LOW CARBON CONTRACTS COMPANY

Electricity Settlements Company

In conversation with: Analytics

We will start the call at 10.02 to allow people to finish previous calls.

23 October 2024

WELCOME

- Thank you for joining us today
- Your insight and feedback is critical
- Please engage and ask any questions

Chiwi Nwokenna

Head of Analytics

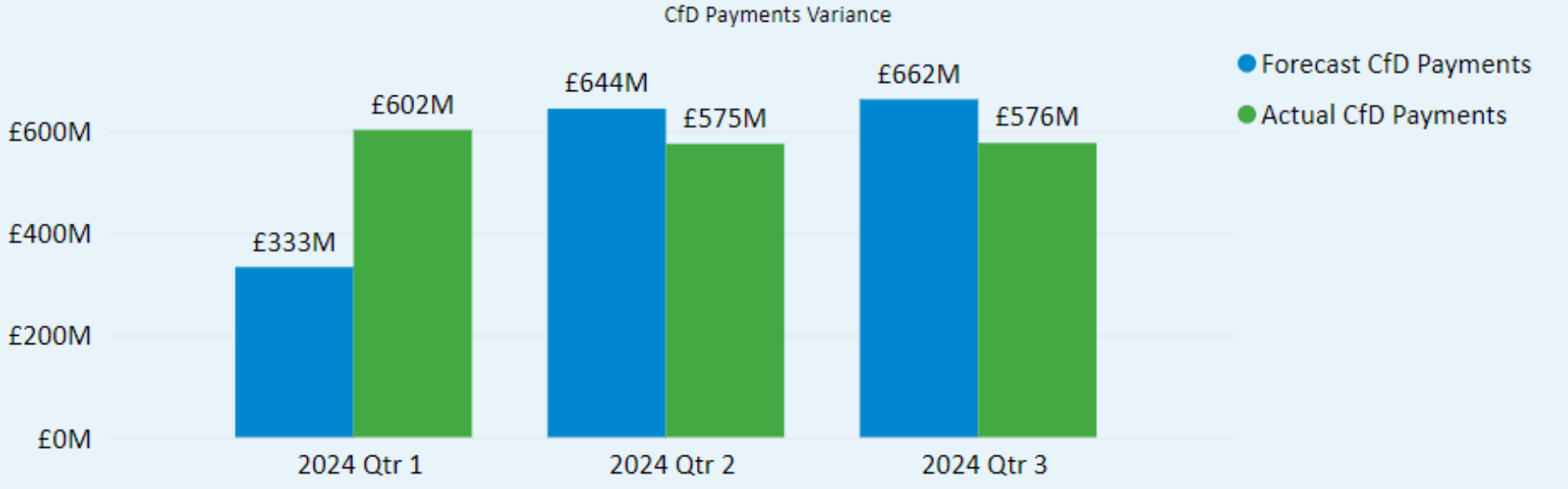
AGENDA

1. Logistics
2. Q3 Review
3. Q4 & Q1 25 Outlook
4. Data portal and Dashboard updates
5. Nuclear RAB forecasting
6. Q&A

Quarter 3 Review

CfD payments variance

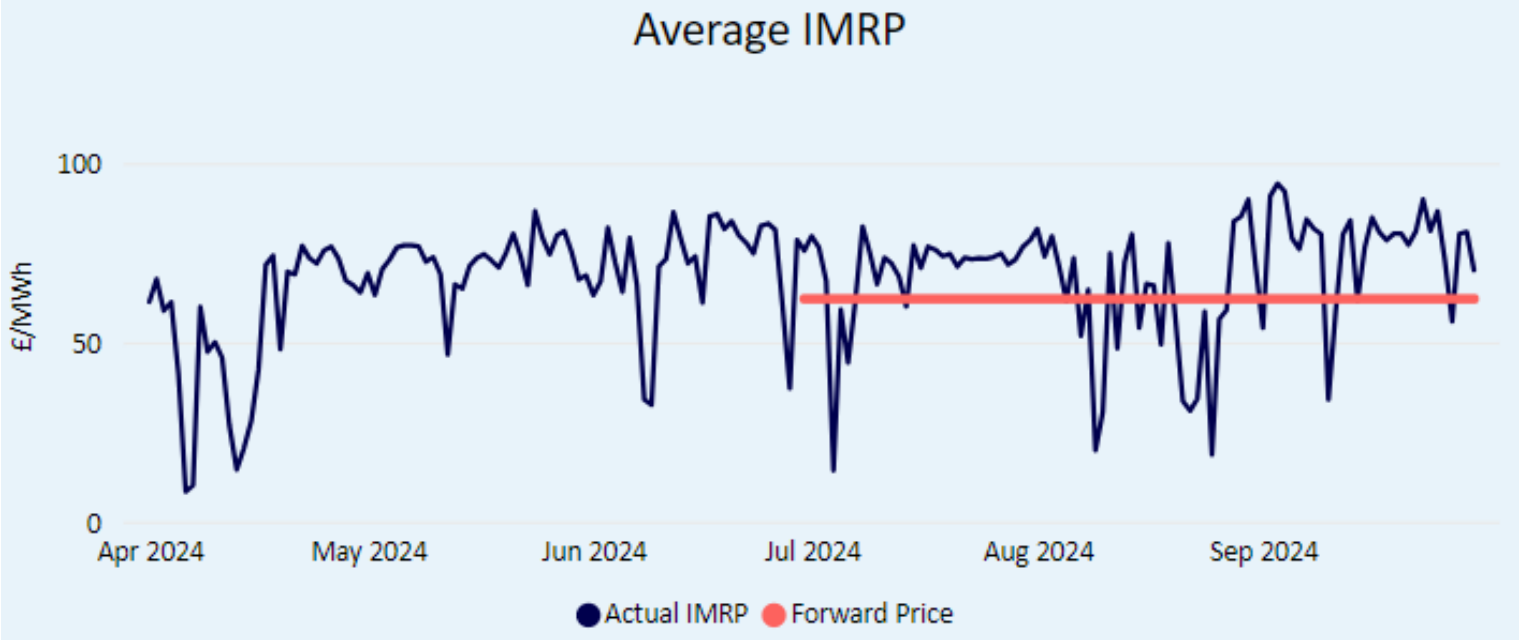
The 13% variance in CfD payments over quarter 3 was attributed to - wholesale prices out-turning higher than expected, CfD strike prices increasing less than forecasted and lower than expected generation.



IMRP

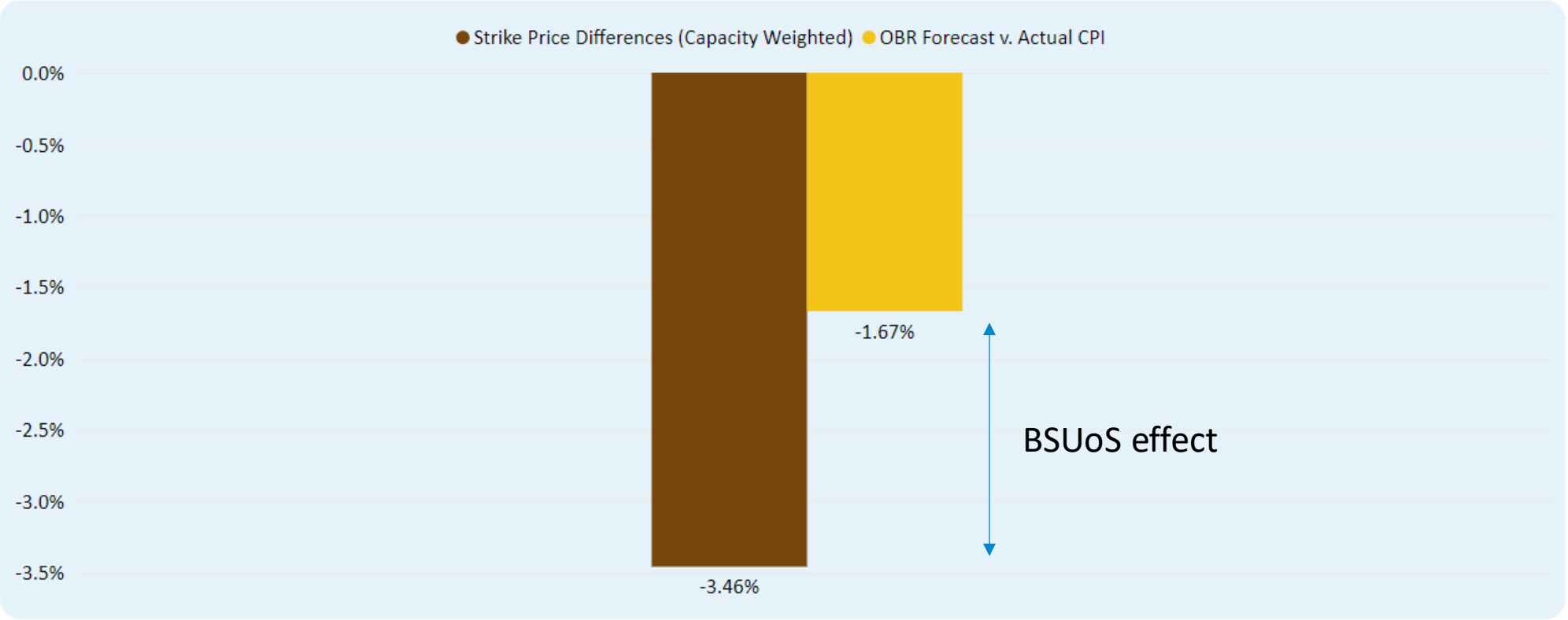
The red line is the quarter ahead price when the determination was made in February 2024 (£62.25/MWh).

Actual IMRP out-turned above this level for most of the quarter, with an average of (£68.12/MWh).



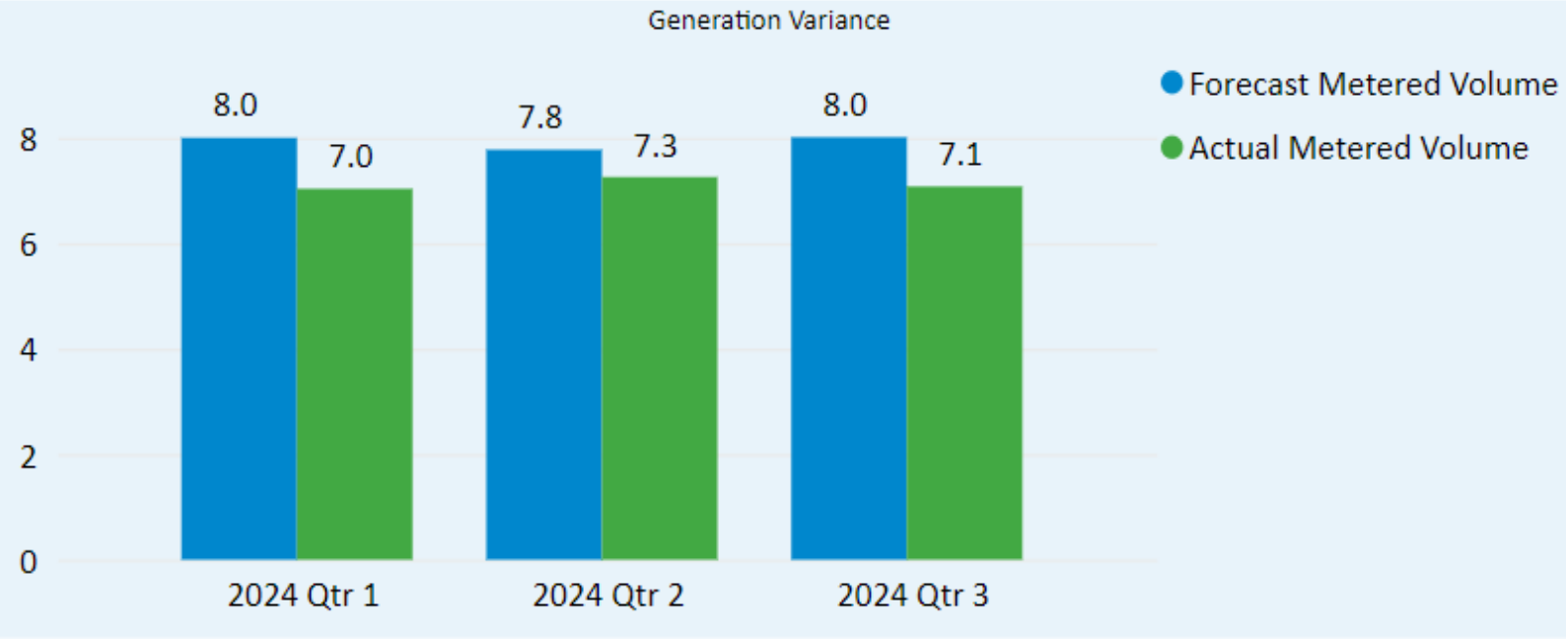
Strike price inflation

- The actual January CPI was lower than the OBR estimate we had used
- Certain plants had the BSUoS element of their strike price removed
- Lower strike prices led to lower difference payments



CfD generation variance

Most of the variance in CfD generation arises from lower-than-expected wind.



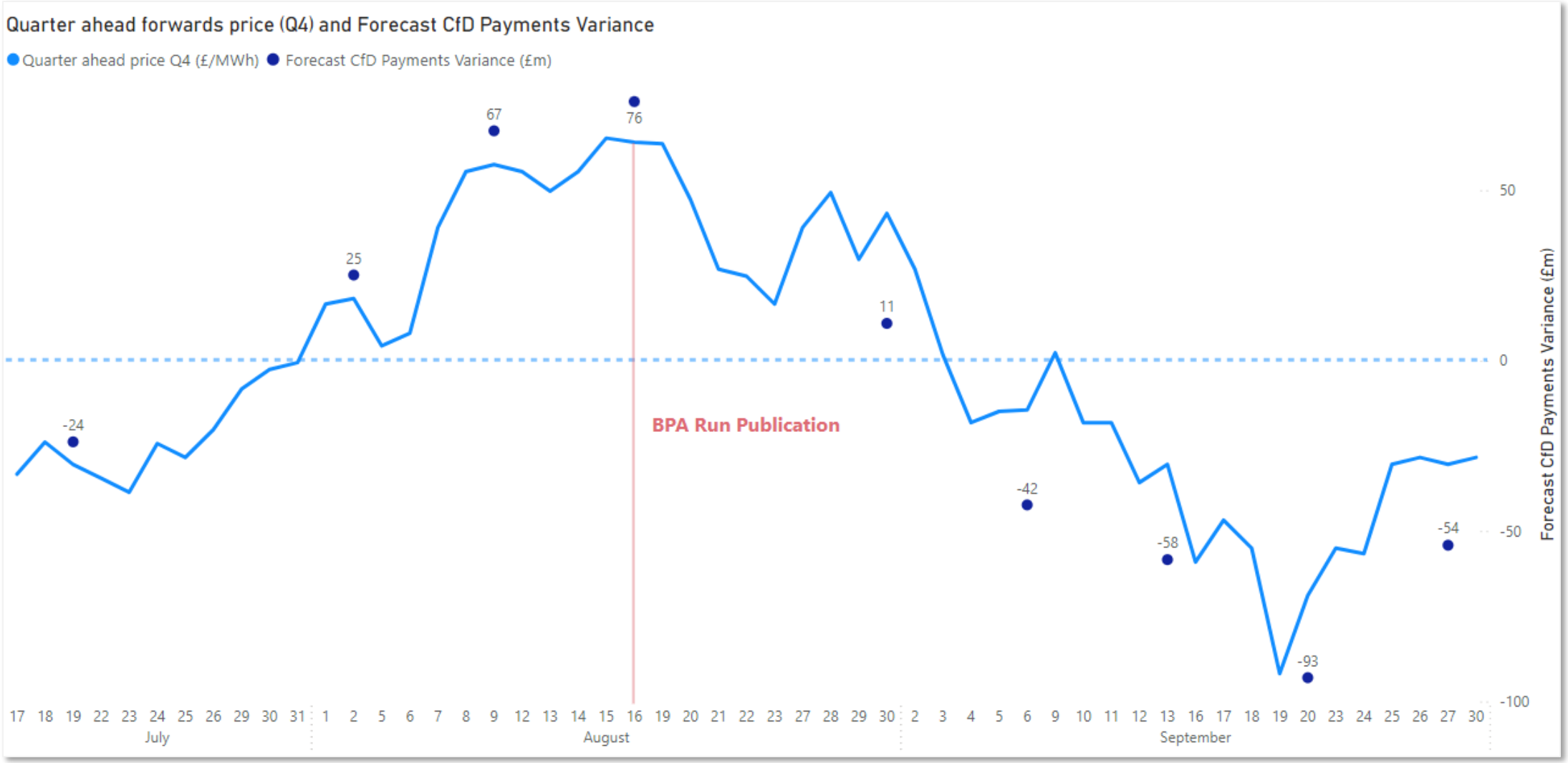
2024 Quarter 4 outlook

2024 Quarter 4

- Prices have fallen by ~ 7%
- Sufficient TRA to cover potential under collection

Market reference date	Forward price (£/MWh)	Interim levy rate (£/MWh)	Total reserve amount (£m)
30 May 2024	92.60	8.750	387.0

2024 Quarter 4



2025 Quarter 1

Forecast assumptions

Start Dates:	These may differ from what is published in the CfD register
Baseload Market Reference Price (BMRP):	The forecast BMRP was fairly certain as we already five months of prices at determination
Intermittent Market Reference Price (IMRP):	The IMRP carries a high degree of uncertainty and has a greater impact on cost variation.
Electricity demand:	An EII forecast of 11.94 TWh/year was used for the Q1 2025 determination.

End of Q1 portfolio

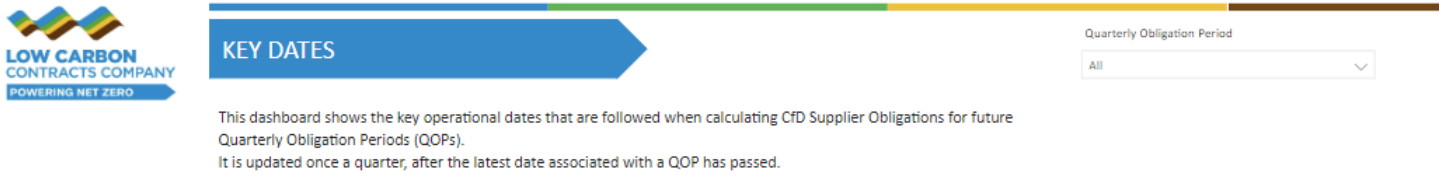
- **Offshore wind** 7825 MW
- **Onshore wind** 679 MW
- **Solar** 457 MW
- **Biomass Conversion** 1052 MW
- **Dedicated Biomass with CHP** 288 MW
- **Energy from Waste with CHP** 45 MW
- **Advanced Conversion Technologies** 25 MW

Total: 10,371 MW

Supplier obligation 1 January 2025 – 31 March 2025

The determined values for Quarter 1 2025 were published on 17 September 2024
If an adjustment is required before the start of the quarter, it will be published on 15 November 2024, as set out in our Key Dates dashboard.

	Interim Levy Rate (£/MWh)	Total Reserve Amount(£)
Q1 2025	**7.608**	**£369,958,541.78**



Quarterly Obligation Period	Determination run - Market date	Determination run - Market date announcement	Determination run - Publication	BPA run - Market date	BPA run - Publication
2025 Q1	29/08/2024	09/09/2024	17/09/2024	29/10/2024	15/11/2024
2025 Q2	28/11/2024	09/12/2024	17/12/2024	29/01/2025	17/02/2025
2025 Q3	27/02/2025	10/03/2025	18/03/2025	28/04/2025	16/05/2025
2025 Q4	29/05/2025	09/06/2025	17/06/2025	30/07/2025	18/08/2025
2026 Q1	28/08/2025	08/09/2025	16/09/2025	29/10/2025	17/11/2025
2026 Q2	27/11/2025	08/12/2025	16/12/2025	29/01/2026	17/02/2026
2026 Q3	26/02/2026	09/03/2026	17/03/2026	28/04/2026	18/05/2026
2026 Q4	28/05/2026	08/06/2026	16/06/2026	30/07/2026	18/08/2026

Two year forecast

Our two year forecast covers six subsequent quarters.

It considers a base case, a high case and a low case:

The high case simulated a decrease of 34% in market prices compared with the base case and generation start dates on or before the base case dates.

The low case simulated an increase of 51% in market prices compared with the base case and generation start dates on or after the base case dates.

The details are in our Two year Forecast dashboard.

Data Portal and Dashboard updates

Newly published data and forecasting methodology

- 2 new columns in historic advanced forecast dataset
  - Forecast Generation
  - Forecast Capacity
- Published CfD forecasting methodology

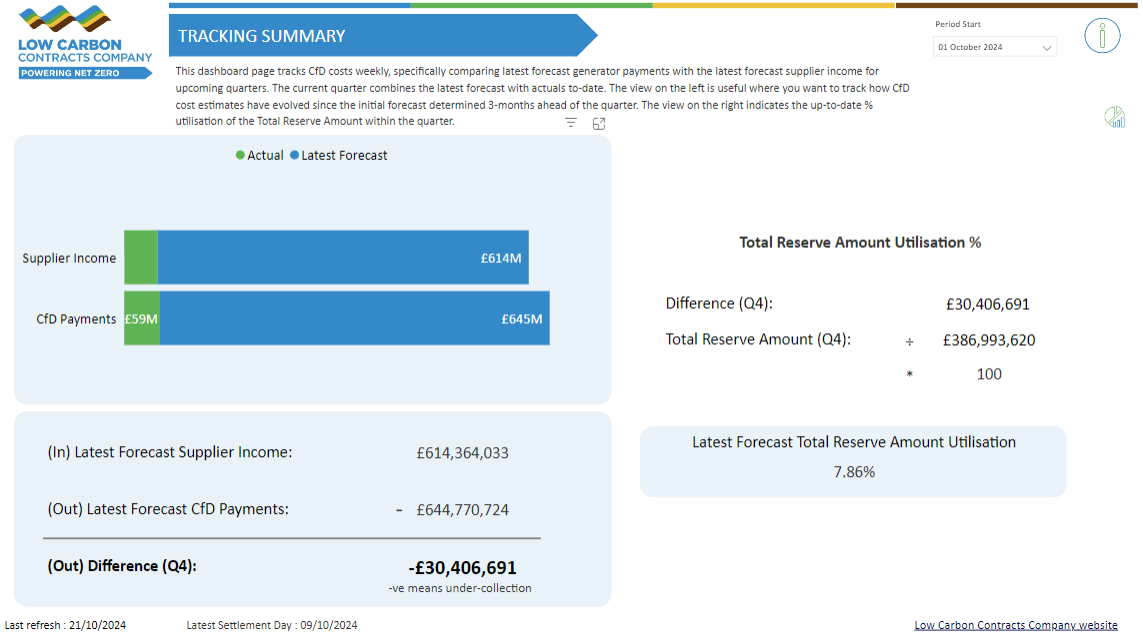
[Low Carbon Contracts (LCCC) Levy Forecasting Methodology - Low Carbon Contracts]

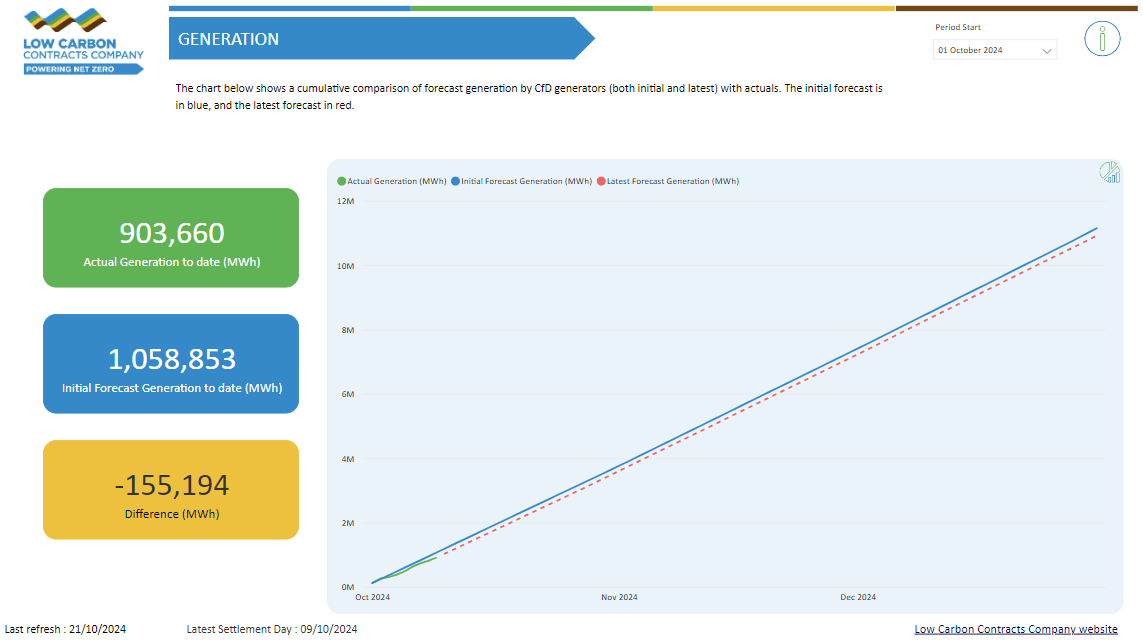
Additional Info

Field	Value
Last Updated	1 October 2024, 15:31 (UTC+01:00)
Created	17 October 2023, 17:00 (UTC+01:00)
Forecast CfD Capacity (MW)	The total forecast maximum capacity of the active CfD portfolio at the end of the Quarterly Obligation Period
Forecast CfD Generation (MWh)	The total generation forecast for the CfD portfolio for the Quarterly Obligation Period, adjusted by TLM, RQM and CHPQM
Forecast CfD payments	The CfD payments which are expected to be paid to the generators based on the generation volume
Forecast Month	The month and year of the forecast
Interim Levy Rate	Under the Supplier Obligation Levy, electricity suppliers make pre-payments consisting of a unit cost fixed Interim Levy Rate, charged at a daily £/MWh rate to fund the cost of CfD generation payments. The Interim Levy Rate is set by LCCC every quarter, one quarter in advance, based on an estimate of the payments that will need to be made in respect of CfD generation in that quarter.
Market Price Multiplier	The power market prices increase/decrease assumed over the period covered by the advanced forecast.
Period End	End Date of the respective Quarterly Obligation Period
Period Start	Start Date of the respective Quarterly Obligation Period
Quarterly Obligation Period	A period of 3 months commencing after 31st March 2015 on 1st April, 1st July, 1st October or 1st January in any period of 12 months
Sensitivity	Base Case/ Low Case/High Case
Total Reserve Amount	The amount LCCC determines is needed for there to be a 19 in 20 probability of it being able to make all the CfD generation payments required during that quarter, having regard to: a)the amount of Interim Levy Rate payments which it expects to collect from suppliers during the quarter; b)the likelihood of any supplier failing to make payments during the quarter; and c)the estimated income to be received by the company from CfD generators in the quarter, the estimated amount of electricity to be supplied by suppliers in the quarter and the estimated amount the company will need in the quarter to pay CfD generators.

ELFO data

- All dashboards and data sets are now using ELFO (our in-house forecasting model) data
- Revamp of tracking dashboard and adding generation variance tracking





Future improvements

- Renaming advanced forecast datasets to Two Year forecast to match dashboard (Q4 2024)
- We are planning to publish an hourly IMRP dataset, will allow capture prices to be calculated (Q4 2024)
- Will start publishing capture price performance in the tracking dashboard (Q1 2025)
- We will remove our redundant dashboards (Nov 2024)

Enhancing Engagement

You said

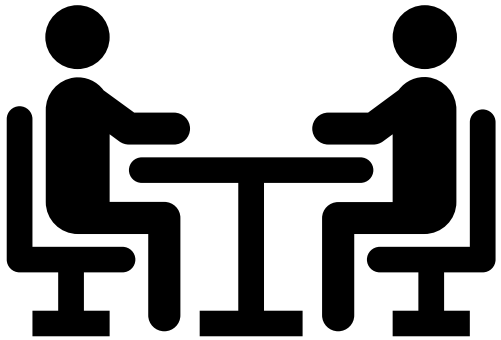
Feedback from Supplier Forum 2024:

Request: 1-2-1 sessions with the relevant team

Purpose: Dive deeper into various topics in confidence

Proposing **1-2-1** Appointments

We did



Register For Slots: We will send out an email in the coming weeks to register for appointments or directly contact us via email

1-2-1 Teams meetings: Reserve time slots for thorough discussions with a member of our team

Direct Engagement: Engage directly with our team members

Comprehensive Topic Coverage: Explore a diverse range of topics during your appointments, addressing your specific areas of interest and concern.

Nuclear RAB forecasting

Nuclear RAB and LCCC: Key points

The amount that we will be paying is a fixed amount for the year and the amount is set by Ofgem
We will attempt to recover this equally across quarters
We have no visibility of what it is going to be other than the information we receive
Payments will be made to the generator monthly

The structure for collecting payments from suppliers is similar to the CfD, with an ILR which is based on electricity supply volumes excluding qualifying supply to EII customers and charged daily
There is a different ILR/TRA for each quarter
Credit cover is charged the same way as the CfD
The obligation period is calendar quarters with a quarterly reconciliation just after the start of the next quarter.

We expect outturns to be consistently closer to forecasts than for CfDs

There are details on our website About the RAB Scheme - Low Carbon Contracts and there will be further communications about the Nuclear RAB Supplier Obligation coming soon

Comparing and contrasting schemes

Similarities with CfD

- Both have an ILR and TRA that work identically
- The quarterly reconciliation also works the same way
- We accrue payments from suppliers on the supply date and receive them 12 working days after
- Notice of adjustments to the ILR or TRA will follow the same timescale as with the CfD
- The forecast demand will be set using the same framework as it is for the CfD

Differences from CfD

- The ILR is determined solely by forecast demand and so there is more certainty in forecasting
- We expect a lower TRA compared with total collection amounts in a quarter
- The post-QOP forecast will follow regulations but may be limited by the available data from Ofgem
- Determinations will be published at least thirty days before the start of the quarter
- *Any* ILR changes can only occur as the start of a month
- The collection amount is to pay the monthly payments for the quarter
- Payment to the generator are ‘accrued’ on the last day of each quarter and paid on the same basis as collection from suppliers

ANY QUESTIONS?

Get in touch

If you have any feedback or suggestions on how can improve our future webinars, please send them our way

info@lowcarboncontracts.uk

www.lowcarboncontracts.uk