



LOW CARBON
CONTRACTS COMPANY

Q2 2020 Supplier Obligation Levy Rate and 15 Month Forecast

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Questions

Please direct any questions during the webinar to:

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Q2 2020 Supplier Obligation Levy Rate

Supplier Obligation for the period from 01 April 2020 to 30 June 2020, to cover payments to CFD generators accrued in the period:

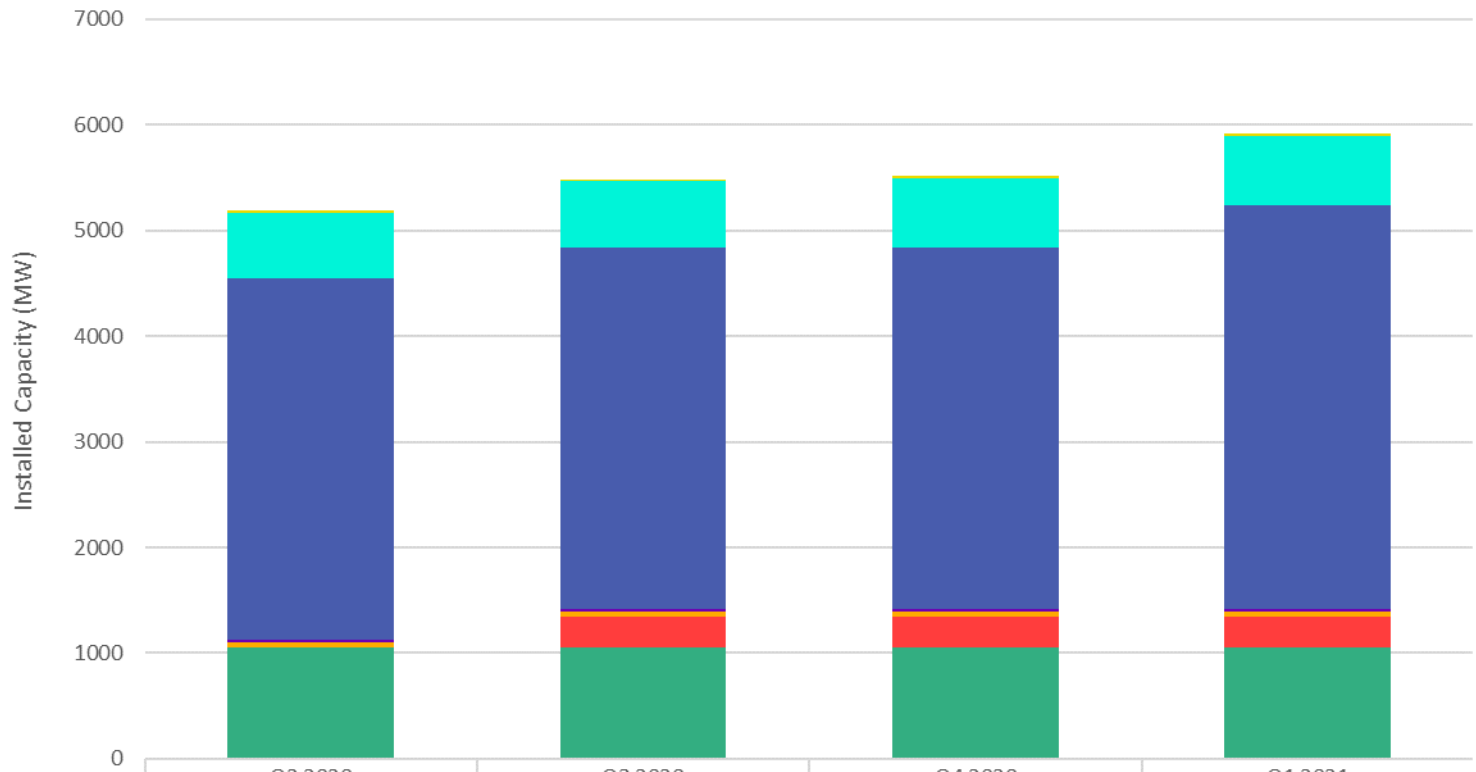
Interim Levy Rate (ILR)

- Set at **£7.469 / MWh** for the period
- Up from £5.848 / MWh in Q1 2020

Total Reserve Amount (TRA)

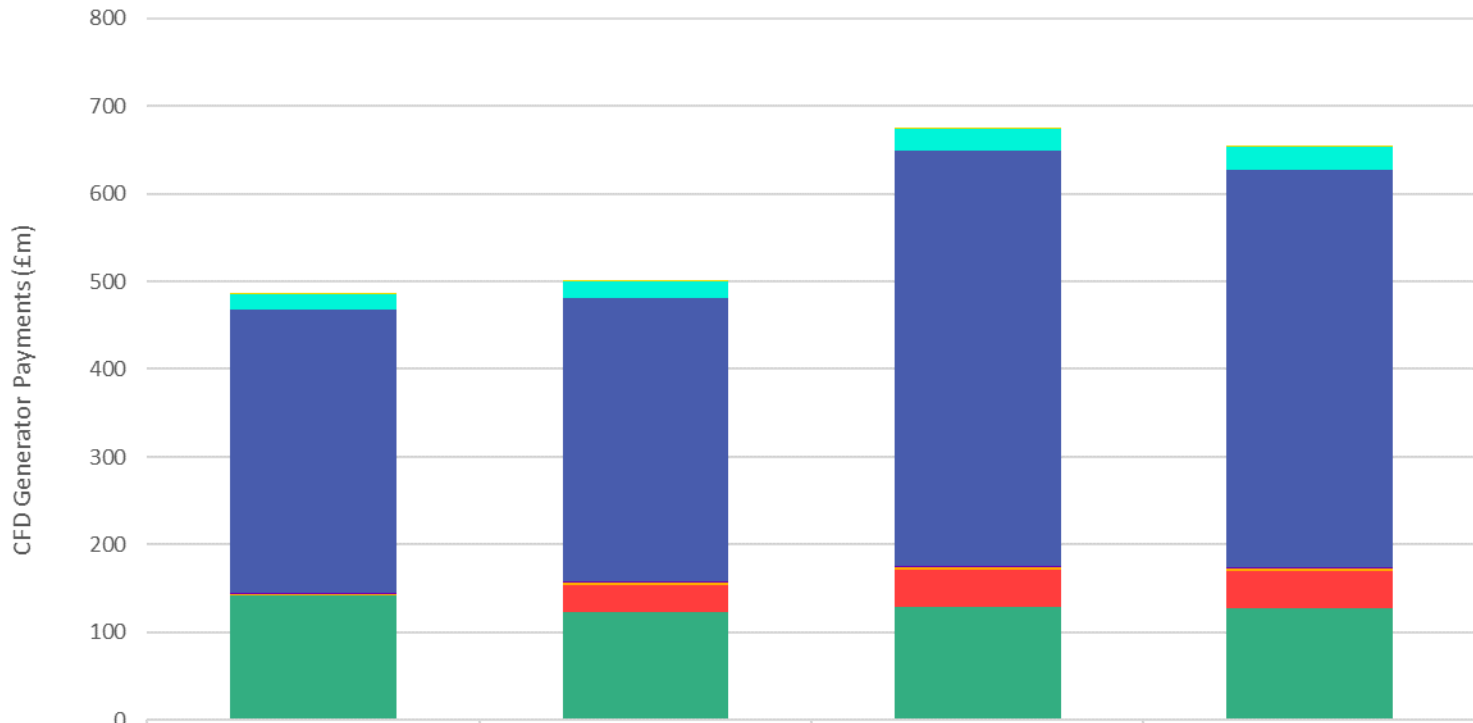
- Set at **£78,339,427.23** for the period
- Down from £122,772,982.04 in Q1 2020

CFD Generation Capacity by Fuel Type



	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Solar PV	23	23	23	23
Onshore Wind	621	621	651	651
Offshore Wind	3,422	3,422	3,422	3,822
Advanced Conversion Technologies	25	25	25	25
Energy from Waste with CHP	45	45	45	45
Dedicated Biomass with CHP	-	299	299	299
Biomass Conversion	1,052	1,052	1,052	1,052

CFD Generation Payments by Fuel Type



	Q2 2020	Q3 2020	Q4 2020	Q1 2021
■ Solar PV	0.47	0.40	0.09	0.12
■ Onshore Wind	17.51	18.21	25.72	26.07
■ Offshore Wind	322.16	322.97	472.85	452.76
■ Advanced Conversion Technologies	1.81	1.85	1.69	1.67
■ Energy from Waste with CHP	2.07	2.08	1.79	1.74
■ Dedicated Biomass with CHP	-	31.22	42.77	42.49
■ Biomass Conversion	141.98	123.27	129.20	128.06

Forecast Assumptions: Generation

Any significant change to our forecast assumptions and/or availability of actual settlement data may trigger an in-period adjustment to the ILR and TRA to meet payments.

Forecasts are affected by changes to start dates or planned outages, or due to unplanned outages occurring.

Unexpected levels of wind and solar radiation can also affect the generator payments.

For illustration, our primary forecasting assumptions include:

- **Solar:** 2 CFD units currently active
- **Biomass Conversion:** 2 CFD units currently active
- **Offshore Wind:** Generation is expected from 13 CFD sites during the period; one of these is expected to come online in Q1 2020 and another one in Q2 2020
- **Onshore Wind:** Generation is expected from 13 CFD sites during the period; one of these is expected to come online in Q2 2020
- **Advanced Conversion Technologies:** 1 CFD units currently active
- **Energy from Waste with CHP:** Generation expected from one CFD unit coming online in Q1 2020

Forecast Assumptions: Other

- **Baseload Market Reference Price (BMRP):** The forecast BMRP for Summer 2020 (Apr 20 – Sep 20) used for the determination of the Q2 2020 ILR and TRA carries a fair amount of uncertainty. This is because at the point of determination (4th December 2019) only 2-months of Summer 2020 baseload prices were known (from trading period used for calculation Oct 19 – Mar 20).
- **Intermittent Market Reference Price (IMRP):** IMRP, which is based on hourly day-ahead prices, carries a high degree of uncertainty and historically has had a greater impact on cost variations than the BMRP.
- **Electricity demand:** The calculation of eligible demand assumes that 85% of demand from Energy Intensive Industries (EII) will be exempt from CFD costs. An EII forecast of 11.0 TWh/year has been used for the Q2 2020 determination, which is estimated from recent actual EII volumes.

Further Assumptions Low and High Case Sensitivities

Base case:

- Commissioning dates broadly in line with expected dates published in CFD register

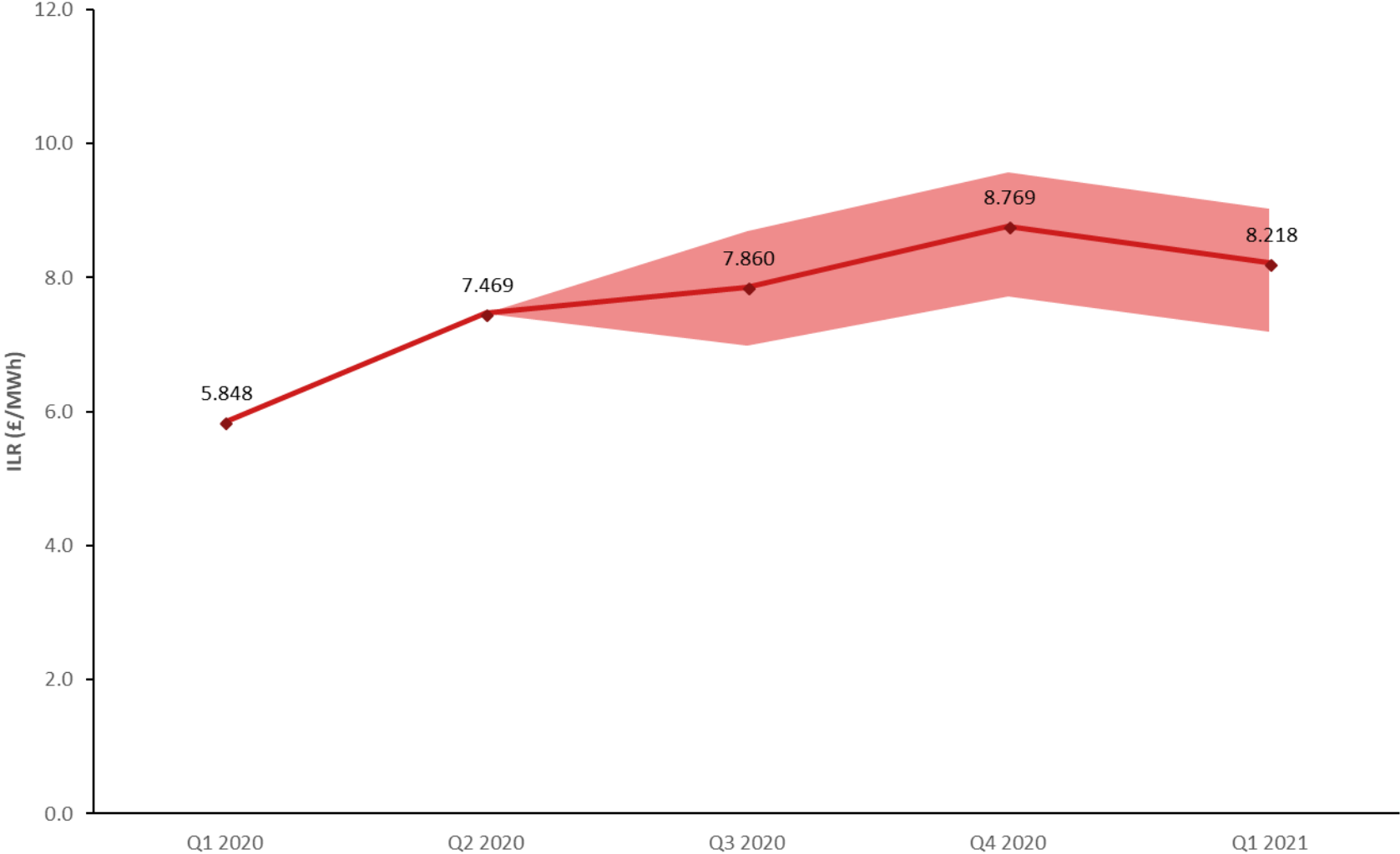
Low case:

- Assumes generators commission 6 months after the Base case start date assumption
- Simulates an increase in market prices of 23%

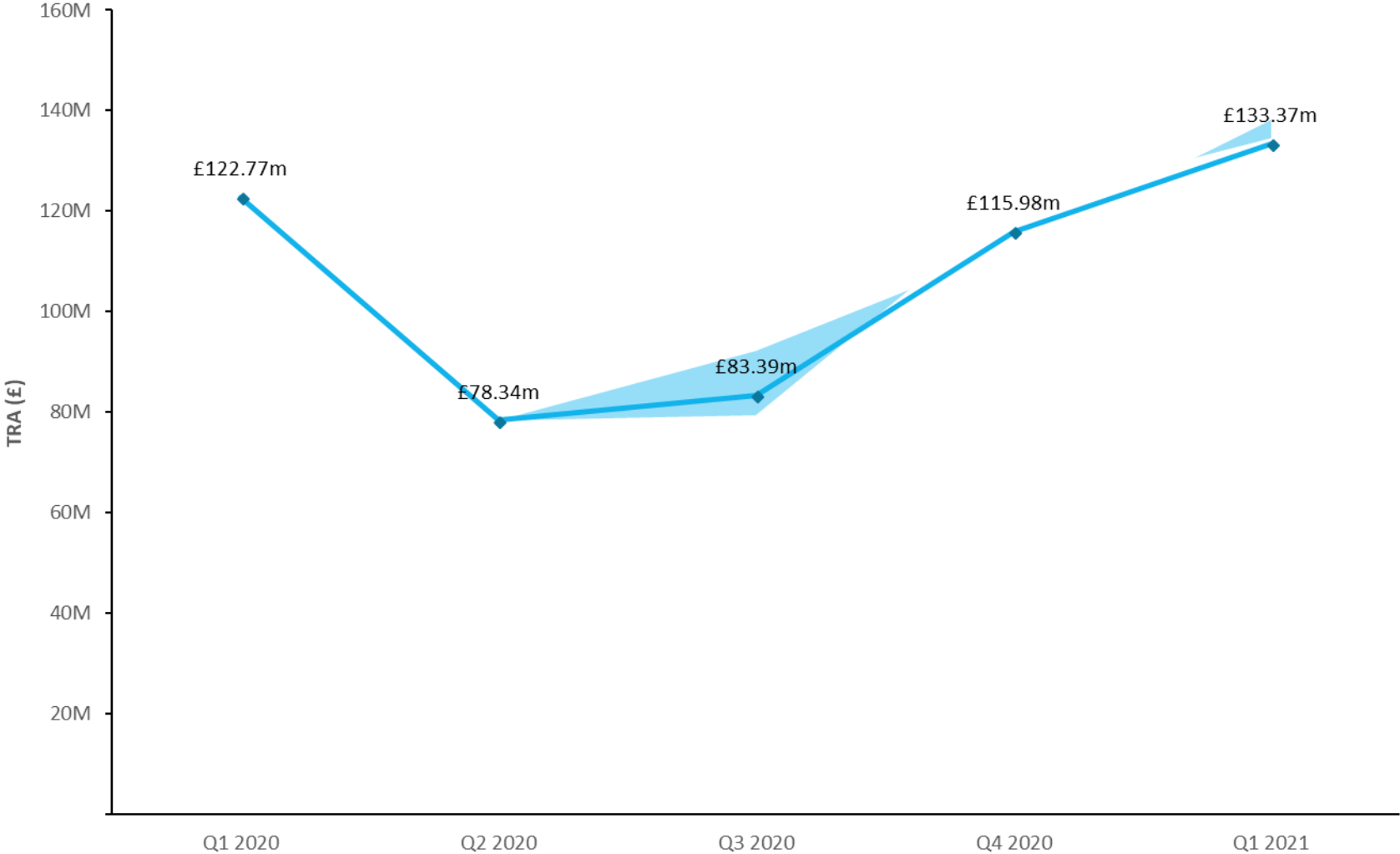
High case:

- Assumes generators commission 2 months prior to the Base case start date assumption
- Simulates a decrease in market prices of 18%

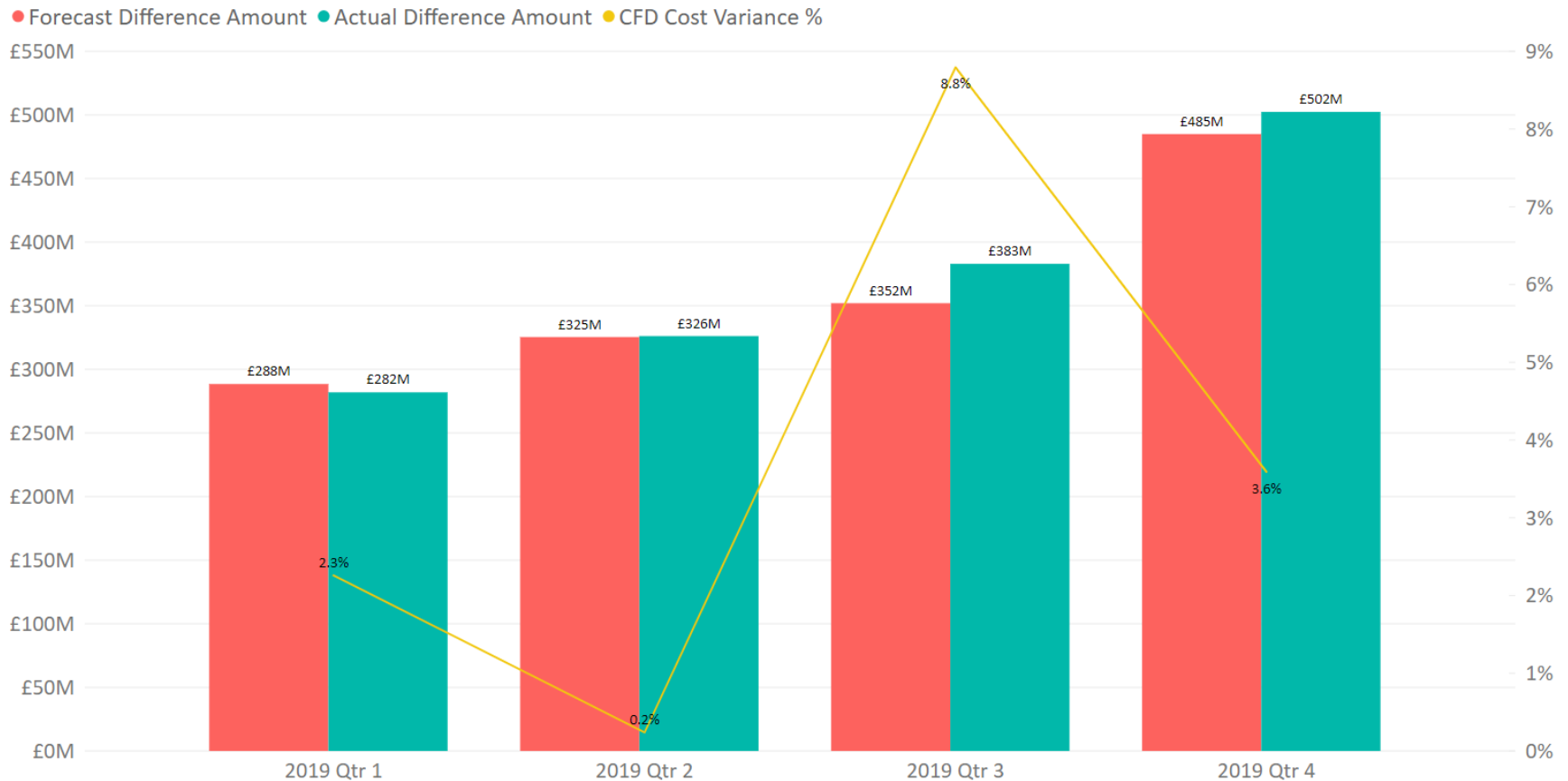
15 Month Forecast ILR with Low and High Case



15 Month Forecast TRA with Low and High Case



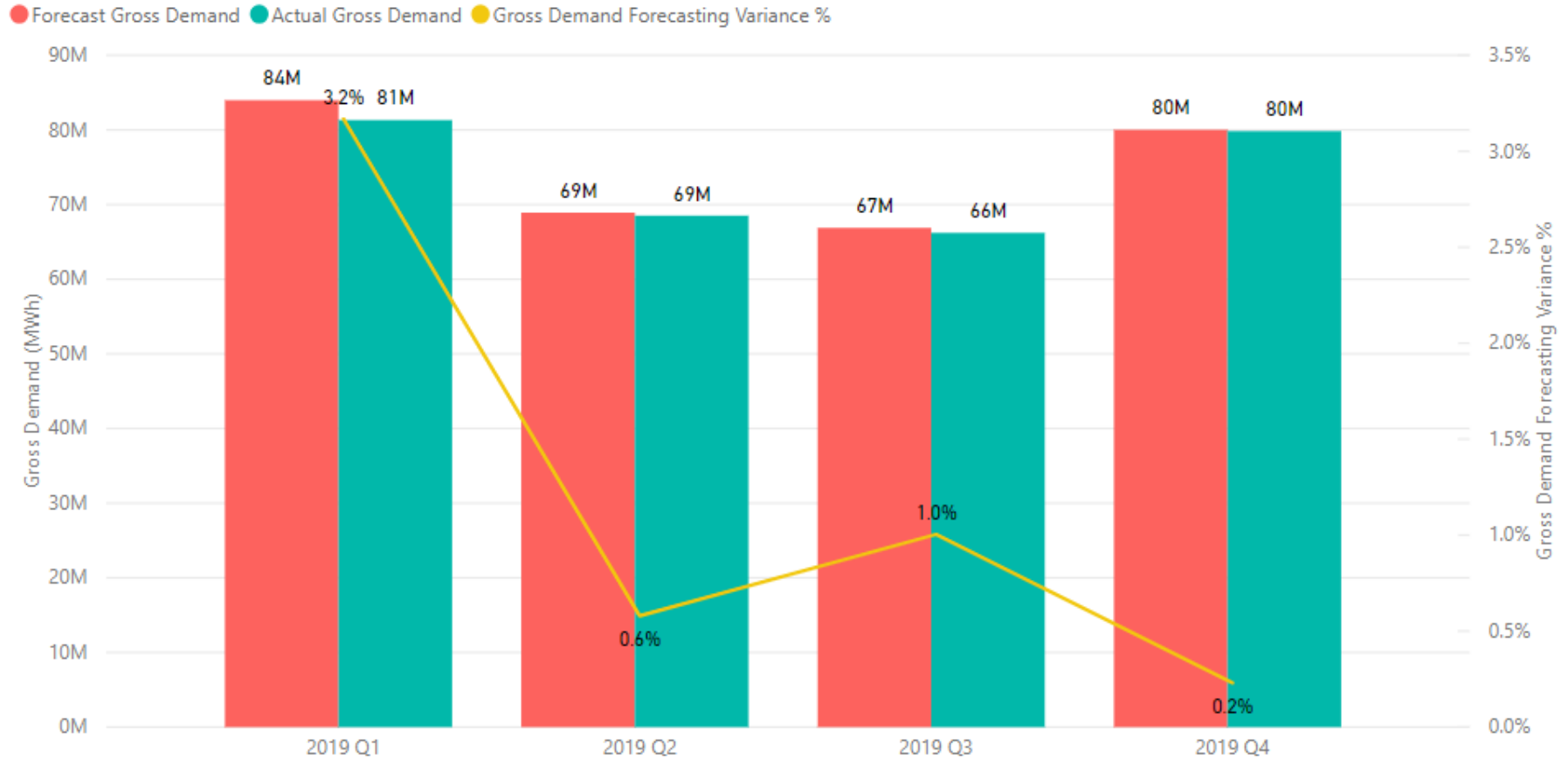
Quarterly CFD Cost Variance (Forecast vs Actual)



Under-forecast of CFD costs in Q4 19 related to:

- Falling market prices

Quarterly Gross Demand Variance (Forecast vs Actual)



Gross demand forecast accuracy typically very good - usually more accurate than cost variance.

Transparency Tool and Dashboards

- The existing transparency tool is being decommissioned 31 March 2020
- We now have broadly equivalent functionality under the CFD Dashboards on the main LCCC website
- This quarter, the weekly tracking will ONLY be published on the Dashboards
- The reconciled daily levy rate is available in both places until 31 March
- We plan to release new Dashboards later today
- And we are very interested to receive your feedback

Thank you!

Please direct any questions you have to:

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Appendix: Understanding the Supplier Obligation

Supplier Obligation is split across three payment mechanisms:

Interim Levy Rate (ILR)

- Daily rate in £/MWh: specified a quarter in advance, but paid on a daily basis. Calculated as sum of subsidy payments to generators in period, divided by total eligible demand
- Subsidy payments calculated based on differences between strike price and reference price (Baseload or Intermittent) for each generator

Total Reserve Amount (TRA)

- Reserve amount to cover uncertainty in CFD; set at a level to ensure a 95% probability that LCCC will, during a given period, be able to meet all payments it might have to make under the CFDs
- The CFD counterparty notifies the amount of each electricity supplier's reserve payment for a quarterly obligation period before the 8th working day of the quarterly obligation period which immediately precedes that period; it is paid within the 5th business day following the invoice i.e. within the 12th business day of the quarterly obligation period to which it relates

Reconciliation

- Retrospective reconciliation based on metered data and actual price information