



Electricity Settlements Company Limited

Capacity Market supplier charge voluntary arrangement notice and terms and conditions

Terms used but not defined in this notice and the terms and conditions included herein have the meaning given in the Electricity Capacity (Supplier Payment etc.) Regulations 2014, SI 2014/3354 (as amended from time to time) which, together with the Electricity Capacity (No. 1) Regulations 2019¹ are referred to herein as the “**Regulations**”).

Background

On 28 February 2019, the Department for Business, Energy & Industrial Strategy (BEIS) published its response to the consultation issued on 19 December 2018. In its response BEIS said that Electricity Settlements Company Limited (“ESC”) had been asked to set up an interest-bearing bank account to enable electricity suppliers to pay, on a voluntarily basis, amounts in respect of their potential standstill collection period supplier charge for a delivery year.

ESC, as the designated Settlement Body, in accordance with the Regulations, has on 1st April 2019 notified directly to each electricity supplier its schedule of post-standstill payments in respect of delivery year 2018/19. Suppliers may, pursuant to regulation 6A(7) of the Regulations, unless a payment trigger event has occurred, pay to ESC amounts equal to or less than the amount specified in the supplier’s schedule of post-standstill payments in respect of one or more standstill months in the relevant delivery year (a “**Voluntary Payment**”).

Where a Voluntary Payment is made to ESC, ESC must, pursuant to the Regulations, hold such payment on the basis set out in the Regulations.

Pursuant to the provisions of the Regulations, ESC will hold each Voluntary Payment paid to it by suppliers for the purpose of meeting the cost of capacity payments that may become payable pursuant to the Regulations and the Principal Regulations². Accordingly, the amount of all relevant Voluntary Payments that a supplier pays to ESC (and which are still held by ESC) shall, in each case pursuant to the Regulations:

- (a) in the event one or both payment trigger events have occurred, be offset by ESC (together with any interest accrued) against that supplier’s applicable standstill collection period supplier charge; or
- (b) in the event the termination trigger events have both occurred, be returned to each supplier together with any interest that may have accrued.

¹ www.legislation.gov.uk/ukdsi/2019/9780111182437/contents

² The Electricity Capacity Regulations 2014, SI 2014/2043 (as amended from time to time)

Any such offsetting or payment will exclude the amount of any part of a Voluntary Payment that the relevant supplier has requested ESC return to it and that has been returned to that relevant supplier prior to the relevant payment trigger event or termination trigger events having occurred.

If a supplier chooses to make a Voluntary Payment to ESC in accordance with the Regulations, ESC will hold and apply such amount as provided for in the Regulations, the Principal Regulations and on the following terms and conditions:

1. Where ESC receives a Voluntary Payment, it will hold it in a Treasury interest-bearing account until such time as it is paid out by ESC in accordance with the Regulations, the Principal Regulations and these terms and conditions. Unless otherwise notified by ESC, for the period during which a Voluntary Payment is held by ESC pursuant to the Regulations and on these terms and conditions, interest will accrue daily at the prevailing rate³ that applies to the Treasury interest bearing account from time to time and will be paid into the account on the 10th working day of each month.
2. In the event that, prior to any payment trigger event or termination trigger event having occurred, a supplier requests in writing the return of some or all of any Voluntary Payments paid by it to ESC pursuant to the Regulations, ESC will, subject to:
 - the completion of any checks and the provision of such relevant information as ESC deems necessary; and
 - no payment trigger event or termination trigger event occurring after the request is received and prior to the return of such requested amount,

return such requested amount to the supplier without interest⁴. ESC will endeavour to return such amount within 10 working days of receipt of the written request from the supplier. Where a payment trigger event or termination trigger event occurs after the request is received and prior to the return of such requested amount, ESC will not return such amount and will apply the funds held on account for each supplier in accordance with the Regulations. Any repayments will be paid to the relevant supplier's registered account, unless the supplier requests in writing that the repayment is paid to a different account. If the supplier so requests, ESC will undertake the necessary checks to validate the new account in accordance with its standard controls and procedures and, where appropriate, to authenticate the request. Once ESC is satisfied in relation to the request to pay the monies to a different account, ESC will pay the monies to the different account.

3. All Voluntary Payments must be by electronic funds transfer from the supplier's registered account to the ESC bank account notified to suppliers and suppliers must specify the delivery year the payment relates to. For Voluntary Payments, ESC cannot accept letters of credit or direct debit payments. Any amounts received from a supplier in excess of its schedule of post-standstill payments for a delivery year will be rejected and returned to suppliers as soon as reasonably practicable.

³ At the date of issue of these terms and conditions, the interest rate is the Bank of England base rate minus 0.11%.

⁴ Any interest accrued will be used to offset that supplier's standstill collection period supplier charge in the event a payment trigger has occurred or will be returned to that supplier in the event the termination trigger events have occurred.

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4. Each supplier will provide ESC with any information ESC requires to effectively administer any of its activities in connection with Voluntary Payments (including in relation to any requested repayments and any anti-money-laundering requirements).
5. If requested in writing, ESC will provide suppliers with statements of account in respect of any Voluntary Payments they have made. ESC will endeavour to provide such statements within 5 working days of receipt of a request.
6. ESC will share information about how much it holds on account on behalf of each individual supplier as a result of Voluntary Payments with the Department for Business, Energy & Industrial Strategy, EMR Settlement Limited and Ofgem.
7. Each supplier, by making Voluntary Payments to ESC, makes such payments and agrees that it is making such payments on these terms and conditions and pursuant to the Regulations and that such Voluntary Payments shall be repaid or applied by ESC in accordance with these terms and conditions and/or the Regulations.