period' for the Capacity Market during which no State aid (in the form of capacity payments) can be paid to capacity providers in relation to the annulled 2014 scheme approval. The company has therefore not made any capacity payments in respect of the 2018/19 Delivery Year (which runs from October 2018 to September 2019). Prior to 15 November 2018 the company made total capacity payments of £175.6m in respect of capacity agreements awarded in relation to 2014 scheme approval and the 2016 approval for the Early Capacity Auction.

The ECJ's decision to annul the Scheme Approval did not affect the Early Capacity Auction approval, which continues to remain in place unaffected.

The company completed making all capacity payments required in relation to the Early Capacity Auction in November 2018 and, as the term of the relevant capacity agreements has now expired, no further capacity payments are due in respect of the Early Capacity Auction. Details of the capacity payments made in relation to the Early Capacity Auction are set out in Table 1.

Prior to the Standstill Period, the process was that the company obtained the funds to make payments to capacity providers by charging electricity suppliers as set out in the Capacity Market Regulations, with suppliers being obliged to pay their charges within three working days of receipt of an invoice from the company. The company did not, however, under the Capacity Market Regulations, have to make capacity payments until 29 working days after the end of the relevant month. This provided protection for the company against cashflow timing issues. Suppliers were also required to lodge credit cover as security against their failure to pay amounts for which they were liable. Where the credit cover was called upon and proved insufficient to cover the amount due from a particular supplier, the shortfall was "mutualised" between the remaining suppliers (i.e. the remaining suppliers had to make up the shortfall between them). Following the annulment of the 2014 Scheme Approval, the company informed suppliers that they could request the return of the credit cover held by the company.

During the period up to 15 November 2018, the company collected £179.8m in supplier charges for the purposes of paying capacity payments relating to the current Delivery Year (October 2018 to September 2019). As a result of the State aid annulment, the company informed suppliers that it would return the supplier charges collected. The company has returned £177.4m to active suppliers and continues to hold £2.4m as at 31 March 2019 for suppliers who are in administration or who have not provided their bank account details.

As at 15 November 2018, the date of the annulment of the Scheme Approval, the company held £17.5m in supplier credit cover. The company has been requested to return, and has returned £11.7m. As at 31 March 2019, the company held £5.8m in supplier credit cover (2017/18: £6.5m). During the year £0.3m of supplier payments were mutualised to other suppliers (2017/18: £0.02m).

Table 1: Capacity Market payments by scheme delivery year analysed by financial year

Capacity Market payments	FY 2018/19	FY 2017/18
Transitional Arrangement Auction 2016/2017 (Delivery Year – October 2016 to September 2017) (Scheme Approval (SA.35980))	–	£7.4m
Transitional Arrangement Auction 2017/2018 (Delivery Year – October 2017 to September 2018) (Scheme Approval (SA.35980))	£5.6m	£7.2m
Early Capacity Auction 2017/2018 (Delivery Year - October 2017 to September 2018) (Scheme Approval (SA.44475))	£170.0m	£206.1m
Total	£175.6m	£220.7m

The Capacity Market also places financial obligations on capacity providers. If a capacity provider does not provide the capacity required, it may, in accordance with the Capacity Market rules, be obliged to pay a penalty to the company. Where the company received penalty monies from capacity providers, it paid these monies to suppliers. There may also be circumstances where a capacity agreement is terminated pursuant to the Capacity Market rules. Where the company received termination fees, these fees were transferred into consolidated funds via BEIS Treasury.

Operational costs

The day to day operational costs of the company are funded by suppliers under the annual fixed 'settlement' or operational costs charges set by the Supplier Payment Regulations. The amount set out in the Supplier Payment Regulations is amended by Parliament, after public consultation, to reflect the required operational costs amount applicable for the relevant financial year. The amount is then divided between suppliers and charged to them in accordance with their market share.

The total settlement costs charges for 2018/19 were fixed at £7.629m, for 2019/20 is fixed at £7.554m and for 2020/21 is set at £7.502m.

The company has delivered its operational role within the budget set by the operational costs levy for 2018/19. The company applies strong financial management in order to ensure that its commitments are managed within the timing of its collection of the settlement costs levy.

The company shares resources with LCCC, which are paid for by LCCC with the proportion of the costs related to the Capacity Market being recharged to ESC, as further set out in note 2.6 to the financial statements.

The total net operating costs of the company for the year were £7.2m (2017/18: £5.5m). As a result of its strong financial performance over the financial year, the company will return £0.4m to suppliers for 2018/19 (2017/18: £0.7m).

There have been a number of contributory factors to the company's performance, including lower than expected payroll costs in our agent LCCC, lower than expected insurance costs and lower settlement costs due to the level of resources deployed by the outsourced provider being lower than expected.

Post balance sheet events

The UK government has made changes to the Electricity Capacity Regulations 2014 to provide for the company's new activities. These amendments were detailed within the new Standstill regulations that came into force on 10 April¹⁰.

Specifically, BEIS has ensured that the new Capacity Market regulations incorporate provisions relating to the company operating a voluntary payment facility.

Significant accounting matters and key judgements in the financial statements

Other than the company's accounting arrangements relating to the Capital Market suspension as detailed in Note 4.2.2, there are no other significant accounting estimates and key judgements to be recognised or disclosed.

Viability statement

The directors have assessed the company's prospects, taking into account the company's current position and the principal risks faced by it over the remaining two years of the funded three-year business plan period that runs from 1 April 2018 to 31 March 2021. The period of two years has been chosen as this is the (i) time period over which the company has reasonable visibility of its strategy implementation and business planning, (ii) period for which the operational costs levy has been set by Parliament in the relevant regulations.

The financial arrangements relating to the company minimise the risk of the company being unable to meet its liabilities. As set out in the preceding Financial Overview, the company is not obliged to make payments to capacity providers unless and until it has the funds to do so. The company also applies prudent financial management to ensure that its operating costs are covered by the settlement costs levy.

As part of the strategic planning process, the directors have analysed the regulatory and legal environment in which the company operates (including the regulatory and legal environment relating to the annulment of the State aid approval (SA.35980) and do not foresee any changes that will significantly affect the finances of the company within the remaining two years of the current three-year plan. The directors have also carefully considered the way in which the company manages its principal risks (which are set out on pages 18 to 21). The directors have assessed the potential financial impact of the principal risks identified across various severe and plausible scenarios and do not feel that these risks will bring into question the company's viability.

In considering the long term position of the company and the Capacity Market, the directors have noted that the European Commission has appealed the ECJ's decision and, at the same time, is also undertaking a formal investigation into the UK's notification of the scheme in order to inform its "re-decision" on whether to grant State aid clearance. The formal investigation is currently expected to conclude in Autumn 2019. The directors have also noted that the government is confident in the compatibility of the Capacity Market scheme with the internal market and is of the view that a favourable State aid decision should be received.

Based on their analysis, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the relevant period.

¹⁰ The Electricity Capacity (No.1) Regulations 2019 SI 2019/862 <http://www.legislation.gov.uk/uksi/2019/862/made>

Risk management – principal risks and uncertainties

The board formally reviews the material risks facing the company and ensures that they are appropriately managed by the executive team, including ensuring that management is alert to and takes account of any new or emerging risks. The board retains ultimate responsibility for the company's risk management framework, with oversight of the overall effectiveness of the risk management programme being delegated to the audit, risk and assurance committee. The company also has a risk and assurance function to provide assurance over controls, including those to mitigate key risks.

ESC's approach to risk management has continued to evolve over the past year. In September 2018, the audit, risk and assurance committee approved the updated company Risk Management Framework. The updates ensure a stronger link between strategy and business performance and risk, greater focus on measuring risk and risk appetite and provide practical tools to support the business in managing risk. The risk management framework

has been designed to provide the executive and board with a clear line of sight over risk and enable informed decision making. It focusses on the identification, management, monitoring and reporting of risk and reviews completion of the primary actions being undertaken to manage and mitigate risk. Risk management is embedded within the company's operational activities.

The company's approach to risk management is designed to provide reasonable, but not absolute, assurance that its business is safeguarded, the risks facing the business are being assessed and mitigated and all information that is required to be disclosed to the executive, the board and the audit, risk and assurance committee is disclosed.

The company's approach to risk management is further detailed in the Corporate Governance Report on page 26.

The assessment of the company's most significant principal risks considered by the board and the corresponding mitigating controls are set out below in no order of priority.

Risk Heat Map

The Heat Map depicts the assessment of impact and likelihood of the company's principal risks.

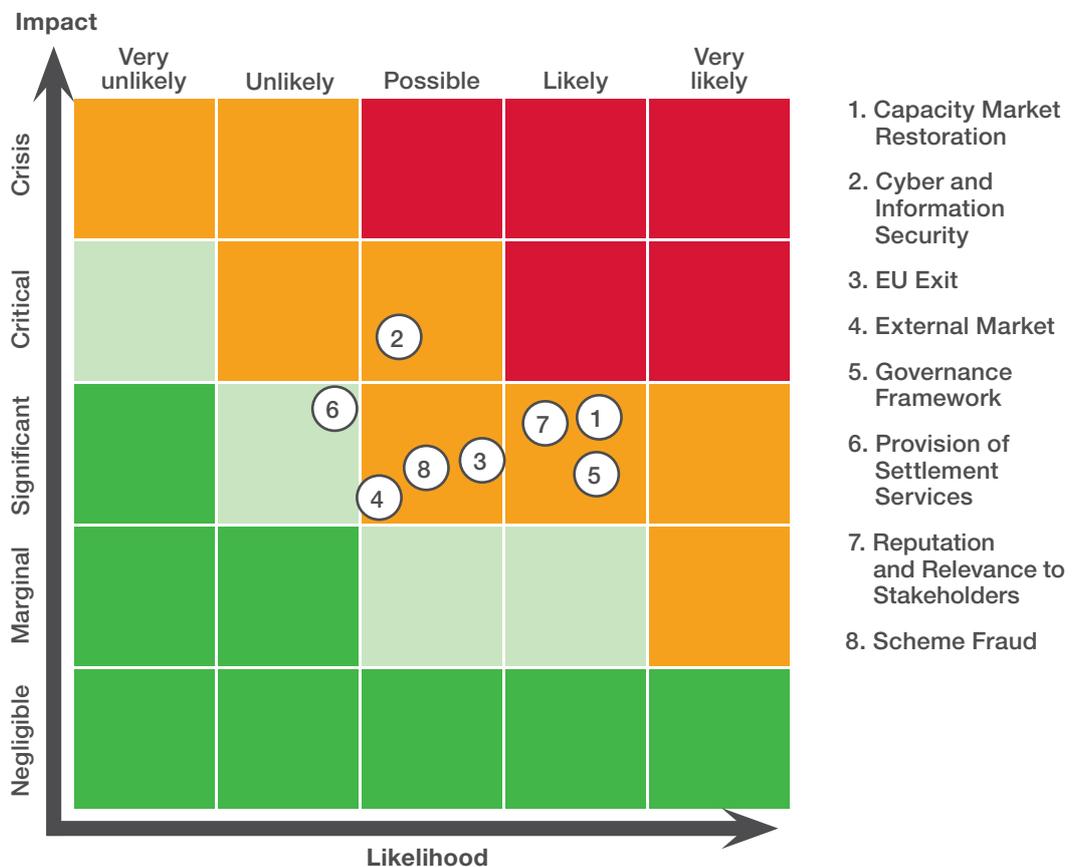


Table 2: ESC principal risks

Risk	Key Mitigating Activities	Direction of Risk (trend since March 2018)
<p>Capacity Market Restoration</p> <p>There is a risk of litigation and associated costs and reputational damage if ESC is unable to effectively deliver its role in the Capacity Market.</p> <p>There is also a risk to stakeholder relationships and perceptions of ESCs independence in the way it approaches arrangements around the suspension and potential restart of the scheme.</p>	<ul style="list-style-type: none"> • Capacity Market workstreams have been developed involving personnel from across the business. • The Senior management team and Board have been closely involved. • We have liaised closely with BEIS, Ofgem and delivery partners. • External legal advice has been sought on key risk areas. 	<p>New risk in 2018/19</p>
<p>Cyber and Information Security</p> <p>There is a risk that our data may be lost, stolen or compromised resulting in disruption to business operations, financial loss and reputational damage.</p>	<ul style="list-style-type: none"> • IT security policies and controls are in place. • We have raised staff awareness around cyber and information security. • We have developed a company wide information asset register. • GDPR controls have been implemented and a Data Protection Officer and associated processes are in place. • Information security incident response, business continuity and disaster recovery plans are in place. • Business continuity and disaster recovery plans are in place. 	
<p>EU Exit</p> <p>There is a risk that we may suffer business disruption and associated reputational damage if we are unable to appropriately manage the effects of the UK exiting the EU. This could impact ESC in areas such as the Capacity Market and our supply chain.</p>	<ul style="list-style-type: none"> • Cross-functional EU Exit workstreams have been established to develop plans for key areas e.g. Contracts for Difference. • ESC has engaged with key stakeholders through working groups and participation in other forums to understand their preparations for the exit from the EU. • An assessment of our supply chain and associated contracts has been performed to identify risks that require mitigation. 	<p>New risk in 2018/19</p>

Risk	Key Mitigating Activities	Direction of Risk (trend since March 2018)
<p>External Market</p> <p>There is a risk that we may be unable to anticipate and respond to the complexity and volume of change in the market (including changes in regulations, rules and participants).</p> <p>There is a risk that in the longer-term, structural market change such as the evolution of the supplier hub model, may lead to an inability to collect levies.</p>	<ul style="list-style-type: none"> • We continue to maintain relationships with key policy makers via regular meetings and forums. • We are in strategic dialogue with Ofgem, BEIS and delivery partners regarding the volume and complexity of change. • We actively participate in joint forums with key delivery partners to assess the pipeline of changes to schemes. • We maintain awareness of market change through liaison with external stakeholders at events and forums, research papers and review of trade press. • We update and review our market analysis as part of our annual strategy update. • We have obtained and developed insights in-house and from our annual stakeholder survey. 	<p>New risk in 2018/19</p>
<p>Governance Framework</p> <p>There is a risk that the Framework Document is becoming out of date and in need of a refresh to reflect evolution of the companies and their relationship with the Shareholder.</p> <p>There is also a risk that changes to the company's classification (following a public body review by the Cabinet Office) could frustrate delivery and impact on our independence, if new controls placed on the company are unsuited to our role under the Capacity Market regulations or prevent us from adhering to company law.</p>	<ul style="list-style-type: none"> • The Framework Document review is progressing positively. • The company is also undergoing its first company review, conducted by BEIS in line with Cabinet Office guidelines on form and function; efficiency and effectiveness; and governance. • ESC is likely to be rebadged as a Non-Departmental Public Body as part of a wider Cabinet Office initiative to simplify Arms Length Body classification. (Currently LCCC and ESC are classified as "Central government other"). • We continue to support these reviews as an opportunity to bring the Framework Document up to date, whilst ensuring that the company can continue to operate effectively and independently. 	<p>New risk in 2018/19</p>
<p>Provision of Settlement Services</p> <p>There is a risk that systems and controls may not be robust in preventing errors and associated reputational damage.</p> <p>There is also a risk that our business model, systems and processes may not be fit for future which could result in inefficiencies and late or missed delivery of changes.</p>	<ul style="list-style-type: none"> • We have documented governance arrangements in place regarding management of settlement services. • We regularly receive and review performance reports on settlement services provision. • We have documented our end-to-end settlement controls. • Controls assurance performance reporting is in place. • We are in strategic dialogue with Ofgem, BEIS and delivery partners regarding the volume and complexity of change. • We actively participate in joint forums with key delivery partners to assess the pipeline of changes to schemes. 	

Reputation and Relevance to Stakeholders

There is a risk that we are, or are perceived to be, unable to balance our reputation with stakeholders and industry of being independent, with the role of being a trusted advisor to government.

There is a risk that our costs may increase with increased change and complexity of policy delivery, which could in turn lead to greater scrutiny by stakeholders and a greater need to demonstrate value for money.

- We take a regular pulse of stakeholder views via surveys and use the results to further develop our engagement plans.
- We have regular dialogue with stakeholders on changes that matter to them, via workshops or events.
- We engage stakeholders early and provide training on the schemes for new entrants.
- We plan to increase information and insights available on our website to add further value to our stakeholders.



Scheme Fraud

There is a risk that fraud occurs within our schemes resulting in financial loss and reputational damage which could undermine confidence in the schemes and the existence of ESC.

- Key finance controls and fraud controls are in place and monitored.
- We have developed scheme risk registers.
- We actively participate in fraud and error forums.
- We have a whistleblowing hotline and associated processes in place for the reporting of concerns.
- We have an Assurance and Risk function as well as a Fraud and Compliance Manager.



Signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'Neil McDermott'.

Neil McDermott
Chief Executive

5 June 2019



The Capacity Market was designed to achieve a defined level of security of supply at lowest cost to consumers by using competition between capacity providers, which includes both generation plant and Demand Side Response, for example large industrial consumers, who may be able to reduce demand temporarily in response to a system stress event.
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Board of Directors



Jim Keohane
Interim Chair
Nomination (chair)
Remuneration (member)



Neil McDermott
Chief Executive Officer



Anne Baldock
Interim Senior Independent
Director
Remuneration (chair)
Nomination (member)



Catherine Gan
Chief Finance Officer



Tony Bickerstaff
Non-Executive Director
Audit, Risk & Assurance (chair)



Simon Orebi Gann
Non-Executive Director
Nomination (member)
Audit, Risk & Assurance (member)



Kate Collyer
Non-Executive Director
Audit, Risk & Assurance (member)



David Long
Non-Executive Director
Remuneration (member)



Chris Murray MBE
Non-Executive Director
Audit, Risk & Assurance (member)
Remuneration (member)

Committee memberships are stated under each profile. The three committees are: Nomination Committee; Remuneration Committee; and Audit, Risk & Assurance Committee.

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year from 1 April 2018 to 31 March 2019. The company's registered number is 08961281.

Board

The board is responsible for the overall strategy and direction of the company. Details of the board's composition are set out on pages 27 to 28 and 33.

Directors and corporate governance

Full details of the directors and corporate governance matters are set out on pages 26 to 36.

Position of the company

Information relating to the strategy and to the development, performance and the future prospects of the company are set out in the Strategic Report and on pages 3 to 11.

Employees

The company does not have any employees.

Environment

Details are set out on page 12 in the Environment Report.

Payment to suppliers

The company pays its suppliers in accordance with the provisions of its contracts with suppliers, subject to compliance by the suppliers with their obligations.

Charitable and political contributions

During the year, the company made no charitable or political contributions.

Results and dividends

The company has prepared its 2018/19 financial statements in accordance with International Financial Reporting Standards ("IFRS"). The audited financial statements for the year ended 31 March 2019 are set out on pages 47 to 59.

The company is a not-for-profit company. The settlement role it performs ensures that the capacity payments it is required to make to capacity providers holding capacity agreements are matched with the levies it collects from suppliers. The company's costs are funded by the settlement costs levy referred to on page 52. The amount of any excess settlement costs levy collected above requirement is refunded to suppliers. This refund is recognised through the financial statements and matched with the income collected. On this basis the financial results for the year reflect a neutral profit position i.e. nil profit-nil loss. Consequently, the company does not pay a dividend.

For a more detailed review of the results for the year and a more detailed explanation of the accounting profit, see the financial statements on pages 47 to 59 and the Strategic Report on pages 13 to 21.

Directors' third party indemnity provisions

The directors have been granted an indemnity against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity remains in force as at the date of approving this Directors' Report.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future. The financial statements therefore continue to be prepared on a going concern basis. The basis of this view is outlined in more detail in note 2.2 to the financial statements.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with IFRS as adopted by the European Union and in accordance with applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the directors, whose names and functions are described herein, confirms that to the best of his or her knowledge:

- the financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets and liabilities, financial position and the profit or loss of the company; and

- the Directors' Report and Strategic Report include a review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the company's position, performance, business model and strategy.

Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

The company's auditors (the NAO) have expressed a willingness to continue in office. The Board and the audit, risk & assurance committee consider the performance of the auditors and assess their reappointment on an annual basis. A resolution to reappoint the auditors will be considered and proposed at the relevant time.

By order of the board



Claire Williams
Company Secretary

5 June 2019

Corporate Governance report



I am pleased to present our corporate governance report for the year, which describes our board's general approach to corporate governance and how the UK Corporate Governance Code is applied within the company. The board believes that good corporate governance underpins the delivery of the company's strategy and objectives and is committed to ensuring that high standards of corporate governance are maintained throughout the company.

During the year we have carried out internal reviews of our how we perform our board duties, details of which are presented in the report below. We also continued to engage with our shareholder and with key Delivery Partners and the wider industry.

I would like to thank all board members for their support to me as interim chair since October, and for their dedication and commitment over the year, especially Martin Read for chairing the ESC board from the start of the company's operations until his resignation in September 2018, but also Tony White whose three-year term of office expired in July 2018.

I am delighted that two new non-executive directors joined during the year; Chris Murray in June 2018 and Kate Collyer in September 2018; and finally, to thank for Anne Baldock taking on the role of interim Senior Independent Director, whilst I am fulfilling the duties as Interim Chair.

As a result, the remuneration committee as well as the audit, risk and assurance committee have also seen changes to the membership during the year, as outlined in the report below.

Jim Keohane, Interim Chair

Background to ESC

The company was established by the Secretary of State for Business, Energy and Industrial Strategy to be the Capacity Market Settlement Body. The Secretary of State is the sole shareholder of the company.

While the company was set up as an operationally independent private law company, it is also a governmental arm's length body that is funded by and manages compulsory levies. Compulsory levies are normally classified as taxation, which effectively means that the company is managing public monies.

The company accordingly, both as a private company and as an entity having responsibilities for the administration of public monies, adopts the highest standards of governance and works to the highest standards of probity. The company recognises the importance of

operating with regularity and propriety, the need for effectiveness and prudence in the administration of public resources and the need to secure value for public money. The company also recognises the importance of embedding the seven principles of public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) into its culture and operations¹¹.

This Corporate Governance Report outlines the company's governance structure and demonstrates how its arrangements align with the guidelines and principles set out in the UK Corporate Governance Code. An explanation is given below where any aspect of the Code has not been fully applied.

The company's activities in the year are described on pages 7 to 11 and in the Strategic Report on pages 13 to 17.

¹¹ *The 7 Principles of Public Life*, available at <https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life-->

Framework Document

The company's main governing documents are its Articles of Association and its Framework Document. The Framework Document, which establishes the fundamental relationship between the shareholder and the company, is published on the company's website to provide transparency of the relationship.

The Framework Document reflects the basic tenet that functional independence is compatible with financial oversight of an arm's length body by its parent department. The Framework Document makes it clear that the company has day to day operational independence, subject to certain limited exceptions set out in legislation, the company's Articles of Association and in the Framework Document itself. The limitations on the company's independence are those which are either:

- common to government owned entities and necessary to satisfy government and Parliamentary budgeting and accountability requirements; or
- provide the shareholder with specific controls in respect of policy implementation matters which it is the company's responsibility to execute.

The Framework Document recognises that the company is a separate corporate entity and that its governance, and decision making processes, flow through its board, with its executives reporting to that board.

The Framework Document establishes that in carrying out its functions, activities and role the company shall seek to maintain market participants' confidence in the Capacity Market process and minimise costs to consumers. This is known as the "Guiding Principle". The company recognises the importance of this Guiding Principle.

UK Corporate Governance Code

The company is required by the Framework Document to comply with the UK Corporate Governance Code as it applies to small quoted companies (other than Section E relating to relations with shareholders) or specify and explain any non-compliance in its annual report. The board considers that the company has complied in full with the Code, other than as explained in this Corporate Governance Report. Any non-compliance is due to the requirements of the company's shareholder as reflected in

the company's Articles of Association and the Framework Document.

The company additionally believes that the adoption of the UK Corporate Governance Code is important as a means of recognising and embedding best practice in corporate governance.

Role of the board

The board is committed to ensuring high standards of corporate governance. It accepts that good governance is based on the underlying principles of accountability, transparency, probity and focus on the sustainable success of the company over the longer term.

The board is collectively responsible for the long-term success of the company and is ultimately responsible for its strategy, management, direction and performance. The board sets the company's strategic aims, ensures that the necessary financial and human resources are in place for the company to meet its objectives, reviews progress towards the achievement of objectives and reviews the performance of management.

The board establishes the values, culture, ethics and standards of the company and sets the framework for prudent and effective controls, which enables risk to be assessed and managed.

The board has delegated authority to its committees to carry out the tasks defined in the committees' terms of reference. The committees are (i) the audit, risk and assurance committee and (ii) the nomination committee. The written terms of reference of both committees are available on the company's website. The board has delegated the day to day management of the company to the Chief Executive.

Composition of the board

The Framework Document and the Articles of Association provide that the shareholder's approval is required for all board appointments. The Framework Document and the Articles of Association also state that the shareholder has the right to appoint the Chair, the Senior Independent Director and up to two shareholder nominated directors.

Martin Read, the then Chair, retired from the board on 30 September 2018. Jim Keohane, the Senior Independent Director, was appointed as Interim Chair effective on 1 October 2018, pending the appointment of a new Chair (and for this purpose temporarily stepping aside from his role as Senior Independent Director for the period for which he is Interim Chair).

Anne Baldock (a non-Executive director) was appointed as interim Senior Independent Director effective on 1 October 2018, pending the return of Jim Keohane to the role of Senior Independent Director.

The board comprises seven other directors, being currently two shareholder nominated directors, three independent non-executive directors, the Chief Executive and the Chief Finance Officer.

The shareholder nominated directors at year end (and currently) are David Long (appointed 27 October 2015), a public servant employed by a government wholly owned company, and Kate Collyer (appointed on 13 September 2018), a civil servant employed by BEIS. Shareholder nominated directors are appointed for the period required by the shareholder.

The three independent non-executive directors at year end (and currently) are Tony Bickerstaff and Simon Orebi Gann (both appointed on 11 November 2014 and re-appointed on November 2017) and Chris Murray (appointed 26 June 2018), each being appointed after the consent of the shareholder was obtained in accordance with the Framework Document and the Articles of Association. The term of office of each independent non-executive director is three years from the date of appointment or re-appointment (as applicable).

Neil McDermott, the Chief Executive, was appointed as a director on 22 July 2014 and Catherine Gan, the Chief Finance Officer, was appointed as director effective on 24 April 2017.

An external recruitment consultancy was used in the original appointments of the Chair, Senior Independent Director, independent non-executive directors, Chief Executive and Chief Finance Officer. The search process was formal, rigorous and transparent and the searches were conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board. The shareholder nominated directors are civil or public servants selected by the shareholder.

No recruitment consultancy used by the company has any other connection with the company.

The details of all board members, any changes in the year and attendance at board meetings are listed on pages 33 and 34. All directors, with the exception of the shareholder nominated directors, have written terms of appointment.

These terms of appointment are available for inspection at the company's registered office during normal business hours.

The former Chair and the interim Chair were independent on appointment. The board considers the interim Senior Independent Director and all non-executive directors, other than the shareholder nominated directors, to be independent of the company.

The board and its committees have an appropriate, effective and broad balance of skills, experience, independence and knowledge which enables them to discharge their respective duties and responsibilities effectively.

New directors receive an induction programme and additional training that is tailored to their individual needs.

Board changes

Reference is made to the table on page 33.

Board governance

The board meets sufficiently regularly to discharge its duties effectively, generally meeting some six to eight times per year (with additional ad hoc meetings as required). The board met fourteen times in 2018/19 and also held a separate strategy meeting.

The following summarises the Board's main activities over the course of the year:

- Business performance and oversight – including receiving during the year regular updates on how the business is performing against its business plan, budget, strategic priorities and KPIs.
- Strategy and progress - participated in the annual strategic workshop attended also by senior management and reviewed the refreshed strategy and objectives of the company, including with input from third party advisors to obtain better visibility of the market landscape. The Board also reviewed the results of the annual industry stakeholder survey and the learnings from that survey.
- Risk and opportunity – reviewed the principal risks faced by the company and the actions being undertaken to mitigate against these risks, including in relation to cyber and information security.

- Governance – reviewed the steps being taken to implement the recommendations of the 2017/18 externally facilitated annual evaluation and, in 2018/19, conducted an internally facilitated Board effectiveness review. Further information about this evaluation process can be found on page 30.
- Organisation structure – reviewed the proposals relating to the Organisation Development Programme.
- Capacity Market – oversight of organisation delivery and considering issues relating to the Capacity Market standstill period and the preparation for the Voluntary Supplier Arrangement for supply charge payments and the potential Capacity Market restoration.
- Settlement – reviewed matters relating to the outsourced settlement services and proposed improvements in the future period.
- Visits – the Board also received insights from a meeting with a capacity provider and a meeting with BEIS.

The Chair has held a meeting with the non-executive directors without the executives being present. The non-executive directors, led by the Senior Independent Director, have met without the Chair and executive directors being present.

Details of the directors' interests are recorded in a register maintained by the company and reviewed at least annually by the board. The company has procedures in place to ensure any actual or potential conflicts of interest are appropriately declared and managed. Directors are required to declare any actual or potential conflict of interest to the board and to the Company Secretary.

The board is supplied in a timely manner with the appropriate information of the required quality to enable it to discharge its duties effectively and properly. The Chair, executive directors and Company Secretary have review processes in place to ensure the quality of the information provided to the board and its committees. The board and committees have concluded, after assessing the question as part of their annual evaluation processes, that they were being provided in a timely manner with appropriate information of the required quality. Board members have access to the Company Secretary and also to independent legal advice if appropriately required.

There is a formal schedule of matters specifically reserved to the board. In high level terms, the day to day management of the company is delegated to the Chief Executive and senior

management with the matters reserved to the board including:

- setting and approving the company's strategy
- responsibility for the leadership of the company
- approving the financial statements
- approving (subject to shareholder consent) the annual business plan and budget
- monitoring and overseeing risk management, financial reporting and the system of internal control
- oversight of the company's operations
- approving of financial commitments over specified monetary thresholds
- setting the terms of reference for the board committees.

The main roles and responsibilities of the Chair, Chief Executive, Senior Independent Director and non-executive directors are summarised in high level terms below. There is a formal document, approved by the board, setting out the division of responsibilities between the Chair and the Chief Executive.

The Chair:

- provides clear and effective leadership to the board
- is responsible for maintaining high standards of operation and governance
- is responsible for promoting a culture of openness and constructive debate by facilitating the effective contribution of the non-executive directors
- facilitates the effective contribution and encourages the active engagement of all members of the board
- ensures the annual evaluation of the performance of the board, its members and its committees
- ensures constructive relations between the executive and non-executive directors
- speaks on behalf of the board and represents the board to the shareholder
- manages the business of the board, including the board's agenda and ensuring that adequate time is available for the discussion of all agenda items, in particular, strategic issues

- is responsible for ensuring that the directors receive accurate, timely and clear information.

The Chief Executive:

- fulfils his responsibilities as Accounting Officer¹²
- leads the executive team in the day to day running of the company
- makes and executes operational decisions
- implements the strategy agreed by the board
- ensures delivery within the annual budget
- ensures appropriate internal controls and risk management processes are in place
- maintains the appropriate dialogue with the Chair and the board
- facilitates effective communication to the shareholder and external stakeholders, including service providers, industry parties, regulatory bodies and governmental authorities
- ensures the values of the company are embedded within its operations and staff culture.

The Senior Independent Director:

- works alongside the Chair and provides a sounding board for the Chair
- is available as an intermediary to other directors when necessary
- leads the meeting(s) with the other non-executive directors without the Chair being present, including to appraise the performance of the Chair.

Non-executive directors:

- Non-executive directors (including via their activities in relevant committees) ensure that the board fulfils its responsibilities, including in relation to strategy, monitoring the performance of management and satisfying themselves as to the integrity of financial information and that there is in place robust internal controls and a sound system of risk management.

Board evaluation

The board undertakes an annual formal and rigorous evaluation of its own performance and that of its committees and individual directors. The committees also each separately undertake an annual evaluation process. Following a third party evaluation review carried out in the preceding year, in 2018/19 the evaluation was undertaken by use of a focussed questionnaire for the board and each committee, with the results being discussed by the board and the committees.

The Interim Chair has, with the input and assistance from the other directors and the executive management, undertaken an objective and thorough evaluation of the performance of the Senior Independent Director. The non-executive directors, led by the interim Senior Independent Director, have undertaken an objective and thorough performance evaluation of the interim Chair, taking into account the views of executive directors.

The evaluation process concluded that the board and the committees are working cohesively and effectively, are performing their roles in a proper, good and appropriate manner and that there is strong corporate governance in place.

The Chair also regularly reviews and discusses with each director their training and development needs. The Company Secretary also seeks to identify useful refresher training or industry familiarisation sessions for directors, including briefings on internal expertise areas (such as forecasting and settlement systems), industry developments and compliance matters.

Audit, Risk & Assurance Committee

At year end, the membership of this committee comprised four non-executive directors, namely Tony Bickerstaff (chair), Kate Collyer, Simon Orebi Gann and Chris Murray.

The following members resigned from the committee during the course of the year - Jim Keohane (1 January 2019), David Long (13 September 2018), Tony White (11 July 2018, consequent on his resignation from the board) and Simon Elliston (12 April 2018, consequent upon his resignation from the board). The following members were appointed to the committee – David Long (25 April 2018 to fill a temporary vacancy), Chris Murray (18 July 2018) and Kate Collyer (13 September 2018).

The chair of the committee is a qualified accountant with recent and relevant financial

¹² The responsibilities of an Accounting Officer are described in HM Treasury guidance "Managing Public Money". They include accountability for the activities of the company, the stewardship of public funds and the extent to which key performance targets and objectives are met.

experience. The committee is composed of three independent non-executive directors and one shareholder nominated non-executive director. The Framework Document, as permitted by the Articles of Association, requires the committee to include a director nominated by the shareholder.

The committee met three times in the financial year 2018/19, with meetings in May 2018, September 2018 and January 2019.

The Chief Executive (as Accounting Officer), Chief Finance Officer, Head of Assurance & Risk, Company Secretary and external auditors attend each meeting. The Accounting Officer, Chief Finance Officer, Head of Assurance & Risk and the external auditors have access to the chair of the committee outside formal committee meetings. The Head of Assurance & Risk and the external auditors each separately meet informally with the committee after every scheduled committee meeting.

The main responsibilities of the committee include:

- monitoring the assurance needs of the company in relation to risk, governance and the control framework
- reviewing the company's internal controls (including financial controls) and risk management systems
- monitoring the integrity of the company's financial statements and reviewing and reporting to the board on significant financial reporting issues and judgements
- monitoring the effectiveness of the company's internal audit function
- making recommendations to the board in relation to the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor
- reviewing external auditor independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements
- reporting to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken
- reporting to the board on how it has discharged its responsibilities
- undertaking an evaluation of its own performance.

The committee has reviewed arrangements by which employees are able, in confidence, to raise concerns about possible improprieties in matters of financial reporting or other matters.

The committee applies an external auditor independence policy to safeguard auditor objectivity and independence where the company's auditors have provided non-audit services. The external auditor has not provided any non-audit services in the financial year.

In the financial year, the committee discussed the following matters:

- Risk Management Reviews and Risk Register Updates
- Internal Audit Activity Updates and Internal Audit Plan
- Status of Significant Accounting Estimates, Judgements and Special Issues
- Annual Report Update: Governance, Going Concern & Viability Statements
- External Auditors' Report for 2017/18
- Letters of Representation for 2017/18
- Recommendation of Annual Report and Accounts for 2017/18
- Committee Annual Report to the Board for 2017/18
- Review of Whistleblowing Policy and Procedure
- Internal Audit Charter
- Re-Appointment of External Auditors and Audit Fee for 2018/19
- External Auditor Letter of Engagement for 2018/19
- Deep Dive Discussion on Response to Data Incidents
- Hinkley Point C Valuation Update
- Review of Audit Committee Terms of Reference
- Annual Evaluation of Committee for 2018/19
- Risk Management and Internal Control Framework
- Annual Report Process for 2018/19
- External Audit Plan for 2018/19

- Update on IT Access Controls

The minutes of the meeting are circulated to the board.

There were no significant issues considered by the committee in relation to the financial statements in respect of accounting treatments.

The company's main risks and related mitigating actions are set out on pages 19 to 21 of the Strategic Report. There have been no lapses in data security (other than minor or non-significant lapses). There have also been a small number incidents of whistleblowing concerns raised in year. All have been investigated in accordance with the company's whistleblowing process and reviewed appropriately by the audit, risk and assurance committee. There are no common themes nor specific risks identified across the cases.

The re-appointment of the external auditor was approved by the board in October 2018 upon the recommendation of the committee. The committee, in recommending the re-appointment, and the board in approving the re-appointment, took into account the fact that the Framework Document stated the strong presumption that the company would appoint the National Audit Office (NAO) as its auditor and also that shareholder consent was required for the appointment of any external auditor. It also noted the significant benefits of appointing the NAO based on value for money, the potential synergies with BEIS's audit requirements and the NAO's understanding of both the complex environment within which the company would operate and the wider government and public sector context.

The committee assessed the effectiveness of the external audit process and provided its comments on the effectiveness to the external auditor. In addition, the chair of the committee together with another committee member attended a BEIS audit committee conference in February 2019 which provided an opportunity to learn from the experience and activities of both the BEIS audit committee and the audit committees of several of BEIS's other partner organisations.

Nomination Committee

At year end, the committee comprised Jim Keohane (chair), Anne Baldock and Simon Orebi Gann.

Jim Keohane, an existing member of the committee, was appointed chair after Martin Read (the previous chair) retired from the committee on 13 September 2018. Tony White resigned from the committee on 11 July 2018. All members of the nomination committee are independent non-executive directors.

The committee met four times during the year, in April, September and October 2018 and January 2019. No member of the committee attended an agenda item in which they had a personal interest or were discussed or appraised.

The committee's responsibilities include:

- regularly reviewing the structure, size and composition of the board including skills, knowledge, diversity and experience
- reviewing plans for the orderly succession for appointments to the board and to senior management, so as to maintain an appropriate balance of skills and experience within the company and on the board and to ensure progressive refreshing of the board
- undertaking an evaluation of its own performance.

These matters were discussed by the committee during the course of the year, with particular reference to the:

- composition of the board and balance of skills required
- recruitment process for the identification and appointment of new directors to replace retiring directors and the new board Chair.

The minutes of committee meetings are circulated to the board.

Board and Committee Membership

The table below sets out the dates of appointment of the members to the board and the committees and details of those board members who resigned in the year.

2018/19	Role	Board	Audit, Risk & Assurance Committee	Nomination Committee
Anne Baldock	non-executive director to 30/09/2018 and interim Senior Independent Director from 01/10/2018	App. 11/11/2014 (re-appointed for 3 years from 11/11/2017)		App. 16/12/2014
Tony Bickerstaff	non-executive director	App. 11/11/2014 (re-appointed for 3 years from 11/11/2017)	App. 16/12/2014	
Kate Collyer	non-executive director	App. 13/09/2018	App. 13/09/2018	
Simon Elliston	non-executive director	App. 16/12/2015 Res. 12/04/2018	App. 16/12/2015 Res. 12/04/2018	
Catherine Gan	Chief Finance Officer	App.24/04/2017		
Jim Keohane	Senior Independent Director to 30/09/2018 and interim Chair from 01/10/2018	App. 22/07/2014 (re-appointed for 2 years from 01/03/2017 and for a further 1 year until 29/02/2020)	App. 16/12/2014 Res. 01/01/2019	App 24/10/2017
David Long	non-executive director	App. 27/10/2015	App. 25/04/2018 Res. 13/09/2018	
Neil McDermott	Chief Executive	App. 22/07/2014		
Chris Murray	non-executive director	App. 26/06/2018	App. 18/07/2018	
Simon Orebi Gann	non-executive director	App. 11/11/2014 (re-appointed for 3 years from 11/11/2017)	App. 16/12/2014	App. 16/12/2014
Martin Read	former Chair	App. 22/07/2014 (re-appointed for 3 years from 01/03/2017) Res. 30/09/2018		App. 16/12/2014 Res. 13/09/2018
Tony White	non-executive director	App. 11/11/2014 Res. 11/07/2018	App. 13/12/2017 Res. 11/07/2018	App. 16/12/2014 Res. 11/07/2018

Board and committee meetings

The table below shows the number of board and committee meetings of the company held during the year ended 31 March 2019, and the attendance of the individual directors. All directors are expected to attend all board meetings and all members of committees are expected to attend all committee meetings. It should be emphasised that the table does not fully reflect the contribution made to the company's business by many of the directors

who have also attended other meetings (including with senior managers), attended briefings on various matters, addressed matters raised ex-committee, attended training and conferences (such as public sector nonexecutive director training sessions and a BEIS audit committee conference), given talks to staff and attended events relating to the company's business and activities during the year. In addition, generally members who could not attend a meeting provided comments on the papers for the meeting.

Member attendance record

	Board	Audit, Risk & Assurance Committee	Nomination Committee
Number of meetings	14	3	4
Anne Baldock	14		4
Tony Bickerstaff	13	3	
Kate Collyer	9*	2**	
Simon Elliston	0*	0*	
Catherine Gan	12**	(attends but not a member)	
Jim Keohane	14	2*	4
David Long	14	1*	
Neil McDermott	13	(attends but not a member)	
Chris Murray	12*	3*	
Simon Orebi Gann	14	3	4
Martin Read	4*		1*
Tony White	2*	3*	1*

* Resigned and/or appointed part way through the year

**For two meetings, an agenda item was attended

Relations with shareholder and other stakeholders

The company in accordance with its Framework Document maintains an appropriately regular dialogue with its shareholder. There are two shareholder nominated directors.

The company has also engaged in regular communication with industry and other stakeholders, including by stakeholder engagement events, annual stakeholder survey, regular newsletters and via its website.

As a non-traded entity, the company does not propose to have an annual general meeting.

Maintenance of a sound system of internal control

The board has overall responsibility for the company's risk management and system of internal controls and for reviewing their effectiveness. While retaining overall responsibility, the board has established a clear organisational structure and well defined delegated accountabilities for more regular and granular review of the effectiveness of the company's risk management framework to the audit, assurance and risk committee and executive.

The key elements and procedures established to provide effective risk management and internal

controls have been established. The systems in place are monitored and embedded and are as set out below:

Control and assurance environment

- The board is responsible for the company's system of internal control and for reviewing its effectiveness. The company's system of internal control is designed to manage and where possible to mitigate the risks facing the company, safeguard the assets and provide reasonable (although not absolute) assurance against material financial misstatement or loss. The audit, risk and assurance committee assists the board in discharging its responsibilities (as further described below and in the section headed Audit, Risk and Assurance Committee on pages 30 to 32).
- The board, with the assistance of the audit, risk and assurance committee, has reviewed and is satisfied with the effectiveness of the company's systems of risk management and internal control. There have been no significant lapses in protective security.
- There is an appropriate quality assurance framework in place and applied to all business critical models¹³.

Risk management framework

- The identification, mitigation and continual monitoring of significant business risks is the responsibility of senior management. Each functional department of the company maintains a risk register identifying the business risks and allocating responsibility for appropriate monitoring and the implementation of mitigating controls. Departmental risk registers and the company's strategic risk register are kept under regular review by the senior management team and reported to the board and audit, risk and assurance committee, with the top strategic risks receiving particular attention. A risk workshop attended by senior employees was held during the year. Risk management processes are incorporated into the company's management and governance systems at all levels and form a part of the company's day to day operations.
- The audit, risk and assurance committee formally reviews the risk position at each scheduled meeting (in 2018/19, in May 2018, September 2018 and January 2019) and is updated on any significant risk matter which falls outside its formal review cycle. The committee considers the risk appetite of the

company in relation to the principal risks and receives a completion report relating to the actions being undertaken to minimise and mitigate risk items.

- The board reviews the strategic risk register twice per year (in 2018/19, in June 2018 and January 2019). The reports to the audit, risk and assurance committee and the board include a report from management on the status of the risk management and internal control, any significant failings or weaknesses identified during the period and (if relevant) any actions taken to remedy any significant weaknesses.
- The board has reviewed, with the assistance of the audit, risk and assurance committee, and is satisfied that a comprehensive and robust process for identifying, assessing and managing the company's principal risks is in place, including in respect of those risks that would threaten its business model, future performance, solvency or liquidity. Reference is made to the more detailed risk report on pages 18 to 21.

Internal audit

- The company has an internal audit function that provides the audit, risk and assurance committee with independent, objective assurance regarding internal controls and the risk management process as part of the company's risk management and assurance regime. The audit, risk and assurance committee agrees a programme of internal audit work annually and reviews progress at each of its meetings. The annual audit plan takes into account current business risks.

Financial management and reporting

- There is a comprehensive strategic planning, budgeting and forecasting process within the company, with the business plan (including the annual budget) being approved by the board.
- The company's operational costs are set out in the annual budget. The process for establishing the annual budget involves a number of stages which provide challenge and accountability to ensure that a robust and prudent annual budget is prepared which also ensures cost control and value for money for consumers. The draft budget is reviewed by the board, subsequent to which it is submitted to the shareholder for further review. The shareholder then undertakes a public consultation on the proposed budget.

¹³ "The company takes into account the MacPherson Review, *HM Treasury Review of Quality Assurance of government analytical models: Final Report*, March 2013. It is also compliant with the AQUA Book relating to quality assurance processes in place. <https://www.gov.uk/government/publications/the-aqua-book-guidance-on-producing-quality-analysis-for-government> https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220745/tax_pay_appointees_review_230512.pdf "

Subsequently the settlement costs levy, which funds the company's budget, is laid before Parliament in the form of regulations.

- The company operates robust financial management processes to ensure that it manages within its operational budget so as not to exceed the settlement costs levy.
- An update on the company's progress, forecasts and results is reported in the management information report submitted to each board meeting.
- Senior management meet regularly with the Chief Executive and Chief Finance Officer to discuss business progress and review management accounts.
- There is shareholder oversight of financial management as set out in the Framework Document and the Finance and Reporting Letter from the shareholder to the company dated 1 August 2014, including monthly reporting.
- The company is required to comply with the requirements set out in the Framework Document and the Finance and Reporting Letter, including the requirement to comply with the relevant requirements in HM Treasury guidance entitled "*Managing Public Money*"¹⁴.

Operational

- The senior management team meets on a fortnightly basis to review the operations of the company, its delivery, progress, issues and challenges. The Chief Executive has regular meetings with each member of the senior executive team.
- The Chief Executive and the executive team meet with appropriate regularity with the shareholder and other stakeholders.
- The settlement team and other functional teams work closely together to ensure the appropriate interfaces and communication in relation to capacity agreement settlement and metering assurance, with the governance, internal decision making and critical processes being documented.
- The company reports on its significant matters relating to its operational activities at each board meeting.
- The board decides on matters falling within the schedule of reserved matters (e.g. financial commitments over the specified threshold) or otherwise raised to it for decision.

Procurement

- The company has in place an effective procurement policy and is required to procure all goods and services in compliance with the relevant requirements in *Managing Public Money*, certain Cabinet Office controls and the public procurement regulations.
- The company is required to carry out procurement and project appraisal objectively and fairly, using cost benefit analysis and generally seeking good value for money.

Legal and compliance

- There is a system for monitoring and embedding compliance, including by company policies and procedures as well as training and guidance to support compliance (e.g. relating to anti-bribery, whistle-blowing, anti-money laundering, health & safety and other legislative and good practice requirements). External obligations are driven primarily by key legal, statutory and regulatory requirements.
- The company expects the highest standards from all employees and supply chain.
- The company considers and implements the requirements of the Alexander Tax Review in relation to the retention of consultants.¹⁵

Treasury management

- The finance department:
 - operates within policies agreed by the audit, risk and assurance committee
 - uses its resources efficiently, economically and effectively, avoiding waste and extravagance
 - uses management information systems to gain assurance about value for money and the quality of delivery and so make timely adjustments; and
 - uses internal and external audit to improve its internal controls and performance.

Insurance

- Appropriate insurance is in place, with insurance cover being reviewed annually by the board.



Neil McDermott

Chief Executive and Accounting Officer
5 June 2019

¹⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/454191/Managing_Public_Money_AA_v2_-_jan15.pdf

¹⁵ HM Treasury, Review of tax arrangements of public sector appointees, May 2012: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/220745/tax_pay_appointees_review_230512.pdf

Remuneration report

The company's registered number is 08961281.

Employees

The company does not have any employees. The company performs its functions through LCCC.

Executive directors

The executive directors are employed and paid by LCCC. They therefore do not receive any remuneration from the company. LCCC charges the company for its services, with an amount relating to full cost of the executive directors to LCCC forming a fair and properly allocated component of that charge. This arrangement is detailed in the "recharge" arrangements described in note 2.6 to the financial statements.

Non-executive director fees

The shareholder nominated (or "governmental") directors are not paid by the company.

Levels of remuneration for the remunerated non-executive directors reflect the time, commitment

and responsibilities of the role and the advice on remuneration for directors and benchmarking information provided, at the time of their original appointments in 2014, by Odgers Berndtson (an independent recruitment consultancy).

No director is involved in deciding his or her own individual remuneration.

For reasons of synergy, operational efficiency and cost effectiveness, the board of directors of the company and LCCC are identical. As the fees paid to the remunerated non-executive directors relate to work for both companies, these fees are paid by LCCC, with a fair and properly allocated amount (generally 20%) being "recharged" by LCCC to the company under the "recharge" arrangements described in note 2.6 to the financial statements. This allocation is illustrated in the table on page 38. These fees (paid by LCCC with the relevant recharge to the company) are the only form of remuneration received by the remunerated non-executive directors.

Non-executive Directors' Remuneration (audited)

Name	2018/19 Fees ¹⁶	Principal positions held elsewhere at 31 March 2019
Anne Baldock	£6,500 ¹⁷ 2017/18: 20% of £25,000	<ul style="list-style-type: none"> • LCCC – interim Senior Independent Director • Bazalgette Tunnel Limited – non-executive director • East West Railway Company Limited - non-executive director • Electricity North West Limited - non-executive director • Submarine Delivery Agency – non-executive director
Tony Bickerstaff	20% of £31,000 2017/18: 20% of £31,000	<ul style="list-style-type: none"> • Costain Group Plc – Group Finance Director • CBI Economic Growth Board – member • LCCC – non-executive director
Kate Collyer	£Nil (shareholder nominated director – public servant)	<ul style="list-style-type: none"> • LCCC – non-executive director • Joint Director, Analysis, Chief Economist for Market Framework & Energy – BEIS
Simon Elliston	£Nil (shareholder nominated director – civil servant)	N/A
Catherine Gan	N/A	<ul style="list-style-type: none"> • LCCC – Chief Finance Officer and director
Jim Keohane	£16,000 ¹⁸ 2017/18: £8,000	<ul style="list-style-type: none"> • Harwich Haven Authority – chair • Market Operator Services Ltd – chair • LCCC – interim chair
David Long	£Nil (shareholder nominated director – public servant)	<ul style="list-style-type: none"> • Executive Director, UK Government Investments • LCCC – non-executive director • BIS (Postal Services Act 2011) Company Ltd – non-executive director
Neil McDermott	N/A	<ul style="list-style-type: none"> • LCCC – Chief Executive and director
Chris Murray	20% of £19,135 ¹⁹ 2017/18: £Nil	<ul style="list-style-type: none"> • LCCC – non-executive director • APX3 Limited – director • West Transmission Limited – director • Belfast Gas Transmission Limited – director • Mutual Energy Limited – director • Premier Transmission Limited – director • Moyle Interconnector Limited – director • Energy & Utility Skills Limited – special advisor to the board
Simon Orebi Gann	20% of £25,000 2017/18: 20% of £25,000	<ul style="list-style-type: none"> • LCCC – non-executive director • Aspen Technology Inc (NASDAQ: AZPN) – USA – non-executive director • Market Operator Services Ltd – non-executive director • Treasury/Cabinet Office Major Programmes Review Group – independent panel member
Martin Read	£12,000 ²⁰ 2017/18: £24,000	<ul style="list-style-type: none"> • Wincanton Plc – chair • UK Government Senior Salaries Review Body - chair • Winchester Science Centre – trustee • University of Cambridge Library Advisory Committee - member
Tony White	20% of £7,019 ²¹ 2017/18: 20% of £25,000	<ul style="list-style-type: none"> • Green Energy Options – non-executive director • BW Energy Ltd – director • The Ecofin Research Foundation – trustee director • Sark Electricity Price Control Commissioner

¹⁶ This column shows the only form of remuneration that each non-executive director receives from LCCC. LCCC receives 20% of the directors' fees from ESC under its re-charge arrangements with ESC (other than in respect of Martin Read, Jim Keohane and Anne Baldock where the amount relating to ESC is as stated) – see note 2.6 to the financial statements

¹⁷ 6 months pro rata (1 April – 30 September 2018) at 20% of £25,000 and 6 months pro rata (1 October – 31 March 2019) at £8,000.

¹⁸ 6 months pro rata (1 April – 30 September 2018) at £8,000 and 6 months pro rata (1 October – 31 March 2019) at £24,000.

¹⁹ 9 months, 4 days pro rata (26 June – 31 March 2019) at £25,000.

²⁰ 6 months pro rata (1 April – 30 September 2018) at £24,000.

²¹ 3 months, 8 days pro rata (1 April – 11 July 2018) at 20% of £25,000.

Independent Auditor's Report to the sole shareholder of the Electricity Settlements Company Ltd

Opinion on financial statements

I have audited the financial statements of the Electricity Settlements Company Ltd ("the company") for the year ended 31 March 2019 which comprise:

- the Statement of Comprehensive Income,
- the Statement of Financial Position,
- the Statement of Cash Flows,
- the Statement of Changes in Equity and
- the related notes, including the significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. I have also audited the information in the Directors' Remuneration Report that is described as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of the result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Conclusions relating to principal risks, going concern and viability statement

I have nothing to report in respect of the following information in the annual report, in relation to which the International Standards on Auditing (ISAs) (UK) require us to report to you whether I have anything material to add or draw attention to:

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; or
- the directors' explanation in the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Basis of opinions

I conducted my audit in accordance with ISAs (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of

the company in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The regularity framework described in the table below has been applied:

Regularity Framework	
Authorising legislation	<ul style="list-style-type: none">• Energy Act 2013• Articles of Association
Regulations issued under governing legislation	<ul style="list-style-type: none">• Electricity Capacity Regulations 2014
Parliamentary authorities	<ul style="list-style-type: none">• Capacity Market Rules
Shareholder, HM Treasury and related authorities	<ul style="list-style-type: none">• Framework Document between the Secretary of State and the company• Managing Public Money and Cabinet Office spending controls (to the extent they are applicable to the company)

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that I identified.

I consider the following areas of particular audit focus to be those areas that had the greatest effect on my overall audit strategy, the allocation of resources in my audit and directing the efforts of the audit team in the current year. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by my audit but only those areas that had the greatest effect on my overall audit strategy,

allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed risk of management override of controls under International Standard on Auditing (UK) 240, the Auditor's Responsibility Relating to Fraud in Financial Statements, an area where my work has not identified any matters to report.

The areas of focus were discussed with the Audit, Risk and Assurance Committee; their report on matters that they considered to be significant to the financial statements is set out on pages 30 to 32.

In this year's report, the following change to the risks identified has been made compared to my prior year report:

- the annulment of State aid clearance for the Capacity Market has been identified as a significant risk per ISA 315, which was not considered to be a key audit matter in the prior year.

State aid clearance for the Capacity Market

Description of risk

On 15th November 2018, the European Court of Justice (ECJ) annulled the July 2014 decision by the European Commission (EC) to grant State aid clearance to the UK Capacity Market. Since that date, the Capacity Market has been in suspension. The EC is undertaking a formal investigation before deciding whether to re-approve State aid clearance for the Capacity Market. This is not expected to conclude before September 2019.

In forming my regularity opinion, I consider whether transactions are compliant with State aid regulations. I therefore assessed the annulment of State aid clearance for the Capacity Market to be a significant risk to my regularity opinion.

The company's primary purpose is to act as the settlement body for the Capacity Market. As this function was suspended during the year I also considered whether the adoption of the going concern basis for the preparation of the accounts remained appropriate.

How the scope of my audit responded to the risk

With regards to the regularity of transactions in the financial statements:

- I considered the interaction of State aid regulations with the company's Framework of Authorities;
- I obtained independent legal advice on the implications of the ECJ's annulment decision on capacity market payments made by the company; and
- I monitored developments affecting the Capacity Market, drawing from information released by a wide range of stakeholders including BEIS, National Grid and the EC as well as through discussion with management.

With regards to the going concern basis of preparation of the financial statements I considered management's own assessment of the appropriateness of the going concern basis, and evaluated the evidence underpinning this. I considered: the company's funding mechanisms; information from the company's sole shareholder, the company's planned activities over the next 12 months; and legislation introduced in support of the company's ongoing operations.

Key observations

For my 2018-19 audit, I have concluded that the Capacity Market suspension has no impact on my regularity opinion. Until the EC makes a judgement on whether payments constitute illegal State aid I consider payments made to date are regular. Management has acted in accordance with its Framework of Authorities.

I agree with management's assessment that the use of the going concern basis in relation to the company, as set out in Note 2.2, is appropriate and no material uncertainty has been identified.

Application of materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the company's financial statements at £3.6m, which is approximately 2% of gross expenditure. I chose this benchmark as users of the accounts are most interested in expenditure, since these are the costs which fall to suppliers and ultimately billpayers.

As well as quantitative materiality there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any errors reported in Directors' Remuneration Report. Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work in support of my opinion on regularity and evaluating the impact of any irregular transactions, I took into account both quantitative and qualitative aspects that I consider would reasonably influence the decisions of users of the financial statements.

I agreed with the Audit, Risk and Assurance Committee that I would report to it all

uncorrected misstatements identified through my audit in excess of £72,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds.

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view;
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and (ISAs) (UK).

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that my staff and I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in

my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Audit scope

The scope of my audit was determined by obtaining an understanding of the entity and its environment, including entity-wide controls, and assessing the risks of material misstatement at the entity level.

Other Information

Directors are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

I am specifically required to address the following items and to report uncorrected material misstatements in the other information, where I conclude that those items do not meet the following conditions:

- Fair, balanced and understandable: the statements given by the directors that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the necessary information to enable users to assess the entity's performance, business model and strategy, is materially inconsistent with my knowledge obtained in the audit; or

- Audit, Risk and Assurance Committee reporting: the section describing the work of the company Audit, Risk and Assurance Committee does not appropriately address matters communicated by me to the Audit, Risk and Assurance Committee.

I also have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act

Directors' remuneration

In my opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

I also report to you if, in my opinion, certain disclosures of directors' remuneration required have not been made. I have nothing to report arising from this duty.

The strategic and directors' reports

In my opinion, based on the work undertaken in the course of the audit, the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report.

The corporate governance statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the corporate governance report, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by Financial Conduct Authority (the FCA Rules), in respect of internal control and risk management systems in relation to financial reporting processes, and about share capital structures, is consistent with the accounts and has been prepared in accordance with applicable legal requirements.

-
- rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees have been complied with.

Based on my knowledge and understanding of the company and its environment obtained during the course of the audit, I have identified no material misstatements in this information.

Matters on which I report by exception

Adequacy of accounting records information and explanations received

I report to you if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit; or
- a corporate governance statement has not been prepared by the company.

I have nothing to report arising from this duty.



Susan Clark

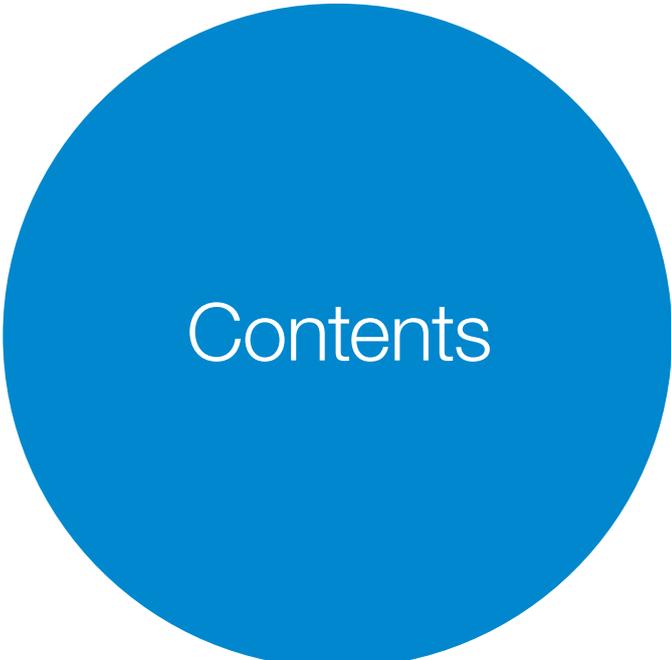
Senior Statutory Auditor

For and on behalf of the
Comptroller and Auditor General
(Statutory Auditor)

National Audit Office
157-197 Buckingham Palace Road
London, SW1W 9SP

6 June 2019

Financial statements and notes to the accounts



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Statement of comprehensive income for the year ended 31 March

	Note	2019 £'000	2018 £'000
Other income	6	182,841	226,281
Other operating costs	7	(182,841)	(226,281)
Profit for the year		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		-	-

All operations are continuing operations.
The notes on pages 51 to 59 form part of these accounts.

Statement of financial position as at 31 March

	Note	2019 £'000	2018 £'000
Non-current assets			
Intangible assets	8	1,268	1,779
Current assets			
Levy receivable from electricity suppliers	9	984	344
Prepayments		21	21
Cash and cash equivalents	10	19,102	126,977
Total current assets		20,107	127,342
Total assets		21,375	129,121
Current liabilities			
Levy and capacity payments payables	11	(3,764)	(73,349)
Trade and other payables	12	(16,304)	(53,951)
Borrowings		–	(3)
Finance lease obligations	13	(507)	(507)
Total current liabilities		(20,575)	(127,810)
Non-current liabilities			
Finance lease obligations	13	(800)	(1,307)
Borrowings		–	(4)
Total non-current liabilities		(800)	(1,311)
Total liabilities		(21,375)	(129,121)
Net assets		–	–
Shareholders' equity and other reserves			
Share capital	14	–	–
Retained earnings		–	–
Total equity		–	–

The notes on pages 51 to 59 form part of these accounts.

The financial statements were approved by the board of directors on 5 June 2019 and signed on its behalf by:



Neil McDermott
Chief Executive Officer



Catherine Gan
Chief Finance Officer

Statement of changes in equity for the year ended 31 March

	Share capital £'000	Retained earnings £'000	Total equity £'000
As at 31 March 2017	-	-	-
Share capital issued	-	-	-
Total comprehensive income for the year	-	-	-
As at 31 March 2018	-	-	-
Share capital issued	-	-	-
Total comprehensive income for the year	-	-	-
As at 31 March 2019	-	-	-

As at 31 March 2019 the company has one authorised Ordinary share issued and fully paid.
The notes on pages 51 to 59 form part of these accounts.

Statement of cash flows for the year ended 31 March

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit for the year		–	–
Adjustments to reconcile profit before tax to net cash flows:			
Amortisation of intangible assets	8	511	511
Working capital adjustments:			
Increase in levy receivable from electricity suppliers	9	(640)	(320)
Decrease in prepayments		–	780
(Decrease)/increase in levy and capacity payments payables	11	(69,585)	66,189
(Decrease)/increase in trade and other payables	12	(37,647)	26,032
Net cash (outflow)/inflow from operating activities		(107,361)	93,192
Cash flows from financing activities			
Decrease in borrowings		(7)	(3)
Repayment of finance lease obligations	13	(507)	(507)
Net cash outflow from financing activities		(514)	(510)
Net (decrease)/increase in cash and cash equivalents in the year		(107,875)	92,682
Cash and cash equivalents at the beginning of the year		126,977	34,295
Cash and cash equivalents at the end of the year	10	19,102	126,977

The notes on pages 51 to 59 form part of these accounts.

Notes to the financial statements for the year ended 31 March 2019

1. Authorisation of financial statements

The financial statements of Electricity Settlements Company Ltd (the “company”) for the year ended 31 March 2019 were approved and authorised for issue in accordance with a resolution of the directors on 5 June 2019.

The company is a company limited by shares, incorporated and domiciled in the UK. The company’s registered office is at Fleetbank House, 2-6 Salisbury Square, EC4Y 8JX. The company is unlisted and wholly owned by the Secretary of State for Business, Energy and Industrial Strategy (the “shareholder”) making it the company’s ultimate controlling party.

1.1 Principal activities

The company has been established to act as the Settlement Body for the Capacity Market. The company will also undertake such other activities that the board considers to be consistent with the company’s functions, duties, obligations and constitution.

2. Accounting policies

2.1 Basis of preparation

These financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£’000).

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS.

These accounts have been prepared under the historical cost convention as modified for the treatment of financial instruments.

The Capacity Regulations as identified below are defined hereafter as the “Regulations”:

- i. The Electricity Capacity Regulations 2014 as amended;
- ii. The Electricity Capacity (Supplier Payment etc.) Regulations 2014 as amended.

2.2 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future. The financial statements are, therefore, prepared on a going concern basis.

In forming this view, the directors note that the company:

- i. applies prudent financial management in order to ensure that its commitments are accommodated within the timing of its collection of its settlement costs levy;
- ii. undertakes a robust and detailed annual business planning and budgeting process to establish its operational costs requirements for each financial year;
- iii. has considered the potential impact of credit risk and liquidity risk detailed in note 3; and
- iv. is exposed to minimal cash flow risk through Capacity Market transactions as a result of the statutory ‘pay when paid’ mechanism explained in note 2.4.

The day to day operational costs of the company are funded by electricity suppliers under the Capacity Market “settlement costs levy” which is set by the Regulations.

The settlement costs levy is reset by new amending Regulations and has currently been set for the next two years (to March 2021).

The directors note the risk that the total settlement costs levy set for a year will be insufficient or that a timing mismatch might arise between the time when monies are raised by the levy and the time when monies are required to meet a spend commitment made by the company.

During the course of a year, the company may, where it identifies that there is likely to be a shortfall in the collection of the settlement costs levy against its requirements, request BEIS to support an in-year adjustment to the applicable levy rate. Such an adjustment would be subject to public consultation and the making of new regulations in accordance with the same process that has applied to the setting of the

annual settlement costs levy. The company can also request a working capital loan from BEIS if there is a shortfall in its operating cash flow.

The requirement to pay capacity payments to capacity providers is set out in the Regulations. The payments to be made to capacity providers are funded by suppliers under the Regulations. It should be noted that the Regulations state that the company's obligation is to pay when paid (i.e. the company has no obligation to pay the capacity providers until it receives adequate funds from suppliers to perform its obligation).

Due to the suspension of the Capacity Market, the company has stopped making payments to the capacity providers.

As part of the strategic planning process, the directors have analysed the regulatory and legal environment in which the company operates (including the regulatory and legal environment relating to the annulment of the State aid approval (SA.35980) and do not foresee any changes that will significantly affect the finances of the company within the period of the three-year plan. The company continues to collect Settlement Costs Levy from electricity suppliers.

During the Capacity Market Standstill from 15 November 2018 onwards, the company supported BEIS in developing arrangements to continue to maintain investor confidence in the Capacity Market while the European Commission proceeds with its investigation into the Capacity Market scheme. This included reviewing the draft of the new Capacity Market regulations that came into force on 10 April²², advising BEIS on the implementation of Standstill measures, and preparing to establish and operate a voluntary facility (or Voluntary Supplier Arrangement) in which suppliers can lodge funds with ESC in order to prepare for potential end-of-Standstill Period liabilities in respect of deferred capacity payments.

The European Commission has appealed the ECJ's decision and, at the same time, is also undertaking a formal investigation into the UK's notification of the scheme in order to inform its "re-decision" on whether to grant State aid clearance. The formal investigation is currently expected to conclude in Autumn 2019. The government is confident in the compatibility of the Capacity Market scheme with the internal market and, therefore, that a favourable State aid decision should be received. Based on their analysis, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the relevant period.

2.3 Settlement costs levy income

Under the Regulations, the company is entitled to recover its operational costs through the settlement costs levy on suppliers referred to above. The total amount of the levy has been set for the next two years. Any surplus at the year-end is reimbursed to suppliers by issuing credit notes against the following year's levy and is classified as part of levy and capacity payments payables within current liabilities.

Settlement costs levy income is recognised as 'other income' in the financial year to which it relates and is presented net of any settlement costs levy repayable to suppliers.

The settlement costs levy is collected through monthly invoices. The settlement services provider, EMRS, administers the collection process.

The company has assessed and judged that IFRS 15 does not apply to income from electricity suppliers. ESC will continue to apply its accounting policy which follows the IFRS Conceptual Framework for Financial Reporting.

2.4 Capacity Market supplier charge income

Capacity Market supplier charge income relates to the charges which electricity suppliers are required to pay under the Regulations to meet the cost of funding capacity payments. Under the Regulations, the company is entitled to collect the Capacity Market supplier charge before making capacity payments. The total amount of the Capacity Market supplier charge is set before the start of the delivery year based on suppliers' forecasts. The Capacity Market supplier charge is re-determined in monthly and yearly reconciliations. Re-determination of the Capacity Market supplier charge takes the following into account:

- i. Transition from forecast to actual meter data; and
- ii. Adjustments to capacity payments payable.

Any surplus Capacity Market supplier charge at the year-end is classified as part of levy and capacity payments payables within current liabilities.

2.5 Capacity payments

Capacity payments are payments to the capacity providers under the Regulations for their commitment to meet a capacity obligation during a delivery year. Total capacity payments are based on the capacity cleared price achieved in the auction in respect of which the capacity agreement was awarded. Capacity payments are split into 12 monthly payments which are weighted to reflect the seasonal variation of electricity demand in Great Britain during a year.

²² The Electricity Capacity (No.1) Regulations 2019 SI 2019/862 <http://www.legislation.gov.uk/ukSI/2019/862/made>

Following a transmission system stress event, capacity providers may be eligible for additional payments or subject to financial penalties, depending on whether they exceed their capacity obligations (over-deliver) or fail to meet them (under-deliver).

2.6 Recharges

The company is recharged a proportion of costs which it shares with Low Carbon Contracts Company Ltd (LCCC). LCCC is a sister arm's length body owned by the Secretary of State for Business, Energy and Industrial Strategy and is responsible for acting as the counterparty to Contracts for Difference (CFDs). In order to maximise operational cost efficiency, LCCC provides certain services to the company and makes certain payments on its behalf. Typically this includes common costs such as staff costs, shared IT infrastructure and the use of shared resources and facilities. The recharge also includes costs incurred on those activities that allow the company to perform its functions in relation to the Capacity Market.

This recharge is based on an estimate of the time LCCC's employees will spend on the company's activities during the relevant financial year, together with an appropriate allocation of overhead costs (including rent, service charge, IT infrastructure and telephony support) and a 'use of asset' charge. It also includes a proportion of the salaries of the board members who divide their time between the two companies. LCCC undertakes these activities on behalf of the company and the company's board retains responsibility and accountability for the quality and cost of services provided by LCCC.

The company and LCCC are part of the same VAT group, therefore no VAT is charged on costs recharged by LCCC. The company's income is outside the scope of VAT so it will be unable to recover its input VAT on any of its expenditure.

2.7 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all the attached conditions.

The interest free capital loan received by the company from BEIS for capital expenditure is recognised under borrowings and is repayable over the useful life of the assets funded through this loan. The benefit of a below-market rate of interest on the capital loan for capital expenditure, if material, is recognised in the statement of comprehensive income over the period of the loan.

2.8 Financial assets

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Management determines the categorisation of financial assets at initial recognition and re-evaluates this designation at each reporting date.

2.8.1 Classification

Financial assets, at initial recognition, are classified at fair value through profit or loss and subsequently measured at amortised cost.

2.8.2 Recognition and measurement

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The only financial asset held by the company at the reporting date is cash and cash equivalents.

For the purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash held at bank and is subject to an insignificant risk of change in value.

2.9 Financial liabilities

2.9.1 Recognition and measurement

Financial liabilities are classified, at initial recognition, as other liabilities (i.e. finance lease, borrowings and payables as appropriate).

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

2.9.1.2 Other financial liabilities

After initial recognition, other liabilities are subsequently measured at amortised cost using the EIR method (if material). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

2.9.2 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified,

such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2.10 Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses (if any). Intangible assets have finite lives and are amortised over their useful economic life, or assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets are amortised over the following periods:

	Years
Settlement System	5
Other IT Software	5

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

2.11 Impairment of non-financial assets

Intangible assets are only subject to amortisation to the extent that they are available for use. Intangible assets, which are not available for use, are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. At each reporting date, the company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Impairment losses are charged to the statement of comprehensive income and prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

2.12 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains a lease, if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.12.1 Finance leases Company as a lessee

The lease of the settlement system where the company has substantially all the risks and rewards of ownership is classified as a finance lease. Finance leases are capitalised at commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The present value of the minimum lease payments of the settlement system approximates to its fair value.

The settlement system acquired under a finance lease is amortised over the shorter of the useful life of the asset and the lease term.

2.13 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle that obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The accounting policy allows for an increase in the provision due to the passage of time (time value of money) which would be recognised as an interest expense.

2.14 Segmental reporting

The company operates solely within the UK and within one business segment; hence no segmental reporting is required. This is consistent with the internal reporting provided to the directors of the company, who are considered the company's chief operating decision makers.

2.15 Borrowings

Borrowings represent a grant in aid capital loan from BEIS. Borrowings are recognised initially at fair value, net of transaction costs incurred (if any). Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transactions costs, if any) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the EIR method.

2.16 Bid bond collateral

In order to enter Capacity Market auctions, applicants must lodge bid bond collateral with the company where, on Prequalification Results Day, those applicants receive a notice from National Grid, as transmission System Operator, that states Prequalification of their Capacity Market Unit(s) is conditional on providing bid bond collateral.

Bid bond collateral will be held by the company until one of the following triggers set out in the Regulations occurs:

- the relevant Capacity Market auction is delayed;
- the potential capacity provider notifies that it no longer intends to bid in the relevant Capacity Market auction;
- the Capacity Market auction takes place and the potential capacity provider does not win a capacity agreement; or
- the capacity provider demonstrates capacity in the manner required by the Regulations.

Bid bond collateral may not be returned to the capacity providers if the capacity agreement is terminated.

When a capacity agreement is terminated, either a termination fee becomes payable or bid bond collateral is drawn down. These amounts are passed onto the Government's Consolidated Fund via BEIS and are not included in the statement of comprehensive income.

3. Financial risk management

3.1 Financial risk management and financial risk factors

Due to the nature of its operational and financial arrangements the company is not exposed to any significant financial risk. The financial risk is minimal by virtue of the company's levy funding arrangements with licensed suppliers, which are set out below.

3.2 Credit and liquidity risk

Under the legislation there is an obligation placed on licensed suppliers to fund in advance, via payment through a levy, the capacity payment obligations as they crystallise. The company has no obligation to pay the capacity providers until it receives adequate funds from suppliers to perform its obligations.

As the Capacity Market settlement timetable is structured such that monies to be received by the company are invoiced and collected prior to the issue of credit notes and payments out from the company, the liquidity risk is minimal.

4. Critical accounting judgements, estimates and assumptions

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The results form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company. Such changes are reflected in the assumptions when they occur.

4.1.1 Estimating useful lives and residual values of intangible assets

At each reporting date, the useful lives and residual values of intangible assets are reviewed. Assessing the appropriateness of useful life and residual value estimates requires the company to consider a number of factors such as the technological advancement, expected period of use of the asset by the company, and expected disposal proceeds (if any) from the future sale of the asset. An incorrect estimate of the useful life or residual value will affect the amortisation expense recognised in the statement of comprehensive income and the asset's carrying amount.

4.2 Significant judgement

Management has made the following judgement in applying the company's accounting policy:

4.2.1 Capacity agreements

Capacity agreements are arrangements between National Grid (as System Operator) and capacity providers. They require the capacity provider to be ready to provide a certain amount of capacity in their applicable delivery years when called upon to do so by National Grid.

The company is not party to capacity agreements but is only responsible for acting as an administrator for the settlement process. A Capacity Market obligation for the company only arises when settlement levy payments are received from electricity suppliers (i.e. only pay when paid) and the capacity provider delivers the required capacity in line with the capacity arrangements. As a result no provision is raised in the statement of financial position and capacity agreements are not classified as financial instruments because the company's role is driven by statute rather than contract.

4.2.2 Suspension of Capacity Market

On 15 November 2018, the ECJ annulled the EC decision of July 2014 to grant State aid clearance to the Capacity Market. The ruling has resulted in a 'Standstill Period' for the Capacity Market in which no State aid can be paid out pending the EC's redetermination and, accordingly, the company has not made any Capacity Market payments since the ruling, which means no payments have been made in respect of the 2018/19 Scheme Delivery Year (which runs from October 2018 to September 2019). Supplier charge collected for October 2018 and November 2018 is not recognised as income and has been refunded to the active suppliers. Additionally, no supplier charge has been collected after November 2018. The ECJ's decision does not impact the historic

payments made to the capacity providers and therefore income and expense relating to previous Delivery Years is recognised as normal.

5. New standards, amendments and interpretations not yet adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these standards, if applicable, when they become effective. The company has not sought early adoption of any standards or amendments. The company has reviewed the impact of these standards. None of these standards, except IFRS 16: Leases, are expected to have a significant effect on the financial statements of the company. Once IFRS 16 is adopted, the operating lease for the office rental will be capitalised.

IFRS 16: Leases

IFRS 16 was issued in January 2016 and establishes principles for the recognition, measurement, presentation and disclosure of leases.

The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. The standard is effective for accounting periods beginning on or after 1 January 2019.

Any impact on ESC would relate to the premises lease of the office, which is subject to the recharge arrangement which is referred to in note 2.6.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

6. Other income

	2019 £'000	2018 £'000
Settlement costs levy income	7,629	6,244
Less: amount repayable to suppliers	(387)	(706)
Net settlement costs levy income	7,242	5,538
Capacity Market supplier charge income	175,599	220,743
Other income	182,841	226,281

No Capacity Market supplier charge income is recognised for the 2018/19 Scheme Delivery Year due to the suspension of the Capacity Market.

7. Other operating costs

	2019 £'000	2018 £'000
Capacity payments	175,599	220,743
Operational settlement costs	3,314	2,925
Costs recharged by LCCC	2,667	1,628
Amortisation	511	511
Legal, professional and consultancy	640	370
Auditor's remuneration	35	35
Miscellaneous costs	75	69
Other operating costs	182,841	226,281

The capacity payments for each Scheme Delivery Year are summarised in the table below:

Capacity Market Payments	FY 2018/19	FY 2017/18
Transitional Arrangements 2016/2017 (October 2016 to September 2017)	–	£7.4m
Transitional Arrangements 2017/2018 (October 2017 to September 2018)	£5.6m	£7.2m
Early Capacity Auction 2017/2018 (October 2017 to September 2018)	£170.0m	£206.1m
Total	£175.6m	£220.7m

No capacity payment expenses have been recognised for the 2018/19 Scheme Delivery Year due to the suspension of the Capacity Market.

8. Intangible assets

	Settlement System £'000	Other IT Software £'000	Total £'000
Cost			
As at 31 March 2017	2,538	15	2,553
Additions during the year	–	–	–
As at 31 March 2018	2,538	15	2,553
Additions during the year	–	–	–
As at 31 March 2019	2,538	15	2,553
Amortisation			
As at 31 March 2017	258	5	263
Charge for the year	508	3	511
As at 31 March 2018	766	8	774
Charge for the year	508	3	511
As at 31 March 2019	1,274	11	1,285
Net book value as at 31 March 2018	1,772	7	1,779
Net book value as at 31 March 2019	1,264	4	1,268

The company leases the settlement system from BEIS under a finance lease where all the risks and rewards of ownership rest with the company. The settlement system went live in September 2016. The lease term is 5 years which is the period over which the asset will be depreciated.

As the settlement system asset is matched with the associated finance lease obligations, so asset additions during the year are matched with an equivalent increase in the lease obligation and are therefore treated as non-cash transactions in the preparation of the statement of cash flows.

9. Levy receivable from electricity suppliers

	2019 £'000	2018 £'000
Settlement costs levy	984	337
Capacity Market supplier charge	–	7
Total levy receivable	984	344

10. Cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank	3,137	73,169
Suppliers' credit cover	5,750	6,538
Bid bond collateral	10,215	47,270
Total cash and cash equivalents	19,102	126,977

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank, suppliers' credit cover and bid bond collateral as stated above. Suppliers' credit cover and bid bond collateral are restricted cash balances and relate to credit cover provided by the capacity providers and electricity suppliers. No interest is earned on suppliers' credit cover and interest earned on bid bond collateral is returned to the capacity providers. Suppliers' credit cover and bid bond collateral held as at 31 March 2019 is yet to be requested, by the respective parties, for refund.

11. Levy and capacity payments payables

	2019 £'000	2018 £'000
Capacity payments	–	70,031
Settlement costs levy	1,357	1,044
Capacity Market supplier charge	2,407	2,274
Total levy and capacity payments	3,764	73,349

Capacity payments payables are the amounts due to the capacity providers under the Regulations for their commitment to meet a capacity obligation during a delivery year. Total capacity payments are based on the capacity cleared price achieved in the auction that the capacity agreement was awarded.

The settlement costs levy payable relates to the difference between the operational costs which have been collected from electricity suppliers during 2018/19, based on estimated spend for the year, and the operational costs actually incurred during the year. The difference is refunded to suppliers in the following financial year.

The Capacity Market supplier charge payable relates to the difference between Capacity Market supplier charges which have been collected from electricity suppliers during the 2018/19 financial year, based on estimated payments to the capacity providers, and the actual payments made during the year. The difference is refunded to suppliers in the following financial year.

12. Trade and other payables

	2019 £'000	2018 £'000
Bid bond collateral	10,215	47,267
Suppliers' credit cover	5,750	6,538
Accruals and other payables	39	146
Trade payables	300	–
Total trade and other payables	16,304	53,951

Bid bond collateral relates to credit cover provided by the capacity providers. Capacity providers are yet to request these refunds.

13. Finance lease obligations

	£'000
As at 31 March 2017	2,321
Repayment of finance lease obligations	(507)
As at 31 March 2018	1,814
Repayment of finance lease obligations	(507)
As at 31 March 2019	1,307

	2019 £'000	2018 £'000
Less than 1 year	507	507
Between 1 and 5 years	800	1,307
As at 31 March	1,307	1,814

The finance lease obligation is held in respect of the settlement system asset which has been funded by BEIS through EMRS, a wholly owned subsidiary of ELEXON Limited.

14. Share capital

	Number
Authorised shares	
Ordinary share capital £1 each	1
	£
Ordinary share capital issued and fully paid:	
As at 31 March 2017 and 31 March 2018	1
Share capital issued during the year	–
As at 31 March 2019	1

15. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	Services from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Entities with significant influence:			
2018			
LCCC	1,628	–	–
BEIS	–	–	1,890
2019			
LCCC	2,667	–	–
BEIS	–	–	1,307

Services from LCCC comprise shared costs of premises, staff and directors' payroll costs, IT infrastructure and use of assets which are incurred in the first instance by LCCC but are then recharged to the company based on the estimated usage of those services. Amounts owed to BEIS relate to obligations under the finance lease relating to the settlement system asset.

16. Financial assets and liabilities

Financial assets

	Note	2019 £'000	2018 £'000
Cash and cash equivalents	10	19,102	126,977
Total financial assets		19,102	126,977

Financial liabilities

	Note	2019 £'000	2018 £'000
Trade and other payables	12	16,304	53,951
Borrowings		–	7
Finance lease obligations	13	1,307	1,814
Total financial liabilities		17,611	55,772
Total current		16,811	54,461
Total non-current		800	1,311
Total financial liabilities		17,611	55,772

17. Events after the reporting period

The UK government has made changes to the Electricity Capacity Regulations 2014 to provide for the company's new activities. These amendments were detailed within the new Capacity Market regulations²³ that came into force on 10 April 2019.

Specifically, BEIS has ensured that the Standstill Regulations incorporate provisions relating to the company operating a voluntary payment facility into which suppliers can make voluntary payments in respect of expected capacity amounts currently deferred as a result of the ECJ ruling.

The amendments in the above-mentioned regulations do not have any impact upon the company's financial results.

²³ The Electricity Capacity (No.1) Regulations 2019 SI 2019/862, available at: <http://www.legislation.gov.uk/uksi/2019/862/made>

Glossary

BSC	Balancing and Settlement Code (BSC) is a legal document which defines the rules and governance for the balancing mechanism and imbalance settlement processes in respect of the wholesale electricity market in Great Britain. Find it at: https://www.elexon.co.uk/bsc-and-codes/
BEIS	Department for Business, Energy and Industrial Strategy.
Capacity Agreement	A capacity agreement is a regulatory and rule based arrangement between National Grid, as System Operator, and a successful applicant in a Capacity Market auction. The capacity agreement provides a regular retainer payment to the successful applicant or “capacity provider”.
Capacity Auction	At a Capacity Auction, applicants who offer the lowest bid can win a capacity agreement. A Capacity Auction relates to delivery of capacity approximately four years ahead (T-4). For instance, the capacity agreements resulting from the 2014 T-4 Capacity Auction will require capacity to be delivered in the Delivery Year commencing 2018/19.
Capacity Market	The Capacity Market has been designed by BEIS (formerly DECC) to offer capacity providers who have been awarded capacity agreements via an auction with a revenue stream, with the aim of ensuring they are available to contribute to security of supply at least cost to consumers. Capacity providers can be new or existing generators, electricity storage providers and significant users of electricity who provide voluntary demand reductions.
Capacity Market Regulations	Capacity Market Regulations means the Electricity Capacity Regulations 2014 (as amended) and the Electricity Capacity (Supplier Payment etc.) Regulations 2014 (as amended).
Capacity Market Settlement Body	Means the entity appointed under the Capacity Market Regulations 2014 to obtain supplier charges and make capacity payments and to have overall accountability and control of the Capacity Market settlement process.
Capacity Market Stress Event	A System Stress Event that has occurred at least four hours after a Capacity Market Notice has been issued and post-event analysis by NG ESO has confirmed that a System Stress Event has occurred.
Capacity Provider	A capacity provider is the holder of a capacity agreement with National Grid (as System Operator). Capacity providers can be new or existing generators, electricity storage providers and significant users of electricity who provide voluntary demand side reductions (Demand Side Response). Capacity providers provide capacity under either a capacity agreement resulting from a Capacity Market auction or from a Transitional Arrangement Auction.
Delivery Partners	Organisations involved in delivering the Capacity Market, namely ESC, and (EMR) Delivery Body, Electricity System Operator, National Grid, and Ofgem.
Delivery Year	This is a defined term within the Capacity Market rules referring to the obligation period of a capacity agreement being 1 October to 31 March of the following year.

Demand Side Response	Demand Side Response helps to manage the demand for electricity. It involves changing the usage patterns of electricity users (the “demand side”) in response to incentives. It is used to match supply with demand when unpredictable fluctuations occur and provides a mechanism through which demand can be reduced in peak times when system capacity is tight, thereby minimising the amount of additional generation capacity being brought onto the grid. Demand Side Response is seen as having the potential to help to lower consumer bills, electricity system costs and carbon emissions produced by traditional peaking plant, such as oil, coal and gas-fired generation.
Early Capacity Auction	Means the supplementary Capacity Auction (to which the State aid approval SA. 44475 applies), held for the delivery of capacity in the October 2017 to September 2018 Delivery Year.
ECJ	Means the General Court of the Court of Justice of the European Union. The General Court annulled the Main Scheme Approval on 15 November 2018 (Case T-793 14).
EMRS	EMR Settlement Ltd (EMRS) is a wholly owned subsidiary company of ELEXON Ltd.* It is the settlement services provider under a contract with LCCC to manage the operation of the settlement system. (*ELEXON website: www.elexon.co.uk/)
ESC	Electricity Settlements Company Ltd.
LCCC	Low Carbon Contracts Company Ltd.
Meter assurance	Under the Capacity Market, capacity providers with complex or non-BSC metering arrangements need to undergo metering checks in accordance with ESC meter standards guidance. Find it at https://www.electricitysettlementscompany.uk
Mock Stress Event	As part of their roles in relation to the Capacity Market the Delivery Partners hold mock Capacity Market Stress Events. These are designed to check that the Delivery Partners’ and Capacity Providers’ systems are working correctly and to ensure that Capacity Providers are aware of their obligations during a Capacity Market Stress Event.
Ofgem	Office of Gas and Electricity Markets, a non-ministerial government department and an independent national regulator.
Satisfactory Performance Days	During each Delivery Year, all Capacity Providers must demonstrate that they have met the capacity obligation which they acquired at auction on three separate dates (referred to as “Satisfactory Performance Days”). This capacity must be demonstrated for at least one Settlement Period on each of those dates.
Scheme Approval	State aid approval (SA.35980) granted by the European Commission in July 2014 for the main Capacity Market scheme.
Secondary Trading	Sometimes also referred to as “Obligation Trading”, this allows capacity providers to trade all or part of their Capacity Market capacity obligation for a Delivery Year with other eligible Capacity Market participants who meet the ‘acceptable transferee’ requirements. It enables capacity providers to cover periods of unavailability of capacity due to planned and unplanned outages of generators and Demand Side Response participants, enabling the transfer of the risk of under delivery, which would otherwise ordinarily attract capacity penalty payments.
Settlement system	The settlement system used to settle all monies collected from suppliers to make payments to Capacity Market providers, and to settle all monies collected from Capacity Market providers which are payable to suppliers (or, in the case of the termination payments, to BEIS).
Secretary of State	Means the Secretary of State for Business, Energy and Industrial Strategy, our shareholder.

Standstill	Means the situation affecting the Capacity Market as a result of the annulment of the Main Scheme Approval on 15 November 2018. The full operation of the Capacity Market therefore cannot take place during the Standstill Period, and the Capacity Market is termed in “standstill” for this period.
Standstill Period	Standstill Period means the period beginning on 15 November 2018 and ending on the date on which the deferred capacity payment trigger event or the agreement termination trigger event occurs (as further described in the Supplier Payment Regulations).
State aid	State aid is any advantage granted by public authorities through state resources on a selective basis to any organisations that could potentially distort competition in the European Union.
Supplier Payment Regulations	Supplier Payment Regulations means the Electricity Capacity (Supplier Payment etc.) Regulations 2014 (as amended), including as amended by the By Electricity Capacity (No. 1) Regulations 2019). http://www.legislation.gov.uk/ukxi/2014/3354/contents/made
System Operator	Organisation licenced by Ofgem to operate the GB electricity system, a role currently held by National Grid Plc. The electricity System Operator’s current responsibilities include balancing the electricity system, running electricity capacity auctions, coordinating and administering aspects of industry rules and codes and supporting efficient transmission network development.
Voluntary Supplier Arrangement	Voluntary Supplier Arrangement means the arrangement provided by ESC under which it will accept and hold payments made, on a voluntary basis, by suppliers during the Standstill Period. All such payments are made by suppliers and received and held by ESC on the basis of the terms and conditions published by ESC and in accordance with the new Capacity Market regulations.



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Chief Executive Officer



Catherine Gan
Chief Finance Officer



Ruth Herbert
Director of Strategy &
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