

WP43 – CfD Generator Collateral

Public

Contents

Contents	2
Change Amendment Record	3
1. Introduction	4
1.1 Scope and Purpose of the Working Practice	4
1.2 Main Users of this Working Practice and Responsibilities	4
1.3 Associated Documents	4
2. CfD Generator Collateral	5
2.1 Why is collateral required?	5
2.2 How is a collateral requirement communicated?	5
2.3 How much collateral is required?	5
2.4 When is collateral required?	5
3. Interface and Timetable Information	7
3.1 Provide collateral	7
3.2 Monitor Letters of Credit (expiry)	10
3.3 Monitor Letters of Credit (bank ratings)	11
3.4 Drawing down collateral for overdue relevant payments	13
3.5 Repayment of collateral	15
4. Contact Information	16
5. Acronyms and Definitions	16
6. Appendices	17
6.1 Appendix 1 – LCCC’s Collateral Account	17
6.2 Appendix 2 – Qualifying Issuer of a Letter of Credit	17
6.3 Appendix 3 – SWIFT Letter of Credit format	17
6.4 Appendix 4 – Letter of Credit Template	19
6.5 Appendix 5 – Specified Address	21

Change Amendment Record

Version	Date	Description
1.0	19 January 2016	Go-Live Version
2.0	4 August 2017	CR126 - Updated to reflect Letters of Credit (LoC's) being processed by SWIFT Changing the existing process around receiving and validating LoC's. Inserted Signed off LoC and SWIFT templates Document transfer into new template and cosmetic changes
3.0	15 April 2019	Housekeeping updates
4.0	24 August 2020	Annual Review
5.0	9 August 2021	LCCC/ESC Change of Address
6.0	12 January 2023	Housekeeping updates
7.0	5 April 2024	Annual Review
8.0	5 March 2025	Annual Review
9.0	24 July 2025	Updates to reflect new LCCC and EMRS visual identities
10.0	1 December 2025	Housekeeping changes
11.0	7 April 2026	Annual Review

1. Introduction

The Contracts for Difference (CfD) scheme determines that CfD Generators are only required to provide collateral after three failures to pay on time in a rolling twelve-month period. Collateral must be lodged within set timescales and maintained for the duration of the requirement.

1.1 Scope and Purpose of the Working Practice

The purpose of this document is to provide an overview of how CfD Generators should provide collateral when required to do so in line with the contractual terms and conditions. It also covers how the lodged collateral will be managed while the requirement is valid and when it may be drawn down on, as well as what happens if the lodged collateral becomes invalid and what happens once the requirement expires.

1.2 Main Users of this Working Practice and Responsibilities

The table summarises the roles and responsibilities of those parties involved, with respect to this procedure only.

Role	Responsibilities
CfD Generator	Required to submit valid collateral in certain situations and maintain it for the duration of the collateral requirement in line with the terms and conditions of the CfD contract (or Investment Contract).
EMR Settlement Ltd (EMRS)	Receives, validates, monitors, draws down on and/or releases collateral according to the requirements.
Low Carbon Contracts Company (LCCC)	Notifies the CfD Generator whenever a requirement to provide collateral arises or is amended. Determines when to make a Posted Collateral Demand. Determines further escalating action when the CfD Generator does not comply with its obligations.

1.3 Associated Documents

This working practice should be read in conjunction with the following documents, but please note that it does not seek to replace them:

- CfD Contract along with its Terms and Conditions¹ including accompanying documents and amendments
- Investment Contracts²
- WP41 - Late Payment Procedure³

¹ <https://www.gov.uk/government/publications/contracts-for-difference-standard-terms-and-conditions>

² <https://www.gov.uk/government/publications/final-investment-decision-fid-enabling-for-renewables-investment-contracts>

³ <https://emrsettlement.co.uk/publications/working-practices/>

2. CfD Generator Collateral

2.1 Why is collateral required?

The CfD contract includes provisions for collateral to mitigate the risk of CfD Generators not meeting their payment obligations. CfD Generators are not expected to make continuous payments, only having to do so when the market price is higher than their strike price⁴ or in ad hoc circumstances where they are required to make a lump sum payment, for example compensation payments. As such, CfD Generators do not have a continuous obligation for collateral. CfD Generators are only required to provide collateral when they have demonstrated a record of not meeting their payment obligations (identified as three late payments in a rolling, consecutive twelve month period⁵).

Not having to maintain continuous collateral reduces the costs of the scheme for CfD Generators. It also enables LCCC to manage and mitigate the funding risk to the scheme.

2.2 How is a collateral requirement communicated?

Notices will be sent by LCCC to the CfD Generator using the notification contact specified in the CfD contract (please note that this may be a different contact to those used by EMRS for Settlement, depending on the details the CfD Generator provided to EMRS). The content of these notices is set out in the CfD Contract Annex 8 - Pro forma notices (and equivalent in the Investment Contracts).

2.3 How much collateral is required?

The Collateral Amount is determined in accordance with the formula set out in the CfD Standard Terms and Conditions in Section 55.4⁶. Factors include the Maximum Contract Capacity and Assumed Load Factor amongst others; it is therefore specific to each contract.

2.4 When is collateral required?

CfD Generators, like other EMR Parties, can submit collateral at any point. However, collateral is only required from CfD Generators once a Collateral Posting Notice is sent. This happens when the CfD Generator fails to make a payment three times within a rolling twelve-month period; the requirement to provide collateral remains, even if those payments are subsequently made.

The CfD Generator has until the Collateral Posting Date to provide Acceptable Collateral equal to the Collateral Amount as per Section 56.1. The Collateral Posting Date will be included in the Collateral Posting Notice and will be at least 10 WDs after the notice is issued.

Should a CfD Generator need to provide collateral, they are required to maintain it for twelve months until a specified date (the Collateral Repayment Date). This date can subsequently be extended and valid collateral must be maintained for the length of the extended requirement. Failure to comply with collateral requirements can be considered a Termination Event.

⁴ For an explanation of CfDs please see our website: <https://emrsettlement.co.uk/about-emr/contracts-for-difference/>

⁵ Refer to Credit Support within the Standard Terms and Conditions for CfD (Part 13) <https://www.gov.uk/government/publications/contracts-for-difference-standard-terms-and-conditions>

⁶ Please note, where specific conditions are referenced in the CfD Standard Terms and Conditions please refer to the contract that you hold, whether it is an Investment Contract or a newer version.

WP43 – CfD Generator Collateral

Figures 1 and 2 illustrate these timelines.

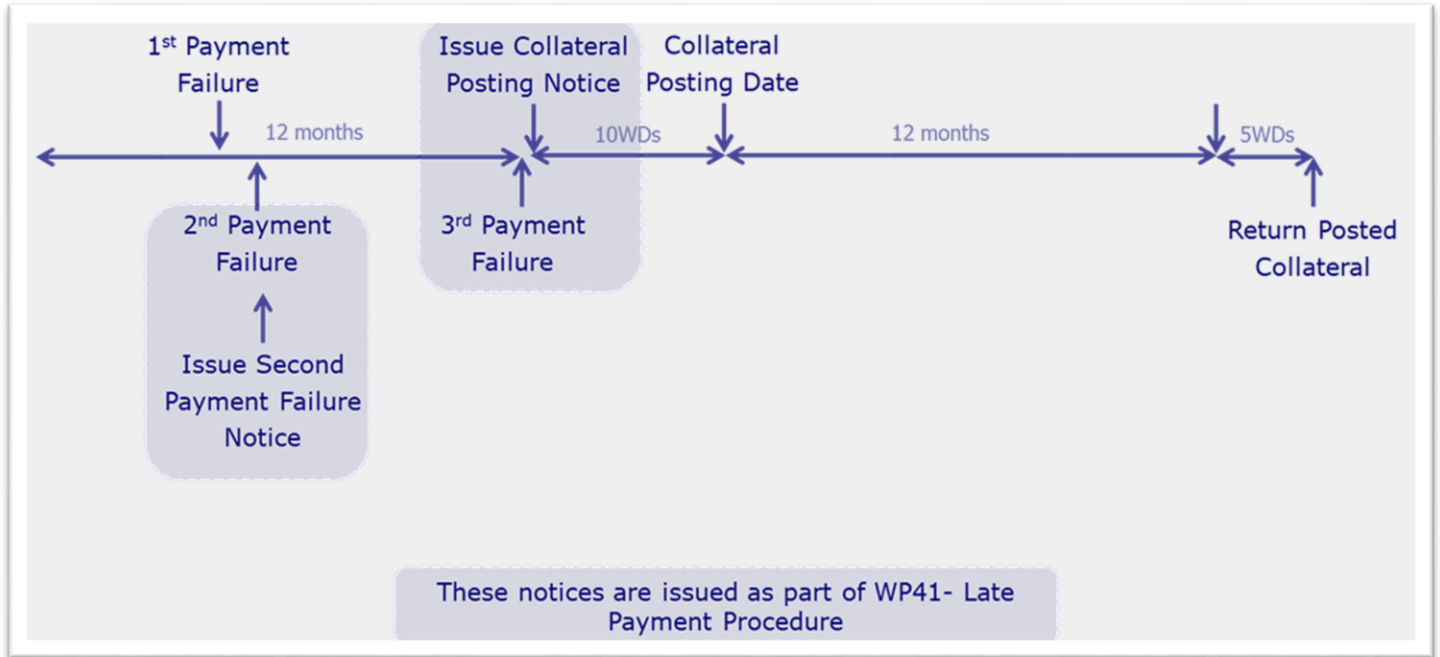


Figure 1: When collateral is needed

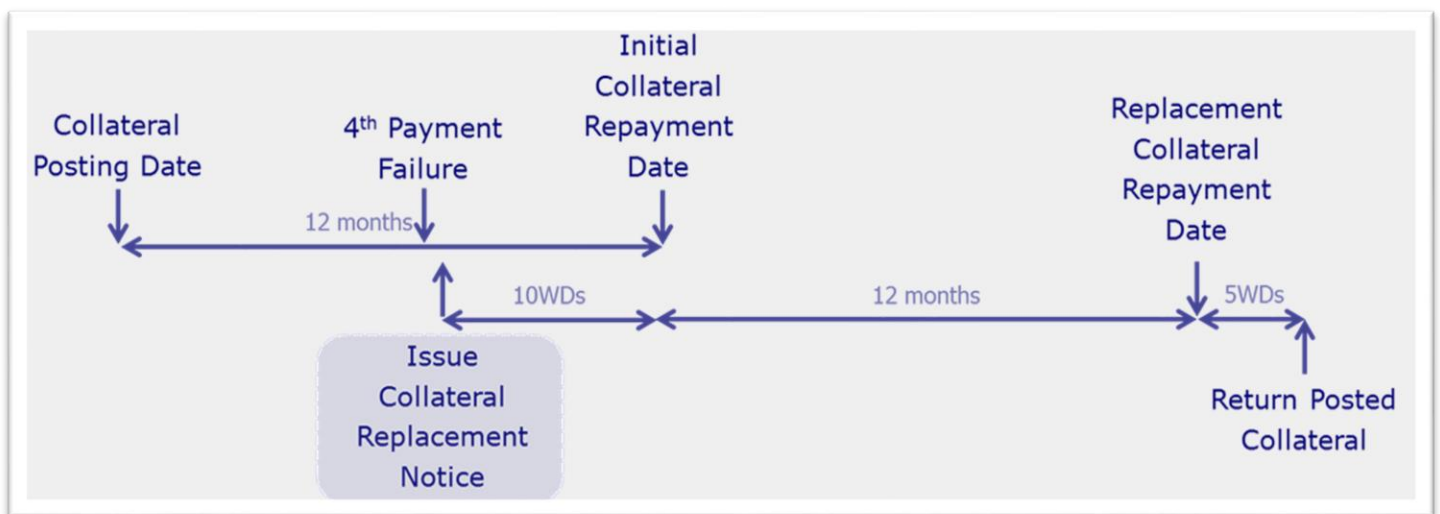


Figure 1: When the requirement to provide collateral is extended.

At some point, Posted Collateral may cease to be Acceptable Collateral and/or be less than the amount required, e.g., if the issuer of a Letter of Credit (LoC) no longer meets the credit rating requirements. In that scenario the LCCC may issue a notice to the CfD Generator to rectify the position. The CfD Generator would then have 5 WDs to comply.

If the collateral has been the subject of a Posted Collateral Demand, then the CfD Generator would have 2 WDs to post additional collateral.

WP43 – CfD Generator Collateral

Ref	Condition	When	Action	From	To	Input Information Required	Method
3.1.2		Every WD, at 5pm	<p>Check:</p> <p>Collateral bank account for cash received</p> <p>If no collateral received and deadline for CfD Generator to lodge Collateral has passed, proceed to 3.1.7</p> <p>If collateral received, proceed to 3.1.4.</p>	EMRS	-	Collateral requirement; and Bank details	Internal process
3.1.3		Within 1 WD of 3.1.1	Log and validate SWIFT submission, and send confirmation to EMRS.	NatWest	EMRS	-	Internal process and email
3.1.4	56.3	Following 3.1.2(cash) 3.1.3(LoC)	<p>If LoC is received, then validate format, issuing bank and amount. If cash, then validate amount.</p> <p>If collateral is valid and for the correct amount, then go to 3.1.5.</p> <p>If collateral is invalid or not enough, then go to 3.1.6.</p>	EMRS	-	LoC validity requirements; and Collateral requirement	Internal process
3.1.5		Within 1 WD of 3.1.4	<p>If Posted Collateral meets collateral requirements, record lodging and notify CfD Generator.</p> <p>END PROCESS.</p> <p>If a LoC or cash was provided to replace existing collateral then go to step 3.5.2 to complete the repayment of collateral process.</p>	EMRS	CfD Generator	Credit cover contact details	Email

WP43 – CfD Generator Collateral

Ref	Condition	When	Action	From	To	Input Information Required	Method
3.1.6		Within 1 WD of 3.1.3	If LoC not acceptable or the Posted Collateral is not enough to meet the requirement, then record lodging and notify the CfD Generator. If the deadline passes, then proceed to step 3.1.7.	EMRS	CfD Generator	-	Internal process and email
3.1.7		Following 3.1.2 (no collateral) or 3.1.6 (not accepted/insufficient)	Inform LCCC who will decide on further escalation. END PROCESS.	EMRS	LCCC	Collateral requirement; and Received Collateral details	Email

3.2 Monitor Letters of Credit (expiry)

Ref	Condition	When	Action	From	To	Input Information Required	Method
3.2.1		Each WD by 12pm	Identify Letters of Credit (LoC) that expire in 20 WD and notify CfD Generator.	EMRS	CfD Generator	LoC details; and Credit Cover contact details	Email
3.2.2	56.4	Following 3.2.1	Provide replacement collateral if required.	CfD Generator	LCCC Collateral Account (cash) or EMRS (LoC)	Collateral Amount; LCCC Collateral Account details; and LoC validity requirements	Process 3.1 Provide Collateral
3.2.3		Following 3.2.1 and 9 WDs before expiry	Check if collateral has been replaced/alterd and if requirement will not be met upon expiry. If requirement will be met then END PROCESS . If requirement will not be met, then proceed to 3.2.4.	EMRS	-	Collateral position	Internal process
3.2.4		Following 3.2.3	Request drawdown (Posted Collateral Demand) of LoC to hold as cash collateral.	EMRS	LCCC	LoC details; and Collateral requirement	Email
3.2.5		Following 3.2.4	Instruct on whether to make a Posted Collateral Demand.	LCCC	EMRS	LoC details; and Collateral requirement	Email
3.2.6		Following 3.2.5	Where LCCC instruct Posted Collateral Demand, Email Form of Demand and draw down on LoC.	EMRS NatWest	Issuing bank	LCCC authorisation; and Form of Demand	Email SWIFT
3.2.7		Following 3.2.6	Transfer cash to LCCC bank account. EMRS treat the cash held as collateral.	Issuing bank	LCCC NatWest	-	Bank transfer; SWIFT
3.2.8	56.10(B)	Following 3.2.7	Notify CfD Generator of draw down. END PROCESS.	LCCC	CfD Generator	Notification contact	Email

3.3 Monitor Letters of Credit (bank ratings)

Ref	Condition	When	Action	From	To	Input Information Required	Method
3.3.1		Each WD by 12pm	Assess current bank ratings for all LoC-issuing banks. Identify Letters of Credit (LoC) issuing banks that do not pass rating requirements.	EMRS	-	LoC details; and Bank ratings	Internal process
3.3.2		Same WD as 3.3.1	Check if requirement is not met without the LoC. If requirement is met then END PROCESS. If requirement is not met then notify LCCC.	EMRS	LCCC	LoC details	Email
3.3.3	56.5(A)	Following 3.3.2	Send Collateral Correction Notice.	LCCC	CfD Generator	-	Email
3.3.4	56.6	Within 5 WDs of 3.3.3	Provide replacement collateral.	CfD Generator	LCCC Collateral Account (cash) or EMRS (LoC)	Collateral Amount; Reserve Account details; and LoC validity requirements	Process 3.1 Provide Collateral
3.3.5		5 WDs after 3.3.3	Check if collateral is now sufficient ¹² . If collateral is now sufficient, then notify LCCC and END PROCESS. If collateral is insufficient, then notify LCCC.	EMRS	LCCC	Collateral details; LoC details	Email

¹² Collateral could be sufficient if bank ratings have improved or replacement collateral has been provided. If replacement collateral has been provided this will be validated as per Table 3.1.

WP43 – CfD Generator Collateral

Ref	Condition	When	Action	From	To	Input Information Required	Method
3.3.6		10 WDs after 3.3.3	Check if collateral is now sufficient If collateral is now sufficient, then notify LCCC and END PROCESS. If collateral is insufficient, then request drawdown of LoC to hold as cash collateral.	EMRS	LCCC	Collateral details; and LoC details	Email
3.3.7		Following 3.3.6	Instruct on whether to make a Posted Collateral Demand.	LCCC	EMRS	LoC details; and Collateral requirement	Email
3.3.8		Following 3.3.7	Where LCCC instructs a Posted Collateral Demand, email form of demand and draw down LoC.	EMRS NatWest	Issuing bank	LCCC authorisation; and Form of Demand	Email SWIFT
3.3.9		Following 3.3.8	Transfer cash to LCCC bank account. EMRS treats the cash held as collateral.	Issuing bank	LCCC NatWest	-	Bank transfer SWIFT

3.4 Drawing down collateral for overdue relevant payments

Ref	Condition	When	Action	From	To	Input Information Required	Method
3.4.1		Each WD by 12pm	Identify CfD Generators with overdue relevant ¹³ payments.	EMRS	-	CfD Generator statement of account	Internal process
3.4.2		Following 3.4.1	Following 3.4.1 Determine whether there is collateral available. If there is no collateral available, then proceed to step 3.4.3. If there is collateral available, then proceed to step 3.4.4.	EMRS	-	CfD Generator statement of account; and Collateral	Internal process
3.4.3		Following 3.4.2	Inform LCCC who decide on further escalation. END PROCESS.	EMRS	LCCC	CfD Generator statement of account	Email
3.4.4		Following 3.4.2	Request drawdown of cash or LoC for the outstanding amount, or if outstanding amount exceeds the amount of cash or value of the LoC, then request the full amount.	EMRS	LCCC	CfD Generator statement of account; and Collateral	Email
3.4.5		Following 3.4.4	Review payment position and instruct on whether to make a Posted Collateral Demand.	LCCC	EMRS	CfD Generator statement of account	Email

¹³ NPA payments.

WP43 – CfD Generator Collateral

Ref	Condition	When	Action	From	To	Input Information Required	Method
3.4.6	56.10(A) 56.5	Within 1 WD of 3.4.5	Where LCCC instructs Posted Collateral Demand, notify CfD Generator of the posted collateral demand and send Collateral Correction Notice. If collateral is in the form of cash, then go to 3.4.9. If collateral is in the form of a LoC, then go to 3.4.7.	LCCC	CfD Generator	Draw down amount	Email
3.4.7		Within 1 WD of 3.4.6	Notify CfD Generator of Drawdown. Email Form of Demand and draw down LoC.	EMRS NatWest	CfD Generator Issuing bank	Draw down amount; and Form of Demand	SWIFT
3.4.8		Following 3.4.7	Transfer cash and may issue amended LoC (where partial draw down occurs).	Issuing bank	LCCC bank account and EMRS (where amended LoC is issued)	-	Bank transfer; SWIFT
3.4.9		Following 3.4.6 or 3.4.8	Clear overdue items. If overdue items are fully cleared, then END PROCESS. If only partially cleared, then proceed to step 3.4.10.	EMRS	-	-	Internal process
3.4.10		Following 3.4.9	Inform LCCC who decides on further escalation. END PROCESS.	EMRS	LCCC	-	Email
3.4.11	56.11	Within 2 WDs of 3.4.6	Provide replacement collateral.	CfD Generator	LCCC Collateral Account (cash) or EMRS (LoC)	Collateral Amount; Reserve Account details; and LoC validity requirements	Process 3.1 Provide Collateral

3.5 Repayment of collateral

In most cases, CfD Generator collateral will be returned within 5 WD of the end of a requirement to provide collateral. If a contract ends while there is still a requirement to provide collateral, any remaining collateral will be returned after the final reconciliation invoice for the contract.

Ref	Condition	When	Action	From	To	Input Information Required	Method
3.5.1	56.12	Collateral requirement ceases	Detect that the Collateral requirement has expired.	EMRS	-	-	Internal process
3.5.2		Following 3.5.1	Request approval to return collateral.	EMRS	LCCC	-	Email
3.5.3	56.12 56.13	Within 5 WDs of 3.5.1	If cash, then transfer to CfD Generator collateral bank account ¹⁴ . If LoC, then notify bank of cancellation of LoC and notify CfD Generator.	EMRS (on behalf of LCCC) NatWest	CfD Generator Issuing Bank	Bank account details; and LoC	Bank Transfer/SWIFT

¹⁴ This is specified on the CfD Registration Form

4. Contact Information

For all Collateral queries, please contact:

Contact Organisation	Contact
EMR Settlement Ltd (Settlement Services Provider)	Telephone: 020 7380 4333 Email: contact@emrsettlement.co.uk

5. Acronyms and Definitions

Acronyms and Definitions

A full list of acronyms and definitions included in this document can be found in the glossary on our website¹⁵.

¹⁵ <https://www.emrsettlement.co.uk/glossary/>

6. Appendices

6.1 Appendix 1 – LCCC’s Collateral Account

Please transfer cash collateral to the following account¹⁶:

Account number: 10018417

Sort Code: 60-70-80

6.2 Appendix 2 – Qualifying Issuer of a Letter of Credit

If you wish to lodge a LoC to meet your collateral requirement, then please ensure that it is in an acceptable form. Please see the template in section 6.4, and from a Qualifying Issuer.

As defined in the CfD Contract, “Qualifying Issuer” means: (i) a bank or financial institution having a minimum short term rating of A-1 with Standard and Poor’s, P-1 with Moody’s or F1 with Fitch; or (ii) such other bank or financial institution, having such minimum rating as the CfD Counterparty may consent to or specify from time to time.

6.3 Appendix 3 – SWIFT Letter of Credit format

Generator CfD Letter of Credit SWIFT text¹⁷

To:

Low Carbon Contracts Company Limited

10 South Colonnade

Canary Wharf

London

E14 4PU

[DATE]

Dear Sirs,

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: [NUMBER]

1. By this letter we, [insert name of issuer], establish our irrevocable standby letter of credit (“**letter of credit**”) number [number] in your favour at the request of [name of relevant generator] (the “Principal”) of [address of relevant supplier] for the maximum aggregate pounds sterling amount of [£x. xx],[written version of the amount], (the “**Maximum Amount**”).
2. This letter of credit is established in connection with the Principal’s obligations under the agreement dated [•]¹⁸ between the Principal and Low Carbon Contracts Company Limited, as may be amended from time to time (the “Agreement”)
3. We unconditionally and irrevocably undertake to pay you, in pounds sterling to the bank account set out in your written demand for payment, the amount you claim on the date we receive your duly completed written demand at [insert details of the issuing bank, department name and/or officer and address – Note: insert at least one precise location as close as possible to 10 South Colonnade, Canary Wharf, London, E14 4PU] or at any of our other London branches or by email to [insert email address] or by SWIFT via our bankers National Westminster Bank Plc (SWIFT code NWBKGB2L) subject to the following conditions:

¹⁶ Details of the Collateral Account will be included in the Collateral Posting Notice. If there is a discrepancy between the Notice and the details in this working practice, please follow the instructions in the Notice.

¹⁷ The following constitutes the message that should be issued via SWIFT

¹⁸ The agreement referred to is the CfD (or Investment Contract, as applicable).

WP43 – CfD Generator Collateral

- your demand must be received by us by 11.59 p.m. (London time) on the Expiry Date (as defined in paragraph 4); and
 - your demand must be substantially in the form attached to this letter of credit signed by you stating that the Principal has failed to comply with its obligations under the Agreement and the amount claimed which, in aggregate with any other claims made under this letter of credit, must not exceed the Maximum Amount.
4. This letter of credit shall expire at 11:59 p.m. (London time) on [date] (“**Expiry Date**”), after which we shall have no further liability to you, except in relation to any demand validly presented before expiry of this letter of credit that remains unpaid.
 5. A presentation may be made for less than the Maximum Amount.
 6. More than one presentation may be made (“**Multiple Presentations**”). The aggregate of the Multiple Presentations shall not exceed the Maximum Amount.
 7. Payments under this letter of credit will be effected immediately to the account you specify in your demand.
 8. This letter of credit and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The parties to this letter of credit irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction over any dispute or claim arising out of or in connection with this letter of credit or its subject matter or formation (including non-contractual disputes or claims).
 9. Except to the extent it is inconsistent with the express terms of this letter of credit, this letter of credit is subject to the International Standby Practices ISP 98, ICC Publication No. 590.

Yours faithfully,

For and on behalf of

[Issuing bank]

FORM OF DEMAND

DEMAND UNDER IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: [NUMBER]

We, Low Carbon Contracts Company Limited, refer to the irrevocable letter of credit (“**letter of credit**”) number [number] issued by you in our favour. This is a written demand under the letter of credit. Terms defined in the letter of credit have the same meaning in this demand.

We certify that the Principal has failed to comply with its obligations under the Agreement. The amount claimed by us is [currency and amount] (“**Claimed Amount**”), which we hereby demand.

We further certify that the aggregate of the Claimed Amount and all other amounts previously claimed by us under the letter of credit does not exceed the Maximum Amount specified in the letter of credit.

This demand is dated on or before the Expiry Date set out in the letter of credit.

We hereby demand immediate payment of the Claimed Amount and that the Claimed Amount be paid into the following bank account: [details of account to be inserted by LCCC].

6.4 Appendix 4 – Letter of Credit Template¹⁹

CfD Generator²⁰ Letter of Credit Template²¹

To:

Low Carbon Contracts Company Limited²²

10 South Colonnade

Canary Wharf

London

E14 4PU

[DATE]

Dear Sirs,

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: [NUMBER]

1. By this letter²³ we, *[insert name of issuer]*²⁴, establish our irrevocable standby letter of credit (“**letter of credit**”) number *[number]* in your favour at the request of *[name of relevant generator]*²⁵ (the “**Principal**”) of *[address of relevant generator]* for the maximum aggregate pounds sterling²⁶ amount of [£x.xx], *[written version of the amount]* (the “**Maximum Amount**”).
2. This letter of credit is established in connection with the Principal’s obligations under the agreement dated [•]²⁷ between the Principal and Low Carbon Contracts Company Limited, as may be amended from time to time (the “**Agreement**”).
3. We unconditionally and irrevocably undertake to pay you, in pounds sterling to the bank account set out in your written demand for payment, the amount you claim on the date we receive your duly completed written demand at *[insert details of the issuing bank, department name and/or officer and address – Note: insert at least one precise location as close as possible to 10 South Colonnade, Canary Wharf, London, E14 4PU]* or at any of our other London branches or by email to generic.email@address.co.uk, subject to the following conditions:
 - your demand must be received by us by 11.59p.m. (London time) on the Expiry Date (as defined in paragraph 4); and
 - your demand must be substantially in the form attached to this letter of credit signed by you stating that the Principal has failed to comply with its obligations under the Agreement and the amount claimed which, in aggregate with any other claims made under this letter of credit, must not exceed the Maximum Amount.

¹⁹ Footnotes are for guidance only and should not be replicated in the LoC when issued.

²⁰ A Generator, with whom Low Carbon Contracts Company Limited (“LCCC”) has an agreement (which may be a Contract for Difference or Investment Contract), is required in certain circumstances (which are specified in Part 13 of the relevant agreement) to provide Acceptable Collateral to LCCC. Acceptable Collateral may be in the form of cash and/or a LoC. If a LoC is provided, it must be in form and content reasonably acceptable to LCCC (see definition of “Letter of Credit” in the agreement).

²¹ Footnotes are for guidance only and should not be replicated in the LoC when issued.

²² If Acceptable Collateral is required, LCCC will issue a Collateral Posting Notice to the generator which will specify the Collateral Posting Date which is the date by which the Acceptable Collateral must be provided. The Acceptable Collateral must be maintained until the Initial Collateral Repayment Date, which is a date falling 12 months after the Collateral Posting Date. However, if there have been further Payment Failures of the Generator and LCCC has issued a Replacement Collateral Notice specifying a Replacement Collateral Repayment Date, the Acceptable Collateral must be maintained until that date.

²³ Letters of Credit provided by a bank (other than RBS or its subsidiaries including National Westminster Bank plc) must be provided through the interbank SWIFT banking system to: National Westminster Bank Plc – SWIFT Code NWBKGB2L. Letters of Credit provided by RBS or one of its subsidiaries including National Westminster Bank plc cannot be provided through the interbank SWIFT system and must instead be sent by post to EMRS.

²⁴ The LoC must be issued by a Qualifying Issuer, which is defined in the agreement as (i) a bank or financial institution having a minimum short-term rating of A-1 with Standard and Poor’s, P-1 with Moody’s or F1 with Fitch or (ii) such other bank or financial institution, having such minimum rating as LCCC may consent to or specify from time to time.

²⁵ The applicant (i.e. the Principal) must be the relevant generator who is required under the agreement to provide the Acceptable Collateral. The name of the electricity generator needs to match the name of the generator specified in the agreement.

²⁶ Letters of credit must be in pounds sterling.

²⁷ The agreement referred to is the CfD (or Investment Contract, as applicable).

WP43 – CfD Generator Collateral

4. This letter of credit shall expire at 11.59 p.m. (London time) on [date] (“**Expiry Date**”), after which we shall have no further liability to you, except in relation to any demand validly presented before expiry of this letter of credit that remains unpaid.
5. A presentation may be made for less than the Maximum Amount.
6. More than one presentation may be made (“**Multiple Presentations**”). The aggregate of the Multiple Presentations shall not exceed the Maximum Amount.
7. Payments under this letter of credit will be effected immediately to the account you specify in your demand.
8. This letter of credit and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The parties to this letter of credit irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction over any dispute or claim arising out of or in connection with this letter of credit or its subject matter or formation (including non-contractual disputes or claims).
9. Except to the extent it is inconsistent with the express terms of this letter of credit, this letter of credit is subject to the International Standby Practices ISP 98, ICC Publication No. 590.

Yours faithfully,

.....

For and on behalf of

[Issuing bank]

ANNEX

FORM OF DEMAND

To: [issuing bank, department and/or officer name and address/ email address]

[DATE]

Dear Sirs,

DEMAND UNDER IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: [NUMBER]

We, Low Carbon Contracts Company Limited, refer to the irrevocable letter of credit (“letter of credit”) number [number] issued by you in our favour. This is a written demand under the letter of credit. Terms defined in the letter of credit have the same meaning in this demand.

We certify that the Principal has failed to comply with its obligations under the Agreement. The amount claimed by us is [currency and amount] (“Claimed Amount”), which we hereby demand.

We further certify that the aggregate of the Claimed Amount and all other amounts previously claimed by us under the letter of credit does not exceed the Maximum Amount specified in the letter of credit.

This demand is dated on or before the Expiry Date set out in the letter of credit.

We hereby demand immediate payment of the Claimed Amount and that the Claimed Amount be paid into the following bank account:

[details of account to be inserted by LCCC].

Yours faithfully,

.....

For and on behalf of

Low Carbon Contracts Company Limited

6.5 Appendix 5 – Specified Address

Please post your Letter of Credit, via recorded delivery, to the following address:

EMRS at ELEXON Ltd,

350 Euston Road,

LONDON

NW1 3AW

Please include with your Letter of Credit a copy of the Letter of Credit Details Notice, which you can find a template for in your contract.