

G26 -EII Excluded Electricity “Relevant Arrangements”

EMRS Guidance

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1. Change Amendment Record

Version	Date	Description
1.0	14 September 2023	Go Live Version.
2.0	28 March 2024	Updates for CM Eii and percentage cap changes

2. Introduction

This guidance note is published by Low Carbon Contracts Company Ltd ("LCCC") in its capacity as:

- I. the designated CfD Counterparty pursuant to the Contracts for Difference (Counterparty Designation) Order 2014¹; and
- II. the designated Revenue Collection Counterparty² for the Nuclear Regulated Asset Base Model³ ("Nuclear RAB")

and the Electricity Settlements Company ("ESC") in its capacity as the Settlement Body⁴ for the Capacity Market.

This guidance note provides guidance on the "relevant arrangements" which are defined in the Electricity Supplier Obligations (Amendment & Excluded Electricity) Regulations 2015⁵ (as amended) ("the Regulations"), as arrangements which will "enable the provision of information to the CfD counterparty about the amount of electricity measured by meters in respect of which EII certificates are in force"⁶. The Regulations do not prescribe what those arrangements are to be but when they are approved and published by the LCCC in accordance with regulations 7(2) and 7(5), these relevant arrangements will apply to all licensed electricity suppliers ("Suppliers").

Those with a particular interest in this guidance are likely to include Suppliers in Great Britain ("GB"); and certain industrial users of electricity, i.e. Electricity Intensive Industries ("EIIs").

In summary, the relevant arrangements enable LCCC to identify the volume of electricity being supplied to an EII performing certain electricity intensive processes or "specified activities". This, in turn, enables LCCC to exempt the percentage of the volume of electricity, which is EII excluded electricity, supplied to the EII from the calculation of the Supplier's payment that would have been due under the Contracts for Difference (Electricity Supplier Obligations) Regulations 2014⁷ ("the ESO Regulations"), the Nuclear Regulated Asset Base Model (Revenue Collection) Regulations 2023⁸ ("the Nuclear RAB Regulations") and the Electricity Capacity (Supplier Payment etc.) Regulations 2014⁹.

¹ <http://www.legislation.gov.uk/ukxi/2014/1709>

² <https://www.gov.uk/government/publications/low-carbon-contracts-company-designated-as-revenue-collection-counterparty-for-nuclear-regulated-asset-base-rab-model>

³ <https://www.legislation.gov.uk/ukxi/2023/254>

⁴ <https://www.legislation.gov.uk/ukxi/2014/3354/contents/made>

⁵ <http://www.legislation.gov.uk/ukxi/2015/721>

⁶ Regulation 7(1) of the Regulations

⁷ <http://www.legislation.gov.uk/ukxi/2014/2014>

⁸ <https://www.legislation.gov.uk/ukxi/2023/254>

⁹ <https://www.legislation.gov.uk/ukxi/2014/3354/contents/made>

3. Background

In the Autumn Statement 2011, the Chancellor announced the Government's intention to reduce the impact of Government policy on the cost of electricity for the most electricity intensive industries that are at risk of 'carbon leakage'¹⁰. This included the costs of supporting low-carbon renewable deployment through the Renewables Obligation ("RO"), small scale Feed-in Tariff ("FIT"), and Contracts for Difference ("CfDs").

The then Department of Energy and Climate Change ("DECC") and Department for Business, Innovation and Skills ("BIS") published a series of consultations seeking stakeholder views on implementing this policy. The Government response¹¹ to this series of consultations was published in January 2015. The Government, in parallel, made the Regulations¹² and changes to the Balancing and Settlement Code¹³.

There have been subsequent amendments in 2017¹⁴, 2020¹⁵ and 2023¹⁶ to clarify key elements of the exemption and technical changes to improve the efficiency and accuracy of its administration.

In March 2022 the Nuclear Energy (Financing) Act allowed for the implementation of a Regulated Asset Base (RAB) model to incentivise private investment for nuclear energy generation. The then Department for Business, Energy and Industrial Strategy (BEIS) published a consultation, and the Government's response was published in December 2022¹⁷. This paved the path for the publication of the Nuclear RAB Regulations¹⁸ which also incorporated EII exemptions, which were based on the exemptions for the CfD scheme.

In a further consultation Eii exemptions were also proposed to be extended to the Capacity Market and the cap increased from 85% to 100%. The government's response was published in May 2023¹⁹.

In light of the changes to the Regulations and the introduction of EII exemption in the Nuclear RAB model and the Capacity Market, LCCC has reviewed its guidance on EII excluded electricity. This guidance supersedes the previous version of the guidance published on 28 March 2017.

¹⁰ Carbon leakage refers to the increase in emissions resulting from the relocation of production, driven by increasing costs of production associated with the carbon price and related policies.

¹¹ <https://www.gov.uk/government/consultations/emr-changes-to-the-cfd-supplier-obligation>

¹² <http://www.legislation.gov.uk/ukxi/2015/721>

¹³ BSC changes relating to EII Excluded Electricity are available on the following page: <https://www.elexon.co.uk/ord/ord006-electricity-market-reform-energy-intensive-industries/> and the Release page is <https://www.elexon.co.uk/release/june-2015-release/>

¹⁴ <https://www.legislation.gov.uk/ukxi/2017/1051>

¹⁵ <https://www.legislation.gov.uk/ukxi/2020/130> and <https://www.legislation.gov.uk/ukxi/2020/709>

¹⁶ <https://www.legislation.gov.uk/ukxi/2023/389> and <https://www.legislation.gov.uk/ukxi/2023/415>

¹⁷ <https://www.gov.uk/government/consultations/revenue-stream-for-the-nuclear-regulated-asset-base-rab-model>

¹⁸ <https://www.legislation.gov.uk/ukxi/2023/254>

¹⁹ <https://www.gov.uk/government/consultations/british-industry-supercharger-capacity-market-consultation-and-eiis-government-response>

4. Overview of the Eii excluded electricity process

This section provides an overview of the EII excluded electricity process. For further information on the process, please see the [Suggested Reading](#) section of this document.

- i. An EII, who uses electricity for a "specified activity", listed in the Schedule to the Regulations, may apply for an EII certificate in respect of the electricity meter which measures the supply of electricity used for the specified activity. The application must be sent to the Department for Business and Trade (DBT) and contain the information listed in regulation 10 of the Regulations. See Government guidance on applying for EII certificates²⁰.
- ii. DBT will issue an EII certificate to an applicant if, using the information contained within an application, the 'tests' in regulation 8 are met. The EII certificate must specify the proportion of electricity measured by the meter which constitutes EII excluded electricity.
- iii. In accordance with regulation 13 of the Regulations, an EII certificate will come into force on the day after the day on which it is issued or, where there is already an EII certificate in force in relation to the meter in respect of which the certificate is issued, on the day after the expiry of the EII certificate that was already in force. The duration of the certificate will depend on when it is issued and the type of business granted a certificate. Further detail on certificate duration can be found in regulation 13.
- iv. On receipt of an EII certificate, the EII business itself is responsible for notifying its electricity Supplier that it possesses a certificate. Having been notified, it is the responsibility of the Supplier to ensure the relevant arrangements are in place for the EII exemption to be applied. This is described in '[WP25 EMR Aggregation Rules](#)'.
- v. There are different arrangements, i.e. 'relevant arrangements' for Suppliers to follow depending on whether the meter which measures the supply of electricity used for a specified activity is registered in the Supplier Meter Registration Service ("SMRS")²¹ or Central Meter Registration Service ("CMRS")²². The approved 'relevant arrangements' for each are outlined below.
- vi. EMR Settlement Limited²³ ("EMRS"), acting on behalf of LCCC, will receive the relevant metered data via the Half Hourly Data Aggregator(s) ("HHDA"), in the case of meters registered in SMRS, or via the BSC Company in the case of meters registered in CMRS.
- vii. EMRS will use this metered data to exclude any exempt electricity when calculating Suppliers' market shares for the purpose of determining their liabilities under the

²⁰ [Exemption from the indirect costs of funding Contracts for Difference, the renewables obligation, and small scale feed-in tariffs: guidance \(publishing.service.gov.uk\)](#)

²¹ "SMRS" means the service provided or to be provided by a Licensed Distribution System Operator for the registration of Metering Systems at Boundary Points on its Distribution System(s) and its Associated Distribution System(s) (if any), in accordance with the Master Registration Agreement.

²² "CMRS" means the service for registration of data relating to CVA Metering Systems maintained (for the purposes of the Balancing and Settlement Code) by the Central Data Collection Agent.

²³ EMR Settlement Ltd ("EMRS") is a wholly owned subsidiary of ELEXON Ltd and is the EMR Settlement Services Provider. EMRS delivers settlement services on behalf of LCCC for Contracts for Difference and on behalf of the Electricity Settlements Company Limited for the Capacity Market. For more information see: <https://emrsettlement.co.uk>

Supplier Obligation, Operational Costs levies and Settlement Cost Levies as set out in the ESO Regulations, Nuclear RAB Regulations and the Electricity Capacity (Supplier Payment) Regulations. The effect of this calculation is that the Supplier, having submitted data in respect of a meter associated with an EII certificate, will only be liable for amounts on that proportion of electricity which is not considered exempt supply. In order to comply with European Commission guidelines on State Aid for environmental protection and energy, a Supplier's exemption from their liabilities under the ESO Regulations is limited to 100% of the electricity used with respect to the meter which measures the supply of electricity used for the specified activity.

- viii. The Government has set its expectation that "*competitive market conditions will ensure that suppliers pass on the value of the exemption*" to EIIs through their electricity bills²⁴.

²⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/370825/Supplier_Obligation_Consultation_September_FINAL.pdf

5. Relevant Arrangements

In accordance with regulation 7(2) of the Regulations, LCCC (as the designated CfD counterparty) must, by 30 September 2015, approve the 'relevant arrangements' which it considers will enable the provision of information to it about the amount of electricity measured by meters in respect of which EII certificates are in force. This section sets out the relevant arrangements approved by LCCC.

The Balancing and Settlement Code ("BSC") provides two different systems in which Suppliers can register meters. The Regulations make provision for this (regulations 10(2)(b)(i) and (ii)) and the relevant arrangements depend upon which of the following registration systems has been used to register the meter to which the EII certificate relates.

5.1 Central Meter Registration Service ("CMRS") registered meters

CMRS is typically used for transmission-connected sites (although the BSC Panel does have the power to allow it to be used for a distribution-connected site).

Suppliers with EII customers with meters registered in CMRS must provide their EII customer with the details the customer requires for its EII application, such as Balancing Mechanism (BM) Unit Identification Number, Metering System Identifier ("MSID") and historic metered data.

Suppliers are also required by the BSC to register BM Units and allocate the relevant meters to those BM Units to allow metered volumes associated with its customers to be accurately captured. Suppliers must comply with the BSC, including the new paragraph 3.1.2A in section K.

The BM Unit registration process and Central Volume Allocation ("CVA") Metering System allocation process remain unchanged. The BSC was amended²⁵, however, with respect to the changes made by the Regulations to ensure that CVA BM Units capture metered volumes of meters with an EII certificate separately to those that do not have an EII certificate. For example, if a BM Unit contained two meters; one meter had an EII certificate and one did not, the Supplier would be required to register a new BM Unit and allocate one of the two meters to the new BM Unit. Suppliers may need to move meters that are not eligible to a different BM Unit. The Supplier may consequently be required to update its EMR Aggregation Rules for CfD, Capacity Market (CM) and Nuclear RAB ("Aggregation Rules"), and any Metered Volume Reallocation Notifications ("MVRN") that are in place.

Suppliers with meters registered in CMRS do not need to notify LCCC or EMRS that they have a customer with an EII certificate, although they may be contacted by EMRS to confirm and discuss the metering set-up and Aggregation Rules. Discussions related to EII excluded electricity, which fall under the metering and Aggregation Rules area, need to be conducted by an 'authorised

²⁵ See [ORD006](#) for further information.

person²⁶ on behalf of the Supplier. Please see the [G4 – EMR Settlement Authorisations](#) for more information on EMRS authorised persons.

5.2 Supplier Meter Registration Service ("SMRS") registered meters

SMRS is typically used for distribution-connected sites. Suppliers with EII customers with meters registered in SMRS must provide the EII customer with the details the customer requires for its EII application, such as MSID and historic metered data.

When notified by the EII customer that it holds a valid EII certificate, the Supplier must instruct its HHDA to send Half Hourly (distribution loss adjusted) metered data to EMRS, in accordance with BSC section S, paragraph 2.10.1²⁷ and BSCP503 section 3.6²⁸. The Supplier must do this within 30 days of the date of notification or by the effective date on the EII certificate, whichever is the later.

Once the HHDA has confirmed it will submit the metered data (equivalent to D0355 data items) to EMRS, the Supplier must notify EMRS of the confirmation details from the HHDA (i.e. that the HHDA will submit the metered data), to comply with BSCP503 3.6.5. More information in complying with this can be found in the [BSC Guidance Notes](#) document called [HHDA Metering Solution for EMR](#).

Where a Supplier gains a customer with an EII certificate, they must comply with the timings in BSCP503 3.6.1, i.e. they must ensure relevant arrangements are in place within 30 days after the date the notification was received, or the effective from date stated on the EII Certificate. When a Supplier loses a customer with an EII certificate; the EII certificate expires; or the certificate is revoked, the Supplier must comply with the timings in BSCP503 3.6.1, i.e. the Supplier must instruct its HHDA to stop sending HH metered data to EMRS within 30 days of notification.

Suppliers may also wish to note that they may be contacted by EMRS to confirm and agree Aggregation Rules.

5.3 When does the exemption apply from?

For meters registered in CMRS, the exemption is applied from the date the relevant BM Unit is compliant with the BSC, or the day the EII certificate came into force, whichever is the later.

For meters registered in SMRS, the exemption is applied from the Effective from Settlement Date within the D0355 (reference J1869), or the day the EII certificate came into force, whichever is the later.

²⁶ An Authorised Person is someone recognised by EMRS to act on behalf of their Party. This provides Parties with a framework to enable the delegation of certain activities to appropriate persons within their organisation, in line with their own governance and controls.

²⁷ <https://bscdocs.elexon.co.uk/bsc/bsc-section-s-supplier-volume-allocation>

²⁸ <https://bscdocs.elexon.co.uk/bsc-procedures/bscp503-half-hourly-data-aggregation-for-sva-metering-systems-registered-in-smrs>

5.4 How do EII excluded electricity volumes get excluded from a Supplier's chargeable demand?

Suppliers' CfD, CM and Nuclear RAB payments are based partly on the volumes of electricity supplied to its customers, i.e. their market share.²⁹ In the case of meters registered in CMRS the volumes are recorded by BSC Settlement Metering Systems. In the case of meters registered in SMRS, the Metering System volumes are read by data collectors, validated and aggregated and sent by data providers to EMRS for use in EMR and Nuclear RAB settlement via metered entities.

To determine Suppliers' CfD / CM and /or Nuclear RAB chargeable demand, metered data is required from two types of data providers:

- In the case of meters registered in CMRS, BSC Company (BSCCo) via BM Units in the Data Flow SAA-I042; and
- In the case of meters registered in SMRS, HHDAs via Meter Point Administration Number (MPAN) level data in the Data Flow D0357.

Once EMRS identifies a BM Unit or MPAN as subject to an EII certificate, it will exclude the relevant proportion from the supplier's total chargeable demand by updating its EMR and Nuclear RAB aggregation rules. For example:

- An EII certificate is issued for an EII registered in CMRS with the BM Unit ID T ASUPP01 and an 85% exemption. The aggregation rule would be updated so that only 15% of the demand in T ASUPP01 (rather than 100% as previously) was included in the Supplier's chargeable demand.
- An EII certificate is issued for an EII registered in SMRS with the MPAN 1234567891234 and an 100% exemption. The aggregation rule would be updated to subtract 100% of the demand in MPAN 1234567891234 from the Supplier's chargeable demand. Here the volume is subtracted, as 100% of that MPAN volume has already been aggregated and included within the Supplier's Base BM Unit.

More details on EMR and Nuclear RAB aggregation rules can be found in the EMRS guidance section³⁰, and more information on the provision of metered data for EMR Settlement can be found in '[G8 - Contracts for Difference Metering](#)'.

²⁹ In addition to their market share, Supplier's payments, with respect to the Supplier Obligation levy, are also based on the size of CfD payments. Suppliers' liabilities to pay under the ESO regulations also include the Operational Costs levy.

³⁰ See <https://emrsettlement.co.uk/publications/guidance/>

6. Review of Relevant Arrangements

In accordance with regulation 7(3) of the Regulations, LCCC must keep the relevant arrangements under review³¹. Owing to the novel nature of the EII excluded electricity scheme, LCCC intends to monitor the effectiveness of the relevant arrangements from the outset.

LCCC welcomes feedback on the whether the relevant arrangements are appropriate in enabling the provision of information about the amount of electricity measured by meters in respect of which EII certificates are in force. Comments should be sent to: info@lowcarboncontracts.uk

³¹ In accordance with regulations 7(3)(a) and (b) of the Regulations, LCCC may, respectively, (a) approve alternative relevant arrangements; or (b) withdraw approval for relevant arrangements (subject to regulations 7(3)(b)(i) and (ii)).

7. Suggested Reading

Those with a particular interest in this guidance may also familiarise themselves with the following:

- Exemption from the indirect costs of funding Contracts for Difference, the renewables obligation, and small scale feed-in tariffs: guidance (revised April 2023):
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1153238/cfd-ro-fit-exemption-guidance.pdf
- Government response to Changes to the CfD supplier obligation and Electricity Intensive Industries exemption from CfD costs – Amendments to the Balancing and Settlement Code:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/396197/SO_and_BSC_consultations_Government_Response_Final.pdf
- DBT's Supplier Obligation webpage:
<https://www.gov.uk/government/collections/electricity-market-reform-cfd-supplier-obligation>
- Elexon Other Regulatory Decisions ORD006: Electricity Market Reform – Energy Intensive Industries: <https://www.elexon.co.uk/ord/ord006-electricity-market-reform-energy-intensive-industries/>
- Nuclear Regulated Asset Base model guidances:
<https://www.gov.uk/government/publications/development-costs-and-the-nuclear-regulated-asset-base-rab-model>
<https://www.gov.uk/government/publications/nuclear-regulated-asset-base-rab-model-statement-on-procedure-and-criteria-for-designation>

8. Contact Information

Any queries in relation to this guidance should be sent to: info@lowcarboncontracts.uk

Relevant contact information for DBT and EMRS can be found on their respective webpages and/or guidance on EIIs, the links to which are included in the section above.

9. Acronyms

BIS	Department for Business, Innovation and Skills
BEIS	Department for Business, Energy and Industrial Strategy
BM	Balancing Mechanism
BSC	Balancing and Settlement Code
BSCCo	BSC Company
CfD	Contract for Difference
CMRS	Central Meter Registration Service
CVA	Central Voluntary Allocation
DBT	Department for Business and Trade
DECC	Department of Energy and Climate Change
DESNZ	Department for Energy Security and Net Zero
EMRS	EMR Settlement Limited
EII	Energy Intensive Industries
EII	Electric Suppliers Obligations
FIT	Feed-in Tariff
HHDA	Half Hourly Data Aggregator
LCCC	Low Carbon Contracts Company
MPAN	Meter Point Administration Number
MSID	Metering System Identifier
MVRN	Metered Volume Reallocation Notifications
RAB	Regulated Asset Base
RO	Renewable Obligation
SMRS	Supplier Meter Registration Service

