



LOW CARBON CONTRACTS COMPANY

NEWSLETTER

Low Carbon Contracts Company open for business

Welcome to the first issue of our newsletter. We will be bringing you regular updates on our progress, industry news and information on stakeholder events.

On 1st August the **Electricity Market Reform (EMR) regulations** came into force giving the **Low Carbon Contracts Company** (as the CFD Counterparty) the powers to manage Contracts for Difference (CFDs) and become operationally independent from the Department of Energy and Climate Change (DECC).

Under the CFD Scheme, we are responsible for:

Contract management:

- Considering any minor and necessary modifications to the contract standard terms ahead of an allocation round.
- Signing CFDs once provided with the necessary information by the Delivery Body or directed by the Secretary of State.

- Managing and monitoring CFDs, and Investment Contracts which are transferred from the Secretary of State, over their lifetime.

Supplier Obligation:

- Forecasting CFD payments, and fixing Supplier Obligation interim rate and reserve amounts on a quarterly basis.
- Calculating quarterly reconciliation payments to take account of updated metering data.
- Collecting payments from suppliers and passing to generators and vice versa; collecting and holding collateral from suppliers/generators; taking action to recover debts owed by electricity suppliers and generators, and mutualising any unpaid debts.

Contract Management

Five investment contracts awarded earlier this year to offshore wind projects have been transitioned today (1 August) to the Low Carbon Contracts Company.

We are also working towards the signing of the first renewable CFDs, which are due to be allocated under the generic scheme at the end of this year.

Our first step is to open the process for Minor and Necessary Modifications. Requests for modifications can be submitted via our website as soon as the Allocation Round Notice is published by DECC (expected 15 August with a closing date of 29th September based on expected allocation round dates).

Supplier Obligation

CFD payments will be made to generators and collected via a Supplier Obligation levy to be paid by all licensed electricity suppliers in Great Britain from 1 April 2015.

We have appointed EMR Settlement Ltd (a subsidiary of ELEXON Ltd) as Settlement Services Provider to carry out settlement activities on our behalf.

We have appointed a subcontractor Lane Clark & Peacock LLP (LCP) to develop a Supplier Obligation Forecasting Model (SOFM) to forecast CFD payments so that we can fix the Supplier Obligation interim rate and reserve amounts on a quarterly basis and provide sufficient transparency on this process. We are currently running a series of Expert Groups on this.

Stakeholder Events and Publications

In addition to managing CFDs, we also play a key role as CFD Implementation Coordinator, supporting industry preparations to participate in CFD and working with other delivery partners towards a joined up approach.

A programme of stakeholder events has been devised to help stakeholders prepare for CFDs and we would welcome feedback on the three events already held, as well as your views on content for future workshops.

Please email: feedback@lowcarboncontracts.uk

Building on the success and feedback on our recent engagement we are planning a number of interactive events in conjunction with ELEXON Ltd and National Grid to keep you updated and informed on implementation.

Next Round of Workshops: 9th September, 14th October, 11th November and 9th December 2014.

Publications and Documents

CFD: [GB Implementation Plan](#)

Capacity Market: [Approved Metering Configurations for DSR Test](#)

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