

Who we are and what we do

Low Carbon Contracts Company Limited (**LCCC**) and Electricity Settlements Company Limited (**ESC**) formally commenced operations on 1 August 2014. We were established by the Department of Energy and Climate Change (**DECC**) as part of its Electricity Market Reforms (**EMR**) programme. LCCC was established to perform the Contracts for Difference (**CFD**) role and ESC to perform the Capacity Market role envisaged by the Energy Market Act 2013 and its related regulations.

We are a key part of the EMR programme. LCCC manages CFDs over their life, makes the payments required to be made to CFD generators in relation to their CFDs and raises the levies on electricity suppliers necessary to fund these payments. CFDs are private law contracts. ESC makes the payments and collections required under the Capacity Market regime and levies the electricity suppliers for the funds required for this purpose.

Further details on our CFD and Capacity Market roles can be found on our website and in our Annual Reports.

Both LCCC and ESC are private companies, but as we are also both wholly owned by the Secretary of State for DECC, we are also termed government “arm’s length bodies”. Our relationship with the Secretary of State, as our sole shareholder, is mainly governed by our Articles of Association, [Low Carbon Contracts Company](#) and [Electricity Settlements Company](#) and our Framework Documents, [Low Carbon Contracts Company](#) and [Electricity Settlements Company](#).

The Framework Documents make it clear that we are to have day to day operational independence from government. They do, however, also record that there are certain shareholder consent matters (particularly for material change to the standard form CFDs). They also make it clear that DECC has oversight and information rights, particularly in relation to financial management matters.

Our mission is to build confidence in electricity market reform through effective commercial delivery and continuous improvement. This reflects the Guiding Principles set out in our respective Framework Documents. LCCC’s Guiding Principle is to maintain investor confidence in the CFD scheme and minimise costs to consumers. ESC’s Guiding Principle is to maintain market participants’ confidence in the Capacity Market settlement process and minimise costs to consumers.

We are governed by an [independent Board](#) (currently comprising 11 members, of which two are shareholder representatives). The Board membership of LCCC and ESC is identical. There are three Board committees – the audit committee, the remuneration committee and the nomination committee. The terms of reference for each committee can be found [here](#).

We adopt the highest standards of corporate governance and comply with the UK Corporate Governance Code.

Further details on our activities and governance can be found in our [Annual Reports](#).

We operate across England, Scotland and Wales from our office in London. Our office address and contact details can be found [here](#)

What we spend and how we spend it

We are funded by levies raised upon electricity suppliers in accordance with the relevant regulations issued under the Energy Act 2013.

There are three basic types of supplier levy:-

- CFD generator payments – levies for funding required by LCCC to make the payments it is required to make to CFD generators;
- Capacity Market payments – levy for funding required by LCCC to make the payments it is required to make to the capacity providers who hold capacity agreements; and
- operational costs – funding of LCCC's and ESC's day to day operational costs.

CFD generator payments paid by LCCC

LCCC is responsible for making “difference” payments to and receiving “difference” payments from CFD generators in accordance with its obligations as set out in the CFDs. Where LCCC makes payments to generators, it collects the monies from electricity suppliers under the relevant CFD regulations and pays the relevant generators. Where LCCC receives monies from CFD generators, it makes the appropriate payments to suppliers.

Capacity Market payments by ESC

ESC is required under the Capacity Market regulations to “settle” Capacity Market payments and receipts. It makes payments to and receives payments from capacity providers who hold Capacity Market “agreements” with National Grid. In order to fund the payments to capacity providers, ESC is given a right under the relevant regulations to raise levies on electricity suppliers. ESC does not have a contractual relationship with any capacity provider or electricity supplier. Its role is set out in the relevant regulations.

Operational costs levy

LCCC and ESC are required to raise a levy to meet their operational costs for each year. LCCC raises its operational costs levy under the relevant CFD regulations and ESC raises its operational costs levy under the relevant Capacity Market regulations.

Our operational costs budget is set every year. The process for setting our budget is that each year LCCC and ESC each prepare a proposed budget setting out our expected operational costs for the following financial year. The budgets are discussed with DECC and refined, after which they are considered and approved by our Boards. DECC then publicly consults on the proposed budgets in around September/October each year. At the end of the consultation period, amending regulations are drafted to set the operational costs levy for the relevant financial year. These regulations are laid before Parliament and, if approved, the levy is set accordingly.

Further information on financial and related matters

Further details on the budgetary process and the relevant regulations relating to our operational costs levy can be found in our Annual Reports [here](#). Our business plan and budget can be found on our website.

Further information on the quarterly payments which LCCC expects to make to generators can be found in our [Transparency Tool](#).

Information about our expenses and salary ranges can be found [here](#).

What our priorities are and how we are doing

Our mission is to build confidence in electricity market reform through effective commercial delivery and continuous improvement.

Our priorities are to ensure the proper performance of our role and responsibilities. Further information on these matters and on our strategy, key performance indicators (KPIs) and performance measured against our KPIs can be found in our [Annual Reports](#).

How we make decisions

We are governed by an [independent Board](#) (currently comprising 11 members, of whom two are nominated shareholder representatives). The Board membership of LCCC and ESC is identical.

The Board has agreed a formal [Schedule of Reserved Matters](#) and [Division of Responsibilities](#) between the [Chairman and Chief Executive](#). Our Board provides strategic direction and leadership to our companies.

There are three Board committees – the audit committee, the remuneration committee and the nomination committee. The terms of reference for each committee can be found [here](#)

You can find out more information about our [senior management team](#).

Our policies and procedures

Our roles and responsibilities are set out in the Energy Act 2013 and the regulations issued under it.

Our policies and procedures apply to all employees and individual contract staff.

Relevant information which is published can be found on our website, including in this Publication Scheme and under [Corporate Information](#).

It should also be noted that details of our tender and contract documents can be found on the [Contracts Finder website](#). All procurements that exceed the EU Public Procurement Directive threshold (currently set at £172,514) are advertised in the Official Journal of the European Union (OJEU) via TED (tenders electronic daily). Information about our contracts over £10,000 is published on [Contracts Finder](#). Information about contracts we are seeking to tender can be found on this site.

We recognise our responsibilities in relation to the Freedom of Information Act 2000 and under the Environment Information Regulation. We do not currently charge any fees for the provision of information.

Lists and registers

We hold also information as required by law and in accordance with the best practice set out in documents such as the UK Corporate Governance Code.

We are specifically required under the relevant CFD and Capacity Market regulations to maintain certain registers. These registers include the [CFD Register](#), the Non-Delivery Disincentive Register and the Capacity Market [Non-Payment Register](#).

The services we offer

Our role, responsibilities and functions are referred to in the Energy Act 2013 and the related regulations relating to CFDs and the Capacity Market. The CFD contractors also set out our role and responsibilities in relation to CFD.

We also provide other information and guidances that can be found on our website.