

Design Working Group  
Elexon  
350 Euston Road  
London  
NW1 3AW

15 March 2019

Dear Sir/Madam,

**The Target Operating Model for Market-wide Half Hourly Settlement Design Working Group's Recommendation to Ofgem Consultation Response – Non-confidential Response**

The Low Carbon Contracts Company (LCCC) and The Electricity Settlements Company (ESC) are private companies wholly owned by the Secretary of State for Business, Energy and Industrial Strategy (BEIS). They perform central functions in the operation of the Contracts for Difference and Capacity Market schemes. The LCCC carries out the functions of its sister company ESC, via a cost-sharing arrangement.

LCCC welcomes the consultation on Market-wide Half Hourly Settlement Targeted Operating Model (MHHS TOM) and wishes to thank Ofgem for the opportunity to comment on its minded to position. **We are responding to raise awareness of the need for engagement with us, due to there being consequential implications on our processes/regulations and also possible operational improvements that could be made.**

LCCC/ESC believe that the benefits to be realised from the proposed MHHS TOM (relating to supplier liabilities and payments) can also be realised for the schemes we operate. However, further assessment and impacts on the Capacity Market (CM) and Contracts for Difference (CfD) schemes should be captured by the MHHS Design Working Group (DWG).

In particular, the effect of reducing the settlement timetable on the CM and CfD schemes, relating to:

- Scheme Regulations and Rules;
- Our settlement system and processes (delivered on our behalf by EMRS Ltd);
- LCCC forecasting of supplier levies and charges; and
- Associated schemes, such as the GEE (and GoO<sup>1</sup>) processes which provide inputs to our settlement calculations.

Scheme Regulations and Rules

The proposal to reduce the BSC settlement timetable could impact the regulations and rules of our schemes, specifically the Electricity Supplier CfD (ESO Regulation 2014). We will need to assess the impacts of any hard-coded timescales on delivery of CM and CfD activities. We believe there are several instances where changes to the Regulations and/or Rules could be required to align with the

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<sup>1</sup> Green Excluded Electricity (GEE) and EU Guarantees of Origin (GoO)

proposed BSC timetable. If this was the case, these would need to be amended through parliamentary procedure and therefore requires coordinating with BEIS.

#### EMRS Systems and Processes

In order to align, and to benefit from the proposed BSC timetable, we will need to perform an impact assessment of how this will change credit cover arrangements, payments and collection of monies for the CM and CfD schemes. This in turn will require the changes to be incorporated into our future change programme.

#### LCCC Supplier forecasting

Forecasting provided by LCCC, used by electricity suppliers, could be affected by the regulatory change. We may need to assess the potential benefits of using the faster settlement timetable to provide the most accurate information.

#### Associated Schemes

Interactions with associated schemes that feed into our settlements calculations will need to be reviewed to determine how the interactions might need to be adjusted. An example of this is the GEE which is validated using GoO for imported electricity. At present there is a 6 month window to provide these after the quarter in which they are applicable.

Yours sincerely,



Ruth Herbert  
Director of Strategy & Development  
Low Carbon Contracts Company  
Electricity Settlements Company