

Electricity Supplier Bulletin

Issued on 24 April 2019

Dear Stakeholder,

Welcome to the Electricity Supplier Bulletin from Low Carbon Contracts Company (LCCC).

This bulletin covers	
CfD Supplier Obligation	No change in Interim Levy Rate (ILR) for current quarter as BEIS advances working capital facility
ILR/TRA webinar for Q3 2020	Register your interest
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Contracts for Difference (CfD) Supplier Obligation

LCCC can now confirm that the Interim Levy Rate (ILR) for Q2 2020 remains unchanged from the rate previously published. The Total Reserve Amount (TRA) for the period is also unchanged.

In our bulletin of 30 March 2020, we indicated to the market that levy rate increases for Q2 and Q3 could be necessary in order to ensure that LCCC had sufficient funds to pay CfD generators. Further analysis as the effects of lockdown have played out has indicated that without additional revenue, it is highly likely that LCCC will have insufficient funds in June, mainly due to the significant drop in demand resulting from actions to combat Covid-19. Following discussions with BEIS about how to mitigate the impact of this shortfall on electricity suppliers in the short term, given the difficult market conditions, an alternative solution to raising the Q2 ILR has been formulated.

BEIS and LCCC have agreed that BEIS will extend to LCCC a one-off interest-free loan that LCCC will be able to use to cover any shortfall in funds to make payments to CfD generators (up to a designated amount). BEIS also intends, subject to consultation and Parliamentary approval, to amend the Contracts for Difference (Electricity Supplier Obligations) Regulations 2014 in order to avoid the additional amounts being recovered from suppliers in the July reconciliation (thereby reducing suppliers' liability for CfD payments this quarter by the amount of the loan provided), and giving LCCC the ability to recover this amount from suppliers in Q1 of 2021.

Consequently, the Q2 ILR and TRA (announced on 17 December 2019) remain unchanged. The combination of the Q2 ILR, TRA and BEIS loan is expected to cover the payments to generators for Q2. Should it become clear that the additional revenue required exceeds the designated amount of the loan, then increases to the ILR and TRA may still be necessary. Both LCCC and BEIS wish to avoid this situation; demand will be closely monitored, and any changes clearly signalled to the market. LCCC will publish updated online tracking as part of its CfD dashboards, which will include regularly updated actuals and forward estimates of the amount of Q2 TRA to be used, the likely amount of the loan to be used, and any potential reconciliation amounts due in July, as we progress through the quarter.

Suppliers' obligations under the regulations remain unchanged, including the requirement to maintain credit cover in respect of the published ILR. Normal processes will be in use for credit cover drawdown in the case of supplier default, based on current invoices payable.

It is likely that despite the loan from BEIS, the TRA for Q2 will need to be drawn upon and therefore suppliers should be ready to fund the previously announced TRA for Q3 as per usual in early July. Suppliers should also be aware that if, following consultation, BEIS does not change regulations, the reconciliation payment due at the start of Q3 would include the amount of any BEIS loan that had been used to make CfD payments relating to Q2.

The previously published rates for Q2 and Q3 are set out below for ease of reference. The ILR for Q3 was set based on normal demand and expected market prices at the date the levy was set (rather than the reduced demand and lower market prices currently being experienced). We will therefore be keeping the levy rate for Q3 under review.

Quarterly Obligation Period – 1 April to 30 June 2020 (Q2)	Quarterly Obligation Period – 1 July to 30 September 2020 (Q2)
Interim Levy Rate	Interim Levy Rate
£7.469/MWh	£8.532/MWh

Quarterly Obligation Period – 1 April to 30 June 2020 (Q2)	Quarterly Obligation Period – 1 July to 30 September 2020 (Q2)
Total Reserve Amount	Total Reserve Amount
£78,339,427.23	£77,016,653.44



ILR/TRA webinar for Q3 2020

LCCC's forecasting experts will be running a webinar on ILR/TRA on 27 April, which provides suppliers with an opportunity to understand the modelling behind the projected shortfall in levy funds in Q2, how the levy was determined for Q3 and how we will be tracking use of the Q2 TRA and BEIS loan.

Please register via [Eventbrite](#).

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Kind Regards,

Low Carbon Contracts Company