

# G3 – CfD and Nuclear RAB Reserve Payment Guidance

Public

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## Change Amendment Record

Version	Date	Description
1.0	16 December 2014	Go Live Version
2.0	18 December 2014	Housekeeping
3.0	2 March 2015	Housekeeping
4.0	12 October 2015	Housekeeping – updated to include Guidance number
5.0	1 July 2017	Updates due to 2016 Amendment regulations
6.0	25 July 2017	Transfer to new template
7.0	18 April 2019	Annual review
8.0	29 June 2020	Annual review
9.0	3 February 2022	Annual review
10.0	30 June 2023	Additional updates for Nuclear Regulated Asset Base (RAB) and Annual Review
11.0	3 January 2024	Housekeeping changes and Annual Review
12.0	28 March 2024	Housekeeping changes
13.0	7 January 2025	Annual Review
14.0	11 August 2025	Updates to reflect new LCCC and EMRS visual identities
15.0	22 January 2026	Annual Review

## 1. Introduction

All Suppliers are required to fund the Contracts for Difference (CfD) and Nuclear Regulated Asset Base (RAB) arrangements through the Operational Costs Levy, the Interim Rate Payments, and Reserve Payments. This guidance note will give Suppliers information on how these Reserve Payments are calculated and reconciled.

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## 2. Purpose

The purpose of this document is to answer the following questions:

- What are Reserve Payments? Why are they needed?
  - How much is the Total Reserve Amount?
  - How will my Reserve Payment be calculated?
  - When are Reserve Payments due?
  - What happens if a Supplier enters or exits the market?
  - What are additional Reserve Payments? When are they due?
  - How are Reserve Payments reconciled?
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## 3. Who is this document for?

This document is for all electricity Suppliers and provides information on Reserve Payments for the CfD and Nuclear RAB schemes.

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## 4. Associated documents

This document should be read in conjunction with:

- G2 – Calculation of Supplier Demand for EMR Charging;
  - G16 – Supplier CfD and Nuclear RAB Payments; and
  - WP1 – Overview of EMR and Nuclear RAB Settlement.
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## 5. What are Reserve Payments? Why are they needed?

Reserve Payments cover the risk that payments to CfD Generators or the Revenue Collection Counterparty (RCC) are higher than forecast or electricity demand is lower than forecast, and ensure there is no shortfall between payments in from Suppliers and out to Generators or the LNC. Reserve payments are paid by Suppliers and needed to manage any unpredictability, volatility and cash flow timing mismatches that may arise.

The Low Carbon Contracts Company (LCCC) sets the Total Reserve Amounts (one for CfD and a separate one for Nuclear RAB) for the total amount needed in Reserve Payments at least 30 calendar days in advance of the financial quarter during which the Reserve Payments are needed. These financial quarters are referred to as Quarterly Obligation Periods. EMR Settlement Ltd (EMRS) splits the Total Reserve Amount(s) between each Supplier based on its market share to determine its individual Reserve Payment.

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## 6. How much is the Total Reserve Amount?

### Under the CfD Scheme

The LCCC will determine and publish the Total Reserve Amount for CfD using the Supplier Obligation Forecasting Model (SOFM).

### Under the Nuclear RAB Scheme

The LCCC will also determine and publish the Total Reserve Amount for Nuclear RAB.

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More details regarding the TRA and how it is calculated for Nuclear RAB and CfD can be found on the LCCC's website<sup>1</sup>.

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### 7. How will my Reserve Payment be calculated?

EMRS will apportion the Total Reserve Amount amongst Suppliers according to each Supplier's market share. Supplier market share is determined using the Supplier's demand measured in metered volumes during a Reference Period<sup>2</sup>. A Supplier's demand will be calculated using metered data provided by the Balancing and Settlement Code Company (BSCCo).

The Reference Period is the 30 calendar days for which there is metered data (excluding Interim Information data) prior to the date on which the Total Reserve Amount is determined by the LCCC.

For any given 30 calendar day period this would mean using BSCCo metered data from the Initial Volume Allocation Run (SF) and the First Reconciliation Volume Allocation Run (R1).

Supplier's metered volumes which make up their "Chargeable Demand" are considered "chargeable" in the CfD and Nuclear RAB arrangements. Chargeable demand means, for:

- Central Meter Registration Service (CMRS), where the BM Unit Metered Volume is negative, it will be included in chargeable demand (after adjustment for Transmission Loss Multiplier);
- Supplier Meter Registration Service (SMRS), Active Import (adjusted by GSP Group Correction Factor, Line Loss Factor and Transmission Loss Multiplier) will be included in Supplier's Chargeable Demand.

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### 8. When are Reserve Payments due?

#### Under the CfD Scheme

Once EMRS is notified of the Total Reserve Amount by the LCCC, EMRS calculates the Reserve Payments owed by Suppliers.

Following the provision of the Total Reserve Amount and the determination date, EMRS will notify Suppliers of their Reserve Payment amount at least three months in advance of the payment due date. The Total Reserve Amount is included in the Quarterly Reconciliation Invoice which has a **five Working Days payment term**.

Reconciliation invoices and notices are subject to the BSC Settlement Calendar and are issued as soon as data is available for each day of the previous quarter.

#### Under the Nuclear RAB Scheme

Once EMRS is notified of the Total Reserve Amount by the LCCC, EMRS will calculate the Reserve Payments owed by individual Suppliers.

Following the provision of the Total Reserve Amount and the determination date, EMRS will notify Suppliers of their Reserve Payment amount at least 8 working days after 30 calendar days in advance of the quarter that the reserve is for. The Total Reserve Amount is included in the Quarterly Reconciliation Invoice which has a **five Working Day payment term**.

Reconciliation invoices and notices are subject to the BSC Settlement Calendar<sup>3</sup> and are issued as soon as data is available for each day of the previous quarter.

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### 9. What happens if a Supplier enters or exits the market?

For both Nuclear RAB and CfD, if a Supplier has demand during the Reference Period, the Supplier will be required to pay the Reserve Payment for the quarter to which the Reference Period relates. Similarly, a Supplier would not be required to make a payment when the BSCCo does not record any metered volumes within the Reference Period. The

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<sup>1</sup> <https://www.lowcarboncontracts.uk/>

<sup>2</sup> [The Contracts for Difference \(Electricity Supplier Obligations\) Regulations 2014 Regulation 11\(4\)](#) (as amended 2015 and 2016), or [The Nuclear Regulated Asset Base Model \(Revenue Collection\) Regulations 2023 10\(4\)](#)

<sup>3</sup> <https://www.emrsettlement.co.uk/settlement-data/settlement-data-roles/>

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Reference Period is the 30 calendar days for which there is metered data (excluding Interim Information (II) data) prior to the date on which the Total Reserve Amount is determined by the LCCC.

Appendix 1 gives an example of market entry and exit and shows which payments the Supplier would be liable to pay.

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## 10. What are Additional Reserve Payments? When are they due?

Suppliers may also be required to make an Additional Reserve Payment when the LCCC determines and notifies Suppliers that an additional reserve amount is required. EMRS will apportion the Additional Reserve amount using the same method described above for the apportioning of the Total Reserve Amount. Should too much reserve amount be collected, it will be returned via the quarterly reconciliation process<sup>4</sup>.

Additional Reserve Payments have different payment terms than the Total Reserve Amount. Suppliers will be required to make additional Reserve Payments by the latest of:

- The date by which a Reserve Payment is due in respect of that period (see Appendix 2 for payment due dates);
- 30 Calendar days after the LCCC has published the additional Total Reserve Amount; or
- Any later date which the LCCC specifies.<sup>5</sup>

Appendix 2 includes a worked example illustrating the timescales of an additional Reserve Payment.

LCCC (the counterparty) may determine that the Total Reserve Amount is set significantly higher than what is required in respect to a specific Quarterly Obligation Period and can trigger a process to produce a Reduced Total Reserve Amount. This guidance does not cover this process any further<sup>6</sup>.

The corresponding regulations for Nuclear RAB are found in section 13 [here](#).

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## 11. How are Reserve Payments reconciled?

Reserve payments are reconciled after the end of each Quarterly Obligation Period. EMRS will send a notice of reconciliation payment to each Supplier and this invoice will have a five Working Day payment term. At a high level, this compares what a Supplier paid to what they should have paid over the quarter and takes into account past and future Reserve Payments.

### Under the CfD scheme

This notice will also contain additional details such as:

- Net Generator Payments – payments made to Generators less payments received from Generators over the quarter
- Chargeable Demand– Supplier’s metered volumes on each Settlement Day during the quarter

To calculate what a Supplier should have actually paid over the quarter, or their Period Contribution, we will aggregate the Daily Contribution and the Quarterly Contribution<sup>7</sup>.

To calculate the Daily Contribution for each Supplier we will multiply Net Generator Payments by their Supplier’s daily market share. Market share will be based on a Supplier’s daily metered volumes. This is done for each day within a quarter<sup>8</sup>.

While Net Generator Payments are the primary form of payments to Generators, there is a possibility that Generators could be paid lump sum amounts<sup>9</sup>. These lump sum amounts will be aggregated and apportioned amongst Suppliers according to their metered volumes over the quarter. As this is done on a quarterly basis, these payments are called Quarterly Contribution<sup>10</sup>.

### Under the Nuclear RAB scheme

This notice will also contain additional details such as:

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<sup>4</sup> [The Contracts for Difference \(Electricity Supplier Obligations\) Regulations 2014 Regulation 14\(3\) \(as amended 2016\)](#)

<sup>5</sup> [The Contracts for Difference \(Electricity Supplier Obligations\) Regulations 2014 Regulation 14\(7\)](#)

<sup>6</sup> [The Contracts for Difference \(Electricity Supplier Obligations\) Regulations 2014 Regulation 14A \(as amended 2017\)](#)

<sup>7</sup> [The Contracts for Difference \(Electricity Supplier Obligations\) Regulations 2014 Regulation 3\(2\)](#)

<sup>8</sup> [The Contracts for Difference \(Electricity Supplier Obligations\) Regulations 2014 Regulation 4](#)

<sup>9</sup> These may include curtailment compensation, generation tax compensation, and change in law compensation and termination fees.

<sup>10</sup> [The Contracts for Difference \(Electricity Supplier Obligations\) Regulations 2014 Regulation 5 \(as amended 2015\)](#)

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- Daily contribution to the RCC payment for the quarterly period
- Chargeable Demand– Supplier’s metered volumes on each Settlement Day during the quarter

To calculate what a Supplier should have actually paid over the quarter, or their Period Contribution, we will aggregate the Daily Contribution and the Quarterly Contribution<sup>11</sup>.

To calculate the Daily Contribution for each Supplier, we will multiply the daily portion of the LNC payments by their Supplier’s daily market share. Market share will be based on a Supplier’s daily metered volumes. This is done for each day within a quarter<sup>11</sup>.

Once the Period Contribution is calculated, EMRS will compare the Period Contribution, what a Supplier should have paid, to the payments made under the Interim Rate Levy, or what a Supplier did pay. The difference between the two is then compared against the quarterly Reserve Payment to give the Supplier’s reconciliation payment. Reconciliation payments for previous Quarterly Obligation Periods will be taken into account if more accurate metered data is available.

The reconciliation payment will then be compared to the most recently notified Reserve Payment. If there is a deficit in respect of what the Supplier needs to contribute towards the new Reserve Payment, then this will be the amount due on the reconciliation payment due date.

Appendix 3 includes a worked example of how the first Reserve Payment reconciliation will be calculated.

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## 12. Need more information?

For more information, please visit our website [www.emrsettlement.co.uk](http://www.emrsettlement.co.uk) or email us at [contact@emrsettlement.co.uk](mailto:contact@emrsettlement.co.uk).

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## 13. Acronyms and Definitions

A list of acronyms and definitions can be found in the ‘Acronyms and Definitions’ document here<sup>12</sup>.

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<sup>11</sup> [The Nuclear Regulated Asset Base Model \(Revenue Collection\) Regulations 2023 section 4](#)

<sup>12</sup> <https://www.emrsettlement.co.uk/document/working-practice/acronyms-and-definitions/>

## 14. Appendices

### 14.1 Appendix 1 – Market Entry and Exit

If a Supplier has demand during the Reference Period, the Supplier will be required to pay the Reserve Payment for the quarter to which the Reference Period relates. In the example below, the Supplier is liable for all payments relating to the fifth Quarterly Obligation Period (Q5) as they entered the market during the Q5 Reference Period. The new Supplier's market share of Reserve Payments will depend on their demand from entry date until the end of the Reference Period.

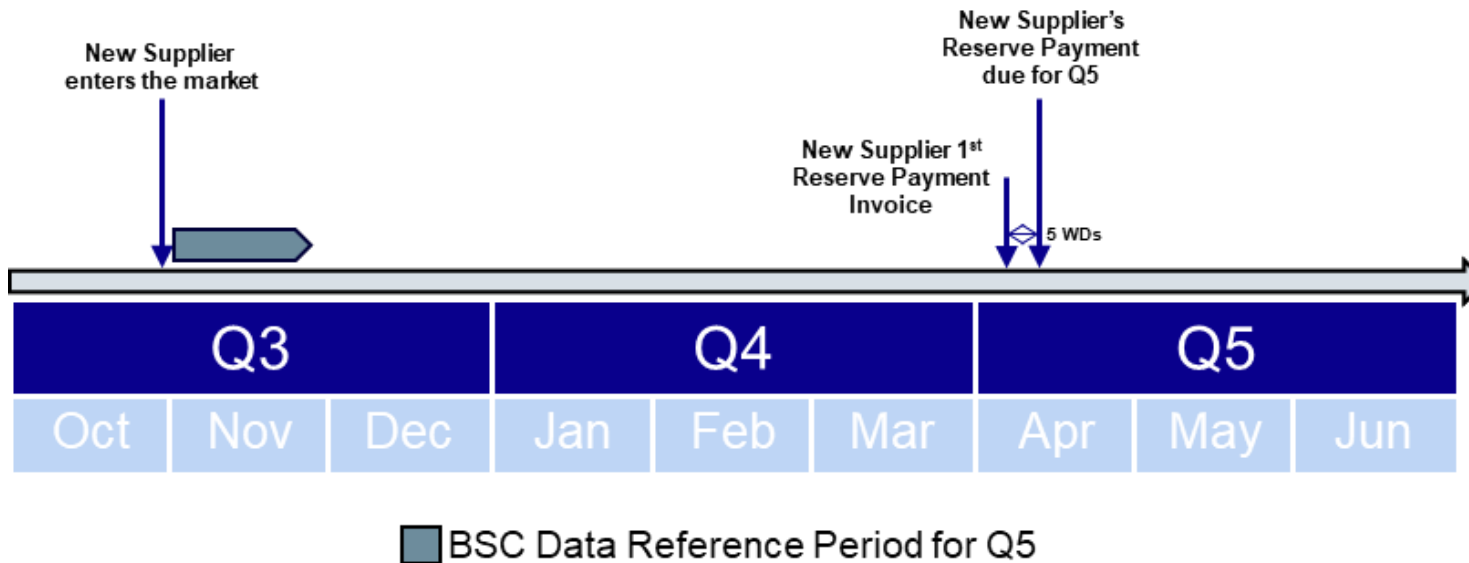


Figure 1: Example of market entry

\* Under CfD EMRS will notify Suppliers of their Reserve Payment amount at least three months in advance of the payment due date.

\* Under Nuclear RAB EMRS will notify Suppliers of their Reserve Payment amount at least 8 working days after 30 calendar days in advance of the quarter that the reserve is for.

Similarly, a Supplier would not be required to make a payment when the BSCCo does not record any metered volumes within the Reference Period. A Supplier who leaves the market during the Reference Period will still be liable to make a Reserve Payment based on its demand in the Reference Period.

In the next example, the Supplier is liable for all payments relating to the first through to the fourth Quarterly Obligation Periods (Q1 to Q4) as they exited during the Reference Period for the fourth Quarterly Obligation Period (Q4). They will receive the Reconciliation Invoice for Q4 on the 13th Working Day of April and will receive a

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refund 5+ Working Days later. They would not receive a Reserve Payment Notice for the fifth Quarterly Obligation Period (Q5) as they would not have any volume in the Reference Period. Please see the notable stages in **bold**. Please note that the Supplier would still be subject to reconciliation of Settlement Calculations (i.e., when revised or additional data becomes available).

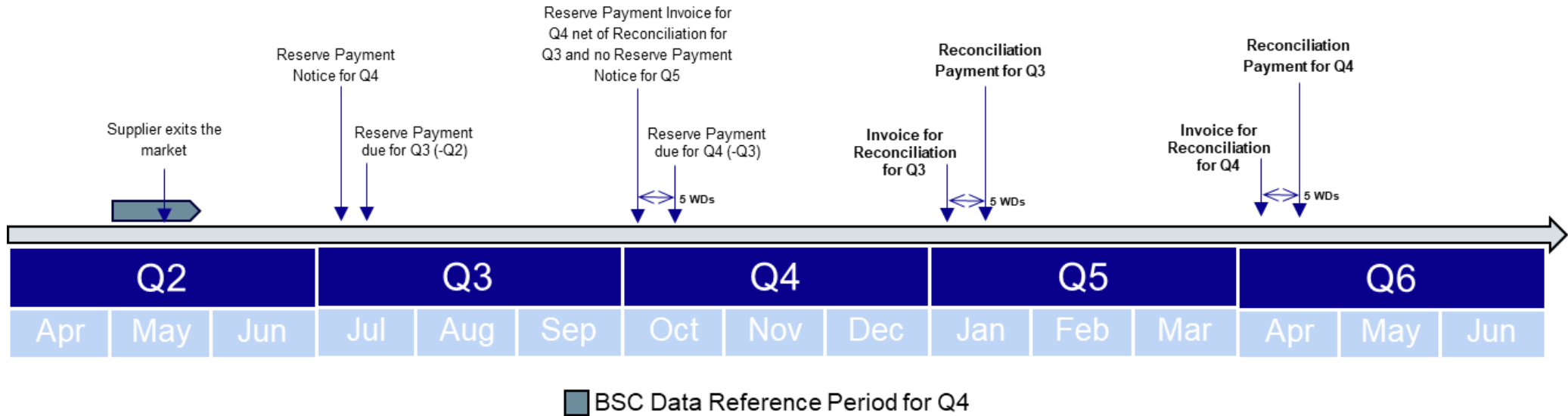


Figure 2: Example of the CfD market exit

\* Under the CfD, EMRS will notify Suppliers of their Reserve Payment amount at least three months in advance of the payment due date.

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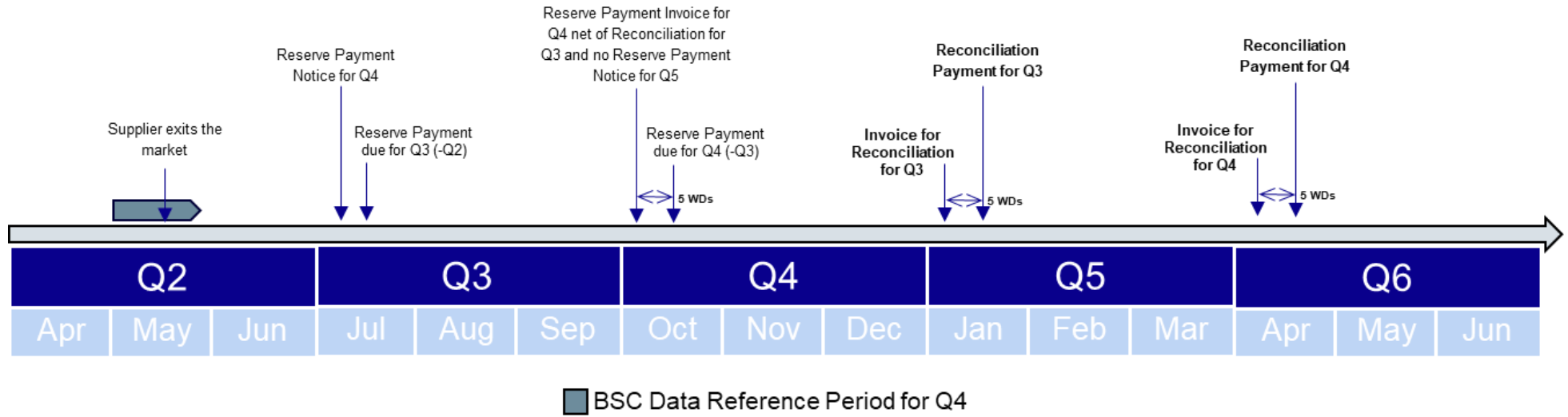


Figure 3: Example of Nuclear RAB market exit

\*Under Nuclear RAB, EMRS will notify Suppliers of their Reserve Payment amount at least 8 working days after 30 calendar days in advance of the quarter that the reserve is for.

14.2 Appendix 2 – Additional Reserve Payment Example

Suppliers may also be required to make an additional Reserve Payment when the LCCC determines and notifies Suppliers that an additional reserve amount is required.

The example below illustrates timescales of a hypothetical additional Reserve Payment for the fourth Quarterly Obligation Period (Q4).

Additional Reserve Payments have different payment terms from the Total Reserve Amount. Suppliers will be required to make an additional Reserve Payment by the later of:<sup>13</sup>

- The date by which a Reserve Payment is due in respect of that period (see Appendix 1 for payment due dates).
- 30 Calendar days after the LCCC has published the additional Total Reserve Amount; or,
- Any later date which LCCC specifies.

In the example below, the Reserve Payment has already been paid for Q4 on the 13th Working day of Jan 2018 and the LCCC has not specified different payment terms. Thus, the additional Reserve Payment will be due 30 calendar days after the LCCC has published the additional Adjusted Reserve Amount. The timetable for Reserve Payments and Reconciliation Invoices is not disturbed after the additional payment.

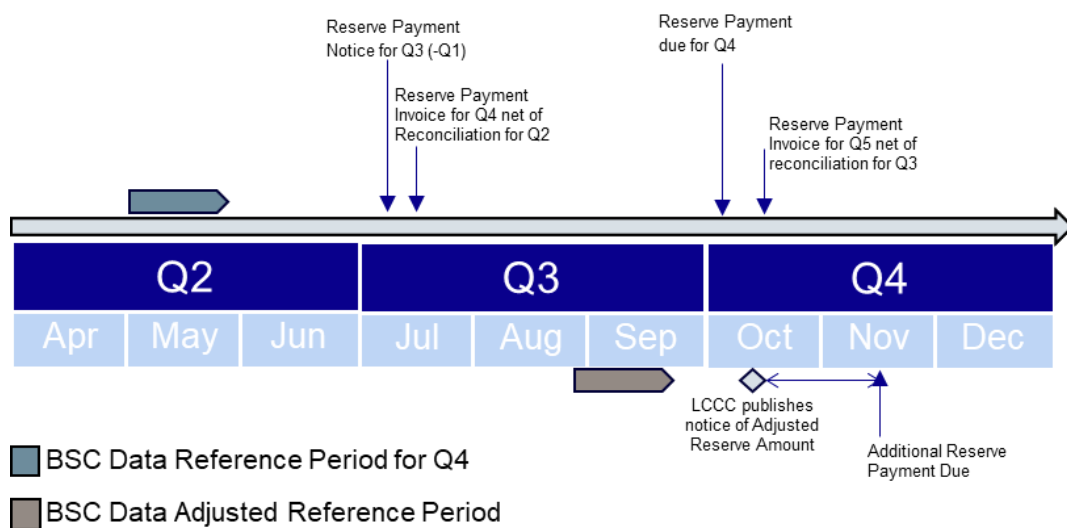


Figure 2: Example of timescales of an Additional Reserve Payment

\* Under the CfD, EMRS will notify Suppliers of their Reserve Payment amount at least three months in advance of the payment due date.

\* Under Nuclear RAB, EMRS will notify Suppliers of their Reserve Payment amount at least 8 working days after 30 calendar days in advance of the quarter that the reserve is for.

<sup>13</sup> [The Contracts for Difference \(Electricity Supplier Obligations\) Regulations 2014 Regulation 14 \(7\)](#)

14.3 Appendix 3 – Reserve Payment Reconciliation

Reserve payment reconciliation for the second Quarterly Obligation Period (Q2) comprises the following steps, shown below.

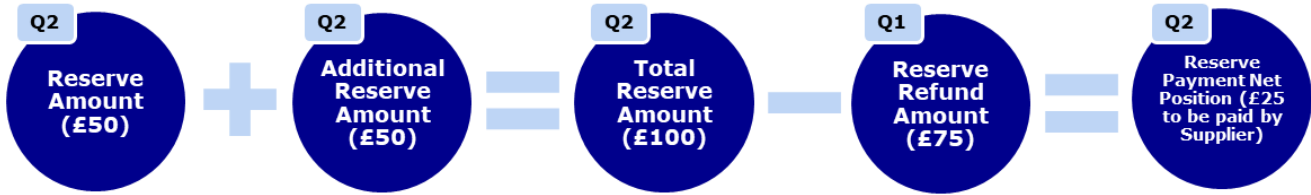


Figure 3: Reserve Payment Reconciliation Worked Example

As an example, in Step 1 above the Supplier’s Reserve Amount for the quarter is £50.

In Step 2 there is an Additional Reserve Amount of £50, giving a Total Reserve Amount of £100 for the Supplier in that quarter.

In Step 3, we refund the Reserve Amount of £75 for the previous quarter, which gives a Net Position of £25 to be paid by the Supplier for the Reserve.

Figure 4 illustrates the timescales for the Q2 reconciliation payment. For Q2 the Reserve Payment will be due 13 Working Days into April. The reconciliation notice will be sent on or around the 8<sup>th</sup> Working Day of July. The exact date the notice will be sent is dependent on the BSC Settlement Calendar. Notices of reconciliation payments will be sent once metered data is available for the quarter. The reconciliation payment will be due five Working Days from receipt of the reconciliation invoice.

This notice of reconciliation payment will include the comparison of the Q3 Reserve Payment to be paid by the Supplier compared to the sum of the Q2 Reserve Payment, already paid by the Supplier, and any reconciliation payments.

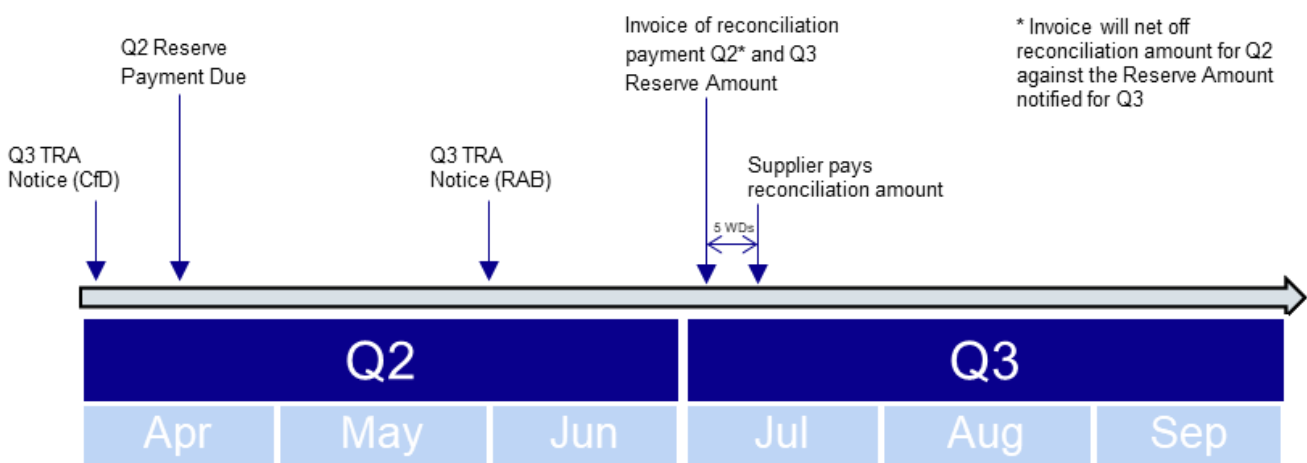


Figure 5: Example timeline for Notice of Reconciliation