

CIRCULAR

TYPE & NUMBER EMR Circular 207

Date 24 April 2020

Purpose For information

BEIS advances loan to support Interim Levy Rate for the current Quarterly Obligation Period

EMRS, on behalf of [Low Carbon Contracts Company](#) (LCCC), would like to confirm to **Suppliers** the Interim Levy Rate (ILR) and Total Reserve Amount (TRA) for the current Quarterly Obligation Period remains unchanged from the rate previously published.

On 30 March 2020, LCCC issued a [Stakeholder Bulletin](#) to indicate that increases to the ILR for Q2 and Q3 could be necessary to ensure LCCC had sufficient funds to pay CFD Generators. Today, LCCC has issued a further [Stakeholder Bulletin](#) to confirm without additional revenue, it is highly likely LCCC will have insufficient funds in June. This is mainly due to the significant drop in demand resulting from actions to combat COVID-19.

[BEIS](#) and LCCC have agreed, BEIS will extend to LCCC a one-off interest-free loan, up to a designated amount, that LCCC will be able to use to cover any shortfall in funds to make payments to CFD Generators this Quarterly Obligation Period (Q2).

Full details of today's LCCC Stakeholder Bulletin are available on the [LCCC website](#).

What activities will BEIS now undertake?

BEIS will consult on its intention to amend the [Contracts for Difference \(Electricity Supplier Obligations\) Regulations 2014](#) in order to avoid the additional amounts being recovered from Suppliers in the July Quarterly Reconciliation (thereby reducing Suppliers' liability for CFD payments this quarter by the amount of the loan provided), and giving LCCC the ability to recover this amount from Suppliers in Q1 of 2021.

How will this Quarterly Obligation Period work?

To avoid additional burdens on Suppliers in the short term the ILR and Total Reserve Amount (TRA) remain unchanged. LCCC will use the combination of the ILR, TRA and BEIS loan and this is expected to cover the payments to CFD Generators.

Should it become clear the additional funds required exceed the designated amount of the loan, then increases to the ILR and TRA may still be necessary. Both LCCC and BEIS wish to avoid this situation; demand will be closely monitored, and any changes clearly communicated.

LCCC will publish updated online tracking as part of its CFD dashboards, which will include regularly updated actuals and forward estimates of the amount of Q2 TRA to be used, the likely amount of the loan to be drawn down, and any potential quarterly reconciliation amounts due in July, as we progress through the quarter.

LCCC have confirmed the likelihood is the TRA for Q2 will need to be drawn upon and therefore Suppliers should be ready to fund their Reserve Payments for Q3 which will be invoiced on **9 July 2020** as part of the Quarterly Reconciliation. Suppliers should also be aware that if, following consultation, BEIS does not change regulations, the reconciliation payment due at the start of Q3 would include the amount of any BEIS loan that had been used to make CFD payments relating to Q2.

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What are my requirements against Interim Rate payments and Credit Cover?

Suppliers must make **Interim Rate payments** and provide **Credit Cover** if they supply electricity within the Quarterly Obligation Period.

Suppliers are required to maintain their Credit Cover requirement using the ILR applicable for the Quarterly Obligation Period. If Suppliers need to lodge additional Credit Cover the process is detailed within [WP42 – Supplier CFD Credit Cover](#) and [G5-Supplier CFD Credit Cover](#) available on the EMRS website.

What are the published ILR and TRA for Q2 and Q3?

Published ILR and TRA for Q2 and Q3 are set out below for ease of reference.

Quarterly Obligation Period – 1 April to 30 June 2020 (Q2)	Quarterly Obligation Period – 1 July to 30 September 2020 (Q3)
Interim Levy Rate	Interim Levy Rate
£7.469/MWh	£8.532/MWh

Quarterly Obligation Period – 1 April to 30 June 2020 (Q2)	Quarterly Obligation Period – 1 July to 30 September 2020 (Q3)
Total Reserve Amount	Total Reserve Amount
£78,339,427.23	£77,016,653.44

The ILR for Q3 was set based on normal demand and expected market prices at the date the levy was set (rather than the reduced demand and lower market prices currently being experienced). We will therefore be keeping the ILR and TRA for Q3 under review.

Key Payment Figures Document also provides details of the ILR and the TRA for the Quarterly Obligation Periods. This is available on the [Settlement Data](#) webpage on the EMRS website.

Register for the LCCC’s Forecasting Team Webinar

LCCC’s Forecasting team will be hosting a webinar on the ILR and TRA on **27 April 2020**, which will provide Suppliers with an opportunity to understand the following:

- Modelling behind the projected shortfall in levy funds in Q2
- How the levy was determined for Q3?
- How we will be tracking use of the Q2 TRA and loan facility?

To register for this webinar please register via [Eventbrite](#).

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Who do I contact if I have a query?

Contact	Query Topic	Telephone	Email
EMRS	Reserve Payment, Total Reserve Amount & Interim Levy Rate Notice, Quarterly Supplier Reconciliation Invoice, and Credit Cover	020 7380 4333	contact@emrsettlement.co.uk
LCCC	Calculation of the Total Reserve Amount and Interim Levy Rate	020 7211 8881	forecasting@lowcarboncontracts.uk
LCCC	General queries about LCCC or the management of the CFD scheme	020 7211 8881	info@lowcarboncontracts.uk