

# CIRCULAR

**TYPE & NUMBER** EMR Circular 149

**Date** 16 February 2018

**Purpose** For information

## Government response on Low Carbon Contracts Company and Electricity Settlement Company Operational Cost budget 2018/19 – 2020/21

We'd like to inform **Suppliers** that BEIS has published their [response](#) on [Low Carbon Contracts Company](#) (LCCC) and [Electricity Settlements Company](#) (ESC) Operational Cost budget for 2018/19–2020/21 consultation.

It confirms that respondents were generally supportive of the proposed operational cost budgets for both companies for the next **three Financial Years** (illustrated in the table below) and that those budgets will remain unchanged.

Year	LCCC Operational Budget (£m)	ESC Operational Budget (£m)
2018/19	16,519	7.629
2019/20	17.020	7.554
2020/21	17.485	7.502

This circular also provides **Suppliers** with details on how the budgets are reflected in the **CFD Operational Levy**, the **CM Settlement Costs Levy**, supporting information and next steps. Please refer to the [LCCC and ESC Operational Costs 2018/19 to 2020/21 consultation](#) government webpage for further details.

### What are the CFD Operational Levy Rates going forward?

The table below illustrates the total budget, the forecast of gross electricity demand and the **CFD Operational Levies** for the next three Financial Years.

Year	Estimated costs (£m)	Forecast Electricity Demand (TWh) <sup>12</sup>	CFD Operational Levy Rate (£/MWh)
2018/19	16,519	289.66	0.0570
2019/20	17.020	287.69	0.0592
2020/21	17.485	284.59	0.0614

From 1 April 2018, the CFD Operational Levy Rate **£0.0570 per MWh** will be used to calculate **Supplier's** daily CFD Operational Cost payment for the 2018/19 Financial Year. This is subject to the [Electricity Supplier Payments \(Amendment\) Regulations 2018](#) coming in to force.

<sup>1</sup> This forecast of gross electricity demand is based on a dedicated forecast model developed by LCCC. The model uses statistical techniques taking into account trends in electricity demand and embedded generation, which is connected to the distribution network rather than the transmission grid. It also considers the long-term variability of weather.

<sup>2</sup> The forecast of gross electricity demand is after applying the Energy Intensive Industries (EII) exemption.

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## What are the CM Settlement Costs Levies going forward?

The table below illustrates the Total Settlement Costs Levy (SCL) for the next three Financial Years.

Year	Total Settlement Costs Levy (£m)
2018/19	7.629
2019/20	7.554
2020/21	7.502

From 1 April 2018, the Total Settlement Costs Levy is **£7,629,000** and this is subject to the [Electricity Supplier Payments \(Amendment\) Regulations 2018](#) coming in to force.

This total is shared amongst Suppliers based on their share in periods of high demand (16:00 to 19:00 on any Working Day in November to February). Initially, the share in the preceding Financial Year (2017/18) is used to calculate Suppliers monthly SCL payments for 2018/19 Financial Year.

## When will the CM Settlement Costs Levy schedule be issued?

EMRS will issue Suppliers with the SCL schedule of payments, detailing each month's SCL payment amount for 2018/19 by the end of March 2018. Each month's SCL amount will be invoiced on the first Working Day of each month. The first 2018/19 SCL amount will be invoiced on **3 April 2018**.

The SCL monthly payments will be revised based on metered data for the periods of high demand in 2018/19. This happens following receipt of metered data for the last working day in February 2019.

## What are the next steps?

The Secondary legislation to revise the operational cost levies for 2018-2019 to 2020-2021 ([The Electricity Supplier Payments \(Amendment\) Regulations 2018](#)) has now been laid before Parliament. The intention is that, subject to the will of Parliament, the **2018-2019** levies will come into effect from **1 April 2018**, and the 2019-2020 and 2020-2021 levies will come into effect from 1 April 2019 and 2020 respectively.

## Where can I get more information?

If you have any questions, please email [contact@emrsettlement.co.uk](mailto:contact@emrsettlement.co.uk) or call us on 020 7380 4333.